

CITY OF TWO HARBORS

April 24, 2023

5:00 p.m. Call to order.

Appearances:

1. Tara Solem, Lake County SWCD
Re: Proposed Stormwater Project near Agate Bay.

Administrator updates.

Attorney updates.

City Clerk/HR updates.

Finance Director updates.

City Engineer updates.

Other agenda questions or additions.

TWO HARBORS CITY COUNCIL

AGENDA

April 24, 2023

6:00 P.M. Call to order regular meeting of the City Council of the City of Two Harbors.

Roll call:

Pledge of Allegiance:

Additions or Changes to the Agenda:

[M] Approval of the Agenda.

Items may be added to the agenda prior to approval of the agenda. Items brought forth once the agenda has been approved shall be referred to administration and/or committee.

Administration of Oath of Office of Mayor, Lew Conner.

Presentation of Police Department Commendations for life saving to Officers Colin Stein and Sean Jones.

[M] *Adjourning regular meeting and calling to order a public hearing regarding the 2023 Sidewalk Improvement Project.*

Appearances: 1. *Miranda Pietila, Finance Director*
Re: 2023 Sidewalk Improvement Project.

2. *Other.*

Communications:

[M] *Adjourning the public hearing and reconvening the regular meeting of the Two Harbors City Council.*

Appearances:

1. Lee Senst, re: application to join the Planning Commission.
2. Andrew Grice, KDV, re: 2022 Audit.
3. Jose Olson, MnDOT, re: Highway 61 Project.
4. Jolene Brink, 814 9th Avenue, re: Grant application for Citizens Institute on Rural Design for waterfront planning.

5. Jenna Udenberg, 505 First Avenue, re: discontinuing zoom choices.
6. Fran Kaliher, 3454 Drummond Grade, re: Cable Commission Recommendations.
7. Kitty Mayo, Lake County Press, re: discontinuing zoom connections.

Administrative Reports:

Committee Reports:

Public Works Committee
Finance Committee
Planning Commission
Utilities Committee
Edna G. Commission
Public Affairs Committee
Personnel Committee
Other.

[R] **Approving the Consent Agenda Items:**

Items listed on the Consent Agenda are routine in nature and typically do not require discussion. If there is an item on the consent agenda that a councilmember feels warrants discussion, it should be removed from the consent agenda and dealt with individually.

1. Allowing claims against the City of Two Harbors to be paid on April 25, 2023.
2. Approving payroll for the first half of April, 2023.
3. Authorizing payment to Lake County Highway Department for tree removal for the 2023 – 2024 Street Improvement Project.
4. Authorizing payment to Lake County in the amount of \$6,908.48, for election services, supplies and staff time.
5. Authorizing the purchase of a CAT Model 930 M Wheel Loader from Ziegler for an amount of \$230,654.68, after trade-in of a 2011 CAT loader, and a snow blower attachment for an amount of \$68,600.
6. Consider approving the recommendation of the Utilities Committee to authorize the Finance Director to work with Linda Hedin on a deferral for the 2023 Street Assessment payment.

7. Accepting the recommendation of the Trees & Trails Commission to approve the request of Todd Ronning to plant trees on the lake side of Lighthouse Point.
8. Consider the recommendation of the Personnel Committee to approve the position description for the Parks, Grounds and Building Maintenance position in Public Works.
- 8a. Consider the recommendation of the Personnel Committee to authorize internal and external postings for the position if Parks, Grounds and Building Maintenance.
9. Approving the recommendation of the Personnel Committee to adopt the position description for the Administrative Assistant/Deputy City Clerk position.
10. Authorizing internal and external postings for the position of Administrative Assistant/Deputy Clerk.
11. Approving the recommendation of the Personnel Committee to authorize the City Administrative Staff to work with the City Attorney to negotiate a contract with Audacity Human Resources to provide contractual human resources services for the City.
12. Approving the recommendation of the Cable Commission to request that the City Attorney draft revisions to the Independent Contractor Agreement for City of Two Harbors Public Access Coordinator and Camera Operator to reduce the maximum hours without written approval from 30 to 25 hours per week for a period of six months and also to extend the term of the agreement from four months to one year.
13. Approving the recommendation of the Cable Commission to request that the City Attorney review the Zito Franchise Agreement for potential compliance issues.
14. Ordering the improvement for the 2023 Sidewalk Improvement Project.
15. Consider receiving quotes and approving the award of contract for the 2023 Sidewalk Improvement Project.
16. Approving the internal transfer from the General Fund to the Permanent Fund in the amount of \$385,700 for future development projects.
17. Approving an internal transfer from the General Fund to the Capital Equipment Fund in the amount of \$300,000 for future Governmental Capital projects.
18. Accepting the Gertrude a. Freeman Revocable Trust specific bequest.
19. Accepting the proposal of Cavallin Funeral Home to replace certain concrete bases and reinstall certain stones at the cemetery for an amount of \$6,500.
20. Authorizing the execution of a MNDOT Transportation Grant agreement for the snowblower attachment at the Airport.

Communications:

1. An email from Mark Cullen, 805 Tenth Avenue, expressing displeasure with the public hearing process and removal of trees and declaring that he is not in favor of the 2023 Sidewalk Improvement Project.
2. A letter from Jolene Brink, 814 9th Avenue, regarding an application for a National Endowment for the Arts program called Citizens' Institute on Rural Design.

Unfinished Business:

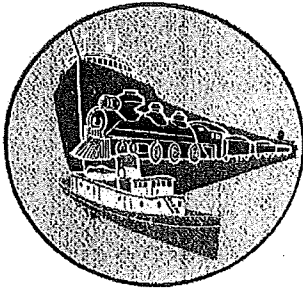
Other.

New Business:

1. [R] Consider the recommendation of the Finance Committee to authorize a utility rate study for the electric utility; or the recommendation of the Utilities Committee to authorize a utility rate study for the electric and gas utilities.
2. [R] Consider the recommendation of the Cable Commission to establish a programming advisory panel for Two Harbors Public Access and Video On-Demand.
3. [M] Consider the recommendation of the Cable Commission to discontinue Zoom connections for all City Council, Committee, Board and Commission meetings unless there is a scheduled appearance or member who is unable to attend in person.
4. [R] Consider updating signing and key executive authority for the City of Two Harbors bank accounts.
5. [R] Consider approving the 2022 Audited Financial Statements for the City of Two Harbors.

Other.

Adjourn:



City of Two Harbors
522 1st Avenue
Two Harbors, MN 55616

Application to Join a City of Two Harbors Committee or Commission

Date: 4/7/2030

Name of Committee(s)/Commission(s) you are interested in joining:

Planning & Zoning

Full Legal Name: Lee Sensst

Spouse's Name: Becky Sensst

Address: 512 17th Ave Two Harbors, MN

Place of Employment: St. Lukes / Self

Do you reside in the 55616 zip code: Yes since birth

Phone: 718 390 7204

Email: lpensst@msn.com

How did you hear about the Committee(s)/Commission(s) you are applying to join?

city web site

Why would you like to join the Committee(s)/Commission(s) you are applying to join?

I am a licensed MN Building Contractor. This committee directly affect projects I could be working on. I sat on this board for many years and after being off for around four years I am interested in the changes that have been made since & look forward to helping TH grow

Please submit completed application to Two Harbors City Hall

App. 1

4/24/23

**City of Two Harbors
Lake County, Minnesota**

Basic Financial Statements

December 31, 2022

App. 2 4/24/23

**City of Two Harbors
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**City of Two Harbors
Elected Officials
December 31, 2022**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Robin Glaser	Alderman At-Large	December 31, 2024
Jackie Rennwald	Alderman At-Large	December 31, 2022
Miles Woodruff	Alderman First Ward	December 31, 2022
Benjamin Redden	Acting Mayor, Alderman Second Ward	December 31, 2022
Catherine Erickson	Alderman Third Ward	December 31, 2024
Derrick Passe	Alderman Fourth Ward	December 31, 2024

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Two Harbors
Two Harbors, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Two Harbors, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise City of Two Harbors' basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Two Harbors, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 City of Two Harbors and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Two Harbors' ability to continue as a going concern for one year 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Two Harbors' 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 City of Two Harbors' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Two Harbors' basic financial statements. The supplementary information as presented in table of contents and the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 17, 2023, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BerganKDV, Ltd.

Minneapolis, Minnesota
April 17, 2023

City of Two Harbors Management's Discussion and Analysis

Management of the City of Two Harbors (the "City") has prepared this narrative and analysis of the financial activities of the City for the year ended December 31, 2022, to assist users of this report to gain a better understanding of the City's financial health and history. The information presented in this section should be considered in conjunction with that presented in the notes to financial statements.

FINANCIAL HIGHLIGHTS

- The total net position of the city was \$67,456,713 as of December 31, 2022. The net position of the governmental activities was \$15,531,824. The net position of the business-type activities was \$51,924,889.
- The City's governmental funds reported a total combined ending fund balance of \$9,107,713, an increase of \$448,103 from 2021.
- The General Fund unassigned fund balance was \$2,674,259 or 63.7% of total General Fund expenditures for 2022, compared to \$1,986,064 or 51.6% for 2021.
- The Proprietary Fund unrestricted net position was \$18,369,490 or 319% of total Proprietary Fund operating expenses for 2022, compared to \$17,048,812, or 306% of the same for 2021.
- The City's total debt increased by \$10,489 during the current year. New debt issuances included \$811,340 for the Wastewater Treatment Plant Project, the debt issuance was offset by principal payments made in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

City of Two Harbors Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the city include general government, public safety, public works, culture and recreation, health and welfare, economic development, and airport. The business-type activities of the city include water, sewer, electric, gas, municipal liquor, stormwater and the campground.

The government-wide financial statements include the City and its two component units, Two Harbors Development Fund and the Two Harbors Economic Development Authority.

The government-wide financial statements can be found on pages 19-21 of this report.

FUND FINANCIAL STATEMENTS

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

Governmental Funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements.

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

City of Two Harbors Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued)

The City maintains fifteen individual governmental funds. Of these funds, three are major funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Golf Fund and the Street Improvement Fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in Supplementary Information section of this report beginning on page 95.

The City adopts an annual appropriated budget for its General Fund and Golf Fund. A budgetary comparison statement has been provided for the General Fund and Golf Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 22-29 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, gas, municipal liquor, stormwater, and campground.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds' financial statements provide separate information for the water, sewer, electric, gas, municipal liquor, stormwater, and campground, all of which are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 30-35 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The City maintains one private purpose trust fund. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on page 36 of this report.

NOTES TO FINANCIAL STATEMENTS

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 37-74 of this report.

City of Two Harbors Management's Discussion and Analysis

REQUIRED SUPPLEMENTAL INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The required supplemental information can be found on pages 76-91 of this report.

The combining statements referred to earlier, in connection with non-major governmental funds and internal service funds, are presented immediately following the required supplemental information beginning on page 95.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,456,713 at the close of the year.

Of the City's total net position, 36% is unrestricted, 2% is restricted, and another 62% reflects the City's investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The city uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. A portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$24,419,357) may be used to meet the government's ongoing obligations to citizens and creditors.

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**City of Two Harbors
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Net Position (continued)

The following table presents the primary government's net position as of December 31, 2022, with a comparison to 2021.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 11,225,668	\$ 10,270,761	\$ 26,113,664	\$ 22,398,443	\$ 37,339,332	\$ 32,669,204
Capital assets	15,023,627	15,627,341	41,843,451	28,618,178	56,867,078	44,245,519
Total assets	\$ 26,249,295	\$ 25,898,102	\$ 67,957,115	\$ 51,016,621	\$ 94,206,410	\$ 76,914,723
Deferred Outflows of Resources						
Related to OPEB	\$ 41,066	\$ 66,443	\$ 45,368	\$ 69,791	\$ 86,434	\$ 136,234
Related to fire relief pensions	97,823	106,573	-	-	97,823	106,573
Related to city pensions	2,019,239	1,251,797	709,180	782,841	2,728,419	2,034,638
Total deferred outflows of resources	\$ 2,158,128	\$ 1,424,813	\$ 754,548	\$ 852,632	\$ 2,912,676	\$ 2,277,445
Liabilities						
Long-term liabilities outstanding	\$ 11,790,666	\$ 9,905,126	\$ 12,153,313	\$ 3,003,121	\$ 23,943,979	\$ 12,908,247
Other liabilities	842,058	765,693	4,590,541	11,286,756	5,432,599	12,052,449
Total liabilities	\$ 12,632,724	\$ 10,670,819	\$ 16,743,854	\$ 14,289,877	\$ 29,376,578	\$ 24,960,696
Deferred Inflows of Resources						
Related to leases	\$ 6,609	\$ -	\$ -	\$ -	\$ 6,609	\$ -
Related to fire relief pensions	172,586	156,986	-	-	172,586	156,986
Related to city pensions	63,680	1,700,259	42,920	1,029,721	106,600	2,729,980
Total deferred inflows of resources	\$ 242,875	\$ 1,857,245	\$ 42,920	\$ 1,029,721	\$ 285,795	\$ 2,886,966
Net Position						
Net investment in capital assets	\$ 8,419,930	\$ 8,808,537	\$ 33,189,564	\$ 19,236,218	\$ 41,609,494	\$ 28,044,755
Restricted	1,062,027	2,013,955	365,835	264,625	1,427,862	2,278,580
Unrestricted	6,049,867	3,972,359	18,369,490	17,048,812	24,419,357	21,021,171
Total net position	\$ 15,531,824	\$ 14,794,851	\$ 51,924,889	\$ 36,549,655	\$ 67,456,713	\$ 51,344,506

The City's total net position increased by \$16,112,207 in 2022, and total assets increased \$17,291,687. This can be attributed to an increase in capital projects in 2022. The 2021-2022 Street Improvement Project completed construction in Fall 2022, project costs were \$807,100 in 2022. The Wastewater Treatment Plant project had its first full year of construction in 2022, total project costs were \$12,262,450 in 2022, this is a \$33.5 million project to be completed in 2024. Total liabilities increased \$4,415,882 mostly attributable to an increase in net pension liability of \$3,550,588 in comparison to 2021. Accounts payable and contracts payable increased \$1,730,040 due to the Wastewater Treatment Plant project.

City of Two Harbors Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Statement of Activities

To give users a better understanding of the sources and uses of the City's net position, the following table presents a summary of revenues, expenses, and changes in net position:

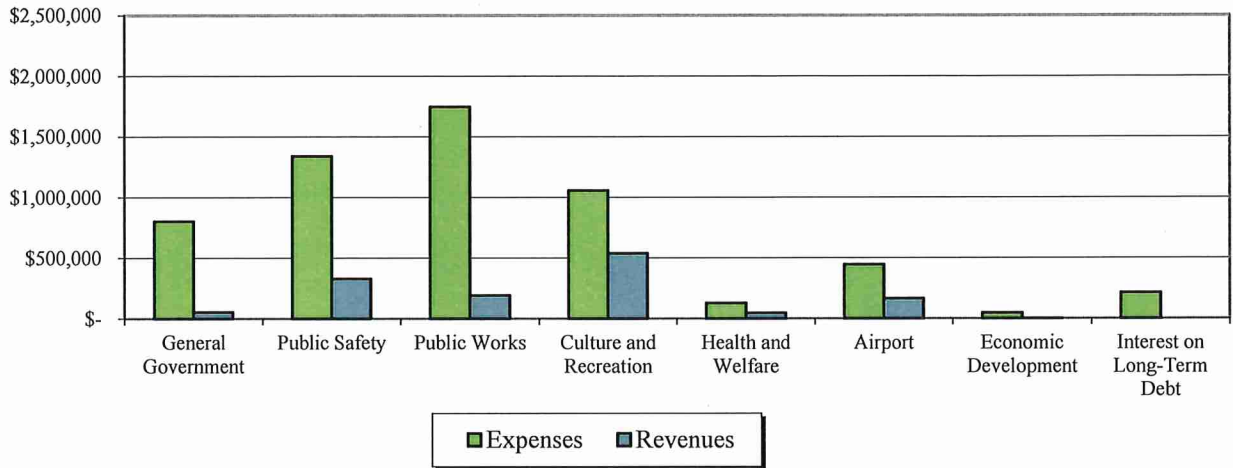
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program revenues						
Charges for services	\$ 880,581	\$ 935,374	\$ 14,667,854	\$ 14,663,297	\$ 15,548,435	\$ 15,598,671
Operating grants and contributions	381,805	288,647	-	21,900	381,805	310,547
Capital grants and contributions	789,229	89,859	14,008,550	14,102	14,797,779	103,961
General revenues						
Taxes	3,105,767	2,810,612	-	-	3,105,767	2,810,612
General state aids	2,628,395	2,356,846	9,434	2,609	2,637,829	2,359,455
Investment income	21,610	6,480	(89,752)	38,159	(68,142)	44,639
Other general revenue	68,812	61,625	-	-	68,812	61,625
Gain on sale of asset	-	-	-	7,204	-	7,204
Total revenues	7,876,199	6,549,443	28,596,086	14,747,271	36,472,285	21,296,714
Expenses						
General government	920,711	800,010	-	-	920,711	800,010
Public safety	1,662,223	1,344,829	-	-	1,662,223	1,344,829
Public works	3,157,807	1,738,178	-	-	3,157,807	1,738,178
Culture and recreation	1,006,772	1,055,366	-	-	1,006,772	1,055,366
Health and welfare	139,034	126,467	-	-	139,034	126,467
Airport	460,959	445,608	-	-	460,959	445,608
Economic development	167	45,434	-	-	167	45,434
Interest on long-term debt	142,991	209,628	-	-	142,991	209,628
Water	-	-	1,400,876	1,445,250	1,400,876	1,445,250
Sewage disposal	-	-	1,489,910	1,469,185	1,489,910	1,469,185
Electric	-	-	3,264,329	3,582,436	3,264,329	3,582,436
Gas	-	-	3,525,643	3,655,482	3,525,643	3,655,482
Liquor	-	-	2,754,984	2,783,030	2,754,984	2,783,030
Stormwater	-	-	60,573	94,032	60,573	94,032
Campground	-	-	373,099	387,515	373,099	387,515
Total expenses	7,490,664	5,765,520	12,869,414	13,416,930	20,360,078	19,182,450
Transfers	351,438	233,300	(351,438)	(233,300)	-	-
Change in net position	736,973	1,017,223	15,375,234	1,097,041	16,112,207	2,114,264
Net Position - Beginning	14,794,851	13,777,628	36,549,655	35,452,614	51,344,506	49,230,242
Net Position - Ending	<u>\$ 15,531,824</u>	<u>\$ 14,794,851</u>	<u>\$ 51,924,889</u>	<u>\$ 36,549,655</u>	<u>\$ 67,456,713</u>	<u>\$ 51,344,506</u>

**City of Two Harbors
Management's Discussion and Analysis**

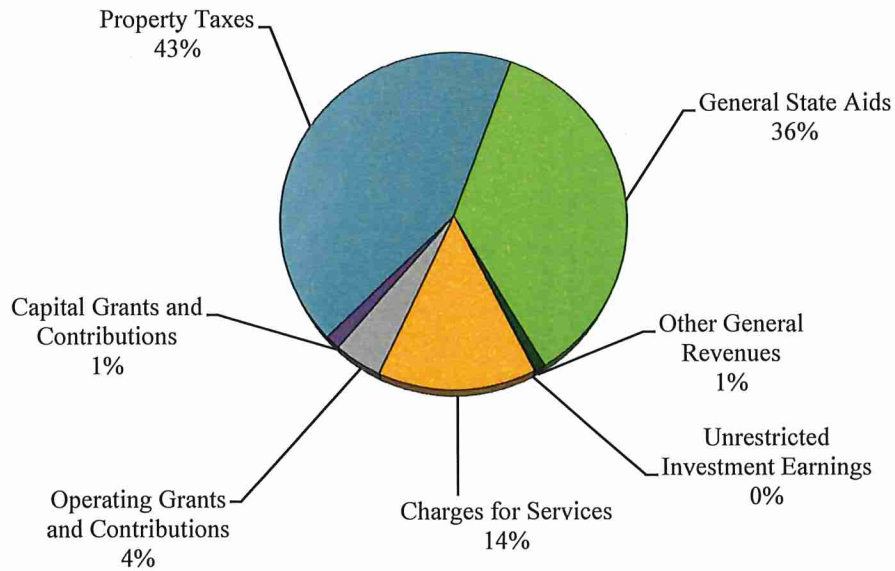
GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:

Expenses and Program Revenues - Governmental Activities



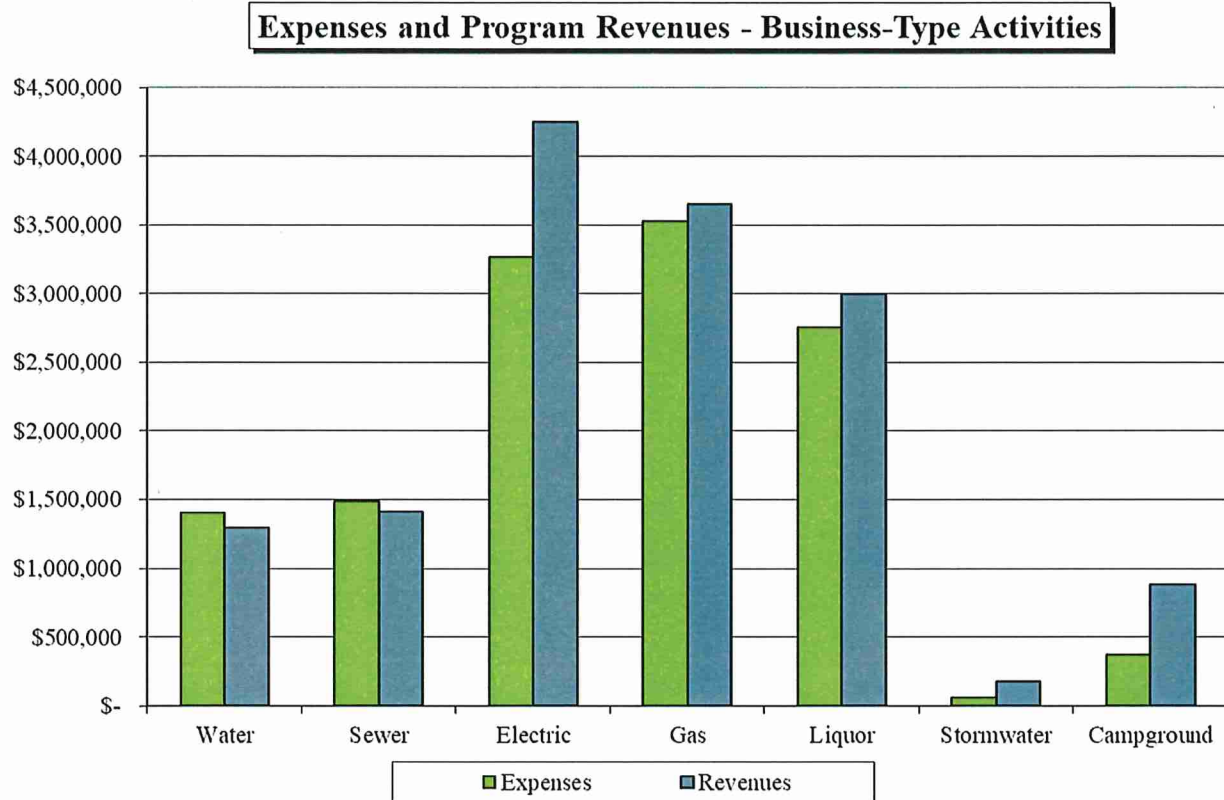
Revenues by Source - Governmental Activities



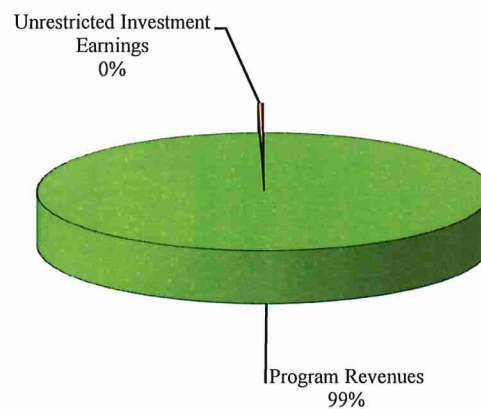
**City of Two Harbors
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Below are specific graphs which provide comparisons of the business-type activities revenues and expenses:



Revenues by Source - Business-Type Activities



City of Two Harbors Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities

The governmental activities increased the City's net position by \$736,973 compared to an increase of \$1,017,223 in 2021. Total governmental revenues increased by 20% from 2021 to 2022, total expenses increased by 30% over the same period. The increase in revenues is attributable mainly to capital grants and contributions.

Business-Type Activities

Business-type activities increased the City's net position by \$15,375,234 compared with an increase of \$1,097,041 in 2021. This can be attributed to the Wastewater Treatment Plant Project.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of 2022, the City's governmental funds reported a combined fund balance of \$9,107,713, an increase of \$448,103 in comparison with the prior year. The non-spendable, committed, assigned, and unassigned portion of the fund balance is \$6,969,520 or 76.5%, which is available for spending at the City's discretion. \$2,138,193 is restricted to indicate it is not available for new spending because it is only available for the purposes the legal constraints placed on the use of the resources.

The General Fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General Fund was \$2,674,259, and total fund balance was \$2,701,112. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 63.7% of total General Fund expenditures, while total fund balance represents 64.3% of that same amount. The General Fund increased \$694,477 and the key factors are discussed in the General Fund Budgetary Highlights.

The Street Improvement Fund was created in 2017 to track the expenditures related to the implementation of the Capital Improvement Plan. At the end of the current year, the assigned fund balance was \$1,427,009, this is a decrease of \$804,683 from prior year, attributed to the completion of the 2021-2022 Street Improvement Project in Fall 2022.

City of Two Harbors Management's Discussion and Analysis

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (CONTINUED)

Funding for the Street Improvement Fund is from G.O. Bonds, transfers from the General Fund and Sales Tax fund which was implemented on October 1, 2019, with the collection of .5% sales tax for the funding of the Street Improvement Projects.

Proprietary Funds

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

The proprietary funds reported combined net position of \$51,924,889. The net position increased by \$15,375,234 from last year's total of \$36,549,655. Net position consists of 63.9% investment in capital assets, 0.7% restricted per PFA guidelines for a Wastewater Replacement Fund and 35.4% unrestricted, or available for spending at the City's discretion. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The final budget called for a \$607 increase in fund balance, actual increase in fund balance was \$694,477. Actual revenues were \$409,299 more than budgeted. This is due to the recognition of the American Rescue Plan dollars in 2022, the city received \$385,657

The actual General Fund expenditures of \$4,392,480 were under budget by \$194,521 of the final budget of \$4,392,480. This can be mainly be attributed to Public Works staffing being down in 2022.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's total capital assets for its governmental and business-type activities as of December 31, 2022, were \$56,867,078 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, structures and improvements, and machinery and equipment, less any outstanding debt used to acquire the assets. The City's investment in capital assets for the current fiscal year included a 3.9% decrease in governmental activities and an increase of 46.2% in business-type activities.

Major capital asset events during the current year included the following:

- Construction completed for the 2021-2022 Street Improvement Project; the investment in capital assets for governmental activities decreased in 2022 due to the contributed capital of the Street Improvement Project for the water and sewer portion of the project.
- Construction for the \$33.5M Wastewater Treatment Plant project; the project is expected to be completed in 2024. \$12,262,439 was expended in 2022.
- The liquor fund purchased land and began design concepts for the liquor store project.

**City of Two Harbors
Management's Discussion and Analysis**

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)

The following table summarized capital assets for governmental and business-type activities for 2022 and 2021:

Capital Assets (Net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 310,514	\$ 310,514	\$ 1,890,248	\$ 1,620,666	\$ 2,200,762	\$ 1,931,180
Inexhaustible asset	281,528	281,528	-	-	281,528	281,528
Construction in progress	406,370	1,821,719	14,912,957	2,778,829	15,319,327	4,600,548
Buildings	2,697,241	2,625,348	9,358,807	9,591,509	12,056,048	12,216,857
Structures and improvements	9,193,542	8,551,949	15,216,665	14,057,281	24,410,207	22,609,230
Machinery and equipment	2,134,432	2,036,283	464,774	569,897	2,599,206	2,606,180
Total	<u>\$ 15,023,627</u>	<u>\$ 15,627,341</u>	<u>\$ 41,843,451</u>	<u>\$ 28,618,182</u>	<u>\$ 56,867,078</u>	<u>\$ 44,245,523</u>

Additional information on the City's capital assets can be found in Note 5 & 6.

Long-Term Debt

- The City's total debt outstanding as of December 31, 2022, was \$13,824,794. This amount decreased \$850,973 during 2022, new debt issuances included \$811,340 for the Wastewater Treatment Plant Project, the debt issuance was offset by principal payments made in 2022.

The city maintained an "AA-" rating from Standard & Poor's for its general obligation debt. Additional information on the City's Long-term debt can be found in Note 7 starting on page 53 of this report.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
General obligation bonds	\$ 6,390,000	\$ 6,585,000	\$ 555,000	\$ 585,000	\$ 6,945,000	\$ 7,170,000
Unamortized bond premium	213,697	233,805	16,597	18,062	230,294	251,867
General obligation revenue notes	-	-	7,460,840	7,253,900	7,460,840	7,253,900
Total	<u>\$ 6,603,697</u>	<u>\$ 6,818,805</u>	<u>\$ 8,032,437</u>	<u>\$ 7,856,962</u>	<u>\$ 14,636,134</u>	<u>\$ 14,675,767</u>

The city also includes its obligations for compensated absences in long-term debt, which is not included in the above information. Additional information on the City's long-term debt can be found in Note 7 of this report.

City of Two Harbors Management's Discussion and Analysis

HISTORICAL AND LONG-TERM FINANCIAL PLANNING

The City Council continues to take a long-term view on the City's finances. The following areas are those with the most significant impacts:

- The Council's consistent effort to eliminate the Golf Course fund balance deficit through regular annual subsidies have eliminated the deficit in 2021.
- In 2017 the City worked with Ehler's to create a ten-year Financial Management Plan. The use of the tools has assisted the city in planning for future capital improvements, operational changes, and management of general obligation debt. The model ties budget, levy, and tax information together to provide a complete financial picture.
- In 2016 the city adopted for the first time a 5-year Capital Improvement Plan for infrastructure, streets, and equipment. In 2021 the city added sidewalk and trail projects to the CIP to begin in 2021. This has become a valuable tool in looking at future budgetary forecasts.

Budget Outlook

The City's future financial outlook is stable.

- For 2023, the Council Adopted Budget for all City funds was \$53.3 million which represents a \$15.4 million or 40.6% increase from the 2022 Council Adopted Budget of \$37.9 million.
- At the same time, the Council adopted a 2023 property tax levy of \$2,473,920 which results in a 2.0% or \$49,375 increase, from the 2022 adopted property tax levy. As part of this budget, funds that have accumulated in various City funds due to a growing economy and fiscal restraint in prior years allows for utilization of fund balances, operating capital items and other one-time items.
- For 2023-2027, the five-year capital program totals \$66.7 million including all funding sources. The 2023 portion of the five-year capital program is \$28.3 million which includes year 3 of 4 of the Wastewater Treatment Plant Project, beginning the Water Chlorine Tank & PRV Station project, 2023-2024 Street Improvement Project and the Two Harbors Municipal Liquor Store Upgrade Project.
- The City also reviews the rates of the water, sewer, electric, sewer and storm water funds. As part of the process the City projects fund balances and capital improvements to each of the systems for the next ten years and identifies required changes to user and connection rates for each fund.

Employment

The unemployment rate for Lake County, where the city is located, is currently 6.0%, which is higher than the rate of 2.9% a year ago. This is higher than the national average unemployment rate of 3.3% and higher than the State's average unemployment rate of 3.2% for the same time period.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Two Harbors, 522 1st Avenue, Two Harbors, Minnesota 55616.

BASIC FINANCIAL STATEMENTS

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**City of Two Harbors
Statement of Net Position
December 31, 2022**

	Governmental Activities	Business-Type Activities	Total	Two Harbors Economic Development Authority
Assets				
Cash and investments (including cash equivalents)	\$ 9,210,268	\$ 22,959,405	\$ 32,169,673	\$ 58,541
Restricted cash (including cash equivalents)	-	365,835	365,835	-
Property tax receivable	44,813	-	44,813	-
Accounts receivable	33,889	1,212,119	1,246,008	-
Interest receivable	15,809	48,837	64,646	-
Due from other governments	402,752	1,265,368	1,668,120	-
Lease receivable	6,609	-	6,609	-
Notes receivable	173,141	-	173,141	-
Deferred special assessments receivable	983,113	3,090	986,203	-
Delinquent	-	-	-	-
Inventories	31,858	254,735	286,593	-
Prepaid expenses	-	4,275	4,275	-
Capital assets				
Land	310,514	1,890,248	2,200,762	-
Inexhaustible asset	281,528	-	281,528	-
Construction in progress	406,370	14,912,957	15,319,327	-
Capital assets being depreciated				
Buildings	5,934,650	20,240,616	26,175,266	-
Improvements	18,432,693	26,862,559	45,295,252	-
Structures	311,156	-	311,156	-
Machinery and equipment	6,242,215	3,480,425	9,722,640	-
Less accumulated depreciation	(16,895,499)	(25,543,354)	(42,438,853)	-
Net pension asset	323,416	-	323,416	-
Total assets	26,249,295	67,957,115	94,206,410	58,541
Deferred Outflows of Resources				
Deferred outflows of resources related to OPEB	41,066	45,368	86,434	-
Deferred outflows of resources related to fire relief pensions	97,823	-	97,823	-
Deferred outflows of resources related to city pensions	2,019,239	709,180	2,728,419	-
Total deferred outflow of resources	2,158,128	754,548	2,912,676	-
Total assets and deferred outflows of resources	\$ 28,407,423	\$ 68,711,663	\$ 97,119,086	\$ 58,541
Liabilities				
Accounts payable	\$ 301,034	\$ 2,027,450	\$ 2,328,484	\$ -
Contracts payable	60,110	628,995	689,105	-
Due to other governments	171	569	740	-
Accrued payroll	176,091	153,358	329,449	-
Accrued interest payable	62,226	37,742	99,968	-
Customer deposits	-	64,939	64,939	-
Unearned revenue	242,426	1,677,488	1,919,914	-
Noncurrent liabilities				
Due within one year	647,330	866,169	1,513,499	-
Due in more than one year	6,436,620	7,828,984	14,265,604	-
Total OPEB liability, due in more than one year	1,183,480	1,307,465	2,490,945	-
Net pension liability, due in more than one year	3,523,236	2,150,695	5,673,931	-
Total liabilities	12,632,724	16,743,854	29,376,578	-
Deferred Inflows of Resources				
Deferred inflows related to leases	6,609	-	6,609	-
Deferred inflows related to fire relief pensions	172,586	-	172,586	-
Deferred inflows related to city pensions	63,680	42,920	106,600	-
Total deferred inflows of resources	242,875	42,920	285,795	-
Net Position				
Net investment in capital assets	8,419,930	33,189,564	41,609,494	-
Restricted for				
Revolving loans	40,606	-	40,606	-
Sales tax appropriations	677,022	-	677,022	-
Tax increment financing	198,670	-	198,670	-
Cemetery endowment	145,729	-	145,729	-
Debt service	-	365,835	365,835	-
Unrestricted	6,049,867	18,369,490	24,419,357	58,541
Total net position	15,531,824	51,924,889	67,456,713	58,541
Total liabilities, deferred inflows of resources, and net position	\$ 28,407,423	\$ 68,711,663	\$ 97,119,086	\$ 58,541

See notes to basic financial statements.

City of Two Harbors
Statement of Activities
Year Ended December 31, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 920,711	\$ 45,749	\$ 5,560	\$ -
Public safety	1,662,223	186,916	179,494	-
Public works	3,157,807	20,017	71,695	619,974
Economic development	167	4,092	-	-
Culture and recreation	1,006,772	424,508	80,722	-
Health and welfare	139,034	41,409	-	-
Airport	460,959	157,890	44,334	169,255
Interest on long-term debt	142,991	-	-	-
Total governmental activities	<u>7,490,664</u>	<u>880,581</u>	<u>381,805</u>	<u>789,229</u>
Business-type activities				
Water	1,400,876	1,290,917	-	869,029
Sewage disposal	1,489,910	1,412,500	-	13,139,521
Electric	3,264,329	4,246,180	-	-
Gas	3,525,643	3,656,600	-	-
Municipal liquor	2,754,984	3,002,214	-	-
Stormwater	60,573	173,775	-	-
Campground	373,099	885,668	-	-
Total business-type activities	<u>12,869,414</u>	<u>14,667,854</u>	<u>-</u>	<u>14,008,550</u>
Total governmental and business-type activities	<u>\$ 20,360,078</u>	<u>\$ 15,548,435</u>	<u>\$ 381,805</u>	<u>\$ 14,797,779</u>
Component units				
Two Harbors Development Fund	\$ 767,945	\$ 10,924	\$ -	\$ -
Two Harbors Economic Development Authority	<u>1,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 768,945</u>	<u>\$ 10,924</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues				
Property taxes				
Sales tax				
Tax increments				
Intergovernmental				
Unrestricted state aids				
Extra revenue				
Unrestricted investment earnings				
Other unrestricted revenues				
Dissolution of entity				
Total general revenues				
Transfers				
Change in net position				
Net position - beginning				
Net position - ending				

Net (Expense) Revenues
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total	Two Harbors Development Fund	Two Harbors Economic Development Authority
\$ (869,402)	\$ -	\$ (869,402)	\$ -	\$ -
(1,295,813)	-	(1,295,813)	-	-
(2,446,121)	-	(2,446,121)	-	-
3,925	-	3,925	-	-
(501,542)	-	(501,542)	-	-
(97,625)	-	(97,625)	-	-
(89,480)	-	(89,480)	-	-
(142,991)	-	(142,991)	-	-
<u>(5,439,049)</u>	<u>-</u>	<u>(5,439,049)</u>	<u>-</u>	<u>-</u>
-	759,070	759,070	-	-
-	13,062,111	13,062,111	-	-
-	981,851	981,851	-	-
-	130,957	130,957	-	-
-	247,230	247,230	-	-
-	113,202	113,202	-	-
-	512,569	512,569	-	-
<u>-</u>	<u>15,806,990</u>	<u>15,806,990</u>	<u>-</u>	<u>-</u>
<u>\$ (5,439,049)</u>	<u>\$ 15,806,990</u>	<u>\$ 10,367,941</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ (757,021)	\$ -
-	-	-	-	(1,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(757,021)</u>	<u>(1,000)</u>
2,049,776	-	2,049,776	-	-
1,055,991	-	1,055,991	-	-
-	-	-	-	-
-	-	-	-	-
2,628,395	9,434	2,637,829	-	-
-	-	-	-	-
21,610	(89,752)	(68,142)	20	-
68,812	-	68,812	-	-
-	-	-	(145,859)	-
<u>5,824,584</u>	<u>(80,318)</u>	<u>5,744,266</u>	<u>(145,839)</u>	<u>-</u>
<u>351,438</u>	<u>(351,438)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>736,973</u>	<u>15,375,234</u>	<u>16,112,207</u>	<u>(902,860)</u>	<u>(1,000)</u>
<u>14,794,851</u>	<u>36,549,655</u>	<u>51,344,506</u>	<u>902,860</u>	<u>59,541</u>
<u>\$ 15,531,824</u>	<u>\$ 51,924,889</u>	<u>\$ 67,456,713</u>	<u>\$ -</u>	<u>\$ 58,541</u>

City of Two Harbors
Balance Sheet - Governmental Funds
December 31, 2022

	General Fund (101)	Street Improvement Fund (402)	GO Bond Debt Service (301)
Assets			
Cash and investments	\$ 2,769,330	\$ 1,576,012	\$ 668,043
Taxes receivable - delinquent	44,520	-	-
Deferred special assessment receivable	513	-	962,772
Accounts receivable	22,363	-	3,541
Interest receivable	3,503	4,513	-
Due from other governments	173,027	-	15,502
Lease receivable	6,609	-	-
Notes receivable	-	-	-
Inventories	-	-	-
Total assets	<u>\$ 3,019,865</u>	<u>\$ 1,580,525</u>	<u>\$ 1,649,858</u>
Liabilities			
Accounts payable	\$ 82,434	\$ 100,887	\$ 550
Contracts payable	-	52,629	-
Due to other governments	171	-	-
Accrued payroll	162,675	-	-
Unearned revenue	21,831	-	-
Total liabilities	<u>267,111</u>	<u>153,516</u>	<u>550</u>
Deferred Inflows of Resources			
Deferred inflow - lease	6,609	-	-
Unavailable revenue - property taxes	44,520	-	-
Unavailable revenue - special assessments	513	-	962,772
Total deferred inflows of resources	<u>51,642</u>	<u>-</u>	<u>962,772</u>
Fund Balances (Deficits)			
Nonspendable	-	-	-
Restricted	-	-	686,536
Committed	-	-	-
Assigned	26,853	1,427,009	-
Unassigned	2,674,259	-	-
Total fund balances (deficits)	<u>2,701,112</u>	<u>1,427,009</u>	<u>686,536</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 3,019,865</u>	<u>\$ 1,580,525</u>	<u>\$ 1,649,858</u>

Other Governmental Funds	Total Governmental Funds
\$ 4,196,883	\$ 9,210,268
293	44,813
19,828	983,113
7,985	33,889
7,793	15,809
214,223	402,752
-	6,609
173,141	173,141
31,858	31,858
<u>\$ 4,652,004</u>	<u>\$ 10,902,252</u>
\$ 117,163	\$ 301,034
7,481	60,110
-	171
13,416	176,091
220,595	242,426
<u>358,655</u>	<u>779,832</u>
-	6,609
293	44,813
-	963,285
<u>293</u>	<u>1,014,707</u>
31,858	31,858
1,451,657	2,138,193
437,511	437,511
2,372,030	3,825,892
-	2,674,259
<u>4,293,056</u>	<u>9,107,713</u>
<u>\$ 4,652,004</u>	<u>\$ 10,902,252</u>

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City of Two Harbors
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2022

Total fund balances - governmental funds	\$ 9,107,713
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	31,919,126
Less accumulated depreciation	(16,895,499)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(6,603,697)
Compensated absences payable	(480,253)
Total OPEB liability	(1,183,480)

Delinquent property taxes, deferred special assessments, and loans receivable will be collected in future years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Delinquent property taxes	44,813
Deferred special assessments	963,285

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions and OPEB that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(236,266)
Deferred outflows of resources related to pensions	2,117,062
Deferred outflows of resources related to OPEB	41,066

Net pension liability	(3,523,236)
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Fire relief association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds.

323,416

Governmental funds do not report a liability for accrued interest until due and payable.

(62,226)

Total net position - governmental activities	<u><u>\$ 15,531,824</u></u>
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City of Two Harbors
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2022

	General Fund (101)	Street Improvement Fund (402)	GO Bond Debt Service (301)
Revenues			
Taxes	\$ 2,044,614	\$ -	\$ -
Sales tax	-	-	-
Special assessments	12	-	207,438
Licenses and permits	53,458	-	-
Intergovernmental	2,856,603	-	-
Charges for services	158,474	-	-
Fines and forfeitures	5,279	-	-
Investment income	(366)	7,459	802
Loan payments	-	-	-
Other	57,645	-	-
Total revenues	<u>5,175,719</u>	<u>7,459</u>	<u>208,240</u>
Expenditures			
Current			
General government	726,193	-	-
Public safety	1,649,038	-	-
Public works	1,320,128	-	-
Culture and recreation	206,981	-	-
Health and welfare	120,368	-	-
Economic development	-	-	-
Airport	-	-	-
Miscellaneous	175,251	-	-
Debt service			
Principal	-	-	115,000
Interest and other charges	-	-	129,037
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	1,012,142	-
Culture and recreation	-	-	-
Airport	-	-	-
Total expenditures	<u>4,197,959</u>	<u>1,012,142</u>	<u>244,037</u>
Excess of revenues over (under) expenditures	977,760	(1,004,683)	(35,797)
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	-	-
Proceeds from insurance	11,000	-	-
Transfers in	430,967	475,000	275,000
Transfers out	(725,250)	(275,000)	-
Total other financing sources (uses)	<u>(283,283)</u>	<u>200,000</u>	<u>275,000</u>
Net change in fund balances	694,477	(804,683)	239,203
Fund Balances			
Beginning of year	<u>2,006,635</u>	<u>2,231,692</u>	<u>447,333</u>
End of year	<u>\$ 2,701,112</u>	<u>\$ 1,427,009</u>	<u>\$ 686,536</u>

See notes to basic financial statements.

Other Governmental Funds	Total Governmental Funds
\$ 13,164	\$ 2,057,778
1,055,991	1,055,991
16,969	224,419
-	53,458
296,596	3,153,199
649,717	808,191
-	5,279
11,428	19,323
4,886	4,886
16,442	74,087
<u>2,065,193</u>	<u>7,456,611</u>
525	726,718
-	1,649,038
-	1,320,128
731,883	938,864
-	120,368
167	167
183,991	183,991
-	175,251
86,279	201,279
35,018	164,055
169,741	169,741
25,679	25,679
455,676	1,467,818
193,959	193,959
75,890	75,890
<u>1,958,808</u>	<u>7,412,946</u>
106,385	43,665
42,000	42,000
-	11,000
900,928	2,081,895
<u>(730,207)</u>	<u>(1,730,457)</u>
<u>212,721</u>	<u>404,438</u>
319,106	448,103
<u>3,973,950</u>	<u>8,659,610</u>
<u>\$ 4,293,056</u>	<u>\$ 9,107,713</u>

City of Two Harbors
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances to
the Statement of Activities - Governmental Funds
Year Ended December 31, 2022

Net change in fund balances - governmental funds \$ 448,103

Amounts reported for Governmental Activities in the Statement of Activities are different because:
are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	1,881,951
Depreciation expense	(979,528)
Contributed capital	(1,506,137)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.	(67,520)
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OPEB are not reported as expenditures in the governmental funds because they do not require the use of current financial resources; instead, they are expensed in the Statement of Activities.	400,556
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Governmental funds recognized pension contributions as expenditures at the time of payment, whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(82,383)
State contribution	29,748

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no effect on net position in the Statement of Activities.	195,000
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Governmental funds report the effects of bond premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.	7,235
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds wh and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	20,108
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments deferred	395,555
Delinquent property taxes	<u>(5,715)</u>

Change in net position - governmental activities	<u><u>\$ 736,973</u></u>
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City of Two Harbors
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
General property taxes	\$ 2,450,248	\$ 2,450,248	\$ 2,021,269	\$ (428,979)
Cable television franchise tax	28,850	28,850	23,345	(5,505)
Special assessments	-	-	12	12
Licenses and permits	53,700	53,700	53,458	(242)
Intergovernmental	2,016,372	2,016,372	2,856,603	840,231
Charges for services	171,850	171,850	158,474	(13,376)
Fines and forfeitures	9,900	9,900	5,279	(4,621)
Miscellaneous revenues				
Investment income	10,700	10,700	(366)	(11,066)
Other	24,800	24,800	57,645	32,845
Total revenues	<u>4,766,420</u>	<u>4,766,420</u>	<u>5,175,719</u>	<u>409,299</u>
Expenditures				
Current				
General government	767,200	767,200	726,193	(41,007)
Public safety	1,534,800	1,534,800	1,649,038	114,238
Public works	1,478,430	1,478,430	1,320,128	(158,302)
Culture and recreation	252,750	252,750	206,981	(45,769)
Health and welfare	139,950	139,950	120,368	(19,582)
Miscellaneous	171,850	171,850	175,251	3,401
Capital outlay				
Public safety	47,500	47,500	-	(47,500)
Total expenditures	<u>4,392,480</u>	<u>4,392,480</u>	<u>4,197,959</u>	<u>(194,521)</u>
Excess of revenues over expenditures	373,940	373,940	977,760	603,820
Other Financing Sources (Uses)				
Insurance proceeds	-	-	11,000	11,000
Transfers in	351,917	351,917	430,967	79,050
Transfers out	(725,250)	(725,250)	(725,250)	-
Total other financing sources (uses)	<u>(373,333)</u>	<u>(373,333)</u>	<u>(283,283)</u>	<u>90,050</u>
Net change in fund balances	<u>\$ 607</u>	<u>\$ 607</u>	694,477	<u>\$ 693,870</u>
Fund Balance				
Beginning of year			<u>2,006,635</u>	
End of year			<u>\$ 2,701,112</u>	

City of Two Harbors
Statement of Net Position - Proprietary Funds
December 31, 2022

	Water (601)	Sewer (602)	Electric (604)	Gas (605)
Assets				
Current assets				
Cash and cash equivalents	\$ 36,693	\$ 4,896,284	\$ 2,390,804	\$ 1,075,597
Restricted cash and cash equivalents	-	365,835	-	-
Investments	500,000	800,000	7,664,770	1,421,035
Special assessment receivable deferred	199	174	589	283
Accounts receivable	119,054	135,356	320,146	617,540
Interest receivable	1,519	2,500	26,546	1,942
Due from other funds	-	-	115,164	-
Due from other governments	-	1,265,368	-	-
Inventories	-	-	56,273	23,423
Prepaid expenses	-	-	-	-
Total current assets	<u>657,465</u>	<u>7,465,517</u>	<u>10,574,292</u>	<u>3,139,820</u>
Noncurrent assets				
Advances to other funds	-	-	182,849	-
Capital assets				
Capital assets	20,280,123	19,416,351	5,618,680	2,792,684
Construction in progress	541,943	14,151,561	-	-
Total capital assets	<u>20,822,066</u>	<u>33,567,912</u>	<u>5,618,680</u>	<u>2,792,684</u>
Less accumulated depreciation	<u>(7,563,307)</u>	<u>(10,150,684)</u>	<u>(3,822,935)</u>	<u>(2,497,841)</u>
Capital assets, net of accumulated depreciation	<u>13,258,759</u>	<u>23,417,228</u>	<u>1,795,745</u>	<u>294,843</u>
Total noncurrent assets	<u>13,258,759</u>	<u>23,417,228</u>	<u>1,978,594</u>	<u>294,843</u>
Total assets	<u>13,916,224</u>	<u>30,882,745</u>	<u>12,552,886</u>	<u>3,434,663</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pension activity	168,192	163,955	163,154	125,656
Deferred outflows of resources related to OPEB	11,051	10,399	10,342	7,952
Total deferred outflows of resources	<u>179,243</u>	<u>174,354</u>	<u>173,496</u>	<u>133,608</u>
Total assets and deferred outflows of resources	<u>\$ 14,095,467</u>	<u>\$ 31,057,099</u>	<u>\$ 12,726,382</u>	<u>\$ 3,568,271</u>
Liabilities				
Current liabilities				
Accounts payable	\$ 10,188	\$ 1,248,229	\$ 273,714	\$ 431,139
Contracts payable	-	621,450	-	-
Accrued payroll	33,548	35,353	35,675	26,715
Accrued interest payable	25,351	5,802	395	-
Unearned revenue	-	1,525,000	162	-
Due to other funds	-	-	-	-
Customer deposits	-	-	38,962	25,977
Due to other governments	-	26	-	-
Current portion of long-term debt	529,574	140,635	48,196	53,204
Total current liabilities	<u>598,661</u>	<u>3,576,495</u>	<u>397,104</u>	<u>537,035</u>
Long-term liabilities				
Compensated absences, due in more than one year	175,625	136,862	142,380	137,343
Notes from direct borrowings	5,044,000	2,416,840	-	-
Advances from other funds	-	-	-	-
Total OPEB liability	318,481	299,687	298,045	229,180
Net pension liability	510,067	497,219	494,789	381,072
Bonds payable, net	-	-	26,283	-
Less current portion of long-term debt	<u>(529,574)</u>	<u>(140,635)</u>	<u>(48,196)</u>	<u>(53,204)</u>
Total long-term liabilities	<u>5,518,599</u>	<u>3,209,973</u>	<u>913,301</u>	<u>694,391</u>
Total liabilities	<u>6,117,260</u>	<u>6,786,468</u>	<u>1,310,405</u>	<u>1,231,426</u>
Deferred Inflows of Resources Related to Pension Activity				
Deferred inflows of resources related to pension activity	<u>10,179</u>	<u>9,923</u>	<u>9,874</u>	<u>7,605</u>
Net Position				
Net investment in capital assets	8,214,759	20,378,938	1,769,462	294,843
Restricted	-	365,835	-	-
Unrestricted	<u>(246,731)</u>	<u>3,515,935</u>	<u>9,636,641</u>	<u>2,034,397</u>
Total net position	<u>7,968,028</u>	<u>24,260,708</u>	<u>11,406,103</u>	<u>2,329,240</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 14,095,467</u>	<u>\$ 31,057,099</u>	<u>\$ 12,726,382</u>	<u>\$ 3,568,271</u>

See notes to basic financial statements.

Municipal Liquor (609)	Stormwater (651)	Campground (660)	Total
\$ 419,442	\$ -	\$ 115,476	\$ 8,934,296
-	-	-	365,835
1,450,000	945,340	1,243,964	14,025,109
-	1,845	-	3,090
1,339	17,272	1,412	1,212,119
4,513	6,095	5,722	48,837
-	-	-	115,164
-	-	-	1,265,368
175,039	-	-	254,735
4,275	-	-	4,275
<u>2,054,608</u>	<u>970,552</u>	<u>1,366,574</u>	<u>26,228,828</u>
-	-	-	182,849
799,116	1,276,849	2,290,045	52,473,848
48,475	13,740	157,238	14,912,957
847,591	1,290,589	2,447,283	67,386,805
(190,534)	(368,098)	(949,955)	(25,543,354)
<u>657,057</u>	<u>922,491</u>	<u>1,497,328</u>	<u>41,843,451</u>
<u>657,057</u>	<u>922,491</u>	<u>1,497,328</u>	<u>42,026,300</u>
<u>2,711,665</u>	<u>1,893,043</u>	<u>2,863,902</u>	<u>68,255,128</u>
88,223	-	-	709,180
5,624	-	-	45,368
93,847	-	-	754,548
<u>\$ 2,805,512</u>	<u>\$ 1,893,043</u>	<u>\$ 2,863,902</u>	<u>\$ 69,009,676</u>
\$ 52,629	\$ 157	\$ 11,394	\$ 2,027,450
-	7,545	-	628,995
22,067	-	-	153,358
-	5,147	1,047	37,742
1,200	37	151,089	1,677,488
-	43,291	71,873	115,164
-	-	-	64,939
3,442	-	(2,899)	569
64,560	25,000	5,000	866,169
<u>143,898</u>	<u>81,177</u>	<u>237,504</u>	<u>5,571,874</u>
70,506	-	-	662,716
-	-	-	7,460,840
-	-	182,849	182,849
162,072	-	-	1,307,465
267,548	-	-	2,150,695
-	468,784	76,530	571,597
(64,560)	(25,000)	(5,000)	(866,169)
<u>435,566</u>	<u>443,784</u>	<u>254,379</u>	<u>11,469,993</u>
<u>579,464</u>	<u>524,961</u>	<u>491,883</u>	<u>17,041,867</u>
5,339	-	-	42,920
657,057	453,707	1,420,798	33,189,564
-	-	-	365,835
1,563,652	914,375	951,221	18,369,490
<u>2,220,709</u>	<u>1,368,082</u>	<u>2,372,019</u>	<u>51,924,889</u>
<u>\$ 2,805,512</u>	<u>\$ 1,893,043</u>	<u>\$ 2,863,902</u>	<u>\$ 69,009,676</u>

City of Two Harbors
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Electric (604)	Gas (605)
Sales and cost of sales				
Sales	\$ -	\$ -	\$ 4,109,129	\$ 3,646,764
Cost of sales	-	-	1,931,644	2,803,436
Gross profit	-	-	2,177,485	843,328
Operating revenues				
Charges for services	1,271,874	1,381,715	-	-
Penalties	8,071	8,774	22,296	8,715
Other services	10,972	22,011	54,807	1,121
Total operating revenues	1,290,917	1,412,500	77,103	9,836
Operating expenses				
Wages, salaries, and compensation	480,137	482,786	441,833	363,473
Employee benefits	161,975	172,402	293,420	157,698
Materials and supplies	138,963	129,619	167,462	66,103
Professional services	3,880	79,301	87,892	18,367
Insurance	15,966	31,200	13,444	4,728
Utilities	88,981	120,368	14,396	10,758
Depreciation	407,392	395,548	149,902	46,060
Travel and training	5,458	3,922	15,946	8,134
Miscellaneous	-	40,468	108,069	22,907
Dues and subscriptions	22,802	17,342	37,253	23,723
Rentals - leases	14	283	2,292	212
Total operating expenses	1,325,568	1,473,239	1,331,909	722,163
Operating income (loss)	(34,651)	(60,739)	922,679	131,001
Nonoperating revenues (expenses)				
Investment income	1,974	6,488	(92,404)	(13,761)
State grants and aid	2,237	11,502,181	2,170	1,672
Federal grants	-	1,002,414	-	-
Interest expense	(75,308)	(16,671)	(776)	(44)
Miscellaneous revenue	-	-	59,948	-
Total nonoperating revenues (expenses)	(71,097)	12,494,412	(31,062)	(12,133)
Income (loss) before transfers	(105,748)	12,433,673	891,617	118,868
Capital contributions	869,029	637,107	-	-
Transfers in	300,000	120,000	-	-
Transfers out	-	-	(475,831)	(223,810)
Change in net position	1,063,281	13,190,780	415,786	(104,942)
Beginning of year	6,904,747	11,069,928	10,990,317	2,434,182
End of year	<u>\$ 7,968,028</u>	<u>\$ 24,260,708</u>	<u>\$ 11,406,103</u>	<u>\$ 2,329,240</u>

Municipal Liquor (609)	Stormwater (651)	Campground (660)	Total
\$ 3,002,214	\$ -	\$ 89,617	\$ 10,847,724
2,201,838	-	68,373	7,005,291
800,376	-	21,244	3,842,433
-	172,053	776,933	3,602,575
-	1,652	-	49,508
-	-	13,118	102,029
-	173,705	790,051	3,754,112
277,181	-	3,271	2,048,681
95,617	62	1,115	882,289
12,337	8,177	21,014	543,675
5,502	6,189	132,901	334,032
9,972	509	6,620	82,439
14,123	366	39,102	288,094
13,629	33,036	64,441	1,110,008
779	341	-	34,580
120,186	337	29,309	321,276
3,820	-	1,468	106,408
-	29	-	2,830
553,146	49,046	299,241	5,754,312
247,230	124,659	512,054	1,842,233
5,940	(3,367)	5,378	(89,752)
1,174	-	-	11,509,434
-	-	-	1,002,414
-	(11,527)	(5,485)	(109,811)
-	70	6,000	66,018
7,114	(14,824)	5,893	12,378,303
254,344	109,835	517,947	14,220,536
-	-	-	1,506,136
-	-	-	420,000
(259)	-	(71,538)	(771,438)
254,085	109,835	446,409	15,375,234
1,966,624	1,258,247	1,925,610	36,549,655
\$ 2,220,709	\$ 1,368,082	\$ 2,372,019	\$ 51,924,889

City of Two Harbors
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2022

	Water (601)	Sewer (602)	Electric (604)	Gas (605)
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 1,336,694	\$ 1,504,944	\$ 4,262,051	\$ 3,473,826
Payments to suppliers	(282,331)	(749,742)	(2,393,658)	(2,840,260)
Payments to employees	(745,501)	(672,057)	(740,541)	(532,675)
Net cash flows - operating activities	<u>308,862</u>	<u>83,145</u>	<u>1,127,852</u>	<u>100,891</u>
Cash Flows - Noncapital Financing Activities				
Transfer to other funds	-	-	(475,831)	(223,810)
Transfer from other funds	300,000	120,000	-	-
Interfund balances	-	-	32,052	-
State grants and aid	2,237	-	2,170	1,672
Miscellaneous revenue	-	-	59,948	-
Net cash flows - noncapital financing activities	<u>302,237</u>	<u>120,000</u>	<u>(381,661)</u>	<u>(222,138)</u>
Cash Flows - Capital and Related Financing Activities				
Principal paid on debt	(508,000)	(96,400)	-	-
Interest paid on debt	(78,477)	(17,020)	(6,094)	(44)
State grants	-	11,173,242	-	-
Federal grants	-	877,325	-	-
Debt proceeds	-	811,340	-	-
Acquisition of capital assets	-	(11,249,298)	(8,175)	-
Net cash flows - capital and related financing activities	<u>(586,477)</u>	<u>1,499,189</u>	<u>(14,269)</u>	<u>(44)</u>
Cash Flows - Investing Activities				
Net maturity (purchase) of investments	(250,000)	3,050,000	1,235,418	629,015
Interest and dividends received	552	5,939	(112,330)	(14,785)
Net cash flows - investing activities	<u>(249,448)</u>	<u>3,055,939</u>	<u>1,123,088</u>	<u>614,230</u>
Net change in cash and cash equivalents	(224,826)	4,758,273	1,855,010	492,939
Cash and Cash Equivalents				
January 1	<u>261,519</u>	<u>503,846</u>	<u>535,794</u>	<u>582,658</u>
December 31	<u>\$ 36,693</u>	<u>\$ 5,262,119</u>	<u>\$ 2,390,804</u>	<u>\$ 1,075,597</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows - Operating Activities				
Operating income (loss)	\$ (34,651)	\$ (60,739)	\$ 922,679	\$ 131,001
Adjustments to reconcile operating income (loss) to net cash flows - operating activities				
Depreciation expense	407,390	395,547	149,902	46,060
Pension related activity	15,477	41,480	62,817	34,596
Unearned revenue	-	-	(23)	-
Accounts receivable	45,366	91,974	66,476	(211,385)
Special assessments receivable	343	409	4,619	655
Due from other governments	70	62	53	26,655
Inventory	-	-	2,032	4,091
Accounts and contracts payable	(4,193)	(327,239)	5,610	121,268
Customer deposits	-	-	4,694	1,301
Due to other governmental units	(2,074)	-	(22,902)	(7,251)
Salaries payable	6,067	10,055	13,933	7,328
OPEB related activity	(109,906)	(85,246)	(60,480)	(60,579)
Compensated absences payable	(15,027)	16,842	(21,558)	7,151
Total adjustments	<u>343,513</u>	<u>143,884</u>	<u>205,173</u>	<u>(30,110)</u>
Net cash flows - operating activities	<u>\$ 308,862</u>	<u>\$ 83,145</u>	<u>\$ 1,127,852</u>	<u>\$ 100,891</u>
Noncash Capital and Related Financing Activities				
Capital Contributions	<u>\$ 869,029</u>	<u>\$ 637,107</u>	<u>\$ -</u>	<u>\$ -</u>

See notes to basic financial statements.

Municipal Liquor (609)	Stormwater (651)	Campground (660)	Total
\$ 3,001,028	\$ 171,562	\$ 884,384	\$ 14,634,489
(2,430,786)	(15,935)	(295,687)	(9,008,399)
(387,866)	(62)	(4,774)	(3,083,476)
<u>182,376</u>	<u>155,565</u>	<u>583,923</u>	<u>2,542,614</u>
(259)	-	(71,538)	(771,438)
-	-	-	420,000
-	43,291	(71,160)	4,183
1,174	-	-	7,253
-	70	6,000	66,018
<u>915</u>	<u>43,361</u>	<u>(136,698)</u>	<u>(273,984)</u>
-	(20,000)	(5,000)	(629,400)
-	(13,151)	(5,676)	(120,462)
-	-	-	11,173,242
-	-	-	877,325
-	-	-	811,340
<u>(318,058)</u>	<u>(115,198)</u>	<u>(126,543)</u>	<u>(11,817,272)</u>
<u>(318,058)</u>	<u>(148,349)</u>	<u>(137,219)</u>	<u>294,773</u>
(150,000)	(395,340)	(293,964)	3,825,129
2,157	(9,312)	120	(127,659)
<u>(147,843)</u>	<u>(404,652)</u>	<u>(293,844)</u>	<u>3,697,470</u>
(282,610)	(354,075)	16,162	6,260,873
<u>702,052</u>	<u>354,075</u>	<u>99,314</u>	<u>3,039,258</u>
<u>\$ 419,442</u>	<u>\$ -</u>	<u>\$ 115,476</u>	<u>\$ 9,300,131</u>
\$ 247,230	\$ 124,659	\$ 512,054	\$ 1,842,233
13,629	33,036	64,440	1,110,004
24,042	-	(24)	178,388
153	-	5,150	5,280
(1,339)	(679)	(434)	(10,021)
-	(1,472)	-	4,554
-	8	-	26,848
(7,802)	-	-	(1,679)
(27,493)	13	6,000	(226,034)
-	-	-	5,995
(26,934)	-	(2,899)	(62,060)
7,748	-	-	45,131
(42,378)	-	(35)	(358,624)
(4,480)	-	(329)	(17,401)
<u>(64,854)</u>	<u>30,906</u>	<u>71,869</u>	<u>700,381</u>
<u>\$ 182,376</u>	<u>\$ 155,565</u>	<u>\$ 583,923</u>	<u>\$ 2,542,614</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,506,136</u>

City of Two Harbors
Statement of Fiduciary Net Position
December 31, 2022

	<u>Recreation Custodial Fund</u>
Assets	
Current:	
Cash and investments	\$ 143,541
Interest receivable	171
Other receivables	<u>14,226</u>
Total assets	<u><u>\$ 157,938</u></u>
Liabilities	
Accounts payable	\$ 7,442
Accrued payroll	<u>1,112</u>
Total liabilities	<u><u>\$ 8,554</u></u>
Net Position	
Restricted for recreation	<u><u>\$ 149,384</u></u>

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2022

	<u>Recreation Custodial Fund</u>
Additions	
Investment income	\$ 638
Contributions	72,800
Miscellaneous	13
Charges for services	<u>40,201</u>
Total additions	113,652
Deductions	
Program expenditures	<u>125,959</u>
Change in net position	(12,307)
Net Position	
Beginning of year	<u>161,691</u>
End of year	<u><u>\$ 149,384</u></u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

1. General

The Home Rule Charter of the City of Two Harbors (the "City") was adopted on February 26, 1907. The elective officers of the City consist of the Mayor and six Council Members. All elections are conducted biennially with staggered four-year terms. The Mayor is recognized as the head of the city for all ceremonial purposes and for the service of civil process, but shall have no administrative duty, powers are provided for the in the Two Harbors Home Rule Charter, Chapter IV.

2. City Council

The legislative power and authority of the City is vested in the City Council. Its powers and duties are prescribed in the Two Harbors Home Rule Charter, Chapter V. The City Council elects a president and vice president annually from its members.

3. City Administrator

The City Administrator is appointed by the City Council and shall serve until such time as they resign, retire, or are removed for cause. City Administrator keeps a record of all meetings of the City Council and acts as a custodian of all papers and records of the City.

4. Finance Director

The Finance Director is appointed by the City Council and shall serve an indefinite term unless removed for cause and is the custodian of all money received by the City. The Finance Director performs the duties of the city treasurer as provided for in the Two Harbors Home Rule Charter, Chapter VII.

B. Reporting Entity

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities or level of services performed or provided by the organization or there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on, the City.

1. Discretely Presented Component Units

The Two Harbors Development Fund (the "Fund") is a legal entity separate from the City. The Fund was established in 1985 to promote the economic development within and surrounding the City by providing loans or other financial aid to businesses not able to obtain adequate or appropriate financing from other sources. These businesses are located or need to be located within either the City or an area having an economic impact upon the City. Preferences are given to businesses that provide or will provide training and employment opportunities for unemployed and underemployed individuals. The City of Two Harbors and the Two Harbors Development Fund terminated the relationship in 2022.

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Reporting Entity (Continued)

1. Discretely Presented Component Units (Continued)

The Two Harbors Economic Development Authority (THEDA) is a legal entity separate from the City. THEDA is governed by a five member board made up of members of the community.

Separate financial statements are included in this report for the Fund and THEDA to emphasize that they are legally separate from the City. Both the Fund and THEDA are presented as governmental fund types.

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary fund is only reported in the statement of fiduciary net position and the statement of changes in fiduciary net position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

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

The Custodial Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, this Fund is not incorporated into the government-wide statements.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

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

Description of Funds:

Major Governmental Funds:

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

Street Improvement Capital Projects Fund – This fund accounts for resources accumulated and costs associated with the City's street improvement projects.

G.O. Bond Debt Service Fund – This fund accounts for resources collected and expenditures made to service principal and interest payments on the City's governmental general obligation bonds.

Proprietary Funds:

Water Fund – This fund accounts for the operations of the City's water utility.

Sanitary Sewer Fund – This fund accounts for the operations of the City's sewer utility.

Electric Fund – This fund accounts for the operations of the City's electric utility.

Gas Fund – This fund accounts for the operations of the City's gas utility.

Municipal Liquor Fund – This fund accounts for the operations of the City's Municipal Liquor Store.

Storm Water Fund – This fund accounts for the activities of the City's storm water utility.

Campground Fund – This fund accounts for the operations of the City's campground.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Description of Funds: (Continued)

Fiduciary Fund:

Recreation Custodial Fund – This fund accounts for the activities sponsored and run by the Recreation Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: committed, assigned, and unassigned.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

2. Inventory and Prepaid Items

Inventory is valued at cost using the weighted average method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

2. Inventory and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

3. Taxes Receivable

Delinquent taxes receivable represent the past six years of uncollected tax levies.

4. Loans Receivable

Loans receivable represent the balance of loans made to local businesses for the purpose of economic development.

5. Trade Receivables

All proprietary fund service receivables are shown net of an allowance for doubtful accounts. Allowances for receivables are calculated as follows:

<u>Days</u>	<u>Allowance Percentage</u>
30-60	10 %
60-90	25
90-120	50
120+	100

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

6. Capital Assets (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	5-40
Other improvements	10-25
Infrastructure	20-75
Machinery and equipment	3-10

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City presents deferred outflows of resources on the Statement(s) of Net Position for deferred outflows of resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement(s) of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

8. Compensated Absences

Vacation leave is recognized as an expenditure or expense when taken. City employees are granted between 5 and 30 days of vacation per year depending upon the years of service and union bargaining unit. Up to 5 days of unused vacation leave can be carried over to the succeeding year.

City employees earn sick leave at the rate of 24 days per year and may accumulate 150 days depending on the union contract. In addition, emergency sick leave may be accumulated up to an additional 60 days but cannot be used until the original 150 days of sick leave are used.

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

8. Compensated Absences (Continued)

Any employee who has rendered at least 20 years of service is entitled upon retirement to a cash payment of 60% of their accumulated sick leave balance or may elect to have an amount equal to 60% of their accumulated sick leave balance applied to their health insurance after retirement.

9. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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

10. Pensions

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

11. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)**

11. Fund Equity (Continued)

a. Classification (Continued)

- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City's Administrator based on the City Council's direction.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City will strive to maintain an unassigned fund balance in the General Fund in the range of 40-50% of the subsequent year's budgeted expenditures.

12. Net Position

Net position represents the difference between assets and deferred outflows of resources; and liabilities and deferred inflows of resources in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At December 31, 2022, \$677,022 of the total net position restricted for capital projects related to one cent sales tax collections is restricted due to enabling legislation.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Property Tax Collection Calendar

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. The property tax is recorded as revenue when it becomes measurable and available. Lake County is the collecting agency for the levy and remits the collections to the City two times a year. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor submits a list of taxes to be collected on each parcel of property to the County Treasurer in January of each year.

The County Treasurer collects all taxes and is required to mail copies of all personal property tax statements and real estate tax statements by April 15 of each year.

Property owners are required to pay one-half of their real estate taxes due by May 15 and the balance by October 15. If taxes due May 15 are not paid on time, a penalty of 3% is assessed on homesteaded property and 7% on non homesteaded property. An additional 1% penalty is added each month the taxes remain unpaid, until October 15. If the taxes due May 15 are not paid by October 15, a 2% penalty per month is added to homesteaded property and 4% per month to non homesteaded property until January 1.

If the taxes are not paid by January 1, further penalties are added. Penalties and interest apply to both taxes and special assessments. There are some exceptions to the above penalties, but they are not material.

Within 30 days after the tax settlement date, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the Finance Director. The County Treasurer must pay the balance to the Finance Director within 60 days after settlement, provided that after 45 days interest accrues at the rate of 8% per annum.

H. Budgetary Information

1. In September of each year, City Staff submits to the City Council, a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. The budget is legally enacted through passage of a resolution.
3. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
4. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize a transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Budgetary Information (Continued)

5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
6. The Finance Director presents monthly expenditure and revenue reports to the City Council.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – DEPOSITS AND INVESTMENTS

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

In accordance with applicable *Minnesota Statutes*, the City maintains deposits at depository banks authorized by the City Council.

A. Deposits

Custodial Credit Risk – Deposits: The City has an investment policy in place to address custodial credit risk for deposits, stating all deposits and investments must be in compliance with *Minnesota Statutes* 118A; protected by federal depository insurance and corporate surety bonds or collateral equal to 110% of the deposits not covered by Federal Deposit Insurance Corporation (FDIC) insurance, National Credit Union Administration (NCUA) or corporate surety bonds. As of December 31, 2022, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. As of December 31, 2022, the City's deposits consisted of the following:

Checking	\$ 13,017,391
Savings	36,850
Nonnegotiable certificates of deposit	<u>17,001,000</u>
Total deposits	<u><u>\$ 30,055,241</u></u>

B. Investments

Pooled Investment Type	Fair Value	Investment Maturities (In Years)		
		Less Than 1	1 - 5	6 - 10
Negotiable Certificates of Deposit	\$ 2,675,149	\$ 242,140	\$ 227,961	\$ 205,048

City of Two Harbors
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk: The City's investment policy sets limits on investment maturities by investing operating funds primarily in short-term securities with not more than 20% of the portfolio invested beyond five years and none beyond ten years. The policy also states maturity dates should be structured to meet cash requirements for ongoing operations.

Credit Risk: The City's investment policy states investments will be limited to those allowed by *Minnesota Statutes* 118A.04 to prevent exposure to credit risk. It also requires diversification of the investment portfolio so the impact of potential losses from any one type of security issuer will be minimized.

Concentration of Credit Risk: The City's investment policy places no limit on the amount the City may invest in any one issuer; however, it does state diversification strategies shall be determined and revised periodically by the investment officer for all funds.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states investments shall either be collateralized or held in third party safekeeping by an institution designated as a primary agent.

The City has the following reoccurring fair value measurements as of December 31, 2022:

- \$2,675,149 of investments are valued using a matrix pricing model (Level 2 inputs)

The following is a summary of total deposits and investments:

Petty cash	\$ 7,200
Deposits	30,055,241
Investments	<u>2,675,149</u>
Total deposits and investments	<u><u>\$ 32,737,590</u></u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits and investments are presented in the December 31, 2022, basic financial statements as follows:

Statement of Net Position

Cash and investments

Primary government \$ 32,169,673

Component units

Two Harbors Economic Development Authority 58,541

Restricted cash

Primary government 365,835

Statement of Fiduciary Net Position

Cash and investments

143,541

Total

\$ 32,737,590

NOTE 3 – INTERFUND ACTIVITY

A. Transfers

Transfers among funds were for the City to assist with administrative costs, to cover capital expenditures, to assist with capital projects, and assist with debt service obligations.

	Transfers In						Total
	General	Street Improvement	G.O. Debt Service	Other Governmental	Water	Sewer	
Transfers out							
General	\$ -	\$ 200,000		\$ 525,250	\$ -	\$ -	\$ 725,250
Street improvement	-	-	275,000	-	-	-	275,000
Other governmental funds	9,529	275,000	-	25,678	300,000	120,000	730,207
Electric	250,831	-	-	225,000	-	-	475,831
Gas	98,810	-	-	125,000	-	-	223,810
Municipal liquor	259	-	-	-	-	-	259
Campground	71,538	-	-	-	-	-	71,538
Total	<u>\$ 430,967</u>	<u>\$ 475,000</u>	<u>\$ 275,000</u>	<u>\$ 900,928</u>	<u>\$ 300,000</u>	<u>\$ 120,000</u>	<u>\$ 2,501,895</u>

The following balances arise from negative cash balances in the debtor fund or represent the current portion of advances as described below:

Due to Other Funds	Electric Fund - Due from Other Funds
Campground	\$ 71,873
Stormwater	43,291
Total	<u>\$ 115,164</u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 3 – INTERFUND ACTIVITY (CONTINUED)

C. Advances

An advance from the Electric Fund to the Campground Fund was made for the Campground Bath House Building Project. This loan will be repaid over a period of ten years at 1% interest. At December 31, 2022, the long-term balance was \$182,849 with the current portion shown above as a due to/from other funds of \$71,873.

NOTE 4 – NOTES AND LEASES RECEIVABLE

Notes receivable at December 31, 2022, are as follows:

Daniel and Kirsten Cruikshank Note

\$200,000 loan, due in monthly installments of various amounts
through April 2034, interest at 3.0%

\$ 173,141

Total loans receivable

\$ 173,141

City of Two Harbors
Notes to Basic Financial Statements

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 310,514	\$ -	\$ -	\$ 310,514
Inexhaustible asset	281,528	-	-	281,528
Construction in progress	1,821,719	1,104,521	2,519,870	406,370
Total capital assets not being depreciated	<u>2,413,761</u>	<u>1,104,521</u>	<u>2,519,870</u>	<u>998,412</u>
Capital assets being depreciated				
Buildings	5,710,283	224,367	-	5,934,650
Improvements	17,267,371	2,671,459	1,506,137	18,432,693
Structures	311,156	-	-	311,156
Machinery and equipment	5,969,133	401,474	128,392	6,242,215
Total capital assets being depreciated	<u>29,257,943</u>	<u>3,297,300</u>	<u>1,634,529</u>	<u>30,920,714</u>
Less accumulated depreciated for				
Buildings	3,084,935	152,474	-	3,237,409
Improvements	8,908,258	514,341	-	9,422,599
Structures	118,320	9,388	-	127,708
Machinery and equipment	3,932,850	303,325	128,392	4,107,783
Total accumulated depreciation	<u>16,044,363</u>	<u>979,528</u>	<u>128,392</u>	<u>16,895,499</u>
Total capital assets being depreciated, net	<u>13,213,580</u>	<u>2,317,772</u>	<u>1,506,137</u>	<u>14,025,215</u>
Governmental activities, capital assets, net	<u>\$ 15,627,341</u>	<u>\$ 3,422,293</u>	<u>\$ 4,026,007</u>	<u>\$ 15,023,627</u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Governmental activities	
General government	\$ 27,886
Public safety	122,472
Public works	437,262
Culture and recreation	104,447
Health and welfare	10,943
Airport	276,518
	<u>979,528</u>
Total depreciation expense - governmental activities	<u>\$ 979,528</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business type activities				
Capital assets not being depreciated				
Land	\$ 1,620,666	\$ 269,582	\$ -	\$ 1,890,248
Construction in progress	2,778,829	12,559,558	425,430	14,912,957
Total capital assets not being depreciated	<u>4,399,495</u>	<u>12,829,140</u>	<u>425,430</u>	<u>16,803,205</u>
Capital assets being depreciated				
Buildings	20,057,156	183,460	-	20,240,616
Structures and improvements	25,114,452	1,748,107	-	26,862,559
Machinery and equipment	3,480,425	-	-	3,480,425
Total capital assets being depreciated	<u>48,652,033</u>	<u>1,931,567</u>	<u>-</u>	<u>50,583,600</u>
Less accumulated depreciated for				
Buildings	10,465,647	416,162	-	10,881,809
Structures and improvements	11,057,171	588,723	-	11,645,894
Machinery and equipment	2,910,528	105,123	-	3,015,651
Total accumulated depreciation	<u>24,433,346</u>	<u>1,110,008</u>	<u>-</u>	<u>25,543,354</u>
Business-type activities capital assets, being depreciated, net	<u>24,218,687</u>	<u>821,559</u>	<u>-</u>	<u>25,040,246</u>
Business-type activities capital assets, net	<u>\$ 28,618,182</u>	<u>\$ 13,650,699</u>	<u>\$ 425,430</u>	<u>\$ 41,843,451</u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

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

Business-type activities	
Water	\$ 407,392
Sewer	395,548
Electric	149,902
Gas	46,060
Liquor	13,629
Storm water	33,036
Campground	<u>64,441</u>
Total depreciation expense - business-type activities	<u>\$ 1,110,008</u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT

A. Components of Long-Term Liabilities

	<u>Date</u>	<u>Rates</u>	<u>Issue</u>	<u>Maturity</u>	<u>Outstanding</u>	<u>One Year</u>
Primary government						
Long-term liabilities						
Governmental activities						
G.O. Bond 2018A	07/17/18	3.00%	\$ 1,680,000	02/01/34	\$ 1,405,000	\$ 95,000
G.O. Bond 2019B	07/24/19	3.00%	1,825,000	02/01/35	1,625,000	105,000
G.O. Bond 2021A	07/01/21	1.00-2.00%	2,645,000	02/01/37	2,645,000	155,000
G.O. Equipment Certificate 2021B	07/01/21	1.25-2.00%	715,000	02/01/29	715,000	100,000
Unamortized premium					213,697	-
Compensated absences					480,253	192,330
Total governmental activities					<u>\$ 7,083,950</u>	<u>\$ 647,330</u>
Business-type activities						
Notes from direct borrowing, including refunding notes						
G.O. PFA Water Revenue Note, 2009	12/14/09	2.53%	2,387,496	08/20/29	\$ 894,000	\$ 118,000
G.O. PFA Water Revenue Note, 2010	05/11/10	1.67%	2,262,255	08/20/29	909,000	123,000
G.O. PFA Sewer Revenue Note, 2015	10/13/14	1.00%	122,152	08/20/29	53,500	7,500
G.O. PFA Water Revenue Note, 2015	08/06/15	1.00%	4,741,091	08/20/35	3,241,000	235,000
G.O. PFA Sewer Revenue Note, 2018	11/15/19	1.00%	1,825,938	08/20/38	1,552,000	90,000
G.O. PFA Water Revenue Note 2022	07/28/22	1.58%	811,340	08/20/38	811,340	-
Total notes from direct borrowing					7,460,840	573,500
General obligation bonds						
G.O. Bond 2018A Stormwater	07/17/18	3.00%	280,000	02/01/34	235,000	15,000
G.O. Bond 2018A Electric	07/17/18	3.00%	40,000	02/01/27	25,000	5,000
G.O. Bond 2018 Campground	07/17/18	3.00%	90,000	02/01/34	75,000	5,000
G.O. Bond 2019 Stormwater	07/24/19	3.00%	100,000	02/01/35	90,000	5,000
G.O. Bond 2021A Stormwater	07/01/21	1.00-2.00%	130,000	02/01/37	130,000	5,000
Total general obligation bonds					555,000	35,000
Unamortized bond premium					16,597	-
Compensated absences					662,716	257,669
Total business-type					<u>\$ 8,695,153</u>	<u>\$ 866,169</u>
Total all long-term liabilities					<u>\$ 15,779,103</u>	<u>\$ 1,513,499</u>

Long-term indebtedness listed above was issued to finance acquisition and construction of capital facilities or to refinance (refund) previous bond and note issues. The General, Library, and Golf Funds and each enterprise fund liquidate their individual compensated absence liabilities.

B. Changes in Long-Term Liabilities

The Water, Sewer, Stormwater, Electric and Campground Funds are each responsible for the repayment of the corresponding G.O. Notes from direct borrowing.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Liabilities (Continue)

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Maturities	Ending Balance	Due Within One Year
Governmental activities					
Long-term liabilities					
G.O. Bond	\$ 5,870,000	\$ -	\$ 195,000	\$ 5,675,000	\$ 350,000
G.O. Equipment Certificate	715,000	-	-	715,000	100,000
Unamortized bond premium	233,805	-	20,108	213,697	-
Compensated absences	412,732	155,303	87,782	480,253	192,330
Total governmental activities	7,231,537	155,303	302,890	7,083,950	642,330
Business-type activities					
Long-term liabilities					
Notes from direct borrowing	7,253,900	811,340	604,400	7,460,840	573,500
G.O. Bonds	585,000	-	30,000	555,000	35,000
Unamortized bond premium	18,062	-	1,463	16,597	-
Compensated absences	680,117	131,476	148,877	662,716	257,669
Total business-type activities	8,537,079	942,816	784,740	8,695,153	866,169
Total all long-term liabilities	<u>\$ 15,768,616</u>	<u>\$ 1,098,119</u>	<u>\$ 1,087,630</u>	<u>\$ 15,779,103</u>	<u>\$ 1,508,499</u>

C. Maturity Schedules

Year Ending December 31,	Governmental Activities	
	G.O. Bond and Certificate	
	Principal	Interest
2023	\$ 450,000	\$ 145,289
2024	465,000	133,564
2025	475,000	121,039
2026	490,000	108,114
2027	500,000	95,258
2028-2032	2,350,000	302,194
2033-2037	1,660,000	61,303
Total	<u>\$ 6,390,000</u>	<u>\$ 966,761</u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Maturity Schedules (Continued)

Year Ending December 31,	Business-Type Activities		Business-Type Activities	
	Notes from Direct Borrowing		G.O. Bond	
	Principal	Interest	Principal	Interest
2023	\$ 573,500	\$ 86,200	\$ 35,000	\$ 15,649
2024	582,400	77,845	35,000	14,524
2025	590,600	69,333	35,000	13,274
2026	600,600	60,681	40,000	11,924
2027	608,700	51,855	45,000	10,424
2028-2032	2,297,700	139,691	215,000	34,251
2033-2037	1,292,000	36,290	150,000	5,320
2038-2042	104,000	1,040	-	-
Total	<u>\$ 6,649,500</u>	<u>\$ 522,935</u>	<u>\$ 555,000</u>	<u>\$ 105,366</u>

A final amortization schedule has not yet been determined for the G.O. PFA Water Revenue Note of 2022. Once this has been determined it will be included in the maturity schedule above.

NOTE 8 – CONDUIT DEBT

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt beyond the resources provided by related leases or loans. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2022, the following issues were outstanding:

Name	Date of Issue	Original Amount of Issue	Outstanding as of 12/31/22
Lake View Memorial Hospital Health care facilities revenue bonds	2019	\$ 6,000,000	\$ 5,815,301

City of Two Harbors
Notes to Basic Financial Statements

NOTE 9 – FUND BALANCE AND NET POSITION

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds:

	General	G.O Bond Debt Service	Street Improvement Fund	Other Governmental Funds	Total
Nonspendable					
Inventory	\$ -	\$ -	\$ -	\$ 31,858	\$ 31,858
Restricted					
Revolving loans	-	-	-	40,606	40,606
Sales tax appropriations	-	-	-	1,066,652	1,066,652
Tax increment financing	-	-	-	198,670	198,670
Cemetery endowment	-	-	-	145,729	145,729
Bond debt service	-	686,536	-	-	686,536
Total restricted	-	686,536	-	1,451,657	2,138,193
Committed					
Golf	-	-	-	108,320	108,320
Airport	-	-	-	111,745	111,745
Library	-	-	-	217,446	217,446
Total committed	-	-	-	437,511	437,511
Assigned					
Drug and alcohol forfeiture	20,531	-	-	-	20,531
Police donations	640	-	-	-	640
Heritage days & Winter Frolic	5,682	-	-	-	5,682
Street improvement fund	-	-	1,325,551	-	1,325,551
Capital projects	-	-	-	2,372,030	2,372,030
Total assigned	26,853	-	1,325,551	2,372,030	3,724,434
Unassigned	2,674,259	-	-	-	2,674,259
Total	<u>\$ 2,701,112</u>	<u>\$ 686,536</u>	<u>\$ 1,325,551</u>	<u>\$ 4,293,056</u>	<u>\$ 9,006,255</u>

The Sewer Fund had an amount restricted of \$365,835 as municipalities receiving Water Infrastructure Fund (WIF) resources must annually deposit a minimum of 50 cents per 1,000 gallons of flow for major rehabilitation, expansion or replacement of the treatment system at the end of its useful life.

NOTE 10 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 10 – RISK MANAGEMENT (CONTINUED)

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2022 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2022, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 11 – PENSION PLANS

The City participates in various pension plans, total pension expense for the year ended December 31, 2022, was \$685,758. The components of pension expense are noted in the following plan summaries.

The General Fund, Water Utility Fund, Sewer Utility Fund, Electric Utility Fund, Gas Utility Fund, Liquor Utility Fund, and Campground Utility Fund typically liquidate the Liability related to pensions.

Public Employees' Retirement Association

A. Plan Description

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

General Employees Retirement Plan

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

Public Employees Police and Fire Plan

The Police and Fire Plan originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any 5 successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

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

Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after 10 years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after 10 years up to 100% after 20 years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in fiscal year 2022 and the City was required to contribute 7.5% for Coordinated Plan members. The City's contributions to the General Employees Plan for the year ended December 31, 2022, were \$231,105. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Plan Contributions

Police and Fire Plan members were required to contribute 11.8% of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.7% for Police and Fire Plan members. The City's contributions to the Police and Fire Plan for the year ended December 31, 2022, were \$125,040. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2022, the City reported a liability of \$3,350,174 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$98,352. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0423% at the end of the measurement period and 0.0402% for the beginning of the period.

City's proportionate share of the net pension liability	\$ 3,350,174
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>98,352</u>
Total	<u><u>\$ 3,448,526</u></u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2022, the City recognized pension expense of \$441,265 for its proportionate share of General Employees Plan's pension expense. Included in the amount, the City recognized an additional \$14,696 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 27,983	\$ 33,852
Changes in actuarial assumptions	721,701	12,273
Net collective difference between projected and actual investment earnings	109,253	-
Changes in proportion	130,212	20,733
Contributions paid to PERA subsequent to the measurement date	<u>115,553</u>	<u>-</u>
Total	<u><u>\$ 1,104,702</u></u>	<u><u>\$ 66,858</u></u>

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

The \$115,553 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 325,059
2024	357,419
2025	(63,160)
2026	<u>302,973</u>
Total	<u><u>\$ 922,291</u></u>

Police and Fire Plan Pension Costs

At December 31, 2022, the City reported a liability of \$2,323,757 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0534% at the end of the measurement period and 0.0533% for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state aid was paid on October 1, 2021. Thereafter, by October 1 of each year, the State will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Plan Pension Costs (Continued)

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City recognized pension expense of \$187,491 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized \$101,455 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City also recognized \$19,680 for the year ended December 31, 2022, as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 141,869	\$ -
Changes in actuarial assumptions	1,366,982	14,033
Net collective difference between projected and actual investment earnings	32,704	-
Changes in proportion	19,642	25,710
Contributions paid to PERA subsequent to the measurement date	62,520	-
	<u>62,520</u>	<u>-</u>
Total	<u>\$ 1,623,717</u>	<u>\$ 39,743</u>

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Plan Pension Costs (Continued)

The \$62,520 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2023	\$ 290,400
2024	289,713
2025	270,117
2026	477,756
2027	<u>193,468</u>
Total	<u><u>\$ 1,521,454</u></u>

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term</u>
Domestic equity	33.5 %	5.10 %
International equity	16.5	5.30
Fixed income	25.0	0.75
Private markets	<u>25.0</u>	5.90
Total	<u><u>100.0 %</u></u>	

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan and 2.25% for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees. The Police and Fire Plan benefit increase is fixed at 1% per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75% after one year of service to 3.0% after 24 years of service.

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

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020, actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 and was adopted by the Board and became effective with the July 1, 2021, actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the previous valuation.

Police and Fire Fund

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from MP-2020 to MP-2021.
- The single discount rates were changed from 6.5% to 5.4%.

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Actuarial Methods and Assumptions (Continued)

Police and Fire Fund (Continued)

Changes in Plan Provisions

- There have been no changes since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on these assumptions, the fiduciary net positions of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in the fiscal year ended June 30, 2061, projected benefit payments exceed the fund's projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69% (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.4% for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5% applied to all years of projected benefits through the point of asset depletion and 3.69% thereafter.

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate <u>(5.5%)</u>	Current Discount Rate <u>(6.5%)</u>	1% Increase in Discount Rate <u>(7.5%)</u>
City's proportionate share of the General Employees Fund net pension liability	\$ 5,291,775	\$ 3,350,174	\$ 1,757,761
	1% Decrease in Discount Rate <u>(4.4%)</u>	Current Discount Rate <u>(5.4%)</u>	1% Increase in Discount Rate <u>(6.4%)</u>
City's proportionate share of the Police and Fire Fund net pension liability	\$ 3,516,708	\$ 2,323,757	\$ 1,359,327

I. Pension Plan Fiduciary Net Position

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

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Two Harbors Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Two Harbors Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Two Harbors Firefighter's Association, 501 1st Avenue, Two Harbors, MN 55616 or by calling 218-834-8816.

**City of Two Harbors
Notes to Basic Financial Statements**

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

B. Benefits Provided

Volunteer firefighters of the City are members of the Two Harbors Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 20 years of service for monthly service pension. Partial benefits are payable to members who have reached 50 and have completed 5 years of service. Disability benefits and widow and children's survivor benefits are also payable to members, or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

At December 31, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	-
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>22</u>
Total	<u><u>27</u></u>

D. Contributions.

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e., there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$59,406 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25 %
Salary increase	N/A %, average, including inflation
Investment rate of return	6.25 %, net of pensions plan investment expenses including inflation

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability (Continued)

Actuarial Assumptions (Continued)

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	59.11 %	4.90 %
International equity	10.27	5.32
Fixed income	26.27	1.40
Real estate and alternatives	0.03	4.43
Cash and equivalents	4.32	0.09
Total	<u>100.00 %</u>	

Discount Rate

The discount rate used to measure the total pension liability was 6.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate. The equivalent single rate is the discount rate.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2021	\$ 553,530	\$ 850,192	\$ (296,662)
Changes for the year			
Service cost	38,951	-	38,951
Interest cost	37,030	-	37,030
Changes of benefit terms	68,192	-	68,192
State contributions	-	56,297	(56,297)
Net investment income	-	125,630	(125,630)
Administrative expense	-	(11,000)	11,000
Net changes	144,173	170,927	(26,754)
Balances at December 31, 2021	\$ 697,703	\$ 1,021,119	\$ (323,416)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 6.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease in Discount Rate 5.25%	Current Discount Rate Rate 6.25%	1% Increase in Discount Rate 7.25%
City's net pension liability (asset)	\$ (293,435)	\$ (323,416)	\$ (352,285)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 11 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions**

For the year ended December 31, 2022, the City recognized pension expense of \$57,002. At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 217	\$ 30,879
Changes of assumptions	38,200	8,000
Net difference between projected and actual earnings on pension plan investments	-	133,707
City's contributions to relief association subsequent to measurement date	59,406	-
Total	<u>\$ 97,823</u>	<u>\$ 172,586</u>

The \$59,406 reported as deferred outflows of resources related pensions resulting from the City's contribution to the relief association subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as shown below.

<u>Year Ending December 31,</u>	<u>Total</u>
2022	\$ (31,367)
2023	(50,971)
2024	(33,654)
2025	(14,748)
2026	(537)
Thereafter	(2,892)
Total	<u>\$ (134,169)</u>

H. Payable to the Pension Plan

At December 31, 2022, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2022.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides single-employer defined benefit health care insurance and life insurance upon retirement to certain retirees. Medical coverage is administered by Health Partners. It is the City's policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

B. Benefits Provided

Benefit provisions are established through negotiations between the City and the unions representing the City employees and are renegotiated each bargaining period. Retired employees receive no retiree benefits except the allowance to continue health insurance that is mandated by Minnesota Law. The Retiree Health Plan does not issue a publicly available financial report.

C. Contributions

Retirees contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross/Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For the year 2022, the City contributed \$136,233 to the plan.

D. Members

As of December 31, 2021, the following were covered by the benefit terms:

Retirees receiving payments	3
Actives waiving coverage	3
Active employees	<u>49</u>
Total	<u><u>55</u></u>

E. Actuarial Assumptions

Since the last valuation, the following actuarial assumption changes have been made:

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations to the rates used in the 7/1/2021 valuations.
- The inflation assumptions were changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The assumed retirement age for Police employees changed from age 50 to age 55 to reflect updated expectations.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	N/A
Inflation	2.25%
Healthcare cost trend increases	6.2% for FY2022, gradually decreasing over several decades to an ultimate rate of 3.7% in FY2074 and later years.
Mortality assumption	
General employees	From the July 1, 2021, PERA of Minnesota General Employees Retirement Plan actuarial valuation, mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.
Police and Fire	From the July 1, 2021, PERA of Minnesota Public Employees' Police & Fire Plan actuarial valuation, mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2020, and other adjustments.

The actuarial assumptions used in the December 31, 2021, valuation was based on the results of an actuarial experience study for the period January 1, 2021 – December 31, 2021.

The discount rate used to measure the total OPEB liability was 1.84% which is equal to the 20 Year Municipal Bond Yield.

F. Total OPEB Liability

The City's total OPEB liability of \$2,490,945 was measured as of December 31, 2021, and was determined by an actuarial valuation as of that date.

City of Two Harbors
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

E. Total OPEB Liability (Continued)

	Total OPEB Liability
Balances at January 1, 2021	<u>\$ 3,299,925</u>
Changes for the year	
Service cost	247,763
Interest	69,591
Differences between expected and actual economic experience	(791,729)
Changes of assumptions	(198,372)
Benefit payments	<u>(136,233)</u>
Net changes	<u>(808,980)</u>
Balances at December 31, 2021	<u><u>\$ 2,490,945</u></u>

The General Fund, Water Utility Fund, Sewer Utility Fund, Electric Utility Fund, Gas Utility Fund, Liquor Utility Fund, and Campground Utility Fund typically liquidate the Liability related to OPEB.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 1.84% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

Total OPEB Liability		
1% decrease (0.84%)	Current (1.84%)	1% increase (2.84%)
\$ 2,671,072	\$ 2,490,945	\$ 2,321,805

City of Two Harbors
Notes to Basic Financial Statements

NOTE 12 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

G. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower and 1% higher than the current healthcare cost trend rates.

Total OPEB Liability		
1% decrease (5.2% decreasing to 3.0%)	Current (6.2% decreasing to 4.0%)	1% increase (7.2% decreasing to 5.0%)
\$ 2,246,220	\$ 2,490,945	\$ 2,779,500

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022, the City recognized OPEB expense of \$(672,747). At December 31, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 86,434	\$ -
Total	\$ 86,434	\$ -

\$86,434 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2023.

NOTE 14 – COMMITMENTS

At December 31, 2022, the City had outstanding construction contract commitments totaling \$17,843,502.

NOTE 15 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* establishes that a Subscription-Based Information Technology Arrangement (SBITA) results in a right-to-use subscription asset and a corresponding liability. Under this statement, a governmental entity generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. This statement will be effective for the year ending December 31, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

City of Two Harbors
Schedule of Changes in Total OPEB Liability
and Related Ratios

	December 31, 2018	December 31, 2019	December 31, 2020
Total OPEB Liability			
Service cost	\$ 143,400	\$ 165,392	\$ 148,693
Interest	117,886	108,958	115,598
Differenced between expected and actual experience	-	-	(250,264)
Changes of assumptions	101,591	(145,722)	271,446
Changes of benefit terms	-	(76,370)	-
Benefit payments	(165,469)	(208,913)	(214,094)
Net change in total OPEB liability	<u>197,408</u>	<u>(156,655)</u>	<u>71,379</u>
Beginning of year	<u>3,033,443</u>	<u>3,230,851</u>	<u>3,074,196</u>
Total OPEB liability	<u><u>\$ 3,230,851</u></u>	<u><u>\$ 3,074,196</u></u>	<u><u>\$ 3,145,575</u></u>
Covered-employee payroll	\$ 3,343,369	\$ 3,358,853	\$ 3,338,302
Total OPEB liability as a percentage of covered-employee payroll	96.63%	91.53%	94.23%

Note 1: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

Note 2: There are no assets accumulated in a trust.

December 31, 2021	December 31, 2022
\$ 207,731	\$ 247,763
89,066	69,591
(76,888)	(791,729)
163,514	(198,372)
-	-
(229,073)	(136,233)
<u>154,350</u>	<u>(808,980)</u>
<u>3,145,575</u>	<u>3,299,925</u>
<u>\$ 3,299,925</u>	<u>\$ 2,490,945</u>
\$ 3,551,708	\$ 3,773,609
92.91%	66.01%

City of Two Harbors
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0423%	\$ 3,350,174	\$ 98,352	\$ 3,448,526	\$ 3,170,040	105.68%	76.67%
2021	0.0402%	1,716,720	52,390	1,769,110	2,893,693	59.33%	87.00%
2020	0.0381%	2,284,269	70,484	2,354,753	2,717,720	84.05%	79.06%
2019	0.0396%	2,189,395	67,997	2,257,392	2,803,400	78.10%	80.23%
2018	0.0425%	2,357,726	77,348	2,435,074	2,857,600	82.51%	79.53%
2017	0.4160%	2,655,717	33,399	2,689,116	2,680,387	99.08%	75.90%
2016	0.0427%	3,467,028	45,325	3,512,353	2,651,853	130.74%	68.91%
2015	0.0423%	2,192,206	-	2,192,206	2,446,987	89.59%	78.19%

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

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2022	0.0534%	\$ 2,323,757	\$ 101,455	\$ 2,425,212	\$ 648,480	373.98%	70.53%
2021	0.0533%	406,623	18,498	425,121	688,784	61.72%	93.66%
2020	0.0538%	704,300	16,656	720,956	648,796	111.12%	87.19%
2019	0.0504%	529,755	N/A	529,755	544,265	97.33%	89.26%
2018	0.0564%	596,086	N/A	596,086	594,506	100.27%	88.84%
2017	0.0560%	751,027	N/A	751,027	571,259	131.47%	85.43%
2016	0.0560%	2,247,377	N/A	2,247,377	535,309	419.83%	63.88%
2015	0.0570%	647,653	N/A	647,653	510,543	126.86%	86.61%

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

**City of Two Harbors
Schedule of City Contributions
General Employees Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 231,105	\$ 231,105	\$ -	\$ 3,081,400	7.50%
2021	231,671	231,671	-	3,088,947	7.50%
2020	216,775	216,775	-	2,890,333	7.50%
2019	203,381	203,381	-	2,711,747	7.50%
2018	214,140	214,140	-	2,855,200	7.50%
2017	207,598	207,598	-	2,767,973	7.50%
2016	201,992	201,992	-	2,693,227	7.50%
2015	194,488	194,488	-	2,593,173	7.50%

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

**Schedule of City Contributions
Public Employees Police and Fire Retirement Fund
Last Ten Years**

Fiscal Year Ending December 31,	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 125,040	\$ 125,040	\$ -	\$ 706,441	17.70%
2021	111,762	111,762	-	631,424	17.70%
2020	110,575	110,575	-	624,718	17.70%
2019	94,350	94,350	-	556,637	16.95%
2018	92,168	92,168	-	568,938	16.20%
2017	94,965	94,965	-	586,204	16.20%
2016	90,946	90,946	-	561,395	16.20%
2015	85,621	85,621	-	528,525	16.20%

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

City of Two Harbors
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	2021	2020	2019
Total Pension Liability (TPL)			
Service cost	\$ 38,951	\$ 48,016	\$ 45,661
Interest	37,030	35,762	40,824
Differenced between expected and actual experience	-	(18,145)	-
Changes of assumptions	-	4,846	-
Changes of benefit terms	68,192	-	17,326
Benefit payments, including refunds of member contributions	-	(82,250)	(292,075)
Net change in total pension liability	<u>144,173</u>	<u>(11,771)</u>	<u>(188,264)</u>
Beginning of year	<u>553,530</u>	<u>565,301</u>	<u>753,565</u>
End of year	<u><u>\$ 697,703</u></u>	<u><u>\$ 553,530</u></u>	<u><u>\$ 565,301</u></u>
Plan Fiduciary Net Position (FNP)			
Contributions - employer	\$ 56,297	\$ 54,105	\$ 54,279
Contributions - donations and other income	-	-	-
Net investment income	125,630	129,763	153,692
Other additions	-	-	-
Benefit payments, including refunds of member contributions	-	(82,250)	(292,075)
Administrative expense	(11,000)	(7,850)	(9,476)
Other	-	-	(28)
Net change in plan fiduciary net position	<u>170,927</u>	<u>93,768</u>	<u>(93,608)</u>
Beginning of year	<u>850,192</u>	<u>756,424</u>	<u>850,032</u>
End of year	<u><u>\$ 1,021,119</u></u>	<u><u>\$ 850,192</u></u>	<u><u>\$ 756,424</u></u>
Net Pension Liability (NPL)	<u><u>\$ (323,416)</u></u>	<u><u>\$ (296,662)</u></u>	<u><u>\$ (191,123)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	146.4%	153.6%	133.8%
Covered employee payroll	N/A	N/A	N/A
Net pension liability as a percentage of covered payroll	N/A	N/A	N/A

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

2018	2017	2016	2015	2014
\$ 38,632	\$ 33,804	\$ 47,135	\$ 35,852	\$ 34,892
45,480	38,996	37,453	34,576	32,879
373	-	(45,192)	-	-
8,027	44,345	(21,800)	48,442	-
-	-	-	36,986	-
-	-	(155,812)	(78,417)	-
92,512	117,145	(138,216)	77,439	67,771
661,053	543,908	682,124	604,685	536,914
<u>\$ 753,565</u>	<u>\$ 661,053</u>	<u>\$ 543,908</u>	<u>\$ 682,124</u>	<u>\$ 604,685</u>
\$ 49,569	\$ 61,045	\$ 54,261	\$ 51,722	\$ 64,861
-	-	(6,390)	6,390	-
(42,741)	112,071	48,110	(1,150)	43,924
-	-	1,201	-	-
-	-	(155,812)	(78,417)	-
(5,544)	(7,344)	(7,301)	(7,080)	(6,700)
-	-	-	(200)	-
1,284	165,772	(65,931)	(28,735)	102,085
848,748	682,976	748,907	777,642	675,557
<u>\$ 850,032</u>	<u>\$ 848,748</u>	<u>\$ 682,976</u>	<u>\$ 748,907</u>	<u>\$ 777,642</u>
<u>\$ (96,467)</u>	<u>\$ (187,695)</u>	<u>\$ (139,068)</u>	<u>\$ (66,783)</u>	<u>\$ (172,957)</u>
112.8%	128.4%	125.6%	109.8%	128.6%
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A

**City of Two Harbors
Schedule of Employer Contributions
and Non-Employer Contributing
Entities - Fire Relief Association**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Employer						
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution made	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,500)</u>	<u>(2,300)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,500)</u>	<u>\$ (2,300)</u>
Non-employer						
2% aid	\$ 56,297	\$ 53,105	\$ 50,279	\$ 49,569	\$ 49,545	\$ 51,961

The City implemented the Provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2015. The schedules within the Required Supplementary Information section required a ten year presentation, but does not require retroactive reporting. Information prior to 2014 is not available.

<u>2015</u>	<u>2014</u>
\$ -	\$ -
<u>(2,300)</u>	<u>(2,300)</u>
<u><u>\$ (2,300)</u></u>	<u><u>\$ (2,300)</u></u>
 \$ 49,422	 \$ 62,531

City of Two Harbors
Notes to Required Supplementary Information

General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The mortality improvement scale was changed from scale MP-2019 to scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.5% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.0%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the Pub-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint and Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint and Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023, and 0.0% thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**City of Two Harbors
Notes to Required Supplementary Information**

General Employees Fund (Continued)

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

Changes in Plan Provisions

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

2017 Changes

Changes in Actuarial Assumptions

- The CSA loads were changed from 0.8% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.0% for active member liability, 15% for vested deferred member liability and 3% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5% per year thereafter.

Changes in Plan Provisions

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

City of Two Harbors
Notes to Required Supplementary Information

General Employees Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

City of Two Harbors
Notes to Required Supplementary Information

Police and Fire Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from scale MP-2020 to scale MP-2021.
- The single discount rate was changed from 6.5% to 5.4%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.5% to 6.5% for financial reporting purposes.
- The inflation assumption was changed from 2.5% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.0%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety mortality table. The mortality improvement scale was changed from MP-2019 to MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes resulted in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes resulted in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates resulted in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

City of Two Harbors
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2019 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2016 to MP-2017.

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00% for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80% to 11.30% of pay, effective January 1, 2019, and 11.80% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019, and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30% for vested and non-vested deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

City of Two Harbors
Notes to Required Supplementary Information

Police and Fire Fund (Continued)

2017 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- The assumed post-retirement benefit increase rate was changed from 1% for all years to 1% per year through 2064 and 2.5% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.
- The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation was decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2037 and 2.5% per year thereafter.

Changes in Plan Provisions

- The post-retirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.5%, to a fixed rate of 2.5%.

City of Two Harbors
Notes to Required Supplementary Information

Volunteer Fire Fighter's Relief Association

2022 Changes

- The lump sum benefit amount increased from \$3,900 to \$4,400.

2021 Changes

- The mortality assumptions were updated from the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2020, Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.50% to 2.25%.

2020 Changes

- The lump sum benefit amount increased from \$3,800 to \$3,900.

2019 Changes

- The expected investment return and discount rate decreased from 6.50% to 6.25% to reflect updated capital market assumptions.
- The mortality and withdrawal assumptions were updated from the rates used in the July 1, 2016, Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2018, Minnesota PERA Police & Fire Plan actuarial valuation.
- The inflation assumption decreased from 2.75% to 2.50%.

City of Two Harbors
Notes to Required Supplementary Information

Post Employment Health Care Plan

2022 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the 7/1/2019 PERA General Employees Plan and 7/1/2019 PERA Police & Fire Plan valuations to the rates used in the 7/1/2021 valuations.
- The inflation assumptions were changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The assumed retirement age for Police employees changed from age 50 to age 55 to reflect updated expectations.

2021 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates.

2020 Changes

Changes in Plan Provisions

- Retiree premiums were updated to current levels.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.
- Withdrawal and salary scale rates were updated from the rates used in the July 1, 2017, PERA of Minnesota General Employees and Police & Fire Retirement Plan actuarial valuations to the rates used in the July 1, 2019, valuations.
- Mortality rates were updated from the RP-2014 headcount-weighted tables to the rates used in the July 1, 2019, PERA of Minnesota General Employees and Police & Fire Retirement Plan actuarial valuations to reflect recently-published mortality rates.
- The inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

2019 Changes

Changes in Actuarial Assumptions

- The discount rate increased from 3.31% to 3.71%.
- The health care trend rates were updated to exclude the Affordable Care Act's Excise Tax on high-cost health insurance plan due to its repeal.

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SUPPLEMENTARY INFORMATION

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City of Two Harbors
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Revenues				
Taxes				
General property taxes	\$ 2,450,248	\$ 2,450,248	\$ 2,021,269	\$ (428,979)
Cable television franchise tax	28,850	28,850	23,345	(5,505)
Total taxes	<u>2,479,098</u>	<u>2,479,098</u>	<u>2,044,614</u>	<u>(434,484)</u>
Special assessments	-	-	12	12
Licenses and permits	53,700	53,700	53,458	(242)
Intergovernmental revenues				
Federal grants	-	-	385,657	385,657
State grants and aids				
Local government aid	1,853,222	1,853,222	1,853,222	-
Taconite aid	-	-	179,315	179,315
State grant	19,950	19,950	12,664	(7,286)
State fire aid	51,350	51,350	59,406	8,056
State police aid	69,400	69,400	82,636	13,236
County highway grants	22,450	22,450	22,258	(192)
Other grants and aids	-	-	261,445	261,445
Total intergovernmental revenues	<u>2,016,372</u>	<u>2,016,372</u>	<u>2,856,603</u>	<u>840,231</u>
Charges for services				
Fire contract	95,800	95,800	101,688	5,888
Cemetery services	36,800	36,800	41,409	4,609
Other	39,250	39,250	15,377	(23,873)
Total charges for services	<u>171,850</u>	<u>171,850</u>	<u>158,474</u>	<u>(13,376)</u>
Fines and forfeitures	9,900	9,900	5,279	(4,621)
Miscellaneous revenues				
Investment income	10,700	10,700	(366)	(11,066)
Other	24,800	24,800	57,645	32,845
Total miscellaneous revenues	<u>35,500</u>	<u>35,500</u>	<u>57,279</u>	<u>21,779</u>
Total revenues	<u>4,766,420</u>	<u>4,766,420</u>	<u>5,175,719</u>	<u>409,299</u>

City of Two Harbors
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget -
				Over (Under)
Expenditures				
General government				
Mayor and council	\$ 84,100	\$ 84,100	\$ 64,126	\$ (19,974)
Administrative and finance	377,300	377,300	303,004	(74,296)
Other general government	305,800	305,800	359,063	53,263
Total general government	<u>767,200</u>	<u>767,200</u>	<u>726,193</u>	<u>(41,007)</u>
Public safety				
Police				
Current	1,282,350	1,282,350	1,364,074	81,724
Capital outlay	<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
Total police	<u>1,307,350</u>	<u>1,307,350</u>	<u>1,364,074</u>	<u>56,724</u>
Fire				
Current	237,500	237,500	271,922	34,422
Capital outlay	<u>22,500</u>	<u>22,500</u>	<u>-</u>	<u>(22,500)</u>
Total fire	<u>260,000</u>	<u>260,000</u>	<u>271,922</u>	<u>11,922</u>
Animal control				
Current	13,350	13,350	10,526	(2,824)
Other				
Current	<u>1,600</u>	<u>1,600</u>	<u>2,516</u>	<u>916</u>
Total public safety	<u>1,582,300</u>	<u>1,582,300</u>	<u>1,649,038</u>	<u>66,738</u>
Public works				
Streets and highways				
Street maintenance	1,375,480	1,375,480	1,186,089	(189,391)
Street signs	10,000	10,000	9,144	(856)
Equipment maintenance	<u>53,200</u>	<u>53,200</u>	<u>74,345</u>	<u>21,145</u>
Total streets and highways	<u>1,438,680</u>	<u>1,438,680</u>	<u>1,269,578</u>	<u>(169,102)</u>
Sanitation				
Waste removal	31,750	31,750	49,350	17,600
Tree removal	<u>8,000</u>	<u>8,000</u>	<u>1,200</u>	<u>(6,800)</u>
Total sanitation	<u>39,750</u>	<u>39,750</u>	<u>50,550</u>	<u>10,800</u>
Total public works	<u>1,478,430</u>	<u>1,478,430</u>	<u>1,320,128</u>	<u>(158,302)</u>
Culture and recreation				
Current expenditures	<u>252,750</u>	<u>252,750</u>	<u>206,981</u>	<u>(45,769)</u>
Total culture and recreation	<u>252,750</u>	<u>252,750</u>	<u>206,981</u>	<u>(45,769)</u>
Health and welfare				
Cemetery				
Current	139,950	139,950	120,368	(19,582)

City of Two Harbors
Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Over (Under)
Expenditures (Continued)				
Miscellaneous	\$ 171,850	\$ 171,850	\$ 175,251	\$ 3,401
Total expenditures	<u>4,392,480</u>	<u>4,392,480</u>	<u>4,197,959</u>	<u>(194,521)</u>
Excess of revenues over expenditures	373,940	373,940	977,760	603,820
Other Financing Sources (Uses)				
Insurance proceeds	-	-	11,000	11,000
Transfers in	351,917	351,917	430,967	79,050
Transfers out	<u>(725,250)</u>	<u>(725,250)</u>	<u>(725,250)</u>	<u>-</u>
Total other financing sources (uses)	<u>(373,333)</u>	<u>(373,333)</u>	<u>(283,283)</u>	<u>90,050</u>
Net change in fund balance	<u>\$ 607</u>	<u>\$ 607</u>	694,477	<u>\$ 693,870</u>
Fund Balance				
Beginning of year			<u>2,006,635</u>	
End of year			<u>\$ 2,701,112</u>	

**City of Two Harbors
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Special Revenue			
	Library (211)	Airport (231)	Local Sales Tax (261)	Tax Increment Financing (251)
Assets				
Cash and investments	\$ 238,445	\$ 87,731	\$ 626,038	\$ 197,489
Taxes receivable - delinquent	-	-	-	-
Special assessment receivable				
Deferred	-	-	-	-
Accounts receivable	812	6,560	-	-
Interest receivable	356	-	793	1,181
Due from other governments	-	26,879	50,191	-
Notes receivable	-	-	-	-
Inventories	-	31,858	-	-
	<u>-</u>	<u>31,858</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 239,613</u>	<u>\$ 153,028</u>	<u>\$ 677,022</u>	<u>\$ 198,670</u>
Liabilities				
Accounts payable	\$ 11,153	\$ 2,608	\$ -	\$ -
Contracts payable	-	-	-	-
Accrued payroll	11,014	2,402	-	-
Unearned revenue	-	4,415	-	-
Total liabilities	<u>22,167</u>	<u>9,425</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	31,858	-	-
Restricted	-	-	677,022	198,670
Committed	217,446	111,745	-	-
Assigned	-	-	-	-
Total fund balances	<u>217,446</u>	<u>143,603</u>	<u>677,022</u>	<u>198,670</u>
 Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 239,613</u>	<u>\$ 153,028</u>	<u>\$ 677,022</u>	<u>\$ 198,670</u>

Special Revenue				Permanent	Capital Projects
Revolving Loan Fund SCDP (205)	City Sales Tax (263)	Golf (241)	Total	Cemetery Perpetual (810)	Capital Equipment Fund (401)
\$ 40,606	\$ 339,036	\$ 108,202	\$ 1,637,547	\$ 145,209	\$ 1,267,945
-	-	-	-	-	-
-	-	-	-	-	19,828
-	-	63	7,435	-	550
-	403	-	2,733	520	2,080
-	50,191	55	127,316	-	73,221
-	-	-	-	-	-
-	-	-	31,858	-	-
<u>\$ 40,606</u>	<u>\$ 389,630</u>	<u>\$ 108,320</u>	<u>\$ 1,806,889</u>	<u>\$ 145,729</u>	<u>\$ 1,363,624</u>
\$ -	\$ -	\$ -	\$ 13,761	\$ -	\$ 96,954
-	-	-	-	-	7,481
-	-	-	13,416	-	-
-	-	-	4,415	-	119,827
<u>-</u>	<u>-</u>	<u>-</u>	<u>31,592</u>	<u>-</u>	<u>224,262</u>
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	31,858	-	-
40,606	389,630	-	1,305,928	145,729	-
-	-	108,320	437,511	-	-
-	-	-	-	-	1,139,362
<u>40,606</u>	<u>389,630</u>	<u>108,320</u>	<u>1,775,297</u>	<u>145,729</u>	<u>1,139,362</u>
<u>\$ 40,606</u>	<u>\$ 389,630</u>	<u>\$ 108,320</u>	<u>\$ 1,806,889</u>	<u>\$ 145,729</u>	<u>\$ 1,363,624</u>

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**City of Two Harbors
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2022**

	Capital Projects	Capital Projects		
	Edna G. Restoration Project (411)	Permanent Improvements (500)	Total	Total Governmental Funds
Assets				
Cash and investments	\$ 460,084	\$ 686,098	\$ 2,414,127	\$ 4,196,883
Taxes receivable - delinquent	-	293	293	293
Special assessment receivable			-	
Deferred	-	-	19,828	19,828
Accounts receivable	-	-	550	7,985
Interest receivable	1,073	1,387	4,540	7,793
Due from other governments	12,946	740	86,907	214,223
Notes receivable	-	173,141	173,141	173,141
Inventories	-	-	-	31,858
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 474,103</u>	<u>\$ 861,659</u>	<u>\$ 2,699,386</u>	<u>\$ 4,652,004</u>
Liabilities				
Accounts payable	\$ 250	\$ 6,198	\$ 103,402	\$ 117,163
Contracts payable	-	-	7,481	7,481
Accrued payroll	-	-	-	13,416
Unearned revenue	-	96,353	216,180	220,595
Total liabilities	<u>250</u>	<u>102,551</u>	<u>327,063</u>	<u>358,655</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	293	293	293
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>293</u>	<u>293</u>	<u>293</u>
Fund Balances				
Nonspendable	-	-	-	31,858
Restricted	-	-	-	1,451,657
Committed	-	-	-	437,511
Assigned	473,853	758,815	2,372,030	2,372,030
Total fund balances	<u>473,853</u>	<u>758,815</u>	<u>2,372,030</u>	<u>4,293,056</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 474,103</u>	<u>\$ 861,659</u>	<u>\$ 2,699,386</u>	<u>\$ 4,652,004</u>

City of Two Harbors
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Special Revenue			
	Library (211)	Airport (231)	Local Sales Tax (261)	Tax Increment Financing (251)
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Sales tax	-	-	479,536	-
Special assessments	-	-	-	-
Intergovernmental				
Federal grants	-	32,189	-	-
State grants and aid	15,722	36,834	-	-
County grants and aid	65,000	7,500	-	-
Arrowhead library system	-	-	-	-
Charges for services	3,359	157,890	-	-
Miscellaneous				
Investment income	452	-	2,581	1,263
Loan payments	-	-	-	-
Other	2,011	-	-	-
Total revenues	<u>86,544</u>	<u>234,413</u>	<u>482,117</u>	<u>1,263</u>
Expenditures				
Current				
General government	-	-	-	-
Culture and recreation	282,060	-	-	-
Economic development	-	-	-	167
Airport	-	183,991	-	-
Debt Service				
Principal	-	-	-	-
Interest	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Airport	-	-	-	-
Total expenditures	<u>282,060</u>	<u>183,991</u>	<u>-</u>	<u>167</u>
Excess of revenues over (under) expenditures	(195,516)	50,422	482,117	1,096
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	-	-
Transfers in	237,000	13,250	-	-
Transfers out	-	-	(420,000)	-
Total other financing sources (uses)	<u>237,000</u>	<u>13,250</u>	<u>(420,000)</u>	<u>-</u>
Net change in fund balances	41,484	63,672	62,117	1,096
Fund Balances				
Beginning of year	<u>175,962</u>	<u>79,931</u>	<u>614,905</u>	<u>197,574</u>
End of year	<u>\$ 217,446</u>	<u>\$ 143,603</u>	<u>\$ 677,022</u>	<u>\$ 198,670</u>

Revolving Loan Fund SCDP (205)	City Sales Tax (263)	Special Revenue			Permanent Cemetery Perpetual (810)	Capital Projects Capital Equipment Fund (401)
		Two Harbors Convention and Visitors Bureau (291)	Golf (241)	Total		
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	479,536	3	-	959,075	-	-
-	-	-	-	-	-	16,969
-	-	-	-	-	-	-
-	-	-	-	32,189	-	137,066
-	-	-	-	52,556	-	1,260
-	-	-	-	72,500	-	-
-	-	-	-	-	-	-
-	-	-	409,449	570,698	-	59,019
-	1,020	-	-	5,316	624	3,598
-	-	-	-	-	-	-
-	-	14,431	-	16,442	-	-
-	480,556	14,434	409,449	1,708,776	624	217,912
-	-	-	-	-	-	-
-	-	-	449,823	731,883	-	-
-	-	-	-	167	-	-
-	-	-	-	183,991	-	-
-	-	-	-	-	-	86,279
-	-	-	-	-	-	35,018
-	-	-	-	-	-	-
-	-	-	-	-	-	131,364
-	-	-	-	-	-	25,679
-	-	-	-	-	-	455,676
-	-	-	-	-	-	181,259
-	-	-	-	-	-	75,890
-	-	-	449,823	916,041	-	991,165
-	480,556	14,434	(40,374)	792,735	624	(773,253)
-	-	-	-	-	-	42,000
-	-	-	125,000	375,250	-	525,678
-	(275,000)	(33,190)	-	(728,190)	(2,017)	-
-	(275,000)	(33,190)	125,000	(352,940)	(2,017)	567,678
-	205,556	(18,756)	84,626	439,795	(1,393)	(205,575)
40,606	184,074	18,756	23,694	1,335,502	147,122	1,344,937
\$ 40,606	\$ 389,630	\$ -	\$ 108,320	\$ 1,775,297	\$ 145,729	\$ 1,139,362

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City of Two Harbors
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2022

	Capital Projects	Capital Projects		Total Governmental Funds
	Edna G. Restoration Project (411)	Permanent Improvements (500)	Total	
Revenues				
Taxes	\$ -	13,164	\$ 13,164	\$ 13,164
Sales tax	96,916	-	96,916	1,055,991
Special assessments	-	-	16,969	16,969
Intergovernmental			-	
Federal grants	-	-	137,066	169,255
State grants and aid	-	-	1,260	53,816
County grants and aid	-	-	-	72,500
Arrowhead library system	-	1,025	1,025	1,025
Charges for services	-	20,000	79,019	649,717
Miscellaneous			-	
Investment income	1,890	-	5,488	11,428
Loan payments	-	4,886	4,886	4,886
Other	-	-	-	16,442
Total revenues	<u>98,806</u>	<u>39,075</u>	<u>355,793</u>	<u>2,065,193</u>
Expenditures				
Current				
General government	-	525	525	525
Culture and recreation	-	-	-	731,883
Economic development	-	-	-	167
Airport	-	-	-	183,991
Debt Service				
Principal	-	-	86,279	86,279
Interest	-	-	35,018	35,018
Capital outlay				
General government	-	38,377	169,741	169,741
Public safety	-	-	25,679	25,679
Public works	-	-	455,676	455,676
Culture and recreation	12,700	-	193,959	193,959
Airport	-	-	75,890	75,890
Total expenditures	<u>12,700</u>	<u>38,902</u>	<u>1,042,767</u>	<u>1,958,808</u>
Excess of revenues over (under) expenditures	86,106	173	(686,974)	106,385
Other Financing Sources (Uses)				
Proceeds from sale of capital asset	-	-	42,000	42,000
Transfers in	-	-	525,678	900,928
Transfers out	-	-	-	(730,207)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>567,678</u>	<u>212,721</u>
Net change in fund balances	86,106	173	(119,296)	319,106
Fund Balances				
Beginning of year	<u>387,747</u>	<u>758,642</u>	<u>2,491,326</u>	<u>3,973,950</u>
End of year	<u>\$ 473,853</u>	<u>\$ 758,815</u>	<u>\$ 2,372,030</u>	<u>\$ 4,293,056</u>

City of Two Harbors
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit -
Two Harbors Development Fund
Year Ended December 31, 2022

Revenues

Miscellaneous	
Principal payments on loans	\$ 1,020
Interest on loans	10,924
Investment income	20
Other	<u>-</u>
Total revenues	<u>11,964</u>

Expenditures

Current	
Professional services	1,190
Residual transfer to Two Harbors Development Fund	87,298
Payments to Developers	674,503
Legal fees	<u>4,954</u>
Total expenditures	<u>767,945</u>
Excess of revenues over (under) expenditures	(755,981)

Fund Balance

Beginning of year	<u>755,981</u>
End of year	<u>\$ -</u>

Reconciliation of the schedule of revenues, expenditures, and changes
in fund balance to the Statement of Activities

Net change in fund balance	\$ (755,981)
----------------------------	--------------

Principal payments on loans receivable are recognized as revenues
in the governmental funds but have no effect on net position in
the Statement of Activities.

Principal payments	<u>(1,020)</u>
--------------------	----------------

Change in net position	<u>\$ (757,001)</u>
------------------------	---------------------

City of Two Harbors
Balance Sheet - Component Unit -
Two Harbors Economic Development Authority
December 31, 2022

Assets

Cash and investments

\$ 58,541

Fund Balance

Committed

\$ 58,541

City of Two Harbors
Schedule of Revenues, Expenditures, and
Changes in Fund Balance - Component Unit -
Two Harbors Economic Development Authority
Year Ended December 31, 2022

Revenues	
Contributions and donations	\$ -
Expenditures	
Current	
Dues and subscriptions	<u>1,000</u>
Excess of revenues under expenditures	(1,000)
Fund Balance	
Beginning of year	<u>59,541</u>
End of year	<u><u>\$ 58,541</u></u>

City of Two Harbors
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Expenditures
Department of Treasury		
Minnesota Management and Budget		
ARPA - American Rescue Plan	21.017	\$ 385,657
Environmental Protection Agency		
State of Minnesota Public Facility Authority		
Capitalization grants for clean water state revolving funds - loan	66.458	811,340
Capitalization grants for clean water state revolving funds - grant	66.458	<u>1,002,414</u>
Total Minnesota Public Facility Authority		1,813,754
Department of Transportation		
State of Minnesota Department of Transportation		
Airport improvement program	20.106	156,255
COVID - Airport improvement program - emergency assistance to airports	20.106C	<u>13,000</u>
Total Department of Transportation		169,255
National Endowment for the Humanities		
Minnesota Management and Budget		
Grants to States	45.31	<u>15,722</u>
Department of the Interior		
State of Minnesota Department of Natural Resources		
Sport fish restoration	15.605	<u>2,400</u>
Total federal expenditures		<u><u>\$ 2,386,788</u></u>

City of Two Harbors
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City under programs of the federal government for the year-ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed above use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
*Government Auditing Standards***

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Two Harbors
Two Harbors, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Two Harbors, Minnesota as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 17, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2022-001 to be a material weakness.

Internal Control over Financial Reporting (Continued)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as Audit Finding 2022-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bergan KDV, Ltd.

Minneapolis, Minnesota
April 17, 2023

**Report on Compliance for each Major Federal Program
and Report on Internal Control over Compliance Required by
the Uniform Guidance**

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of [City]
[City, State]

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended April 17, 2023. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended April 17, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Report on Internal Control over Compliance (Continued)

Our consideration of internal control over compliance was for the limited purpose described in Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Bergan KDV, Ltd.

Minneapolis, Minnesota
April 17, 2023

**City of Two Harbors
Schedule of Findings and Questioned Costs**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued:

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal control over financial reporting:

- Material weakness(es) identified? Yes, Audit Finding 2022-01
- Significant deficiency(ies) identified? Yes, Audit Finding 2022-02

Noncompliance material to financial statements noted? No

Federal Awards

Type of auditor’s report issued on compliance for major programs:

Unmodified

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

No

Identification of Major Programs

Assistance Listing No.:

66.458
Capitalization Grants for Clean Water State
Revolving Funds

Name of Federal Program or Cluster:

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low risk auditee?

No

**City of Two Harbors
Schedule of Findings and Questioned Costs**

SECTION II – FINANCIAL STATEMENT FINDINGS

Audit Finding 2022-001

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition:

During the year ended December 31, 2022, the City had a lack of segregation of accounting duties due to a limited number of office employees.

Management is aware of this condition and has taken certain steps to compensate for the lack of segregation. However, due to the small accounting staff needed to handle all of the accounting duties, the cost of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. Due to this reason, management has determined a complete segregation of accounting duties is impractical to correct. However, management, along with the City Council, must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

Context:

This finding impacts the internal control for all significant accounting functions.

Effect or Potential Effect:

The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees.

Recommendation:

Continue to review the accounting system, including changes that may occur. Implement segregation whenever practical.

Views of Responsible Officials and Planned Corrective Action:

Management of the City takes its responsibility for internal controls very seriously. The City has weighed the costs and benefits of an additional office employee to eliminate this risk and has determined the benefit does not exceed the cost.

The City's management team diligently follows the City's internal control policies to ensure the protection of public funds.

City of Two Harbors
Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

Audit Finding 2022-002

Criteria or Specific Requirement:

Internal control that supports the City's ability to initiate record, process, and report financial data consistent with the assertions of management in the financial statements requires adequate internal controls over significant revenue processes.

Condition:

During the year ended December 31, 2022, the City had a lack of internal controls over the utility billing process for water charges.

During our audit of water charges, we noted the ratio of gallons billed to gallons pumped was 79%. The American Waterworks Association has developed a benchmark of gallons billed to gallons pumped to equal at least 90%.

Context:

This finding impacts the internal control for utility billing.

Effect or Potential Effect:

The lack of internal control over water charges could adversely affect the City's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

Cause:

There are a limited number of office employees to investigate water loss.

Recommendation:

Continue to review and investigate the ratio of gallons billed to gallons pumped ratio. We recommend the City increase their awareness of the disparity and strive to meet the benchmark of 90%.

Views of Responsible Officials and Planned Corrective Action:

Management of the City takes its responsibility for internal controls very seriously. The City will continue to investigate the ratio of gallons billed to gallons pumped to ensure the utility billing system is adequately capturing data and properly billing for water use.

**City of Two Harbors
Schedule of Findings and Questioned Costs**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

None

Minnesota Legal Compliance

Independent Auditor's Report

Honorable Mayor and Members
of the City Council
City of Two Harbors
Two Harbors, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Two Harbors, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 17, 2023.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BergankDV, Ltd.

Minneapolis, Minnesota
April 17, 2023

April 20, 2023

Dear Two Harbors City Council,

My name is Jolene Brink, and I'm part of a citizen-led group from Two Harbors preparing to submit an application for a National Endowment for the Arts program called the Citizens' Institute on Rural Design (CIRD).

CIRD invites rural communities to seek support in addressing a critical design challenge. They do this by providing planning, design, and creative placemaking resources in the form of local workshops and peer-to-peer cohorts. At no cost to the community, they provide access to rural architects and designers, and participation often leads to an infusion of additional resources toward a community's design challenge and broader community economic development efforts.

Our group believes the future of the Two Harbors downtown waterfront, specifically the proposed 30+ acres of DNR land being conveyed to the city and the adjacent city-owned parcels, offers the perfect opportunity for our community to work with CIRD.

As you know, how we design our waterfront has implications for residential quality of life and safety, tourist dollars, vital businesses, and the quality of our local soil and water. As a group of citizens motivated to engage with the city, we think CIRD is an ideal partner to bring community and city stakeholders together to create the framework for an actionable waterfront master plan.

Our desire to work with CIRD comes from our belief that as a community, we can transform the Two Harbors waterfront from a brownfield with safety hazards and barbed wire fence into a functioning landscape that brings traffic into downtown and builds pride in our community. We have a growing list of citizens and organizations who have already offered to play a role in this project. They include:

- Lew Conner (Mayor-Elect)
- Uriah Hefter (Ward 1)
- Superior Hiking Trail Association (Nonprofit)
- Friends of the Edna G (Nonprofit)
- Shoreview Natives (Business)
- Agate Acres (Business)

We also have a unanimous vote of support from the Planning Commission to submit our application. Showing your support in bringing this resource to our community will help us communicate to CIRD that we have city support behind our efforts to find an actionable design solution for our waterfront. I've included additional information about the application on the following page, along with case studies of communities who received additional funding for their project following their partnership with CIRD.

Thank you for your consideration.

Sincerely,

Jolene Brink

Jolene Brink

App. 4
+ Comm. 1
4/24/23

The National Endowment for the Arts (NEA) and the Housing Assistance Council (HAC), with To Be Done Studio, are excited to announce the Request for Applications to the Citizens' Institute on Rural Design (CIRD). Rural communities are invited to submit applications to receive design support and technical assistance to host an on-site Local Design Workshop or participate in the Design Learning Cohort.



About CIRD

The Citizens' Institute on Rural Design (CIRD) is a leadership initiative of the National Endowment for the Arts in partnership with the Housing Assistance Council. Focusing on communities with populations of 50,000 or fewer, CIRD's goal is to enhance the quality of life and economic vitality of rural America through planning, design, and creative placemaking.

The CIRD program goals include:

- Building design capacity in rural communities to plan comprehensive revitalization strategies;
- Introducing creative placemaking, arts, culture, and design strategies as drivers of economic development in rural America;
- Facilitating a network of rural communities for design idea exchanges and peer learning; and
- Preparing communities to be ready and competitive for arts- and design-related state and federal funding opportunities.

Opportunities

For 2023, the CIRD program consists of two different opportunities via a single application:

Local Design Workshops — At least ten (10) rural or tribal communities will be selected to participate in an on-site Local Design Workshop. With support from a wide range of design, planning, and creative placemaking professionals, the workshops bring together residents and local leaders from non-profits, community organizations, and local governments to develop actionable solutions to a specific design challenge.

Design Learning Cohort — At least fifteen (15) rural and tribal communities will be selected to participate in a Design Learning Cohort. Selected communities participate in virtual trainings and sessions on design, planning, community engagement, facilitation and fundraising techniques; connect and exchange design ideas with peers from other rural communities; receive technical assistance and coaching from experienced design professionals tailored to their local design challenge and receive support in navigating funding opportunities to make their community's vision a reality

Timeline

March 2, 2023	Request for Applications launched
March 22, 2023, at 2:00pm ET	CIRD RFA Information Webinar via Zoom
April 11, 2023, at 12:00 - 5pm ET**	CIRD Virtual Office Hours to answer application questions via Zoom
May 1, 2023	Applications due 11:59pm ET
Late May 2023	Successful applicants notified
Late May - Early June 2023	Successful applicants publicly announced
June 21, 2023	CIRD Cohort Kickoff Meeting
June 2023 - December 2024	CIRD Program activities, including local design workshops and design learning cohort programs

Case Studies

- In April 2023, Spring Grove, MN was featured in a [MinnPost article](#) highlighting their communities efforts to work with CIRD to “create a community center that would not only serve as a hub for residents but also as a way to get students involved in the process.”
- A community in New Mexico received substantial support post-CIRD workshop including:
 - Additional state and federal funding directly tied to the local design challenge
 - Awards from state and private funders
 - At a 2021 CIRD Design Learning Cohort gathering, this community's representative said that "CIRD brought it all together; it gave us focus; and it gave us a platform for getting new resources...We're now going strong.”
- A community in Ohio worked with CIRD to rehab a historic Black church; the project anchors a broader economic and cultural development plan. Since CIRD:
 - The project received substantial funding from the National Trust for Historic Preservation
 - The project received additional local and state allocations of funding
 - The project continues to receive interest from the media
 - The project was featured on a national podcast
- 4 CIRD-partnered communities applied for and received National Endowment for the Arts “Our Town” awards after CIRD. One of CIRD's goals is to bring additional state and federal (+ private) resources to local partners.



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Street Improvement Fund	Date: 04/24/2023
Agenda Item Subject: Consider approving invoice to Lake County Highway Department for 2023-2024 Street Improvement Project tree removal.	Fiscal Impact: Funds are budgeted for Street Improvement Project	
BACKGROUND: Submitting invoice to Lake County Highway Department for 2023-2024 Street Improvement Project tree removal. Wright's Tree Service holds the contract for tree removal with Lake County. The total project cost is \$15,300, work completed was \$13,500, we are holding on to retainage until they can cut the stumps off at ground level. The city portion is \$7,212.92.		
COUNCIL ACTION REQUESTED: Approve invoice for \$7,212.92 to Lake County Highway Department		
RECOMMENDATION: Approve invoice for \$7,212.92 to Lake County Highway Department		
ATTACHMENTS: Invoice from Lake County Highway Department and cost breakdown.		

Lake County Highway Department
1513 County Highway 2
Two Harbors, MN 55616



Pay Request: 1

2023 Tree Clearing

Item	Unit	Unit Price	Contract Quantity	Quantity This Request	Amount This Request	Quantity To Date	Amount To Date
Clearing	Each	\$ 217.75	62	60	\$ 13,065.00	60	\$ 13,065.00
TOTAL					\$ 13,065.00		\$ 13,065.00

Retainage \$ 700.00 5.4%

Retainage for remaining work to cut stumps down to contract required height, after snowmelt.

Work Certified This Request	Work Certified To Date	Less Amount Retained	Less Previous Payments	Amount Paid This Request	Total Amount Paid To Date
\$ 13,065.00	\$ 13,065.00	\$ 12,365.00	\$0	\$ 12,365.00	\$ 12,365.00

Approved By:

Jason DiPiazza
County Engineer

Approved By:

Wright's Tree Service
Contractor

Date: 4/12/2023

Date:

Wright's Tree Service
 2023 Tree Clearing
 Partial Payment #1

Street	Block	Project ID	County Trees	City Trees	Funding		
					County (6320)	Sales Tax (6321)	City (6343)
5th Street	600	SAP 038-636-001				\$0.00	\$0.00
	500	SAP 038-636-001		2		\$0.00	\$412.17
	400	SAP 038-636-001				\$0.00	\$0.00
4th Avenue	500	SAP 038-635-002	9	1	\$1,854.75		\$206.08
	400	SAP 038-635-002	6		\$1,236.50		\$0.00
	300	CP 105-023-001	9	2	\$1,854.75		\$412.17
5th Avenue	500	CITY		14		\$0.00	\$2,885.17
6th Avenue	600	CITY		12		\$0.00	\$2,473.00
	500	CITY		1		\$0.00	\$206.08
	400	CITY		3		\$0.00	\$618.25
8th Street		CP 105-022-001	1			\$206.08	\$0.00
			25	35	\$4,946.00	\$206.08	\$7,212.92
TOTALS			60			\$12,365.00	

SAP 038-636-001	\$0
SAP 038-635-002	\$3,091
CP 105-023-001	\$1,855
CP 105-022-001	\$206
	<u>\$5,152</u>

\$ 12,365.00 Partial Payment #1 Total
 60 Trees Removed (Partial Payment #1)
\$206.08 Per Tree Cost - Partial Payment #1

INVOICE

Lake County Auditor

INVOICE # 322
DATE: APRIL 14, 2023

601 Third Avenue, Two Harbors, MN 55616
Phone (218) 834-8315
Fax (218) 834-8358
Email auditor@co.lake.mn.us

BILL TO City of Two Harbors
522 First Avenue
Two Harbors, MN 55616

TERMS:
Due within 30 days

QUANTITY	DESCRIPTION				UNIT PRICE	TOTAL
1	County staff time					\$743.86
1	Various invoices for election services					\$6,164.62
CURRENT		1-30 DAYS PAST DUE	31-60 DAYS PAST DUE	61-90 DAYS PAST DUE	OVER 90 DAYS PAST DUE	AMOUNT DUE
\$6,908.48						\$6,908.48

REMITTANCE	
Invoice #	322
Date	04/14/2023
Amount Due	\$6,908.48
Amount Enclosed	

For office use - receipt to 01060.5000

Make all checks payable to Lake County Auditor

CA. 4

City of Two Harbors - Special Primary & General Elections
2/14/2023 and 4/11/2023
County staff time (Lola Haus)

Date	Description	Time In	Time Out	Total	Overtime	Mileage	Roster Printing
1/6/2023	Time spend training CTH staff (AB voting)	1:15	2:15	1.00			
1/26/2023	Testing DS200 precinct counters	1:00	2:00	1.00			
1/26/2023	Testing OmniBallot Assistive Voting Device	2:00	2:30	0.50			
2/2/2023	Putting election supplies together	1:00	2:30	1.50			
2/6/2023	Public Accuracy Test	9:00	9:30	0.50			
2/10/2023	AB accepting	10:00	11:00	1.00			
2/13/2023	AB administration @ Monarch	10:00	10:30	0.50			
2/13/2023	AB accepting	10:30	11:00	0.50			
2/13/2023	Printed and prepared rosters	11:00	11:30	0.50			293 pages
2/14/2023	AB processing with Patty	3:15	3:45	0.50			
2/14/2023	Election night - AB returns	7:45	8:30		0.75		
2/22/2023	Posted voter history and registrations	1:00	2:00	1.00			
3/13/2023	Testing DS200 precinct counters	1:30	2:30	1.00			
3/13/2023	Testing OmniBallot Assistive Voting Device	1:00	1:30	0.50			
3/31/2023	Printed and prepared rosters	9:00	9:30	0.50			291 pages
4/4/2023	Putting election supplies together	1:00	2:30	1.50			
4/10/2023	Public Accuracy Test	10:00	10:30	0.50			
4/10/2023	AB administration @ Monarch	1:00	1:30	0.50			
4/10/2023	AB accepting	1:30	2:15	0.75			
4/11/2023	AB processing with Patty	3:30	4:00	0.50			
4/11/2023	Election night - AB returns	7:45	8:30		0.75		
4/12/2023	Posted voter history and registrations	3:00	4:00	1.00			
Total				15.25	1.50	0.00	0.00

			Hours	
Regular Wage	31.19	15.25	475.65	
OT Wage	46.79	1.50	70.19	
OT Shift Differential	0.75	1.50	1.13	
Subtotal				546.96
36% fringe benefit percentage				196.90
Wage Total				743.86

**City of Two Harbors - Special Primary & General Elections
2/14/2023 and 4/11/2023
Invoices for Services**

Invoices for services	Description	Amount	Election
DS Solutions	Premarked test decks	550.00	both
ES&S	ballot coding/programming	990.02	general
ES&S	ballot coding/programming	1,008.10	primary
Fed Ex	shipping-programming media	26.43	general
Fed Ex	shipping-programming media	26.19	primary
SeaChange	ballot printing	1,430.78	general
SeaChange	ballot printing	1,236.81	primary
SeaChange	OmniBallot programming	424.00	general
SeaChange	OmniBallot programming	439.38	primary
Lake County	roster printing (293 pages x .056)	16.41	primary
Lake County	roster printing (291 pages x .056)	16.30	general
Total		\$ 6,164.42	



DS SOLUTIONS
YOUR ELECTION SERVICES EXPERTS

PO Box 792
Saint Cloud MN 56302
320-309-0374

Invoice

Date	Invoice #
3/1/2023	13408

Bill To
Lake County Elections 601 3rd Ave Two Harbors MN 55616

P.O. No.	Terms	Project
	Net 30	

Quantity	Description	Rate	Amount
	Pre-Marked Edit List and Test Deck File Creation. (\$275 Minimum) Feb 14th Election	275.00	275.00
	Pre-Marked Edit List and Test Deck File Creation. (\$275 Minimum) April 11th Election	275.00	275.00
Thank you for your business.		Total	\$550.00



Election Systems & Software
6055 Paysphere Circle
Chicago, IL 60674
(877) 377-8683



Invoice

Invoice Date
3/2/23
Order Date
3/1/23
Customer Number
32396
Customer's PO No
Coding

Terms of Payment
30 Days Net
Order Number
149519

ORIGINAL

Invoice Number
CD2053795
Election Date
02/14/2023
Page
1 (1)

Invoice Address
LAKE COUNTY, MINNESOTA
AUDITOR'S OFFICE
601 3RD AVE
TWO HARBORS MN 55616-1517

Delivery Address
Lake County, Minnesota
601 3rd Ave
Auditor's Office
Two Harbors, MN 55616-1517

Sales

Pos	Description	Sales Qty	Unit	Price	Disc %	Tax %	Net Amount USD
1	Media Burn-EQC	2.00	EA	14.250	0.00	0.00	28.50
2	Media Burn-DS200 Poll	6.00	EA	14.250	0.00	0.00	85.50
3	Base Charge:Precinct Tabulator	1.00	EA	600.000	0.00	0.00	600.00
4	Ballot Faces	4.00	EA	19.250	0.00	0.00	77.00
5	Ballot Types	1.00	EA	90.000	0.00	0.00	90.00
6	Contests / Issues	1.00	EA	21.000	0.00	0.00	21.00
7	Precincts	4.00	EA	10.750	0.00	0.00	43.00
8	Candidate / Responses	5.00	EA	9.000	0.00	0.00	45.00

Tracking #:

Sub Total Amount 990.00

FREIGHT 18.10

Total Exclusive Tax 1,008.10

Total Tax 0.00

Invoice Amount 1,008.10

Customer Number Invoice Number INVOICE AMOUNT
32396 CD2053795 1,008.10

Election Systems & Software
ABA Routing No: 071000039
Account No: 5800923558

MN: Minnesota

PLEASE DETACH AND RETURN THIS STUB WITH YOUR PAYMENT. THANK YOU.



Election Systems & Software
6055 Paysphere Circle
Chicago, IL 60674
(877) 377-8683



Invoice

Invoice Date
3/14/23
Order Date
3/14/23
Customer Number
32396
Customer's PO No
Coding

Terms of Payment
30 Days Net
Order Number
150446

ORIGINAL

Invoice Number
CD2054691
Election Date
04/11/2023
Page
1 (1)

Invoice Address
LAKE COUNTY, MINNESOTA
AUDITOR'S OFFICE
601 3RD AVE
TWO HARBORS MN 55616-1517

Delivery Address
Lake County, Minnesota
601 3rd Ave
Auditor's Office
Two Harbors, MN 55616-1517

Sales

Pos	Description	Sales Qty	Unit	Price	Disc %	Tax %	Net Amount USD
1	Base Charge:Precinct Tabulator	1.00	EA	600.000	0.00	0.00	600.00
2	Ballot Faces	4.00	EA	19.250	0.00	0.00	77.00
3	Ballot Types	1.00	EA	90.000	0.00	0.00	90.00
4	Contests / Issues	1.00	EA	21.000	0.00	0.00	21.00
5	Precincts	4.00	EA	10.750	0.00	0.00	43.00
6	Candidate / Responses	3.00	EA	9.000	0.00	0.00	27.00
7	Media Burn-EQC	2.00	EA	14.250	0.00	0.00	28.50
8	Media Burn-DS200 Poll	6.00	EA	14.250	0.00	0.00	85.50

Tracking #:

Sub Total Amount 972.00

FREIGHT 18.02

Total Exclusive Tax 990.02

Total Tax 0.00

Invoice Amount 990.02

Customer Number	Invoice Number	INVOICE AMOUNT	Election Systems & Software
32396	CD2054691	990.02	ABA Routing No: 071000039
			Account No: 5800923558

MN: Minnesota

PLEASE DETACH AND RETURN THIS STUB WITH YOUR PAYMENT. THANK YOU.

Account Summary

Previous Balance		\$0.00
Credits	-	\$0.00
Payments	-	\$0.00
Purchases & Other Charges	+	\$26.43
Cash Advances	+	\$0.00
Finance Charges	+	\$0.00
New Balance	=	\$26.43

Rate Information

Your rate may vary according to the terms of your agreement.

TYPE OF BALANCE	ANNUAL INTEREST RATE	DAILY FINANCE CHARGE RATE	AVERAGE DAILY BALANCE	PERIODIC FINANCE CHARGES	TRANSACTION FINANCE CHARGES	TOTAL FINANCE CHARGES
PURCHASES	19.990%	.05476%	\$0.00	\$0.00	\$0.00	\$0.00
CASH ADVANCES	28.740%	.07873%	\$0.00	\$0.00	\$0.00	\$0.00
TOTAL				\$0.00	\$0.00	\$0.00

Important Information

TOTAL *FINANCE CHARGE* BILLED IN 2022 \$0.00

TOTAL *FINANCE CHARGE* PAID IN 2022 \$0.00

Transaction Details

Trans	Post	Reference Number	Description	Credits	Charges
03/01	03/01	24164071WMJPDFWQ6	FEDEX 566776256 800-4633339 TN		26.43

See reverse side for important information.



Package
US Airbill

FedEx
Tracking
Number

8173 2791 9748

Form
ID No.

0215

CTH programming media

1 From Please print and press hard.

Date 2/22/2023 Sender's FedEx Account Number 800-4633339

Sender's Name LAKE COUNTY AUDITOR Phone (218) 834-6473

Company LAKE COUNTY AUDITOR

Address 601 THIRD AVE

City TWO HARBORS State MIN ZIP 55616

2 Your Internal Billing Reference

First 24 characters will appear on invoice.

3 To

Recipient's Name Coding Services Phone ()

Company Sea Change Printing & Marketing

Address 3601 18th St S #101

We cannot deliver to P.O. boxes or P.O. ZIP codes.

Dept./Floor/Suite/Room

Address St Cloud

Use this line for the H/O location address or for continuation of your shipping address.

City St Cloud State MIN ZIP 56301

4 Express Package Service *To most locations.

Packages up to 150 lbs. For packages over 150 lbs., use the FedEx Express Freight US Airbill.

Next Business Day

☐ FedEx First Overnight
Earliest next business morning delivery to select locations. Friday shipments will be delivered on Monday unless Saturday Delivery is selected.

☐ FedEx Priority Overnight
Next business morning. Friday shipments will be delivered on Monday unless Saturday Delivery is selected.

☐ FedEx Standard Overnight
Next business afternoon. Saturday Delivery NOT available.

2 or 3 Business Days

☐ FedEx 2Day A.M.
Second business morning. Saturday Delivery NOT available.

☐ FedEx 2Day
Second business afternoon. Thursday shipments will be delivered on Monday unless Saturday Delivery is selected.

☐ FedEx Express Saver
Third business day. Saturday Delivery NOT available.

5 Packaging *Declared value limit \$500.

☐ FedEx Envelope* ☐ FedEx Pak* ☐ FedEx Box ☐ FedEx Tube ☐ Other

6 Special Handling and Delivery Signature Options Fees may apply. See the FedEx Service Guide.

☐ Saturday Delivery
NOT available for FedEx Standard Overnight, FedEx 2Day A.M., or FedEx Express Saver.

☐ No Signature Required
Package may be delivered without obtaining a signature for delivery.

☐ Direct Signature
Someone at recipient's address may sign for delivery.

☐ Indirect Signature
If no one is available at recipient's address, someone at a neighboring address may sign for delivery. For residential deliveries only.

Does this shipment contain dangerous goods?

☐ No ☐ Yes
As per attached Shipper's Declaration.

☐ Yes
Shipper's Declaration not required.

☐ Dry Ice
Dry Ice, 9, UN 1845 x kg

Restrictions apply for dangerous goods—see the current FedEx Service Guide.

☐ Cargo Aircraft Only

7 Payment Bill to:

Enter FedEx Acct. No. below

☐ Sender
Acct. No. in Section 1 will be billed.

☐ Recipient ☐ Third Party

FedEx Acct. No.

Total Packages Total Weight Total Declared Value*

Rs. \$.00

*Our liability is limited to US\$100 unless you declare a higher value. See back for details. By using this bill, you agree to the service conditions on the back of this bill and in the current FedEx Service Guide, including terms that limit our liability.

Rev. Date 3/18 • Part #163131 • ©1991-2018 FedEx • PRINTED IN U.S.A.

611



Deliveries when and where you want.
Learn about FedEx Delivery Manager™ at fedex.com/delivery

WELLS
FARGO

Transaction Details

Trans	Post	Reference Number	Description	Credits	Charges
12/29	12/29	2469216PV2XZRPK5V	SUPPLYHOUSE.COM 888-757-4774 NY		343.49
01/03	01/03	241640703MJMMWT0V	FEDEX 560946485 800-4633339 TN		26.19
01/06	01/06	2449398066140FKAN	PRO-WARE 402-861-8800 NE		429.00
01/15	01/15	74856200F26RZBBGK	PAYMENT THANK YOU	156.20	

Wells Fargo News

Take advantage of the features that come with Online Banking:

Messages and alerts: Stay informed about your account with updates sent to your email or mobile phone.

Automatic Payments: Never miss a payment, avoid late charges, and protect your credit rating.



Package
US Airbill

FedEx
Tracking
Number

8173 2791 9737

From Please print and press hard.

Date 12/27/2022

Sender's FedEx
Account Number

SENDER'S FEDEX ACCOUNT NUMBER 73562-70462-5117

Sender's
Name

Phone (215) 834-6473

Company LAKE COUNTY AUDITOR

Address 601 THIRD AVE

Dept./Floor/Suite/Room

City TWO HARBORS

State MN

ZIP 55416

Your Internal Billing Reference

First 24 characters will appear on invoice.

OPTIONAL

To
Recipient's
Name

Ordering Services

Phone ()

Company

SeaChange Printing & Marketing

Address

3601 18th St S #101

We cannot deliver to P.O. boxes or P.O. ZIP codes.

Dept./Floor/Suite/Room

Address

Use this line for the HOLD location address or for continuation of your shipping address.

City St. Cloud

State MN

ZIP 56301

0138715717

CTH Election Media

Form
ID No. 0215

4 Express Package Service

*To most locations.

Packages up to 150 lbs.
For packages over 150 lbs., see the
FedEx Express Freight US Airbill.

Next Business Day

- ☐ FedEx First Overnight
Earliest next business morning delivery to select locations. Friday shipments will be delivered on Monday unless Saturday Delivery is selected.
- ☐ FedEx Priority Overnight
Next business morning. Friday shipments will be delivered on Monday unless Saturday Delivery is selected.
- ☐ FedEx Standard Overnight
Saturday Delivery NOT available.

2 or 3 Business Days

- ☒ FedEx 2Day A.M.
Second business morning. Saturday Delivery NOT available.
- ☐ FedEx 2Day
Second business afternoon. Thursday shipments will be delivered on Monday unless Saturday Delivery is selected.
- ☐ FedEx Express Saver
Third business day. Saturday Delivery NOT available.

5 Packaging

*Declared value limit \$500.

- ☒ FedEx Envelope* ☐ FedEx Pak* ☐ FedEx Box ☐ FedEx Tube ☐ Other

6 Special Handling and Delivery Signature Options

Fees may apply. See the FedEx Service Guide.

- ☐ Saturday Delivery
NOT available for FedEx Standard Overnight, FedEx 2Day A.M., or FedEx Express Saver.

- ☐ No Signature Required
Packages may be left without obtaining a signature for delivery.

- ☐ Direct Signature
Someone at recipient's address may sign for delivery.

- ☐ Indirect Signature
If no one is available at recipient's address, someone at a neighboring address may sign for delivery. For residential deliveries only.

Does this shipment contain dangerous goods?

- ☒ No ☐ Yes As per attached Shipper's Declaration ☐ Yes Shipper's Declaration not required.

Restrictions apply for dangerous goods — see the current FedEx Service Guide.

- ☐ Dry Ice
Dry Ice, 9 UN 1845 x kg
- ☐ Cargo Aircraft Only

7 Payment Bill to:

- ☒ Sender ☐ Recipient ☐ Third Party

FedEx Account No.

Total Packages Total Weight Total Declared Value†

Rs. \$.00

†Our liability is limited to US\$100 unless you declare a higher value. See back for details. By using this airbill you agree to the service conditions on the back of this airbill and in the current FedEx Service Guide, including terms that limit our liability.

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611



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SEACHANGE

14505 27th Ave N, Plymouth MN 55447
Phone: 763.586.3700 Fax: 763.586.3736

Lake County
Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-

<u>Invoice #</u>	42513
<u>Invoice Date</u>	03/02/2023
<u>Shipped Date</u>	02/27/2023
<u>Salesperson</u>	Doug Sunde
<u>Job Number</u>	17109

Quantity	Description	Unit Price	UM	Amount
2,362	04/11/2023 Lake County, MN CITY SPECIAL ELECTION BALLOTS (14)	0.000000	EA	0.00
2,100	Election Day Ballots	0.290000	EA	609.00
150	Absentee Ballots (Folded)	0.330000	EA	49.50
40	Coding Ballots	0.290000	EA	11.60
36	Pre-marked Test Ballots	0.290000	EA	10.44
36	Pre-Marked Coding Ballots	0.290000	EA	10.44
4	Ballot Styles	57.750000	EA	231.00
1	Folding Set-up	30.000000	EA	30.00
4	Extracted UOCAVA PDF Files	5.750000	EA	23.00
4	OSS Samples/Web File Creation	5.750000	EA	23.00
2	Publication Ballot Pages	195.000000	EA	390.00

Payment types accepted include: Check, ACH, Visa, or Master Card
(additional 3% credit card processing fee due at time of payment)

<u>Subtotal</u>	1,387.98
<u>Sales Tax</u>	0.00
<u>Freight</u>	42.80
<u>Total Due</u>	<u>\$1,430.78</u>

Customer Code: ELEC

Invoice Number: 42513

Invoice Date: 03/02/2023

Invoice Amount: \$1,430.78

Amount Paid: _____

Remit To:

SeaChange Print Innovations
14505 27th Ave North
Plymouth, MN 55447

Remitter:

Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-



SEACHANGE

14505 27th Ave N, Plymouth MN 55447
Phone: 763.586.3700 Fax: 763.586.3736

Lake County
Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-

<u>Invoice #</u>	42561
<u>Invoice Date</u>	03/30/2023
<u>Shipped Date</u>	02/27/2023
<u>Salesperson</u>	Doug Sunde
<u>Job Number</u>	17109

Quantity	Description	Unit Price	UM	Amount
0	Omni Ballot Programming Services for 04/11/2023 Election	0.000000	EA	0.00
1	Language Set-up – English	262.000000	EA	262.00
1	Political Parties	3.940000	EA	3.94
4	Ballot Faces	11.810000	EA	47.24
1	Contests	12.750000	EA	12.75
3	Candidates/Question Responses	7.690000	EA	23.07
1	Electronic File Upload	75.000000	EA	75.00
Payment types accepted include: Check, ACH, Visa, or Master Card (additional 3% credit card processing fee due at time of payment)		<u>Subtotal</u>		424.00
		<u>Sales Tax</u>		0.00
		<u>Freight</u>		0.00
		<u>Total Due</u>		<u>\$424.00</u>

Customer Code: ELEC

Invoice Number: 42561

Invoice Date: 03/30/2023

Invoice Amount: \$424.00

Amount Paid: _____

Remit To:

SeaChange Print Innovations
14505 27th Ave North
Plymouth, MN 55447

Remitter:

Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-

Emailed



SEACHANGE

14505 27th Ave N, Plymouth MN 55447
Phone: 763.586.3700 Fax: 763.586.3736

Lake County
Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-

<u>Invoice #</u>	42403
<u>Invoice Date</u>	01/25/2023
<u>Shipped Date</u>	12/30/2022
<u>Salesperson</u>	Doug Sunde
<u>Job Number</u>	16917

Quantity	Description	Unit Price	UM	Amount
2,192	02/14/2023 Lake County, MN CITY SPECIAL ELECTION BALLOTS (14)	0.000000	EA	0.00
1,800	Election Day Ballots	0.290000	EA	522.00
100	Absentee Ballots (Folded)	0.330000	EA	33.00
100	Test Ballots (in 50's)	0.290000	EA	29.00
40	Coding Ballots	0.290000	EA	11.60
8	Sample Ballots	0.290000	EA	2.32
72	Pre-marked Test Ballots	0.290000	EA	20.88
72	Pre-Marked Coding Ballots	0.290000	EA	20.88
4	Ballot Styles	57.750000	EA	231.00
1	Folding Set-up	30.000000	EA	30.00
4	Extracted UOCAVA PDF Files	5.750000	EA	23.00
4	OSS Samples/Web File Creation	5.750000	EA	23.00
1	Publication Ballot Pages	195.000000	EA	195.00

Payment types accepted include: Check, ACH, Visa, or Master Card
(additional 3% credit card processing fee due at time of payment)

<u>Subtotal</u>	1,141.68
<u>Sales Tax</u>	0.00
<u>Freight</u>	95.13
<u>Total Due</u>	\$1,236.81

Emailed

Customer Code: ELEC

Invoice Number: 42403

Invoice Date: 01/25/2023

Invoice Amount: \$1,236.81

Amount Paid: \$1,236.81

Remit To:

SeaChange Print Innovations
14505 27th Ave North
Plymouth, MN 55447

Remitter:

Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-



SEACHANGE

14505 27th Ave N, Plymouth MN 55447
Phone: 763.586.3700 Fax: 763.586.3736

Lake County
Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-

<u>Invoice #</u>	42450
<u>Invoice Date</u>	02/21/2023
<u>Shipped Date</u>	01/26/2023
<u>Salesperson</u>	Doug Sunde
<u>Job Number</u>	16917

Quantity	Description	Unit Price	UM	Amount
0	Omni Ballot Programming Services for 02/14/2023 Election	0.000000	EA	0.00
1	Language Set-up – English	262.000000	EA	262.00
1	Political Parties	3.940000	EA	3.94
4	Ballot Faces	11.810000	EA	47.24
1	Contests	12.750000	EA	12.75
5	Candidates/Question Responses	7.690000	EA	38.45
1	Electronic File Upload	75.000000	EA	75.00
Payment types accepted include: Check, ACH, Visa, or Master Card (additional 3% credit card processing fee due at time of payment)		<u>Subtotal</u>		439.38
		<u>Sales Tax</u>		0.00
		<u>Freight</u>		0.00
		<u>Total Due</u>		<u>\$439.38</u>

Customer Code: ELEC

Invoice Number: 42450

Invoice Date: 02/21/2023

Invoice Amount: \$439.38

Amount Paid: _____

Remit To:

SeaChange Print Innovations
14505 27th Ave North
Plymouth, MN 55447

Remitter:

Lola Haus
601 3rd Avenue
Two Harbors, MN 55616-

Emailed

TWO HARBORS CITY COUNCIL



AGENDA ITEM SUMMARY

AGENDA ITEM SUBJECT: Cat 930M Frontend Loader

ORIGINATING SOURCE/DEPARTMENT: Public Works

FUNDING SOURCE: 2024 CIP

BACKGROUND: We are looking to replace our 2011 CAT loader for next year and are requesting to get the approval to have CAT start building the machine now as it takes around 6 months to complete. With this being done we can rent the new machine starting in Oct and that money would go towards the purchase price of the machine so we can start out next years plowing season with a new machine. The new machine would cost \$230,654.68 after trade-in this also includes a new plow blade for this machine. We would also like to purchase a snow blower attachment for this machine as well at an additional cost of \$68,600. We are getting a trade-in value of \$50,000 with a chance of it going up if they know that our machine is available to sell in October

ESTIMATED DATE OF COMPLETION: 10/01/2023

COMMITTEE/COMMISSION RECOMMENDATION: .

ADMINISTRATION/STAFF RECOMMENDED COUNCIL ACTION: .

C.A.S 4/24/23

Ziegler Inc.



199331-01

Jan 13, 2023

CITY OF TWO HARBORS

522 1ST AVE
TWO HARBORS, MN 55616-1504

Dear Jim Gilbert,

We would like to thank you for your interest in our company and our products, and are pleased to quote the following for your consideration.

Caterpillar Model: 930M Wheel Loaders

We wish to thank you for the opportunity of quoting on your equipment needs. This quotation is valid for 30 days, after which time we reserve the right to re-quote. If there are any questions, please do not hesitate to contact me.

Sincerely,

Jeff Nadeau
Territory Manager

Caterpillar Model: 930M Wheel Loaders

**Standard Equipment
POWERTRAIN**

- Axle seal guards
- Auto Idle shut down feature
- Cat C7.1ACERT engine
- Power Modes (Standard and Performance)
- Power by Range (High Power in Range 4)
- Tier 4 Final/Stage IV compliant
- Turbocharged and aftercooled
- Filtered crankcase breather
- Diesel particulate filter

- Hydraulically driven demand cooling fan
- Hydrostatic transmission with electronic control
- Operator Modes (Default, TC, Hystat and Ice)
- Directional Shift Aggressiveness (Fast, Medium, Slow)
- Rimpull control, adjust wheel torque
- Creeper control, adjust ground speed

REF #	DESCRIPTION	LIST PRICE
	Serial Number Prefix F5K	
	Serial Number Prefix F5K.	
	LANE 2 - AVAILABLE FROM CLAYTON FACTORY	
	LANE 2 - AVAILABLE FROM CLAYTON FACTORY.	
	LANE 3 - AVAILABLE FROM CLAYTON FACTORY	
	LANE 3 - AVAILABLE FROM CLAYTON FACTORY.	
430-2943	PREP PACK, UNITED STATES	\$0.00
333-6850	STEERING, STANDARD	\$0.00
333-6527	DIFFERENTIAL,LIMITED SLIP REAR	\$3,960.00
372-1868	STANDARD RADIO (12V)	\$955.00
366-8148	FENDERS, STANDARD	\$0.00
430-2860	RIDE CONTROL	\$5,240.00
333-1425	WARNING, BEACON, LED STROBE	\$345.00
519-8081	TOOLBOX AUX, NONE	\$0.00
445-4725	JUMPER LINES, AUX 3RD, FUSION	\$750.00
536-5320	ENVIRONMENT, STANDARD	\$0.00
525-5964	WEATHER, COLD START 120V	\$2,740.00
565-0933	HYDRAULICS, 3V, CPLR READY, SL	\$3,070.00
536-5309	CAB, DELUXE	\$3,915.00
563-5967	SEAT, DELUXE	\$1,380.00
565-0909	PRODUCT LINK, CELLULAR PLE641	\$472.00
536-5313	QUICK COUPLER, FUSION	\$5,440.00
552-4465	CTWT, HEAVY, 2668LBS, 5PCS	\$3,470.00
559-0844	LIGHTS, AUX, LED, PREMIUM	\$1,325.00
366-6896	TIRES, 20.5R25 MX XTLA * L2	\$19,590.00
527-0422	ENGINE	\$0.00
417-4355	BUCKET-GP, 3.2 YD3, FUS, BOCE	\$11,417.00
536-5283	HYDRAULICS, STANDARD	\$0.00
530-1623	LINES, AUX 3RD, STD LIFT	\$395.00
	TOTAL LIST PRICE	\$328,124.00
	TOTAL CORPORATE DISCOUNT (28% OF LIST)	(\$91,874.72)
	TOTAL CONFIGURED PRICE	\$236,249.28
0P-9002	LANE 2 ORDER	\$0.00
0P-2407	ANTIFREEZE, -50C (-58F)	\$400.00
421-8926	SERIALIZED TECHNICAL MEDIA KIT	\$0.00
	TOTAL NET ITEMS	\$354.00
	EXTRAS	\$38,351.19
	1 YEAR FULL WARRANTY	\$0.00
	3 YEAR / 3,000 HOUR POWERTRAIN WARRANTY	\$0.00
	TOTAL POST FACTORY ITEMS	\$38,351.19
	TOTAL MACHINE SELL PRICE	\$274,954.47

SELL PRICE

\$226,274.68

Ziegler Inc.

W 317-5424 FORK TINE, 2.6"X6"X72", RH Offset Non Floating 1 Right hand tine L x W x T: 1829mm (72") x 150mm (6") x 65mm (2.5") FOR USE WITH: 592-1005 CARRIAGE, HD CON, 84", FUS REQUIRES: 1 x 317-5435 FORK TINE, 2.6"X6"X72", LH for complete set

WARRANTY

Standard Warranty:	Standard manufacturers warranty
Extended Warranty:	1 YEAR FULL WARRANTY3 YEAR / 3,000 HOUR POWERTRAIN WARRANTY

F.O.B/TERMS: Delivered



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department:	Date: 04/24/2023
Agenda Item Subject: Consider authorizing the Finance Director to work with Linda Hedin on a deferral for the 2021-2022 Street Project Street Assessment due in 2023.	Fiscal Impact:	
BACKGROUND: Per our attached resolution on procedures for deferral of assessments and City Code, Chapter 2, Administration would need a resolution allowing the Finance Director to work with Linda Hedin on a deferral for the 2021-2022 Street Project Street Assessment due in 2023, as the time has passed for a deferral in 2023. Topic was discussed with Utility Committee and committee is in support of working with a deferral for Ms. Hedin in 2023.		
COUNCIL ACTION REQUESTED: Authorize the Finance Director to work with Linda Hedin on a deferral for the 2021-2022 Street Project Street Assessment due in 2023.		
RECOMMENDATION: Authorize the Finance Director to work with Linda Hedin on a deferral for the 2021-2022 Street Project Street Assessment due in 2023.		
ATTACHMENTS: Resolution 4-124-18 – Resolution establishing procedures for deferral of assessment and City Code, Chapter 2, - Deferral of Special Assessment		

RESOLUTION NO. 4-124-18

**RESOLUTION ESTABLISHING PROCEDURES FOR
DEFERRAL OF ASSESSMENTS**

WHEREAS, The City of Two Harbors ("City") desires to finance the construction of certain improvements in the City by specially assessing the property benefitted by such improvements following the procedures set forth in Chapter 429 of the Minnesota Statutes; and

WHEREAS, on occasion, assessments are levied against the homesteads of persons sixty-five (65) years of age or older or persons who are retired by virtue of a permanent and total disability, or certain members of the military ordered into active military service; and

WHEREAS, for some of these persons the payment of such assessment may cause a hardship; and

WHEREAS, Minnesota Statutes Sections §435.193 authorize the City Council to defer the payment of such assessments under procedures that shall be established by it; and

WHEREAS, the City Council of the City of Two Harbors believes it to be in the best interests of the City of Two Harbors to allow the deferral of payments of special assessments under the procedures set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Two Harbors, Minnesota, as follows:

1. The City Council of the City of Two Harbors may defer the payment of the principal on any special assessment when the following conditions are met:

1.1. The applicant must apply for the deferment no later than September 1st for the assessment to be paid in the subsequent year.

1.2. The applicant is either over the age of 65, retired by virtue of a permanent and total disability, or a member of the military service ordered to active military service as provided for in the City's Special Assessment Deferral Policy.

1.3. The applicant must be the owner of the property.

1.4. The applicant must occupy the property as his/her principal place of residence.

1.5. The applicant must claim the property as his/her homestead property

1.6. The City will prepare an amortization schedule related to the proposed assessment schedule that shows the annual payments of principal and interest that will be required to be made on the assessment against the property in accordance with the interest

rate and payment terms contained in the Resolution Adopting the Assessment Roll for the property. The applicant will be deemed to have a hardship in making payments on the special assessment on his or her property if the annual payment for any assessment levied against the subject property exceeds two percent (2%) of the adjusted gross income of the applicant as evidenced by the applicant's most recent federal income tax return or equivalent documentation as determined by the City.

1.7. The amount deferred will be the principal portion of the payment shown on the amortization schedule prepared pursuant to Section 1.6

2. For purposes of this Resolution, a person is deemed to be retired by virtue of a permanent and total disability if such person is determined to be permanently and totally disabled by the Social Security Administration and such person is not working.

3. Any person desiring to defer the payment of principal on any assessment against his or her property shall make application for such deferral on a form prescribed by the City Clerk of the City of Two Harbors

4. For the purposes of this Resolution the burden of proving the existence of a hardship shall be the responsibility of the applicant for such deferral of any payment of the City's special assessment.

5. The application for deferral of any payment of an assessment shall be considered by City administration and a decision whether the applicant meets the applicable criteria for deferment shall be made and provided in-writing to the applicant within thirty (30) days of receipt of the application. Any applicant who has been denied a deferral, may appeal the denial to the City's Utility Committee. Such appeals shall be made by filing a written notice of appeal with the City Clerk within ten (10) days of the written notice of denial. The City's Utility Committee shall hear the appeal and affirm or reverse the denial at its first regular meeting following receipt of the appeal unless additional information is required by the Utility Committee. In such event, the Utility Committee shall affirm or reverse the denial at its first regular meeting following receipt of all information it requires to make its decision. Written notification of the decision of the Utility Committee shall be provided to the applicant.

6. Interest shall continue to accrue and be paid on any assessment for which a deferral of payment is requested, provided, however, that if the amount of annual interest exceeds 1% of the applicant's adjusted gross income then the applicant can pay an amount equal to the average annual interest that would be payable as set forth on the amortization schedule prepared in accordance with Section 1.6 during the term of the deferral.

7. The deferment shall be granted for as long a period of time as the hardship exists and the conditions, as set forth on Section 1, are met. It shall be the obligation of the applicant to notify the City Clerk of any change in his/her status that would affect eligibility for deferment. The City shall annually review each deferment in relation to the criteria established in Section 1 of this Resolution and determine if the applicant continues to be eligible for a deferral.

8. The deferral of the payment of a special assessment granted under this Resolution shall terminate and all payments that were deferred plus any accrued unpaid interest shall be due and payable upon the occurrence of any of the following events:

8.1. The death of the owner, unless the surviving spouse is eligible for a deferral under the terms of this Resolution.

8.2. The sale, transfer or subdivision of the property or any part thereof.

8.3. The loss of homestead status of the property for any reason.

8.4. If for any reason the City Council determines that there would be no hardship to require immediate or partial payments of any deferral payments.

9. Following the termination of the deferral all payments of assessments that were not deferred shall be paid in the manner set forth in the Resolution adopting the Assessment Roll. The City will, upon the termination of the deferral of any assessment, prepare a new amortization schedule related to such assessment that reflects payments that have been made and shows the payments that will be required to be made with interest so that the full principal amount of the assessment and all interest is paid, unless sooner paid, in levied annual payments, including interest, over the remaining original term of the assessment.

10. Upon the granting of any application for the deferral of payment of any assessment, the City Clerk shall forthwith notify the County Auditor of the deferral and shall further record a Certificate of Deferral of Special Assessment with the County Recorder or Registrar of Titles of Lake County with respect to the property.

11. If there are any inconsistencies between the provisions of this Resolution and the provisions of the City's Special Assessment Policy related to deferrals of assessments, then the terms of this Resolution shall govern.

12. THIS RESOLUTION ONLY PROVIDES FOR THE DEFERRAL OF PAYMENTS OF ASSESSMENTS FOR THE REASONS SET FORTH IN THE RESOLUTION IF THE MAKING OF SUCH PAYMENTS IS A HARDSHIP ON THE PERSONS APPLYING FOR THE DEFERRAL. THIS RESOLUTION DOES NOT WAIVE OR RELEASE THE AMOUNT OF ANY ASSESSMENT OR THE OBLIGATION BY ANY PARTY TO PAY THE FULL AMOUNT OF THE ASSESSMENT, PLUS INTEREST, AS SET FORTH IN THE CITY RESOLUTION ADOPTING THE ASSESSMENT ROLL. THIS RESOLUTION AND THE CITY SPECIAL ASSESSMENT POLICY SHALL BE INTERPRETED AND ADMINISTERED IN A MANNER THAT IS CONSISTENT WITH THE STATEMENTS CONTAINED IN THIS SECTION 11 OF THIS RESOLUTION.

ADOPTED, this 23rd day of April A.D., 2018.

Miles Woodruff, President, City Council

ATTEST: _____
Patricia D. Nordean, City Clerk

APPROVED, by the Mayor of the City of Two Harbors this 24th day of April, 2018.

Christopher M. Swanson, Mayor

CITY CODE, CHAPTER 2
DEFERRAL OF SPECIAL ASSESSMENT

G. Deferral Of Special Assessment: The city council may defer the payment of any special assessment where the following conditions are met:

1. The applicant must apply for the deferment not later than ninety (90) days after the assessment is adopted by the city council.
2. The applicant must be sixty five (65) years of age or older, or retired by virtue of permanent and total disability.
3. The applicant is a member of the Minnesota national guard or other military reserves who is ordered into active military service, as defined in section 190.05, subdivision 5b or 5c as amended from time to time, as stated in the applicant's military orders, for whom it would be a hardship to make the payments.
4. The applicant must be the owner of the property.
5. The applicant must occupy the property as their principal place of residence.
6. The applicant's income from all sources shall not exceed the low income limit as established by the department of housing and urban development as used in determining the eligibility for section VIII housing.

The deferment shall be granted for as long a period of time as the hardship exists and the conditions as aforementioned have been met. However, it shall be the duty of the applicant to notify the city administrator of any change in their status that would affect eligibility for deferment.

The entire amount of deferred special assessment shall be due within sixty (60) days after loss of eligibility by the applicant. If the special assessment is not paid within sixty (60) days, the city administrator shall assess the balance thereafter paid according to the terms and conditions of the original special assessment.

The option to defer the payment of special assessment shall terminate and all amounts accumulated plus applicable interest shall become due upon the occurrence of any one of the following:

- a. The death of the owner when there is no spouse who is eligible for deferment.
- b. The sale, transfer or subdivision of all or any part of the property.
- c. Loss of homestead status on the property.
- d. Determination by the city council for any reason that there would be no hardship to require immediate or partial payment.



CITY OF TWO HARBORS
City Council

AGENDA ITEM
COVER SHEET

Originating Staff: Justin Otsea, Zoning Administrator	Department: Planning and Zoning	Date: 4/21/23
Agenda Item Subject: Lighthouse Point tree planting	Fiscal Impact: None	
BACKGROUND: Todd Ronning presented to the Trees and Trails commission highlighting the past year of planting at Lighthouse Point, and requesting permission to continue planting on the lake side of lighthouse point. Currently about 170 new white pines caged in area from past efforts. This year's planting request is for a variety of species including Service Berry, Choke Cherry, and Nine Bark all to help combat erosion, hoping to plant approximately 75 total trees.		
ACTION REQUESTED: Approve permission for plantings at lighthouse point.		
RECOMMENDATION: Staff and Trees and Trails Commission recommend Approval of tree plantings		
ATTACHMENTS: Public Hearing Minutes		

Trees and Trails Minutes February 16, 2023

Attendees: *Commission:* Terry Hukriede, Derrick Passe, Jenna Udenberg, Mackenzie Hogfeldt, Doug Frericks, Judy Sausen

Staff: Justin Otsea, ARDC/City Planner, Adam Nix, Bolton & Menk/City Engineer

Public: Todd Ronning, Paul Iversen, Jason DiPiazza

1. Call to Order

Mackenzie Hogfeldt opened the meeting at 5:06

2. Approval of Agenda

Motion to approve agenda Doug, Terry. Approved Unanimously

3. Approval of January 19th 2023 Minutes

Motion to approve minutes by Derrick, Terry. Approved Unanimously

4. Public Discussion:

- a. **Trail issue** – Todd Ronning 130 south Avenue noted that there's an unofficial trail off of 2nd street over grassy knoll and wanted to notify the Commission of its value. It appears that with the potential project nearby that the trail would be preserved, he just wanted to notify the Commission to help ensure that it does if possible.

5. Commission Business

- a. **Lighthouse Point Tree Planting** – Todd Ronning presented to the Commission, highlights included the 7th or 8th year of planting at Lighthouse Point, and is requesting support/permission to continue planting on the lake side of lighthouse point. He stated they are quite pleased with the success so far, around 170 white pines in cages throughout the area. Looking to this year's plantings, the group is looking at a variety of species including Service Berry, Choke Cherry, and Nine Bark all to help combat erosion, hoping to plant approximately 75 total trees. Some discussion followed including site location decisions, a few white pine replacements, and some identifying a possible need for additional plantings or transfers into Lakeview Park for future consideration.

Motion: support for Todd to complete the plantings as has been in the past made by Doug, Terry, Pass Unanimously.

- b. **Tree Removal Plan**- Adam reviewed tree removal plans for Odegard Park trail, 2023-24 street projects, and the Liquor store. The timing is now driven by being ahead of the protection months for the Northern Long Eared bat, meaning the work needs to be complete by March 31st. Adam noted that Jim Gilbert is getting quotes for the work currently and won't have clearance happening prior to the wetland plan being submitted to the County (liquor store project) Lake County is currently out for quotes on the street improvement projects – awaiting the final quotes for that work.

Motion: To approve the tree removal plan for each project made by Terry, Doug – Approved Unanimously.

- c. **Water Treatment Plant Trail** – Adam referenced meeting materials he brought to the Commission that outlined a new proposed trail alignment along the water treatment plan, connecting Lakeview park to the trails on Lighthouse Point. Adam described the project including a couple of trees that will be lost, and took feedback on the project. After discussion, there was support for the project by consensus.
- d. **Agate Bay Restoration Project**– Derrick described the proposed plantings project for Agate Bay which primarily focused on native plantings along the shoreline to limit erosion among other impacts. Brief discussion followed, but there was a request for a letter of support associated with the project.

Motion: To draft letter of support for the shoreline planting project made by Terry, supported by Doug. Passed unanimously with Passee abstained due to connection to SWCD.

- 6. **Staff reports:** Counter will be up on the Big Foot Trail system Tuesday. Justin will install with Charlie and can connect with Mac on placement.
- 7. **Commission Reports** – Passe- EAB workshop happening March 21st by the Dept of Agriculture, approximately 1 hour at 1 p.m. at Seagrens hardware and walk over to a location of EAB infested trees near the new bike trail. See the posts and Derrick has copy of the information.

Earth Day – Granite Gear/ Castle Danger going to be organizing a trash pickup day on the 22nd of April, more information to come but the rain day will also be Sunday 23rd.

Tree Replacement- Justin was asked to follow up on the trees that were removed as part of the 2018-22 projects for possible replacement. Justin stated he'd follow up and hope to have more information at the next meeting.

- 8. **Next meeting is set for March 16th at 5:00 p.m.**
- 9. **Motion by Terry, Derrick to adjourn. Approved**
Meeting adjourned at 6:08 pm. Recorded and submitted by Justin Otsea



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Parks, Grounds and Bldg. Maint	Fiscal Impact:	
BACKGROUND: Administrative staff has recommended some changes to the position description for the position of Parks, Grounds and Building Maintenance.		
COUNCIL ACTION REQUESTED: Approve the revised position description for Parks, Grounds and Building Maintenance.		
RECOMMENDATION: Staff recommends the council action requested. A copy of the revised version will be sent out over the weekend.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Parks, Grounds and Bldg. Maint	Fiscal Impact:	
BACKGROUND: A vacancy exists for the position of Parks, Grounds and Building Maintenance. We would like to post the position internally and externally in order to fill the position.		
COUNCIL ACTION REQUESTED: Approve the internal and external postings for Parks, Grounds and Building Maintenance position. RECOMMENDATION: Staff recommends the council action requested. A copy of the revised version will be sent out over the weekend.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Position description Admin Assistant/Deputy Clerk	Fiscal Impact:	
BACKGROUND: A new position has been created which separates the position of City Clerk/Human Resources into two positions. The Administrative Assistant/Deputy Clerk position description has been created using the position description formerly known as City Clerk/HR. and adding some HR duties to allow for the use of a contractor for a majority of the HR work.		
COUNCIL ACTION REQUESTED: Adopt the proposed Administrative Assistant/Deputy Clerk position description.		
RECOMMENDATION: Staff recommends adopting the position description as does the Personnel Committee.		
ATTACHMENTS:		

CITY OF TWO HARBORS
POSITION DESCRIPTION

Class Title: Administrative Assistant/Deputy Clerk

Department: Administration
FLSA Status: Non-Exempt
Date: April 2023

Grade Number: TBD
Unit: Confidential
Location: City Hall

GENERAL PURPOSE

Under the direction of the Administrator, performs a variety of routine and complex clerical, administrative and technical work in records management, the processing and issuance of licenses and conducting of elections, as well as providing clerical support to the City Council, committees, boards and commissions. Provides confidential secretarial support for the City Administrator, Finance Director and Human Resources Director or contractor.

SUPERVISION RECEIVED:

The person in this position is under general supervision of the City Administrator and reports to the Deputy Administrator during the absence of the Administrator.

SUPERVISION EXERCISED

Directs the work of Election Judges.-May direct the work of other staff as assigned.

ESSENTIAL DUTIES AND RESPONSIBILITIES

Performs clerical duties including those of typing, word processing, filing, and bookkeeping.

Assists Administrator with the preparation of agendas and assembles supporting documents, drafts resolutions, ordinances, and communications.

Works with the Administrator to prepare City Council meeting minutes; distributes, publishes and records minutes.

Drafts, types and assembles materials generated by Council actions as directed by the Administrator.

Logs, files, and maintains official records. Maintains and updates policy manuals, as instructed.

Maintains schedule of City Council, Committee, Board and Commission meetings. Posts notices of meetings and public hearings and notifies media as required.

Maintains list of committee, board, and commission appointments, including terms of office. Ensures that minutes of said meetings are made and filed properly.

Maintains confidentiality where required by the Minnesota Data Privacy Act or on other matters in which the Administrator has determined release of the information is the responsibility of the Administrator's position.

Receives information Disclosure Requests (Data Requests), reviews requests with the Administrator and, if necessary, the City Attorney for approval, researches approved data, responds to requests as directed, and maintains log of each request.

Ensures compliance with the record retention schedule and the Minnesota Data Practices Act.

Provides assistance and backup to other office personnel with their responsibilities when required.

Provides general licensing and related information and forms to license applicants and the general public and provides guidance in filling out various license and election applications and forms.

Answers questions regarding licensing and election requirements at the counter or on the phone.

Processes applications by accepting the application, checking for accuracy and completeness, receipting it in, calculating fees, routing to appropriate review staff, monitoring application progress for status reports and preparing licenses for issuance; issues licenses within scope of authority and responsibility assigned.

Maintains accurate and timely records of the process; inputs, maintains and compiles a variety of data on licensing and election activity, such as the number of licenses by type, valuation, fees, review time, problem areas, conditions imposed, actions taken, etc.

Analyzes system; develops, recommends and implements approved license and election system changes to make the processes more efficient and effective.

Prepares, maintains and stores records, files and logs related to license issuance and elections; prepares documents and plans for microfilming.

Performs research as assigned to evaluate and recommend improvements. Researches problems and complaints regarding licensing and elections.

Assists in the resolution of complex and sensitive customer service issues, either personally, by telephone or in writing. Maintains records and documents of

customer issues and resolutions.

DESIRED MINIMUM QUALIFICATIONS

Education and Experience:

- (A) Graduation from a high school or GED equivalent with specialized course work in general office practices such as typing, accounting, or data processing.
- (B) Four years of experience in an office setting and dealing with the public.
- (C) Any equivalent combination of education and experience determined acceptable by the Administrator.

Commented [JD1]: What do you think these requirement should be? This section refers to college level training, but a college degree is not required.

Necessary Knowledge, Skills, and Abilities:

- (A) Working knowledge of computers;
- (B) working knowledge of modern office practices and procedures;
- (C) Excellent written communications skills.
- (D) Ability to perform arithmetic computations accurately and quickly;
- (E) Ability to communicate effectively verbally and in writing;
- (F) Ability to work with angry or difficult customers.
- (G) Ability to establish and maintain effective working relations with City officials, employees, other public agencies and the general public.
- (H) Ability to read and understand Minnesota Law;
- (I) Ability to work under stressful conditions and with frequent interruptions.

PREFERRED QUALIFICATIONS

Experience in a governmental setting.

Completion of Minnesota Municipal Clerks Institute, three-year continuing education program.

Commented [JD2]: Preferred Qualifications added to give more latitude to candidates from minimum requirements.

SPECIAL REQUIREMENTS

Individuals selected for the position who have not completed the Minnesota Municipal Clerks Institute three-year CE program, will be required to complete this program within four years of hire. (Travel and training expenses provided by the City.)

TOOLS AND EQUIPMENT USED

Requires frequent use of personal computer, Microsoft office software, Adobe Acrobat, 10-key calculator, phone, base radio, fax and copy machines.

PHYSICAL DEMANDS

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions. While performing the duties of this job, the employee is frequently required to sit and talk or hear. The employee

is occasionally required to walk; use hands to finger, handle, or operate objects, tools, or controls; and reach with hands and arms.

The employee must occasionally lift and/or move up to 25 pounds. Specific vision abilities required by this job include close vision and the ability to adjust focus.

WORK ENVIRONMENT

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

The noise level in the work environment is usually quiet.

OTHER

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

The job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the needs of the employer and requirements of the job change.

Approval: _____
Supervisor

Approval: _____
Appointing Authority

Effective Date: _____

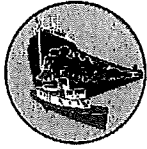
Revision History:



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Administrative Assistant/Deputy Clerk	Fiscal Impact:	
BACKGROUND: A vacancy exists for the position of Administrative Assistant/Deputy Clerk. We would like to post the position internally and externally in order to fill the position.		
COUNCIL ACTION REQUESTED: Approve the internal and external postings for the Administrative Assistant/Deputy Clerk position. RECOMMENDATION: Staff recommends the council action requested. A copy of the revised version will be sent out over the weekend.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Negotiate HR services contract	Fiscal Impact:	
BACKGROUND: Staff has met with two companies who provide HR services on a contractual basis and recommends that the City work with Audacity Human Resources to negotiate a contract using the services of the City Attorney.		
COUNCIL ACTION REQUESTED: Authorize the staff and City attorney to work with Audacity Human Resources to negotiate a contract for HR services.		
RECOMMENDATION: Staff and Personnel committee recommend the council action requested.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Camera Operator Agreement	Fiscal Impact:	
BACKGROUND: The cable commission met last week and recommended that the City Attorney be asked to draft revisions to the agreement for Public Access Coordinator and Camera operator.		
COUNCIL ACTION REQUESTED: Authorize a request to ask that the attorney revise the cable coordinator agreement as recommended by the Cable Commission.		
RECOMMENDATION: Staff recommends the council action requested.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: P. Nordean	Department: Administration	Date: 4/21/23
Agenda Item Subject: Review Zito Franchise Agreement	Fiscal Impact:	
BACKGROUND: The Cable Commission has recommended that the City Attorney review the Zito Franchise Agreement for potential compliance issues.		
COUNCIL ACTION REQUESTED: Request the attorney review the Zito Franchise Agreement for compliance issues.		
RECOMMENDATION: Staff recommends the council action requested.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Capital Equipment Fund	Date: 04/24/2023
Agenda Item Subject: Consider ordering the improvement for the 2023 Sidewalk Improvement Project.	Fiscal Impact: Capital Equipment Fund	
BACKGROUND: Ward 3 was the focus for the 2023 Sidewalk Project. As part of the 429 assessment process, it is necessary to take formal action ordering the improvement for the 2023 Sidewalk Project.		
COUNCIL ACTION REQUESTED: Order the improvement for the 2023 Sidewalk Improvement Project.		
RECOMMENDATION: Order the improvement for the 2023 Sidewalk Improvement Project.		
ATTACHMENTS: Updated Feasibility report.		



Feasibility Report for

2023 Sidewalk Improvement Project

City of Two Harbors, MN

Adopted – March 27, 2023

Amended – April 24, 2023

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Appendix

Appendix A: Project Location Map
Appendix B: Mock Assessment Roll

1.0 EXECUTIVE SUMMARY

The City of Two Harbors City Council directed City Staff by Motion on March 13, 2023 to prepare a feasibility report for the repair of City sidewalks in accordance with the City of Two Harbors Sidewalk Construction, Repair and Maintenance Policy. The City Council directed Staff to choose locations located in Ward Three and to concentrate on corridors along the 600 block of Eleventh Avenue, the south side only, 700 block of Eleventh Avenue, the south side only, 800 block of Tenth Avenue, both sides and 900 block of Tenth Avenue, both sides. Sidewalks were assessed based on condition and geographic proximity (corridor/connectivity).

The proposed project would be known as the 2023 Sidewalk Improvement Project. A detailed description of the proposed project area is given in Section 2.0.

This report was prepared by Finance Director Miranda Pietila with the assistance of Public Works Superintendent Jim Gilbert.

2.0 PROJECT LOCATION

The sidewalks proposed for the 2023 Sidewalk Improvement Project are located as follows:

- 11th Avenue from 6th Street to 8th Street, south side only
- 10th Avenue from 8th Street to 10th Street, both sides

See Appendix A of this report for a graphical depiction of the project area.

The project area is located within the City of Two Harbors, Lake County, Minnesota.

3.0 EXISTING CONDITIONS

The existing sidewalks identified within the project were determined to be in poor or fair condition based on the ARDC sidewalk condition report which can be viewed [here](#)

<https://arcg.is/Hjji> The sidewalk conditions were field verified by City Staff in 2022.

4.0 PROPOSED IMPROVEMENTS

The City of Two Harbors solicited quotes from private contractors who will perform the work, with the assistance of the Public Works Department.

The existing sidewalks will be demolished and removed, site grading, forming, pouring of new sidewalk.

The improvements to the properties also include 63 service squares adjacent to the City sidewalk. Any disturbed areas around the project will be replaced with topsoil, seeded, and covered with straw.

Pedestrian ramps meeting Americans with Disabilities Act requirements will be installed at the intersections and will be at City expense of approximately 3-12 squares per corner.

The total number of assessable squares will be 503, and the number of corner and alley squares will be an additional 37 squares, for a total project of 540 squares. There is also, up to 100 feet of new curb for ADA corners.

The work will take place in August/September 2023.

5.0 Benefited Area

The benefited area for this project has been identified as all properties with frontage along the proposed improvements.

6.0 RIGHT OF WAY EASEMENTS

All sidewalks will be constructed within the City's current right of way. No additional right of way or easements are anticipated.

7.0 WETLAND IMPACTS

No wetlands will be impacted by the proposed improvements.

8.0 PERMITS AND APPROVALS

A Right of Way and Excavation Permit will be required by the Contractor.

9.0 OPINION OF PROBABLE COST

Construction cost: (540 squares at \$248.50/ square) = \$134,190
Assessable Portion to benefiting property owners (\$50/square @ 503 squares) = \$25,150
Portion of project covered by the City of Two Harbors= \$109,040

The total project estimated cost for this project is \$150,990. This is based on a quote from Primetime Concrete at \$248.50 per square and also including the low bid quote for tree removal of \$16,800, please note no portion of the tree removal is being assessed. Per the City of Two Harbors Sidewalk Construction, Repair and Maintenance Policy and the Two Harbors Special Assessment Policy, the assessment to the benefiting property owners will be \$50 per square for total assessment range between \$500 - \$1,100 depending on the number of squares to be replaced. The mock assessment roll is attached as Appendix B.

The City Portion of the project will be funded through the Capital Equipment fund.

10.0 PROPOSED PROJECT SCHEDULE

TABLE 1 – Project Schedule	
City Council Directs Staff to proceed with project	March 13, 2023
City Council Receives Feasibility Report and schedules improvement hearing	March 27, 2023
City Council Holds Improvement Hearing	April 24, 2023
City Council considers ordering the improvement (needs 6/7 vote)	April 24, 2023
City Council Awards Construction Contract	April 24, 2023
Begin Construction	August/September 2023
Order Preparation of Assessment Roll	September 2023
Order Assessment Hearing	September 2023
City Council Holds Final Assessment Hearing	October 2023

11.0 FEASIBILITY

The Project is feasible, necessary, and cost effective to maintain the City's sidewalk network.

12.0 LEGAL BASIS FOR REPORT

This report is prepared pursuant to a motion approved by the Two Harbors City Council on March 13, 2023 calling for the preparation of a feasibility report, pursuant to Minnesota Statutes Section 429.031.

This report is prepared in accordance with said Section 429.031. Specifically, this report hereby advises the City Council, in a preliminary way, as to whether the proposed improvement is necessary, cost effective and feasible and as to whether it should best be made as proposed or in connection with some other improvement.

This report also includes the estimated cost of the improvements as recommended.

Appendix A: Project Location Map



Appendix B: Mock Assessment Roll

PARCEL ID	NAME	ADDRESS	MAILING ADDRESS	CITY/ST/ZIP	SIDEWALK SQUARES	COST PER	ASSESSMENT	ASSESSMENT - PAID ON TAX ROLL FROM 2024-2028	NOTES
600 BLOCK 11TH AVE									
23-7663-61010	GLORIA BUNTEN	1025 6TH ST	1025 6TH ST	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
23-7663-61020	RANDALL BRENNA	908 8TH AVE	908 8TH AVE	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
23-7663-61040	RONALD BLAISDELL	614 11TH AVE	614 11TH AVE	TWO HARBORS, MN 55616	22	\$50.00	\$ 1,100.00	\$ 1,150.00	20 squares + 2 service
23-7663-61050	WILLIAM MOORE	620 11TH AVE	12290 OTCHIPWE AVE N	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-61060	DUANE KEMPFER	622 11TH AVE	622 11TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-61070	SHEILA LOGER	628 11TH AVE	1408 HUBBARD AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-61080	KATIE LUNDGREN	632 11TH AVE	632 11TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
700 BLOCK 11TH AVE									
23-7663-60010	DAWN MELBROD	702 11TH AVE	702 11TH AVE	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
23-7663-60020	JASON REINHARTZ	708 11TH AVE	708 11TH AVE	TWO HARBORS, MN 55616	17	\$50.00	\$ 850.00	\$ 900.00	15 squares + 2 service
23-7663-60040	ALVIN GRAMS TRUST	714 11TH AVE	714 11TH AVE	TWO HARBORS, MN 55616	17	\$50.00	\$ 850.00	\$ 900.00	15 squares + 2 service
23-7663-60050	NEW NO REPLACEMENT	718 11TH AVE		TWO HARBORS, MN 55616	0	\$50.00	\$ -	\$ -	New - NO REPLACEMENT
23-7663-60060	DEREK DONALD	722 11TH AVE	722 11TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-60070	ANTHONY GIERDAHL	728 11TH AVE	728 11TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-60080	KEVIN MORSETTE	732 11TH AVE	732 11TH AVE	TWO HARBORS, MN 55616	11	\$50.00	\$ 550.00	\$ 600.00	10 squares + 2 service
800 BLOCK 10TH AVE									
23-7663-59160	SHANNON KITTLISON	801 10TH AVE	801 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59010	MCKAHLE GISI & JACK PEASE	802 10TH AVE	802 10TH AVE	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
23-7663-59140	MARK CULLEN	805 10TH AVE	805 10TH AVE	TWO HARBORS, MN 55616	21	\$50.00	\$ 1,050.00	\$ 1,100.00	20 squares + 1 service
23-7663-59020	JUDY & IVY LES KEAN	806 10TH AVE	806 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59030	SERENA KELLER	810 10TH AVE	810 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59130	ELLIOT HENDRICKSON	815 10TH AVE	815 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59040	REBECCA MERRITT	816 10TH AVE	816 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59120	STEVE SVEINE C/O JULIE FUNKEY	819 10TH AVE	1313 WEKIVA WAY	ST. AUGUSTINE, FL 32092	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59050	NATHAN PELACH & BROOKE AGUILAR	820 10TH AVE	820 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59110	ALEX MCGRATH	823 10TH AVE	823 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59060	JOHN HOLM	824 10TH AVE	824 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59100	JOEL & THERESA EDWARDS	825 10TH AVE	825 10TH AVE	TWO HARBORS, MN 55616	11	\$50.00	\$ 550.00	\$ 600.00	10 squares + 1 service
23-7663-59070	SCOT McDONALD	826 10TH AVE	826 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59090	JOSHUA LUECK	831 10TH AVE	831 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-59080	CLIFFORD RUDE & LINDA GUSTAFSON	832 10TH AVE	832 10TH AVE	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
900 BLOCK 10TH AVE									
23-7663-57010	NORMA JEAN AHO	902 10TH AVE	902 10TH AVE	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
23-7663-58160	SUE CARDINAL & DANIEL LILLEGAAARD	903 10TH AVE	903 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-57020	ALEX CYR	906 10TH AVE	906 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-58150	LAKE CO. C/O CURT BACKEN	907 10TH AVE	907 10TH AVE	TWO HARBORS, MN 55616	10	\$50.00	\$ 500.00	\$ 550.00	10 squares
23-7663-58140	BOBBI REASONER	911 10TH AVE	911 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-57030	RANDY WERTMER	912 10TH AVE	912 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-57040	JEROME GILL JR	914 10TH AVE	914 10TH AVE	TWO HARBORS, MN 55616	17	\$50.00	\$ 850.00	\$ 900.00	10 squares + 2 service
23-7663-58130	STANLEY & MARY TOWERS	915 10TH AVE	915 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-58120	ALYCE SANDE	917 10TH AVE	4034 YATES AVE N	ROBBINSDALE, MN 55422	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-58110	ROGER BUKOVSKI & CRYSTAL EMERSON	921 10TH AVE	921 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service
23-7663-57050	EVA DOWNS	924 10TH AVE	924 10TH AVE	TWO HARBORS, MN 55616	17	\$50.00	\$ 850.00	\$ 900.00	10 squares + 2 service
23-7663-5810	CASEY SALAKKA	925 10TH AVE	925 10TH AVE	TWO HARBORS, MN 55616	12	\$50.00	\$ 600.00	\$ 650.00	10 squares + 2 service

503

\$ 25,150.00

TOTAL SIDEWALK SQUARES ASSESSED



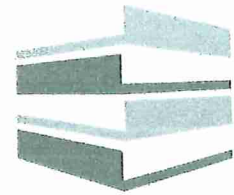
**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Capital Equipment Fund	Date: 04/24/2023
Agenda Item Subject: Consider receiving quotes and approving award of contract for the 2023 Sidewalk Improvement Project.	Fiscal Impact: Capital Equipment Fund	
BACKGROUND: Quotes have been solicited for the 2023 Sidewalk Improvement Project and the recommendation of the Public Works Director is to accept the lowest proposal received from Primetime Concrete for \$248.50 per square. Total project costs are estimated at \$134,190.		
COUNCIL ACTION REQUESTED: Approve award of contract for the 2023 Sidewalk Improvement Project to Primetime Concrete		
RECOMMENDATION: Approve award of contract for the 2023 Sidewalk Improvement Project to Primetime Concrete		
ATTACHMENTS:		

Primetime Concrete LLC

1767 Old North Shore Road
Duluth, MN 55804 US
courtney@primetimeconcretemn.com
www.primetimeconcretemn.com



PRIMETIME CONCRETE

Estimate

ADDRESS

City of Two Harbors
Attn: Miranda Pietila
522 1st Ave

ESTIMATE 1102
DATE 03/26/2023

SERVICE	DESCRIPTION	QTY	RATE	AMOUNT
Sales	550 sidewalk Squares and ADA sections @ \$248.50 per sq.	550	248.50	136,675.00
Sales	100 ft. Of curb	100	38.00	3,800.00

TOTAL

\$140,475.00

Sidewalk squares on Avenues will be 5'x5' - 4" thick
Sidewalk squares on Streets will be 6'x5' - 4" thick
City of Two Harbors to provide location to dump concrete, material for grading
under concrete and black dirt for back filling alongside sidewalks. Primetime
Concrete to provide grass seed, erosion blanket and concrete.

Accepted By

Accepted Date

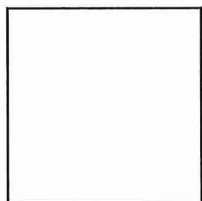
Miranda Pietila

From: Jim Gilbert
Sent: Monday, March 27, 2023 2:41 PM
To: Miranda Pietila
Subject: FW: Two Harbors Sidewalks Ward 3

From: Malachi Haugen <mal@mhcmn.com>
Sent: Monday, March 27, 2023 11:36 AM
To: Jim Gilbert <jgilbert@twoharborsmn.gov>
Subject: Two Harbors Patch

Jim,
I received your email. Getting back to you on some pricing.
Im looking at \$265 a square for sidewalk,
\$5,000 on curb work.
Thanks for reaching out to me again and please update my email. I don't use malh17@hotmail.com for much anymore.

--



Malachi Haugen
Owner
ACI Certified Flatwork Associate
Malachi Haugen Construction



CITY OF TWO HARBORS CITY COUNCIL

AGENDA ITEM COVER SHEET

Originating Staff: Miranda Pietila	Department: Permanent Fund	Date: 04/24/2023
Agenda Item Subject: Consider approving an internal transfer from the General Fund to the Permanent Fund (500) in the amount of \$385,700 for future development projects.	Fiscal Impact: Permanent Fund	
BACKGROUND: The 2022 General Fund reserve balance at year end represented 64.3% of a year's worth of expenditures at 2022 levels. The city fund balance policy, the city targets to be at 50%. To bring the General Fund reserve balance to a targeted 50% it is recommended by the Finance Committee to transfer \$385,700 to the Permanent Fund. This fund is utilized for land sales and purchases and investments in infrastructure.		
COUNCIL ACTION REQUESTED: Approve an internal transfer from the General Fund to the Permanent Fund (500) in the amount of \$385,700.		
RECOMMENDATION: Approve an internal transfer from the General Fund to the Permanent Fund (500) in the amount of \$385,700.		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Capital Equipment Fund	Date: 04/24/2023
Agenda Item Subject: Consider approving an internal transfer from the General Fund to the Capital Equipment Fund in the amount of \$300,000 for future Governmental Capital projects.	Fiscal Impact: Capital Equipment Fund	
BACKGROUND: The 2022 General Fund reserve balance at year end represented 64.3% of a year's worth of expenditures at 2022 levels. The city fund balance policy, the city targets to be at 50%. To bring the General Fund reserve balance to a targeted 50% it is recommended by the Finance Committee to transfer \$300,000 to the Capital Equipment Fund. This fund is utilized for funding Governmental Capital Projects.		
COUNCIL ACTION REQUESTED: Approve an internal transfer from the General Fund to the Capital Equipment Fund in the amount of \$300,000.		
RECOMMENDATION: Approve an internal transfer from the General Fund to the Capital Equipment Fund in the amount of \$300,000.		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Cemetery Perpetual	Date: 04/24/2023
Agenda Item Subject: Consider accepting the Gertrude A Freeman Revocable Trust Specific Bequest	Fiscal Impact: Cemetery Perpetual	
BACKGROUND: The City received a specific cash bequest to the Cemetery to be utilized for continued and perpetual care of the Hayes and Freeman family plots. The distribution is \$20,000.		
COUNCIL ACTION REQUESTED: Accept the Gertrude A Freeman Revocable Trust Specific Bequest		
RECOMMENDATION: Accept the Gertrude A Freeman Revocable Trust Specific Bequest		
ATTACHMENTS: Letter detailing bequest and resolution to accept		

March 2, 2023



Lakeview Cemetery
1300 7th Avenue
Two Harbors, MN 55616

Re: **GERTRUDE A FREEMAN REVOCABLE TRUST SPECIFIC BEQUEST**

To Whom it May Concern:

You may recall that Ms. Gertrude A. Freeman left a specific cash bequest to your Cemetery under Article Five Section 5.01 of her Trust as follows:

"Upon my death, my Trustee shall distribute \$20,000 to the Lakeview Cemetery, located in Two Harbors, Minnesota, or its successor in interest, to be used for continued and perpetual care of the Hayes and Freeman family plots."

Thank you for returning your Form W-9 so promptly.

Enclosed is check #58176 representing full payment of this specific cash bequest.

Also enclosed is a Specific Bequest Receipt & Release. Please take a moment to sign and date it and return it to me in the envelope provided.

This concludes our correspondence related to this trust. Thank you for your assistance and attention to the paperwork.

Sincerely,

FIDUCIARY PARTNERS TRUST COMPANY,

A handwritten signature in blue ink, appearing to read "Jan Grant", is written over the company name.

by: Jan Grant
SVP - Estate & Trust Settlement
(262) 754-0574
jgrant@fiduciarypartners.com

cc: Attorney John Horn, Horn & Johnsen SC (608) 829-2525
Enclosures: Check, Receipt, Return Envelope

FIDUCIARY PARTNERS TRUST COMPANY

300 N. CORPORATE DRIVE, SUITE 175 • BROOKFIELD, WI 53045 • www.fiduciarypartners.com
TELEPHONE: 262.754.0090 • TOLL FREE: 866.380.9969 • FAX: 262.439.2006

**CITY OF TWO HARBORS
RESOLUTION NO. 04-XX-23**

RESOLUTION ACCEPTING REVOCABLE TRUST SPECIFIC BEQUEST

WHEREAS, The City of Two Harbors is generally authorized to accept donations of real and personal property pursuant to Minnesota Statutes Section 465.03 for the benefit of its citizens, and is specifically authorized to accept gifts and bequests; and

WHEREAS, the following persons and entities have offered to contribute the cash amounts set forth below to the city:

<u>Name of Donor</u>	<u>Amount</u>
Gertrude A Freeman	\$20,000

WHEREAS, all such donations have been contributed to assist the city in the establishment and operation; and

WHEREAS, The City Council finds that it is appropriate to accept the donations offered.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF TWO HARBORS, MINNESOTA, AS FOLLOWS:

1. The donations described above are accepted.
2. The city clerk is hereby directed to issue receipts to the donor acknowledging the city's receipt of the donor's donation.

Adopted by the City Council of the City of Two Harbors, April 24, 2023.

Approved:

Lew Conner, Mayor

Attested:

Patricia Nordean, City Administrator



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Cemetery Fund	Date: 04/24/2023
Agenda Item Subject: Consider approving proposal for 14 monuments in the Cemetery for \$6,500.	Fiscal Impact: Funds are budgeted for – Cemetery	
BACKGROUND: This is an annual cost to set new foundations on monuments. The proposal is for working on 14 settings.		
COUNCIL ACTION REQUESTED: Approve proposal for 14 monuments in the Cemetery for \$6,500 from Cavallin Funeral Home.		
RECOMMENDATION: Approve proposal for 14 monuments in the Cemetery for \$6,500 from Cavallin Funeral Home.		
ATTACHMENTS: Proposal from Cavallin Funeral Home.		

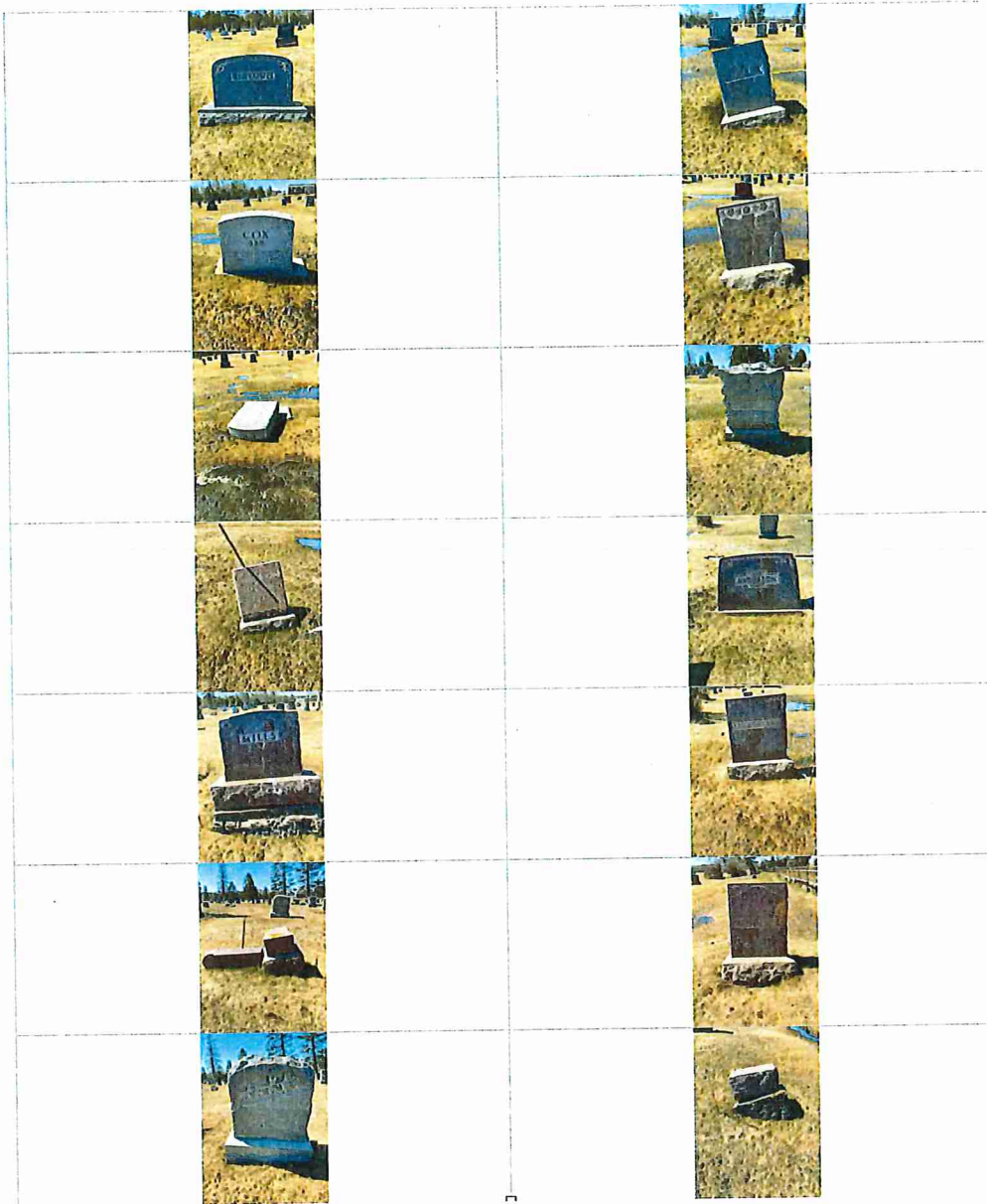
Cavallin Funeral Home

426 2nd Avenue, Two Harbors, Minnesota 55616 Phone (218) 834-2952

April 17, 2023

Bid to replace concrete bases and reinstall stones as listed below.

	Concrete Size	Cost
Wicklund	56x20	\$ 516
Cox	52x22	\$ 549
Maja	40x22	\$ 404
Bergman	26x16	\$ 191
Mills	48x18	\$ 414
Morgerson	30x30	\$ 432
Doerr	54x30	\$ 732
McCaul	34x22	\$ 351
Decerstedt	40x26	\$ 491
Brickley	42x26	\$ 516
John Anderson	62x20	\$ 559
Sutherland	48x26	\$ 561
Nordlund	38x26	\$ 466
Lars Anderson	34x20	\$ 318
	TOTAL	\$ 6500





**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: ALL	Date: 04/24/2023
Agenda Item Subject: Consider approving Medica Plan Documents for the 4 insurance plans the city provides to employees	Fiscal Impact:	
BACKGROUND: In 2022 the city received quotes for health insurance plans. Attached is the plan for 2023 – Northeast Service Coop – Medica.		
COUNCIL ACTION REQUESTED: Approve the 4 Medica Plans for the health insurance		
RECOMMENDATION: Approve the 4 Medica Plans for the health insurance		
ATTACHMENTS:		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Capital Equipment Fund	Date: 04/24/2023
Agenda Item Subject: Consider authorizing the execution of the Minnesota Department of Transportation grant agreement and resolution for the snowblower attachment.	Fiscal Impact: Capital Equipment Fund budgeted line item	
BACKGROUND: Attached is the state grant agreement and resolution for the snowblower attachment, the federal contribution is \$67,500. Total project costs are \$75,000 the federal share is \$67,500 and local share is \$7,500		
COUNCIL ACTION REQUESTED: Authorizing the execution of the Minnesota Department of Transportation grant agreement and resolution for the snowblower attachment.		
RECOMMENDATION: Authorizing the execution of the Minnesota Department of Transportation grant agreement and resolution for the snowblower attachment.		
ATTACHMENTS: Grant Agreement and Resolution		

State of Minnesota
Department of Transportation
Office of Aeronautics
Airport Development Section

Encumber Funds Routing Slip

State Project Number: A3801-56

Expiration Date: 12/31/2026

FAA: 3-27-0103-15-22

Agreement Number: 1051915

Vendor Number: 0000195382

Supplier Contract ID: **220264**

Municipality: TWO HARBORS, CITY OF

Project: **AIG (BIL) PROGRAM - SRE Acquisition**

Encumber FAA: \$67,500.00

FY: 2023

Purchase Order Number: **3-668507**

Encumber State: \$0.00

FY: 2023

Purchase Order Number: _____

Encumber Mun: \$7,500.00

Route as Follows:

Check as Received

Date

To Municipality

Shari LeBlanc

Don Berre

Shari LeBlanc

SL 10/17/22

Regional Engineer

M. Lebens 10/13/22

Office Director

Don Berre

Jennifer Hoffman

Contract Management

Jenny Bahneman

Regional Engineer

Aeronautics Mail Stop: 410

STATE OF MINNESOTA ENCUMBRANCE WORKSHEET	MnDOT Agreement #	1051915
	Federal Project #	3-27-0103-15-22
	State Project #	A3801-56

AGREEMENT TYPE (Check appropriately)		State Accounting Information	AMENDMENT INFORMATION	
<input type="checkbox"/>	Annual Plan Agreement (APK)	Swift Contract (SC) ID #:	Amendment No	Yes or No
<input type="checkbox"/>	Work Order Agreement (MWK)	220264	If Yes:	
<input type="checkbox"/>	■ T-Number:	Purchase Order (PO) ID #:	Amend Expiration Date	
<input type="checkbox"/>	■ SC #:	3000668507	Change Total Contract Amount	
<input type="checkbox"/>	Interagency (LAK)	Encumbered by:	Amendment Amount	
<input type="checkbox"/>	Partnership	Jennifer Hoffman <small>Digitally signed by Jennifer Hoffman Date: 2022.10.18 11:19:52 05'00'</small>		
<input type="checkbox"/>	Receivable	Date:		
<input type="checkbox"/>	Payable	10/18/2022		
<input checked="" type="checkbox"/>	Other Current Type GRK			

Agency	Fiscal Year	Vendor ID: 0000195382	Vendor location: 001
TRANSPORTATION	2023	Vendor Name: TWO HARBORS, CITY OF	
Total Contract Amount: \$67,500.00		Amount of Contract for Current FY: \$67,500.00	

Accounting Line 1: STATE FUNDS		Accounting Line 2: FEDERAL FUNDS		Accounting Line 3: M & O FUNDS	
Fund Code:	2720	Fund Code:	3000	Fund Code:	2720
Fin. Dept.:	T7934130	Fin. Dept.:	T7934100	Fin. Dept.:	T7934100
Approp ID:	T790036	Approp ID:	T790015	Approp ID:	T790036
Category:	84101501	Category:	84101501	Category:	84101501
Account Code: City 441351 County 441301 Special 441501	441351	Account Code: City 441351 County 441301 Special 441501	441351	Account Code: City 441351 County 441301 Special 441501	
Project:	T0A21100	Project:	TMNFAA_AIG	Project:	T0A21100
Source Type:	4009	Source Type:	4010	Source Type:	4012
Amount to Encumber:	\$0.00	Amount to Encumber:	\$67,500.00	Amount to Encumber:	

Agreement Start Date (Upon execution)	Agreement Expiration Date	Encumbrance Requester (Please Print)
	09/30/2026	Shari LeBlanc
		Phone number
		651-234-7205

**STATE OF MINNESOTA
STATE AIRPORTS FUND
GRANT AGREEMENT**

This agreement is between the State of Minnesota, acting through its Commissioner of Transportation ("State"), and **the City of Two Harbors**, 522 First Ave, Two Harbors, MN 55616 ("Grantee").

RECITALS

1. Minnesota Statutes Chapter 360 authorizes State to provide financial assistance to eligible airport sponsors for the acquisition, construction, improvement, marketing, maintenance, or operation of airports and other air navigation facilities.
2. Grantee owns, operates, controls, or desires to own an airport ("Airport") in the state system, and Grantee desires financial assistance from the State for an airport improvement project ("Project").
3. Grantee represents that it is duly qualified and agrees to perform all services described in this agreement to the satisfaction of the State. Pursuant to Minn.Stat. §16B.98, Subd.1, Grantee agrees to minimize administrative costs as a condition of this agreement.

AGREEMENT TERMS

- 1 **Term of Agreement, Survival of Terms, and Incorporation of Exhibits**
 - 1.1 **Effective Date.** This agreement will be effective on the date the State obtains all required signatures under Minn. Stat. §16B.98, Subd. 5, whichever is later. As required by Minn.Stat. §16B.98 Subd. 7, no payments will be made to Grantee until this agreement is fully executed. Grantee must not begin work under this agreement until this agreement is fully executed and Grantee has been notified by the State's Authorized Representative to begin the work.
 - 1.2 **Expiration Date.** This agreement will expire on September 30, 2026, or when all obligations have been satisfactorily fulfilled, whichever occurs first.
 - 1.3 **Survival of Terms.** All clauses which impose obligations continuing in their nature and which must survive in order to give effect to their meaning will survive the expiration or termination of this agreement, including, without limitation, the following clauses: 8. Liability; 9. State Audits; 10. Government Data Practices and Intellectual Property; 11. Workers Compensation; 12. Publicity and Endorsement; 13. Governing Law, Jurisdiction, and Venue; and 15 Data Disclosure.
 - 1.4 **Plans, Specifications, Descriptions.** Grantee has provided the State with the plans, specifications, and a detailed description of the Project **SP A3801-56**, which are on file with the State's Office of Aeronautics and are incorporated into this Agreement by reference.
 - 1.5 **Exhibits: Exhibit 'A'**- Credit Application; **Exhibit 'B'**- City of Two Harbors Grant Request Letter; **Exhibit 'C'**- Cost Split
- 2 **Grantee's Duties**
 - 2.1 Grantee will complete the Project in accordance with the plans, specifications, and detailed description of the Project, which are on file with the State's Office of Aeronautics. Any changes to the plans or specifications of the Project after the date of this Agreement will be valid only if made by written change order signed by the Grantee and the State. Subject to the availability of funds, the State may prepare an amendment to this Agreement to reimburse the Grantee for the allowable costs of qualifying change orders.
 - 2.2 If the Project involves construction, Grantee will designate a registered engineer to oversee the Project work. If, with the State's approval, the Grantee elects not to have such services performed by a registered engineer, then the Grantee will designate another responsible person to oversee such work.
 - 2.3 Grantee will notify State's Authorized Representative in advance of any meetings taking place relating to the Project.
 - 2.4 Grantee will comply with all required grants management policies and procedures set forth through Minn.Stat. §16B.97, Subd. 4 (a) (1).
 - 2.5 **Asset Monitoring.** If Grantee uses funds obtained by this agreement to acquire a capital asset, the Grantee is required to use that asset for a public aeronautical purpose for the normal useful life of the asset. Grantee may not sell or change the purpose of use for the capital asset(s) obtained with grant funds under this agreement without

the prior written consent of the State and an agreement executed and approved by the same parties who executed and approved this agreement, or their successors in office.

- 2.6 Airport Operations, Maintenance, and Conveyance.** Pursuant to Minnesota Statutes Section 360.305, subdivision 4 (d) (1), the Grantee will operate the Airport as a licensed, municipally-owned public airport at all times of the year for a period of 20 years from the date the Grantee receives final reimbursement under this Agreement. The Airport must be maintained in a safe, serviceable manner for public aeronautical purposes only. Without prior written approval from the State, Grantee will not transfer, convey, encumber, assign, or abandon its interest in the airport or in any real or personal property that is purchased or improved with State funds. If the State approves such a transfer or change in use, the Grantee must comply with such conditions and restrictions as the State may place on such approval. The obligations imposed by this clause survive the expiration or termination of this Agreement.

3 Time

- 3.1 Grantee must comply with all the time requirements described in this agreement. In the performance of this grant agreement, time is of the essence.

4 Cost and Payment

- 4.1 **Cost Participation.** Costs for the Project will be proportionate and allocated as follows:

<u>Item Description</u>	<u>Federal Share</u>	<u>State Share</u>	<u>Grantee Share</u>
Acquire Snow Removal Equipment-Snow Blower Attachment	90%	0%	10%

Federal Committed:	<u>\$67,500.00</u>
State:	<u>\$ 0.00</u>
Grantee:	<u>\$ 7,500.00</u>

The federal multiyear amount is an estimate only. These funds are not committed and are only available after being made so by the U.S. Government. Federal funds for the Project will be received and disbursed by the State. In the event federal reimbursement becomes available or is increased for the Project, the State will be entitled to recover from such federal funds an amount not to exceed the state funds advanced for this Project. No more than 95% of the amount due under this Agreement will be paid by the State until the State determines that the Grantee has complied with all terms of this Agreement and furnished all necessary records.

- 4.2 **Travel Expenses.** No travel expenses are authorized for this project. The Grantee will be reimbursed for travel and subsistence expenses in the same manner and in no greater amount than provided in the current "Commissioner's Plan" promulgated by the Commissioner of Minnesota Management and Budget (MMB). Grantee will not be reimbursed for travel and subsistence expenses incurred outside Minnesota unless it has received the State's prior written approval for out of state travel. Minnesota will be considered the home state for determining whether travel is out of state at the current Minnesota Department of Transportation Reimbursement Rates for Travel Expenses.
- 4.3 **Sufficiency of Funds.** Pursuant to Minnesota Rules 8800.2500, the Grantee certifies that (1) it presently has available sufficient unencumbered funds to pay its share of the Project; (2) the Project will be completed without undue delay; and (3) the Grantee has the legal authority to engage in the Project as proposed.
- 4.4 **Total Obligation.** The total obligation of the State for all compensation and reimbursements to Grantee under this agreement will not exceed \$0.00
- 4.5 **Payment**

4.5.1 Invoices

Grantee will submit invoices for payment by Credit Application, Exhibit 'A', which is attached and incorporated into this agreement and can be found at <http://www.dot.state.mn.us/aero/airportdevelopment/documents/creditappinteractive.pdf>, is the form Grantee will use to submit invoices. The State's Authorized Representative, as named in this agreement, will review each invoice against the approved grant budget and grant expenditures to-date before approving payment. The State will promptly pay Grantee after Grantee presents an itemized invoice for the services actually performed and the State's Authorized Representative accepts the invoiced services. Invoices will be

submitted timely and according to the following schedule: As work progresses on a monthly schedule.

4.5.2 All Invoices Subject to Audit. All invoices are subject to audit, at State's discretion.

4.5.3 State's Payment Requirements. State will promptly pay all valid obligations under this agreement as required by Minnesota Statutes §16A.124. State will make undisputed payments no later than 30 days after receiving Grantee's invoices for services performed. If an invoice is incorrect, defective or otherwise improper, State will notify Grantee within ten days of discovering the error. After State receives the corrected invoice, State will pay Grantee within 30 days of receipt of such invoice.

4.5.4 Grantee Payment Requirements. Grantee must pay all contractors under this agreement promptly. Grantee will make undisputed payments no later than 30 days after receiving an invoice. If an invoice is incorrect, defective, or otherwise improper, Grantee will notify the contractor within ten days of discovering the error. After Grantee receives the corrected invoice, Grantee will pay the contractor within 30 days of receipt of such invoice.

4.5.5 Grant Monitoring Visit and Financial Reconciliation. During the period of performance, the State will make at least annual monitoring visits and conduct annual financial reconciliations of Grantee's expenditures.

4.5.5.1 The State's Authorized Representative will notify Grantee's Authorized Representative where and when any monitoring visit and financial reconciliation will take place, which State employees and/or contractors will participate, and which Grantee staff members should be present. Grantee will be provided notice prior to any monitoring visit or financial reconciliation

4.5.5.2 Following a monitoring visit or financial reconciliation, Grantee will take timely and appropriate action on all deficiencies identified by State.

4.5.5.3 At least one monitoring visit and one financial reconciliation must be completed prior to final payment being made to Grantee.

4.5.6 Closeout. The State will determine, at its sole discretion, whether a closeout audit is required prior to final payment approval. If a closeout audit is required, final payment will be held until the audit has been completed. Monitoring of any capital assets acquired with grant funds will continue following grant closeout.

4.5.7 Closeout Deliverables. At the close of the Project, the Grantee must provide the following deliverables to the State before the final payment due under this Agreement will be released by the State: (1) Electronic files of construction plans as a PDF and in a MicroStation compatible format; and (2) Electronic files of as-builts as a PDF and in a MicroStation compatible format. (3) Electronic files of planning documents (Airport Layout Plans – ALP) and Airport Zoning as a PDF and in a MicroStation compatible format and in GIS.

4.6 Contracting and Bidding Requirements. Prior to publication, Grantee will submit to State all solicitations for work to be funded by this Agreement. Prior to execution, Grantee will submit to State all contracts and subcontracts funded by this agreement between Grantee and third parties. State's Authorized Representative has the sole right to approve, disapprove, or modify any solicitation, contract, or subcontract submitted by Grantee. All contracts and subcontracts between Grantee and third parties must contain all applicable provisions of this Agreement. State's Authorized Representative will respond to a solicitation, contract, or subcontract submitted by Grantee within ten business days.

5 Conditions of Payment

All services provided by Grantee under this agreement must be performed to the State's satisfaction, as determined at the sole discretion of the State's Authorized Representative and in accordance with all applicable federal, state, and local laws, ordinances, rules, and regulations. The Grantee will not receive payment for work found by the State to be unsatisfactory or performed in violation of federal, state, or local law. In addition, Grantee will not receive payment for Airport's failure to pass periodic inspections by a representative of the State's Office of Aeronautics.

6 Authorized Representatives

6.1 The State's Authorized Representative Are:

Matt Lebens, North Region Airports Engineer; (matthew.lebens@state.mn.us) (612) 422-4171 and/or

Jessica McBroom, Grant Specialist; (jessica.mcbroom@state.mn.us) (612) 283-1328, or her successor.

State's Authorized Representative has the responsibility to monitor Grantee's performance and the authority to accept the services provided under this agreement. If the services are satisfactory, the State's Authorized Representative will certify acceptance on each invoice submitted for payment.

6.2 Grantee's Authorized Representative is:
 Ben Redden, Interim Mayor; Phone 218-834-8809
 councilorredde@twoharborsmn.gov
 City of Two Harbors
 522 First Ave
 Two Harbors, MN 55616

If Grantee's Authorized Representative changes at any time during this agreement, Grantee will immediately notify the State.

7 Assignment Amendments, Waiver, and Grant Agreement Complete

- 7.1 **Assignment.** The Grantee may neither assign nor transfer any rights or obligations under this agreement without the prior written consent of the State and a fully executed Assignment Agreement, executed, and approved by the same parties who executed and approved this agreement, or their successors in office.
- 7.2 **Amendments.** Any amendments to this agreement must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original agreement, or their successors in office.
- 7.3 **Waiver.** If the State fails to enforce any provision of this agreement, that failure does not waive the provision or the State's right to subsequently enforce it.
- 7.4 **Grant Agreement Complete.** This grant agreement contains all negotiations and agreements between the State and Grantee. No other understanding regarding this agreement, whether written or oral, may be used to bind either party.
- 7.5 **Electronic Records and Signatures.** The parties agree to contract by electronic means. This includes using electronic signatures and converting original documents to electronic records.
- 7.6 **Certification.** By signing this Agreement, the Grantee certifies that it is not suspended or debarred from receiving federal or state awards.

8 Liability

In the performance of this agreement, and to the extent permitted by law, Grantee must indemnify, save, and hold the State, its agents, and employees harmless from any claims or causes of action, including attorney's fees incurred by the State, arising from the performance of this agreement by Grantee or Grantee's agents or employees. This clause will not be construed to bar any legal remedies Grantee may have for the State's failure to fulfill its obligations under this agreement.

9 State Audits

Under Minn. Stat. § 16B.98, Subd.8, the Grantee's books, records, documents, and accounting procedures and practices of Grantee, or other party relevant to this grant agreement or transaction, are subject to examination by the State and/or the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this agreement, receipt and approval of all final reports, or the required period of time to satisfy all state and program retention requirements, whichever is later. Grantee will take timely and appropriate action on all deficiencies identified by an audit.

10 Government Data Practices and Intellectual Property Rights

- 10.1 **Government Data Practices.** Grantee and State must comply with the Minnesota Government Data Practices Act, Minn. Stat. Ch. 13, as it applies to all data provided by the State under this grant agreement, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the Grantee under this agreement. The civil remedies of Minn. Stat. §13.08 apply to the release of the data referred to in this clause by either Grantee or the State. If Grantee receives a request to release the data referred to in this section 10.1, Grantee must immediately notify the State. The State will give Grantee instructions concerning the release of the data to the requesting party before the data is released. Grantee's response to the request shall comply with applicable law.

10.2 Intellectual Property Rights.

- 10.2.1 **Intellectual Property Rights.** State owns all rights, title and interest in all of the intellectual property

rights, including copyrights, patents, trade secrets, trademarks and service marks in the Works and Documents created and paid for under this agreement. "Works" means all inventions, improvements, discoveries (whether or not patentable), databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes and disks conceived, reduced to practice, created or originated by Grantee, its employees, agents and subcontractors, either individually or jointly with others in the performance of this agreement. Works includes Documents. "Documents" are the originals of any databases, computer programs, reports, notes, studies, photographs, negatives, designs, drawings, specifications, materials, tapes, disks or other materials, whether in tangible or electronic forms, prepared by Grantee, its employees, agents or subcontractors, in the performance of this agreement. The Documents will be the exclusive property of State, and Grantee upon completion or cancellation of this agreement must immediately return all such Documents to State. To the extent possible, those Works eligible for copyright protection under the United States Copyright Act will be deemed to be "works made for hire." Grantee assigns all right, title and interest it may have in the Works and the Documents to State. Grantee must, at the request of State, execute all papers and perform all other acts necessary to transfer or record the State's ownership interest in the Works and Documents.

10.2.2 **Obligations**

10.2.2.1 **Notification.** Whenever any invention, improvement or discovery (whether or not patentable) is made or conceived for the first time or actually or constructively reduced to practice by Grantee, including its employees and subcontractors, in the performance of this agreement, Grantee will immediately give State's Authorized Representative written notice thereof and must promptly furnish State's Authorized Representative with complete information and/or disclosure thereon.

10.2.2.2 **Representation.** Grantee must perform all acts, and take all steps necessary to ensure that all intellectual property rights in the Works and Documents are the sole property of State and that neither Grantee nor its employees, agents or subcontractors retain any interest in and to the Works and Documents. Grantee represents and warrants that the Works and Documents do not and will not infringe upon any intellectual property rights of other persons or entities. Notwithstanding Clause 8, Grantee will indemnify; defend, to the extent permitted by the Attorney General; and hold harmless State, at Grantee's expense, from any action or claim brought against State to the extent that it is based on a claim that all or part of the Works or Documents infringe upon the intellectual property rights of others. Grantee will be responsible for payment of any and all such claims, demands, obligations, liabilities, costs and damages, including but not limited to, attorney fees. If such a claim or action arises, or in Grantee's or State's opinion is likely to arise, Grantee must, at State's discretion, either procure for State the right or license to use the intellectual property rights at issue or replace or modify the allegedly infringing Works or Documents as necessary and appropriate to obviate the infringement claim. This remedy of State will be in addition to and not exclusive of other remedies provided by law.

11 **Workers Compensation**

The Grantee certifies that it is in compliance with Minn. Stat. §176.181, Subd. 2, pertaining to workers' compensation insurance coverage. The Grantee's employees and agents will not be considered State employees. Any claims that may arise under the Minnesota Workers' Compensation Act on behalf of these employees and any claims made by any third party as a consequence of any act or omission on the part of these employees are in no way the State's obligation or responsibility.

12 **Publicity and Endorsement**

12.1 **Publicity.** Any publicity regarding the subject matter of this agreement must identify the State as the sponsoring agency and must not be released without prior written approval from the State's Authorized Representative. For purposes of this provision, publicity includes notices, informational pamphlets, press releases, research, reports, signs, and similar public notices prepared by or for the Grantee individually or jointly with others, or any subcontractors, with respect to the program, publications, or services provided resulting from this grant agreement. All projects primarily funded by state grant appropriation must publicly credit the State of Minnesota, including on the Grantee's website when practicable.

12.2 **Endorsement.** The Grantee must not claim that the State endorses its products or services.

13 **Governing Law, Jurisdiction, and Venue**

Minnesota law, without regard to its choice-of-law provisions, governs this agreement. Venue for all legal

proceedings out of this agreement, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

14 Termination; Suspension

- 14.1 **Termination by the State.** The State may terminate this agreement at any time, with or without cause, upon written notice to the Grantee. Upon termination, the Grantee will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed.
- 14.2 **Termination for Cause.** The State may immediately terminate this grant agreement if the State finds that there has been a failure to comply with the provisions of this agreement, that reasonable progress has not been made, that fraudulent or wasteful activity has occurred, that Grantee has been convicted of a criminal offense relating to a state grant agreement, or that the purposes for which the funds were granted have not been or will not be fulfilled. The State may take action to protect the interests of the State of Minnesota, including the refusal to disburse additional funds and requiring the return of all or part of the funds already disbursed.
- 14.3 **Termination for Insufficient Funding.** The State may immediately terminate this agreement if:
- 14.3.1 It does not obtain funding from the Minnesota Legislature; or
 - 14.3.2 If funding cannot be continued at a level sufficient to allow for the payment of the services covered here. Termination must be by written or fax notice to the Grantee. The State is not obligated to pay for any services that are provided after notice and effective date of termination. However, the Grantee will be entitled to payment, determined on a pro rata basis, for services satisfactorily performed to the extent that funds are available. The State will not be assessed any penalty if the agreement is terminated because of the decision of the Minnesota Legislature, or other funding source, not to appropriate funds. The State will provide the Grantee notice of the lack of funding within a reasonable time of the State's receiving that notice.
- 14.4 **Suspension.** The State may immediately suspend this agreement in the event of a total or partial government shutdown due to the failure to have an approved budget by the legal deadline. Work performed by the Grantee during a period of suspension will be deemed unauthorized and undertaken at risk of non-payment.

15 Data Disclosure

Under Minn. Stat. § 270C.65, Subd. 3, and other applicable law, Grantee consents to disclosure of its social security number, federal employer tax identification number, and/or Minnesota tax identification number, already provided to the State, to federal and state tax agencies and state personnel involved in the payment of state obligations. These identification numbers may be used in the enforcement of federal and state tax laws which could result in action requiring the Grantee to file state tax returns and pay delinquent state tax liabilities, if any.

- 16 **Fund Use Prohibited.** The Grantee will not utilize any funds received pursuant to this Agreement to compensate, either directly or indirectly, any contractor, corporation, partnership, or business, however organized, which is disqualified or debarred from entering into or receiving a State contract. This restriction applies regardless of whether the disqualified or debarred party acts in the capacity of a general contractor, a subcontractor, or as an equipment or material supplier. This restriction does not prevent the Grantee from utilizing these funds to pay any party who might be disqualified or debarred after the Grantee's contract award on this Project. For a list of disqualified or debarred vendors, see www.mmd.admin.state.mn.us/debarredreport.asp.

- 17 **Discrimination Prohibited by Minnesota Statutes §181.59.** Grantee will comply with the provisions of Minnesota Statutes §181.59 which requires that every contract for or on behalf of the State of Minnesota, or any county, city, town, township, school, school district or any other district in the state, for materials, supplies or construction will contain provisions by which Contractor agrees: 1) That, in the hiring of common or skilled labor for the performance of any work under any contract, or any subcontract, no Contractor, material supplier or vendor, will, by reason of race, creed or color, discriminate against the person or persons who are citizens of the United States or resident aliens who are qualified and available to perform the work to which the employment relates; 2) That no Contractor, material supplier, or vendor, will, in any manner, discriminate against, or intimidate, or prevent the employment of any person or persons identified in clause 1 of this section, or on being hired, prevent or conspire to prevent, the person or persons from the performance of work under any contract on account of race, creed or color; 3) That a violation of this section is a misdemeanor; and 4) That this contract may be canceled or terminated by the state of Minnesota, or any county, city, town, township, school, school district or any other person authorized to grant contracts for employment, and all money due, or to become due under the contract, may be forfeited for a second or any subsequent violation of the terms or conditions of this Agreement.

- 18 **Limitation.** Under this Agreement, the State is only responsible for receiving and disbursing funds. Nothing in this Agreement will be construed to make the State a principal, co-principal, partner, or joint venturer with respect to the Project(s) covered herein. The State may provide technical advice and assistance as requested by the Grantee, however, the Grantee will remain responsible for providing direction to its contractors and consultants and for administering its contracts with such entities. The Grantee's consultants and contractors are not intended to be third party beneficiaries of this Agreement.
- 19 **Telecommunications Certification.** By signing this agreement, Contractor certifies that, consistent with Section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, Pub. L. 115-232 (Aug. 13, 2018), and 2 CFR 200.216, Contractor will not use funding covered by this agreement to procure or obtain, or to extend, renew, or enter into any contract to procure or obtain, any equipment, system, or service that uses "covered telecommunications equipment or services" (as that term is defined in Section 889 of the Act) as a substantial or essential component of any system or as critical technology as part of any system. Contractor will include this certification as a flow down clause in any contract related to this agreement.
- 20 **Title VI/Non-discrimination Assurances.** Grantee agrees to comply with all applicable US DOT Standard Title VI/Non-Discrimination Assurances contained in DOT Order No. 1050.2A, and in particular Appendices A and E, which can be found at: https://edocs-public.dot.state.mn.us/edocs_public/DMResultSet/download?docId=11149035. Grantee will ensure the appendices and solicitation language within the assurances are inserted into contracts as required. State may conduct a review of the Grantee's compliance with this provision. The Grantee must cooperate with State throughout the review process by supplying all requested information and documentation to State, making Grantee staff and officials available for meetings as requested, and correcting any areas of non-compliance as determined by State.
- 21 **Additional Provisions**
[Intentionally left blank.]

[The remainder of this page has intentionally been left blank.]

STATE ENCUMBRANCE VERIFICATION

Individual certifies that funds have been encumbered as required by Minn. Stat. § 16A.15 and § 16C.05.

Signed: _____

Date: _____

SWIFT Contract/PO No(s). _____

GRANTEE

The Grantee certifies that the appropriate person(s) have executed the grant agreement on behalf of the Grantee as required by applicable articles, bylaws, resolutions, or ordinances.

By: _____

Title: _____

Date: _____

By: _____

Title: _____

Date: _____

DEPARTMENT OF TRANSPORTATION

By: _____
(with delegated authority)

Title: _____

Date: _____

**DEPARTMENT OF TRANSPORTATION
CONTRACT MANAGEMENT**

By: _____

Date: _____

RESOLUTION

AUTHORIZATION TO EXECUTE MINNESOTA DEPARTMENT OF TRANSPORTATION GRANT AGREEMENT FOR AIRPORT IMPROVEMENT EXCLUDING LAND ACQUISITION

It is resolved by the City of Two Harbors as follows:

1. That the state of Minnesota Agreement No. 1051915,
"Grant Agreement for Airport Improvement Excluding Land Acquisition," for
State Project No. A3801-56 at the Two Harbors Municipal Airport is accepted.
2. That the _____ and _____ are
(Title) (Title)
authorized to execute this Agreement and any amendments on behalf of the
City of Two Harbors.

CERTIFICATION

STATE OF MINNESOTA

COUNTY OF _____

I certify that the above Resolution is a true and correct copy of the Resolution adopted by the

(Name of the Recipient)

at an authorized meeting held on the _____ day of _____, 20____

as shown by the minutes of the meeting in my possession.

Signature: _____
(Clerk or Equivalent)

CORPORATE SEAL

/OR/

NOTARY PUBLIC

My Commission Expires: _____

STATE OF Minnesota

COUNTY OF

, being first duly sworn, deposes and says that he/she is the
 of the Municipality of , in the County
of , State of Minnesota; that he/she has prepared the foregoing Credit Application,
knows the contents thereof, that the same is a true and accurate record of disbursements made, and that the same is true of his/her own
knowledge; and that this application is made by authority of the municipal council (or board) of said Municipality.

Signature

Subscribed and sworn to before me

this _____ day of _____, 20____.

NOTARY PUBLIC

My Commission Expires: _____



CITY OF TWO HARBORS

522 First Avenue • Two Harbors, MN 55616
(218) 834-5631 • FAX (218) 834-2674

April 11, 2022

RE: Richard B. Helgeson Airport (TWM)
2022 Federal and State Grant Request
(BIL funding)

Matt Lebens, PE
Regional Airport Engineer
MnDOT Office of Aeronautics
395 John Ireland Boulevard
St. Paul, MN 55155-1800

Dear Matt:

Please consider this letter as a formal request from the City of Two Harbors for the Federal and State Grants for the 2022 Snow Removal Equipment (SRE) Acquisition for use at the airport in Two Harbors, Minnesota. The grant request includes the following items:

Federal Grant Request

SRE – Snow Blower Loader Attachment HitchDoc HDS 9200	\$ 70,200.00
Engineering Services (SEH)	\$ 4,800.00

TOTAL FEDERALLY ELIGIBLE PROJECT COSTS:	\$ 75,000.00
--	---------------------

The City of Two Harbors is requesting federal participation of this project at 90% of the Bipartisan Infrastructure Law (BIL) funding, for a total grant request of **\$67,500.00**.

State Grant Request

The City of Two Harbors is also requesting state participation for the federally eligible elements of the project in the amount of 5%, for a grant request of **\$3,750.00**.

Please contact me if you have any questions or need further information.

Sincerely,

Miranda Pietila
City Administrator – City of Two Harbors

Cc: Shawn McMahon, SEH



U.S. Department
of Transportation
**Federal Aviation
Administration**

FAA Form 5100-100, Application for Federal Assistance (Development and Equipment Projects)

Paperwork Reduction Act Burden Statement

A federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a person be subject to a penalty for failure to comply with a collection of information subject to the requirements of the Paperwork Reduction Act unless that collection of information displays a currently valid OMB Control Number. The OMB Control Number for this information collection is 2120-0569. Public reporting for this collection of information is estimated to be approximately 28 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, completing and reviewing the collection of information. All responses to this collection of information are required under 49 U.S.C. Section 47105 to retain a benefit and to meet the reporting requirements of 2 CFR 200; no assurance of confidentiality is provided. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Information Collection Clearance Officer, Federal Aviation Administration, 10101 Hillwood Parkway, Fort Worth, TX 76177-1524.

INSTRUCTIONS FOR FORM 5100-100

PART I – Application for Federal Assistance

Part I of the Application for Federal Assistance consists of a completed Standard Form (SF) 424. The remaining parts of Form 5100-100 (Parts II, III and IV) represent continuation pages that the Sponsor must attach to the associated SF-424 form. The signature of the Sponsor's authorized representative on the SF-424 form represents acceptance of the representations and certifications made within the corresponding FAA 5100-100 form.

PART II – Project Approval Information

This information is necessary for the Federal Aviation Administration to evaluate this request for Federal assistance. Responses do not require an explanation unless explicitly requested by the question.

SECTION A. STATUTORY CONDITIONS

Item 1 – Indicate whether the Sponsor maintains an active registration in the Federal System for Award Management (SAM). Pursuant to 2 CFR §25.200(b), a Sponsor must maintain an active registration in the Central Contractor Registration repository (housed within SAM) with current information at the time of the application and during the active period of the Federal award.

Item 2 – Indicate whether the Sponsor can commence the project within the same fiscal year the grant is made or within 6 months of when the grant is made, whichever is later. Attach explanation for negative responses. This information is considered when allocating discretionary funds. (49 U.S.C. § 47115(d)(2))

Item 3 – Indicate whether the Sponsor can complete the project without unreasonable delays. If applicable, provide listing of foreseeable events (winter shutdown, land acquisition issues, non-aeronautical events, etc.) that have potential to delay completion of the project. (49 USC § 47106(a))

Item 4 – Indicate whether the environmental review (i.e. environmental assessment, mitigated FONSI, etc.) identified impacts or effects on the environment that require mitigating measures that lessen the impact or effect on the environment. If yes, provide a summary listing of mitigating measures. (49 U.S.C. § 47106(c))

Item 5 – Indicate whether the project covered by this request is also covered by an approved Passenger Facility Charge (PFC) application or other Federal assistance program by selecting all applicable check boxes (49 U.S.C. § 40117(d) and 2 CFR § 200.403). If the approved PFC application only addresses the Sponsor's AIP matching share, select the appropriate check box.

If the project, or portions thereof, is covered by another Federal assistance program, identify the Federal assistance program by name and the Catalog of Federal Domestic Assistance (CFDA) number.

Item 6 – Indicate whether the Sponsor intends to seek reimbursement of Sponsor indirect costs as defined by 2 CFR §200.414 and 2 CFR Appendix VII to Part 200. This information request **does not** include the indirect costs claimed by a for-profit entity (e.g. consultant).

- The de minimis rate may only be used if the Sponsor has not previously received a negotiated Indirect Cost Rate (ICR) and does not exceed the limitations prescribed in Appendix VII to Part 200.
- A Sponsor with an existing approved negotiated ICR must identify the ICR value, the name of the cognizant agency that approved the ICR and the date of approval.

SECTION B. CERTIFICATION REGARDING LOBBYING

This section addresses the Sponsor's declaration regarding lobbying activities. The declaration made in the section are under signature of the authorized representative as identified in box 21 of form SF-424, to which this form is attached.

Title 31 U.S.C. § 1352 establishes that no appropriated funds may be expended by a recipient of a Federal grant to pay any person for influencing or attempting to influence an officer or employee of any agency, Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this covered Federal assistance action. Pursuant to 40 CFR part 20, this certification attests that the Sponsor has not made, and will not make, any payment prohibited payment by 31 U.S.C. § 1352.

SECTION C. REPRESENTATIONS AND CERTIFICATION

1. **Compatible Land Use** (49 U.S.C. § 47107(a)(10)) – Identify actions the Sponsor has taken to assure land uses in close proximity to the airport are compatible with normal airport operations.
2. **Defaults** – Confirm that Sponsor is not in default on any obligation to the United States or any agency of the United States government.
3. **Possible Disabilities** – Confirm that Sponsor has no facts or circumstances (i.e. legal, financial or otherwise) that might adversely affect the Sponsor in completing the project and carrying out the provisions of the associated Grant Assurances.
4. **Consistency with Local Plans** (49 U.S.C. § 47106(a)) – Confirm project is consistent with plans (existing at the time the project is approved) of public agencies authorized by the State in which the airport is located to plan.
5. **Consideration of Local Interests** (49 U.S.C. § 47106(b)) – Confirm the Sponsor has given fair consideration to the community in and near the project.
6. **Consultation with Users** (49 U.S.C. § 47105(a)) - Confirm the Sponsor has consulted with airport users that will be affected by the project.
7. **Public Hearings** (49 U.S.C. § 47106(c)) – For projects involving the location of an airport, runway or major runway extension, confirm the Sponsor:
 - a. Provided an opportunity for a public hearing to consider economic, social and environmental effects of the project.
 - b. Has voting representation from the communities in which the project is located; or has advised the communities that they have the right to petition the Secretary about the proposed project.
8. **Air and Water Quality Standards** - Confirm Sponsor will comply with applicable air and water quality standards.
9. **Exclusive Rights** (49 U.S.C. § 47107(a)) – Identify all instances of exclusive rights to conduct aeronautical services at the airport.
10. **Land** (49 U.S.C. § 47106(b)) –
 - a. Identify property interests specific to the development project and/or land acquisition. The declaration of property interest is to be based upon a title opinion submitted by an attorney. When identifying the property interest, use the same parcel numbers as used to identify the property on the associated Exhibit A property map.
Example: "Sponsor maintains property interest as depicted within the property table on the Exhibit A property map dated __/__/__ originally filed with AIP Project ###."
 - b. Complete this subpart if the Sponsor proposes a project for which they have not yet obtained appropriate property interests. Note that the work may not commence until Sponsor obtains acceptable property interests. Identify such property by parcel number that corresponds to the associated Exhibit A property map.
 - c. Complete this subpart when acquiring property interests under the grant. Identify such property by parcel number that corresponds to the associated Exhibit A property map.

PART III – Budget Information

SECTION A. GENERAL

1. Assistance Listing Number - Show the Assistance Listing Number from which the assistance is requested.

2. Functional or Other Breakout: Indicate "Airport Improvement Program". Prepare a separate set of Part III forms for other Federal program categories.

SECTION B. CALCULATION OF FEDERAL GRANT

When applying for a new grant, use the Total Amount Column only. Use all columns when requesting revisions of previously awarded amounts.

Line 1 - Enter amounts needed for administration expenses, which may include such items as: legal fees, mailing/shipping expenses, audit fees and documented Sponsor employee time that is necessary to administer the grant.

Line 2 - Enter amounts pertaining to allowable preliminary expenses. These include such expenses as independent fee estimate preparation, advertising expenses and permits.

Line 3 - Enter amounts directly associated with the acquisition of land, existing structures, and related right-of-way.

Line 4 - Enter fees for architectural engineering basic services.

Line 5 - Enter amounts for architectural engineering special services (e.g. surveys, tests and borings).

Line 6 - Enter fees for inspection, testing and monitoring of construction and related programs.

Line 7 - Enter amounts associated with the development of land where the primary purpose of the grant is land improvement. Site work normally associated with major construction should be excluded from this category and shown on line 11.

Line 8 - Enter the dollar amounts needed to provide relocation advisory assistance, and the net amounts for replacement (last resort) housing. Do not include relocation administration expenses on this Line; include them on Line 1.

Line 9 - Enter the estimated amount of relocation payments to be made to displaced persons, business concerns, and non-profit organizations for moving expenses and replacement housing.

Line 10 - Enter the cost of demolition or removal of improvements on developed land. Reduce the costs on this line by the amount of expected proceeds from the sale of salvage, if so instructed by the Federal grantor agency. Otherwise, show the proceeds on Line 15.

Line 11 - Enter amounts for the actual construction of, addition to or restoration of a facility. Include in this category the amounts of project improvements such as grading, drainage, paving, marking, lighting, buildings, seeding/sodding, etc.

Line 12 - Enter amounts for equipment. Examples include ARFF vehicles, SRE equipment, AWOS equipment, interactive training, NAVAID equipment, etc.)

Line 13 - Enter miscellaneous amounts for items not specifically covered by previous categories.

Line 14 - Enter the sum of Lines 1-13.

Line 15 - Enter the estimated amount of program income that will be earned during the grant period and applied to the program. Examples include vehicle trade-in value, sale of millings resulting from project, credits passed on from contractor, etc. This line may be used to indicate applied liquidated damages.

Line 16 - Enter the difference between Line 14 and Line 15.

Line 17 - Enter the aggregate amount for those items, which are a part of the project but not subject to Federal participation. Refer to Section C, exclusions.

Line 18 - Enter the subtotal sum of Lines 16 and 17. (This is the amount to which the matching share ratio prescribed in program legislation is applied.)

Line 19 - Indicate the total amount of the Federal assistance requested. This value is determined by multiplying the grant participation rate by the amount indicated in line 18.

Line 20 - Indicate the amount of the Grantee's share (from Section D).

Line 21 - Indicate the amount of other shares (from Section D)

Line 22 - Indicate sum of Lines 19, 20 and 21.

SECTION C. EXCLUSIONS

Line 23 a-g - Identify and list those costs which are part of the project cost but are not subject to Federal participation because of program legislation or Federal grantor agency instructions. The total amount on Line g should agree with the amount shown on Line 17 of Section B.

SECTION D. PROPOSED METHOD OF FINANCING NON-FEDERAL SHARE

Line 24 a-g - Show the source of the grantee's share. If cash is not immediately available, specify the actions completed to date and those actions remaining to make cash available under Section E - Remarks. Indicate also the period of time that will be required after execution of the grant agreement to obtain the funds. If there is a non-cash contribution, explain what this contribution will consist of.

Line 24h - Indicate total of Lines 24 a-g. This amount must equal the amount in Section B, Line 20.

Line 25a - Show the amount that will be contributed by a State or state agency, only if the applicant is not a State or state agency. If there is a non-cash or other contribution, explain what the contribution will consist of under Section E - Remarks.

Line 25b - Show the amount that will be contributed from other sources. If there is a non-cash contribution, explain what the contribution will consist of under Section E - Remarks.

Line 25c - Show the total of Lines 25a and 25b. This amount must be the same as the amount shown in Section B, Line 21.

Line 26 - Enter the totals of Lines 24h and 25c.

SECTION E. OTHER REMARKS

Make any remarks pertinent to the project and provide any other information required by these instructions or the grantor agency. Attach additional sheets, if necessary.

PART IV – Program Narrative

Prepare the program narrative statement in accordance with the following instructions for all new grant programs. Requests for supplemental assistance should be responsive to Item 5b only. Requests for continuation or refunding or other changes of an approved project should be responsive to Item 5c only.

1. OBJECTIVES AND NEED FOR THIS ASSISTANCE

Provide a short and concise description of the proposed improvement. Include a narrative on why this improvement is needed.

2. RESULTS OR BENEFITS EXPECTED

Identify results and benefits to be derived. For example, include a description of who will occupy the facility and show how the facility will be used. For land acquisition or development projects, explain how the project will benefit the public.

3. APPROACH

- a. Outline a plan of action pertaining to the scope and detail of how the Sponsor proposes to accomplish the work.
- b. Cite factors, which might accelerate or decelerate the work, and your reason for taking this approach as opposed to others. Describe any unusual features of the project such as construction approach, reductions in cost or time or extraordinary social and community involvements.
- c. Provide projections of project milestone dates. As a minimum, identify target dates for defining project costs (i.e. bid opening or completion of negotiations), anticipated issuance of notice-to-proceed and anticipated project completion date.
- d. Identify monitoring and oversight mechanisms the Sponsor proposes to implement.
- e. List key individuals and entities such as consultant, Sponsor personnel and contractor who will work on the project. Provide a short description of the nature of their effort or contribution.

4. GEOGRAPHIC LOCATION

Identify location of the project. This will typically be the name of the airport.

5. IF APPLICABLE, PROVIDE THE FOLLOWING INFORMATION:

- a. Describe the relationship between this project and other work planned, anticipated or underway under the Federal Assistance listed under Part II, Section A, Item 5.
- b. Explain the reason for all requests for supplemental assistance and justify the need for additional funding.
- c. If there have been significant changes in the project objectives, location, approach or time delays, explain and justify. For other requests for changes or amendments, explain the reason for the change(s). If the scope, budget, or objectives have changed or an extension of time is necessary, explain the circumstances and justify.

6. SPONSOR'S REPRESENTATIVE

Identify contact information of Sponsor's representative.

Application for Federal Assistance (Development and Equipment Projects)

PART II – PROJECT APPROVAL INFORMATION

Part II - SECTION A	
The term "Sponsor" refers to the applicant name provided in box 8 of the associated SF-424 form.	
Item 1. Does Sponsor maintain an active registration in the System for Award Management (www.SAM.gov)?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Item 2. Can Sponsor commence the work identified in the application in the fiscal year the grant is made or within six months after the grant is made, whichever is later?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> N/A
Item 3. Are there any foreseeable events that would delay completion of the project? If yes, provide attachment to this form that lists the events.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A
Item 4. Will the project(s) covered by this request have impacts or effects on the environment that require mitigating measures? If yes, attach a summary listing of mitigating measures to this application and identify the name and date of the environmental document(s).	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A
Item 5. Is the project covered by this request included in an approved Passenger Facility Charge (PFC) application or other Federal assistance program? If yes, please identify other funding sources by checking all applicable boxes. <div style="margin-top: 10px;"> <input type="checkbox"/> The project is included in an <i>approved</i> PFC application. If included in an approved PFC application, does the application <i>only</i> address AIP matching share? <input type="checkbox"/> Yes <input type="checkbox"/> No </div> <div style="margin-top: 10px;"> <input type="checkbox"/> The project is included in another Federal Assistance program. Its CFDA number is below. </div>	
Item 6. Will the requested Federal assistance include Sponsor indirect costs as described in 2 CFR Appendix VII to Part 200, States and Local Government and Indian Tribe Indirect Cost Proposals? <div style="text-align: right; margin-top: -10px;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> N/A </div> <p style="margin-top: 10px;">If the request for Federal assistance includes a claim for allowable indirect costs, select the applicable indirect cost rate the Sponsor proposes to apply:</p> <div style="margin-top: 10px;"> <input type="checkbox"/> De Minimis rate of 10% as permitted by 2 CFR § 200.414. </div> <div style="margin-top: 10px; display: flex; justify-content: space-between;"> <input type="checkbox"/> Negotiated Rate equal to _____ on _____ </div> <div style="margin-top: 10px; display: flex; justify-content: space-between;"> <div>% as approved by _____ (Date) (2 CFR part 200, appendix VII).</div> <div>(the Cognizant Agency)</div> </div> <p style="margin-top: 10px;"><i>Note: Refer to the instructions for limitations of application associated with claiming Sponsor indirect costs.</i></p>	

PART II - SECTION B

Certification Regarding Lobbying

The declarations made on this page are under the signature of the authorized representative as identified in box 21 of form SF-424, to which this form is attached. The term "Sponsor" refers to the applicant name provided in box 8 of the associated SF-424 form.

The Authorized Representative certifies, to the best of his or her knowledge and belief, that:

(1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the Sponsor, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.

(2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the Authorized Representative shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.

(3) The Authorized Representative shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

PART II – SECTION C

The Sponsor hereby represents and certifies as follows:

1. Compatible Land Use – The Sponsor has taken the following actions to assure compatible usage of land adjacent to or in the vicinity of the airport:

N/A

2. Defaults – The Sponsor is not in default on any obligation to the United States or any agency of the United States Government relative to the development, operation, or maintenance of any airport, except as stated herewith:

None.

3. Possible Disabilities – There are no facts or circumstances (including the existence of effective or proposed leases, use agreements or other legal instruments affecting use of the Airport or the existence of pending litigation or other legal proceedings) which in reasonable probability might make it impossible for the Sponsor to carry out and complete the Project or carry out the provisions of the Grant Assurances, either by limiting its legal or financial ability or otherwise, except as follows:

None.

4. Consistency with Local Plans – The project is reasonably consistent with plans existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport.

Yes.

5. Consideration of Local Interest – It has given fair consideration to the interest of communities in or near where the project may be located.

Yes.

6. Consultation with Users – In making a decision to undertake an airport development project under Title 49, United States Code, it has consulted with airport users that will potentially be affected by the project (§ 47105(a)(2)).

N/A

7. Public Hearings – In projects involving the location of an airport, an airport runway or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and it shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary. Further, for such projects, it has on its management board either voting representation from the communities where the project is located or has advised the communities that they have the right to petition the Secretary concerning a proposed project.

N/A

8. Air and Water Quality Standards – In projects involving airport location, a major runway extension, or runway location it will provide for the Governor of the state in which the project is located to certify in writing to the Secretary that the project will be located, designed, constructed, and operated so as to comply with applicable and air and water quality standards. In any case where such standards have not been approved and where applicable air and water quality standards have been promulgated by the Administrator of the Environmental Protection Agency, certification shall be obtained from such Administrator. Notice of certification or refusal to certify shall be provided within sixty days after the project application has been received by the Secretary.

N/A

PART II – SECTION C (Continued)

9. Exclusive Rights – There is no grant of an exclusive right for the conduct of any aeronautical activity at any airport owned or controlled by the Sponsor except as follows:

None.

10. Land – (a) The sponsor holds the following property interest in the following areas of land, which are to be developed or used as part of or in connection with the Airport subject to the following exceptions, encumbrances, and adverse interests, all of which areas are identified on the aforementioned property map designated as Exhibit "A". [1]

N/A

The Sponsor further certifies that the above is based on a title examination by a qualified attorney or title company and that such attorney or title company has determined that the Sponsor holds the above property interests.

(b) The Sponsor will acquire within a reasonable time, but in any event prior to the start of any construction work under the Project, the following property interest in the following areas of land on which such construction work is to be performed, all of which areas are identified on the aforementioned property map designated as Exhibit "A". [1]

N/A

(c) The Sponsor will acquire within a reasonable time, and if feasible prior to the completion of all construction work under the Project, the following property interest in the following areas of land which are to be developed or used as part of or in connection with the Airport as it will be upon completion of the Project, all of which areas are identified on the aforementioned property map designated as Exhibit "A". [1]

N/A

¹ State the character of property interest in each area and list and identify for each all exceptions, encumbrances, and adverse interests of every kind and nature, including liens, easements, leases, etc. The separate areas of land need only be identified here by the area numbers shown on the property map.

PART III – BUDGET INFORMATION – CONSTRUCTION

SECTION A – GENERAL
1. Assistance Listing Number:
2. Functional or Other Breakout:

SECTION B – CALCULATION OF FEDERAL GRANT			
Cost Classification	Latest Approved Amount (Use only for revisions)	Adjustment + or (-) Amount (Use only for revisions)	Total Amount Required
1. Administration expense			
2. Preliminary expense			
3. Land, structures, right-of-way			
4. Architectural engineering basic fees	4,800		4,800
5. Other Architectural engineering fees			
6. Project inspection fees			
7. Land development			
8. Relocation Expenses			
9. Relocation payments to Individuals and Businesses			
10. Demolition and removal			
11. Construction and project improvement			
12. Equipment	70,200		70,200
13. Miscellaneous			
14. Subtotal (Lines 1 through 13)	\$ 75,000		\$ 75,000
15. Estimated Income (if applicable)			
16. Net Project Amount (Line 14 minus 15)	75,000		75,000
17. Less: Ineligible Exclusions (Section C, line 23 g.)			
18. Subtotal (Lines 16 through 17)	\$ 75,000		\$ 75,000
19. Federal Share requested of Line 18	67,500		67,500
20. Grantee share	3,750		3,750
21. Other shares	3,750		3,750
22. TOTAL PROJECT (Lines 19, 20 & 21)	\$ 75,000		\$ 75,000

SECTION C – EXCLUSIONS	
23. Classification (Description of non-participating work)	Amount Ineligible for Participation
a.	
b.	
c.	
d.	
e.	
f.	
g. Total	

SECTION D – PROPOSED METHOD OF FINANCING NON-FEDERAL SHARE	
24. Grantee Share – Fund Categories	Amount
a. Securities	
b. Mortgages	
c. Appropriations (by Applicant)	
d. Bonds	
e. Tax Levies	
f. Non-Cash	
g. Other (Explain):	3,750
h. TOTAL - Grantee share	\$ 3,750
25. Other Shares	Amount
a. State	3,750
b. Other	
c. TOTAL - Other Shares	\$ 3,750
26. TOTAL NON-FEDERAL FINANCING	7,500

SECTION E – REMARKS (Attach sheets if additional space is required)

PART IV – PROGRAM NARRATIVE
(Suggested Format)

PROJECT: SRE Acquisition - Wheeler Loader Snow Blower Attachment

AIRPORT: Richard B. Helgeson Airport

1. Objective:

The acquisition of a snow blower attachment for a wheel loader to aid in snow removal on the primary pavement at the Richard B. Helgeson Airport (TWM).

2. Benefits Anticipated:

The snow blower attachment will allow for snow to be cleared further distances off the pavement edges in order to keep snowbanks manageable to provide sufficient clearance between airplane wing and engine nacelles.

3. Approach: (See approved Scope of Work in Final Application)

SEH Inc as a consultant to the City of Two Harbors has assisted with soliciting quotations for the SRE equipment and deciphering the Buy American requirements to insure the selected equipment met federal funding requirements.

4. Geographic Location:

N/A

5. If Applicable, Provide Additional Information:

6. Sponsor's Representative: (include address & telephone number)

Short Elliott Hendrickson
3535 Vadnais Center Drive
Saint Paul, MN 55110



CITY OF TWO HARBORS

522 First Avenue • Two Harbors, MN 55616
(218) 834-5631 • FAX (218) 834-2674

April 11, 2022

RE: Richard B. Helgeson Airport (TWM)
2022 Snow Blower Loader Attachment
Cost/Price Analysis

Mr. Jake Martin, PE
FAA Program Manager
Minneapolis Airports District Office
6020 28th Avenue South
Minneapolis, MN 55450

Dear Mr. Martin

As part of the City of Two Harbor's request for an FAA grant for the 2022 federal fiscal year, according to the FAA's AIP Handbook, we are required to provide cost justification for all items included in the grant, including competitive bid acceptance, engineering and consulting fees, and advertisement expenses.

Quotations were requested from three suppliers listed on the Minnesota equipment bids website for a comparable wheel loader snow blower attachment. Quotation results were as follows: 1) Ziegler – SnowWolf Alpha Blower \$55,810.00, 2) Ziegler - HitchDoc HDS9200 \$70,200.00 and 3) MacQueen Equipment – Larue D40 \$186,262.00. It was determined the Alpha Blower was unable to meet Buy American requirements for the use of federal funding. Therefore, based on the remaining two quotations, the costs are deemed reasonable by the City of Two Harbors for the HitchDoc HDS9200.

The federally eligible engineering services provided by SEH, Inc, include a total fee of \$4,800, have been reviewed and have been found to be allowable (in accordance with the AIP handbook). We also believe these fees to be allocable (required to ensure the acquisition is completed in accordance with Buy American requirements). Finally, we believe the fees to be reasonable (similar in cost and scope with comparable past airport equipment acquisition projects). We evaluated the fees based on previous contracts for similar airport projects executed by the City of Two Harbors, and by comparing staff hours in the contract with the task items.

Lastly, the administrative expenses and reimbursable agreement fees incurred because of the federal and state mandated requirements of the project are reasonable for a grant of this nature.

Please contact me if you have any questions.

Sincerely,

Miranda Pietila
City Administrator - City of Two Harbors

The City of Two Harbors



QTY	PART NO.	DESCRIPTION	SUGGESTED RETAIL PRICE *	EST. PAYMENT PER/MO. *	TOTAL *
RECOMMENDED SOLUTION					
1	33-100-H	AlphaBlower 100" Hydraulic Driven Snow Blower, 33" Fan, 40-50 GPM Flow Required	\$52,685.00	\$982.58	\$52,685.00
MSRP SUB-TOTAL BEFORE ACCESSORIES					\$52,685.00
RECOMMENDED ACCESSORIES					
1	TLC-33100	Telescopic Truck Loading Chute for 33-100 (H or P)	\$1,805.00	\$50.14	\$1,805.00
1	SK-33100	Sideplate Kit for 33-100 (H or P)	\$1,320.00	\$36.67	\$1,320.00
1	MT200-SB	CAT Fusion Hooks			
MSRP GRAND TOTAL WITH ACCESSORIES					\$1,069.38 \$55,810.00

NEXT STEPS

1. * Prices quoted are Suggested Retail Prices in USD. Your final price with tax is set by your SnowWolf Dealer. Contact them now.
2. Need financing? Apply here: <https://gefinances.com/snowwolf>
3. Pick up your new SnowWolf gear!
4. Join the exclusive SnowWolf Owners Group on Facebook: www.facebook.com/groups/snowwolfplows
5. Make money - lots of it. Repeat. Repeat. Repeat.

Quote Date: 3/3/2022

Valid Through: 3/10/2022

Thank You,

JEFF NADEAU

Territory Manager | Ziegler CAT
210 Garfield Ave | Duluth, MN, 55803
p 218-726-4062 | c 218-428-1880 | f 218-722-0307
jeff.nadeau@zieglercat.com
www.zieglercat.com



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3/1/2022

State Contract
Wheel Loader
L-331
760-1020

HitchDoc Snow Attachment

4.7.19 HDS9200 HitchDoc Snow Blower, 9' width, 40-50 GPM (Not Installed)	\$ 67,200.00
Install	\$ 3,000

Net Total	\$ 70,200.00
-----------------	--------------

Thank You,

JEFF NADEAU

Territory Manager | Ziegler CAT
210 Garfield Ave | Duluth, MN, 55803
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www.zieglercat.com



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**MACQUEEN
EQUIPMENT**



**MACQUEEN
EMERGENCY**

MacQueen Equipment

1125 7th Street E

St Paul, MN 55106

651-645-5726 • 800-832-6417

Ship To: TWO HARBORS MUNI AIRPORT
608 AIRPORT ROAD
TWO HARBORS, MN 55616

Invoice To: CITY OF TWO HARBORS
522 First Avenue
Two Harbors MN 55616

Branch 01 - ST PAUL MN		
Date 03/14/2022	Time 8:44:10 (O)	Page 1
Account No TWOHA001	Phone No 2188345631	Est No 03 Q02497
Ship Via		Purchase Order PENDING
Tax ID No		
BOB LARSON		Salesperson 110

EQUIPMENT ESTIMATE - NOT AN INVOICE

Description ** Q U O T E ** EXPIRY DATE: 04/12/2022 Amount

New 2022 LARUE D40 LOADER MOUNTED SNOW BLOWER WITH ALL 186262.00
STANDARD FEATURES, PRICED OFF MINNESOTA STATE CONTRACT
S-854- 235 HP CUMMINS QSB6.7 STAGE IV/TIER 4 FINAL ENGINE,
HARDOX R 500 DIRECTIONAL SPOT CASTING CHUTE W/ 2 SECTION
DEFLECTOR, WIRED JOYSTICK CONTROL, 4.3" LCD SCREEN, 2 CHUTE
MOUNTED LED LIGHTS, HARDOX R 500 DRUM, TUNGSTEN CARBIDE
SKID SHOES, HARDOX R 500 SCRAPER BLADE, EMERGENCY STOP
BUTTON, LEVEL INDICATOR ON THE SPOT CASTING CHUTS, BLOCK
HEATER, 66 GALLON FUEL TANK, 34' IMPELLER, 108" CUTTING
WIDTH, PLUS OPTIONS TO MEET TWO HARBORS HELGESON MUNICIPAL
AIRPORTS SPECIFICATIONS:

1.0 BASE BID \$ 148,672.00

4.1.1 CHUTE DEFLECTOR 3 SECTIONS \$ 2,000.00

4.1.2 18" TELESCOPE LOADING CHUTE \$ 7,950.00

4.1.4 HYDRAULIC TILTIN CHUTE (RIGHT SIDE) \$ 5,050.00

4.1.5 ACCESS STEPS - CHUTE \$ 1,375.00

4.2.1 BLUETOOTH WIRELESS CAB CONTROLS \$ 3,350.00

4.2.5 150 DEGREES DRUM ROTATION (WORM GEAR) \$ 1,700.00

4.2.7 REVERSE FUNCTION TRANSMISSION \$ 750.00

4.2.8 LED LIGHT SAFETY BOLTS (SHEAR PINS) \$ 600.00

4.2.9 HEATED LED WORK LIGHTS FRAME \$ 250.00

4.2.10 LED LIGHT ENGINE COMPARTMENT \$ 850.00



MACQUEEN
EQUIPMENT



MACQUEEN
EMERGENCY

MacQueen Equipment

1125 7th Street E

St Paul, MN 55106

651-645-5726 • 800-832-6417

Ship To: TWO HARBORS MUNI AIRPORT
608 AIRPORT ROAD
TWO HARBORS, MN 55616

Invoice To: CITY OF TWO HARBORS
522 First Avenue
Two Harbors MN 55616

Branch 01 - ST PAUL MN		
Date 03/14/2022	Time 8:44:10 (O)	Page 2
Account No TWOHA001	Phone No 2188345631	Est No 03 Q02497
Ship Via		Purchase Order PENDING
Tax ID No		
BOB LARSON		Salesperson 110

EQUIPMENT ESTIMATE - NOT AN INVOICE

Description	** Q U O T E **	EXPIRY DATE: 04/12/2022	Amount
4.2.12 ENGINE SHUT-OFF SAFTEY BOLTS ACCESS DOOR			\$ 1,150.00
.			
4.3.1 BATTERY CHARGER 1.5A			\$575.00
.			
4.3.2 BATTERY WARMER			\$ 350.00
.			
4.3.3 REMOTE JUMP START TERMINALS			\$ 400.00
.			
4.4.2 FULL WIDTH SKID KIT-CARBIDE			\$ 2,250.00
.			
4.5.1 CAT FUSION FEMALE QUICK HITCH CAT 924K			\$ 3,500.00
.			
NON CONTRACT 3 SECTION HARDOX CHUTE LINER			\$2,250.00
.			
NON CONTRACT ELECTRONICALLY CONTROLLED ENGINE COOLING FAN			\$ 2,250.00
.			
4.8 DELIVERY 180 MILES X \$ 5.50 PER MILE			\$ 990.00
.			
DELIVERY WILL ADVISE FALL 2022			

Authorization: _____

Subtotal: 186262.00
Quote Total: 186262.00

ARCHITECT/ENGINEER AGREEMENT
Between

City of Two Harbors, Minnesota

(OWNER)

and

Short Elliott Hendrickson Inc.

(CONSULTANT)

for

PROFESSIONAL SERVICES

THIS AGREEMENT made and entered into this 22 day of November, 20 21,
by and between the City of Two Harbors, Minnesota, hereinafter referred to as the OWNER, and
Short Elliott Hendrickson Inc.® (SEH), with a regular place of business at 3535 Vadnais Center
Drive, St. Paul, Minnesota 55110, hereinafter referred to as the CONSULTANT.

WITNESSETH:

That the OWNER and CONSULTANT, for the consideration hereinafter named, agree as follows:

ARTICLE 1. GENERAL DESCRIPTION OF WORK TO BE DONE

The OWNER agrees to and hereby does retain and employ CONSULTANT and CONSULTANT
agrees to perform Architectural, Engineering and/or other Professional Services for the project at
the Two Harbors Municipal Airport – Richard B. Helgeson Field, entitled:

2021 SRE Acquisition

hereinafter referred to as the Project.

The Project and those services to be performed hereunder are more particularly described in
ATTACHMENT A, a part hereof, and may be financed in part by grant-in-aid programs of the
Minnesota Department of Transportation (Mn/DOT), Office of Aeronautics, and/or the Federal
Aviation Administration (FAA) as described in Article 14.

ARTICLE 2. PERIOD OF SERVICE

Compensation for CONSULTANT'S services as provided elsewhere in this Agreement has been agreed to in anticipation of an orderly and continuous progress of CONSULTANT'S services through completion. In this regard, if the services covered by this Agreement have not been completed within 12 months of the date hereof, through no fault of CONSULTANT, any lump sum or maximum payment amounts shall be equitably adjusted.

ARTICLE 3. COMPENSATION TO CONSULTANT

A. Compensation to CONSULTANT for services described in this Agreement shall be on a Lump Sum basis, Cost Reimbursement Plus Fixed Fee basis and/or an Hourly Rate basis, as designated in the box below, and in ATTACHMENT B and as hereinafter described.

- ☒ 1. A Lump Sum method of payment for CONSULTANT'S services shall typically apply to all or parts of a work scope here CONSULTANT'S tasks can be readily defined and/or where the level of effort required to accomplish such tasks can be estimated with a reasonable degree of accuracy. The OWNER shall make monthly payments to CONSULTANT within 30 calendar days of date of invoice based on an estimated percentage of completion of CONSULTANT'S services.

Reimbursement for Direct Expenses incurred in the performance of the work shall be included in the Lump Sum amount, unless otherwise set forth in ATTACHMENT B.

- ☐ 2. A Cost Reimbursement Plus Fixed Fee method of payment for CONSULTANT'S services shall typically apply to all or parts of work scope where CONSULTANT'S tasks cannot be readily defined and/or where the level of effort required to accomplish such tasks cannot be established with any reasonable degree of accuracy. Under a Cost Reimbursement Plus Fixed Fee method of payment, the CONSULTANT shall be paid for the actual costs of providing required services plus a fixed fee payment as defined in FAA Advisory Circular 150/5100-14B, dated November 21, 1988, and as further defined as follows:

- a. Direct Salary Costs incurred by CONSULTANT for employee's time directly chargeable to the Project, and in accordance with the CONSULTANT'S SALARY SCHEDULE included in ATTACHMENT B. Periodic revisions to the schedule may be made and any such revisions shall be submitted by CONSULTANT to the OWNER for approval.
- b. Overhead Costs including overhead on direct labor including, but not limited to, employment taxes, fringe benefits, holidays, vacation, and sick leave and all allowable general and administrative overhead costs. Overhead Costs shall be calculated as a percentage of Direct Salary Costs, with such percentage based on CONSULTAT'S audited records. The Overhead Rate to be applied to this Agreement and any special provisions relating thereto shall be set forth in ATTACHMENT B.
- c. Direct Non-Salary Expenses incurred by CONSULTANT for costs directly chargeable to the project, including but not limited to:

- 1) Travel and subsistence.

- 2) Computer services.
 - 3) Outside professional and technical services.
 - 4) Identifiable reproduction and reprographic charges.
 - 5) Expendable field supplies and special field equipment rental.
 - 6) Other acceptable costs for such additional items and services as may be required by the OWNER to fulfill the terms of this Agreement.
- d. Fixed Fee. In addition to the above reimbursement of costs, CONSULTANT shall be paid a fixed fee in the amount set forth in Attachment B. It is agreed that the fixed fee will be subject to adjustment in case of a work scope change, abandonment of the work prior to completion, or deletion of specific tasks.

The OWNER shall make monthly payments to CONSULTANT within 30 calendar days of date of invoice based on computations made in accordance with the above charges for services provided and expenses incurred to date, including a proportionate amount of the fixed fee. Invoices shall be accompanied by supporting evidence as required.

- ☐ 3. If no Federal funds are involved in this Agreement, an Hourly Rate method of payment for CONSULTANT'S services may be utilized as an alternative to the Lump Sum or Cost Reimbursement Plus Fixed Fee methods. Under an Hourly Rate method of payment, CONSULTANT shall be paid for the actual hours worked on the Project by CONSULTANT'S technical personnel times an hourly billing rate established for each employee. Hourly billing rates shall include compensation for all salary costs, payroll burden, general and administrative overhead and professional fee. A rate schedule shall be furnished by CONSULTANT to OWNER upon request.

In addition to the foregoing, CONSULTANT shall be reimbursed at cost for the following Direct Expenses when incurred in the performance of the work:

- a. Travel and subsistence.
- b. Computer services.
- c. Owner approved outside professional and technical services.
- d. Identifiable reproduction and reprographic charges.
- e. Expendable field supplies and special field equipment rental.
- f. Other acceptable costs for such additional items and services as may be required by the Owner to fulfill the terms of this Agreement.

The OWNER shall make monthly payments to CONSULTANT within 30 calendar days of date of invoice based on computations made in accordance with the above charges for services provided and expenses incurred to date, accompanied by support evidence as required.

- B. The OWNER, The Mn/DOT, Office of Aeronautics, the FAA, or their authorized representatives shall have access to CONSULTANT'S records for the purpose of accounting and audit. The CONSULTANT shall maintain all records relative to this Agreement for a period of not less than three years, subsequent to the OWNER'S final payment to CONSULTANT and until the project is financially closed-out by the FAA.

ARTICLE 4. EXTRA WORK AND SERVICES NOT INCLUDED IN THIS CONTRACT

If CONSULTANT is of the opinion that any services it has been directed to perform is beyond the Scope of this Agreement, or that the level of effort required significantly exceeds that estimated due to changed conditions and thereby constitutes extra work, it shall promptly notify the OWNER of that fact. Extra work, additional compensation for same, and extension of time for completion shall be covered by a Supplemental Agreement entered into by both parties and approved by Mn/DOT and FAA, prior to proceeding with any extra work or related expenditures.

ARTICLE 5. ABANDONMENT, CHANGE OF PLAN AND TERMINATION

Either Party has the right to terminate this Agreement upon seven calendar days' written notice. In addition, the OWNER may at any time, reduce the scope of this Agreement. Such reduction in scope shall be set forth in a written notice from the OWNER to CONSULTANT. In the event of unresolved dispute over change in scope or changed conditions, this Agreement may also be terminated, upon seven calendar days' written notice as provided above.

In the event of termination, all documents finished or unfinished, prepared by CONSULTANT under this Agreement shall be made available by CONSULTANT to the OWNER pursuant to Article 7, and there shall be no further obligation of the OWNER to CONSULTANT under this Agreement, except for payment of amounts due and owing for work performed and expenses incurred to the date and time of termination, computed in accordance with Article 3.

In the event of a reduction in scope of the Project work, CONSULTANT shall be paid for the work performed and expenses incurred on the project work thus reduced and for any completed and abandoned work for which payment has not been made, computed in accordance with Article 3.

ARTICLE 6. DISPUTE RESOLUTION

In the event of an irreconcilable dispute under this Agreement, which is not resolvable through informal means, the parties may, upon written agreement, submit to the resolution process set out in this provision. Once the parties have agreed to the resolution process, each party shall have seven (7) calendar days to designate one representative, who shall have authority to act on this Agreement. If either party fails within that time to inform the other party in writing of its designation, the other party is free to pursue all other legal and equitable remedies. Within ten (10) calendar days of designation of the representative, the representatives shall meet and shall entertain such presentation of testimony and other evidence as the CONSULTANT and the OWNER may wish to present with respect to the dispute. Within seven (7) calendar days after the close of such presentation, the representative shall resolve the dispute or either party is free to pursue all other legal and equitable remedies. When the representatives resolve the dispute, their decision shall be final and conclusive. Should the representatives be unable to agree on a resolution of the dispute, then the parties are free to pursue all other legal and equitable remedies. Each party's costs for the dispute resolution shall be borne by the respective party.

If the parties do not agree in writing to the resolution process set out above, either party is entitled to pursue any other legal or equitable remedies available.

ARTICLE 7. DISPOSITION OF PLANS, REPORTS, AND OTHER DATA

At the time of completion or termination of the work, CONSULTANT shall make available to the OWNER, all maps, tracings, reports, resource materials and other documents pertaining to the work or to the Project. All such documents are not intended or represented to be suitable for reuse by the OWNER or others on extension of the Project or any other project. Any reuse without written verification or adaptation by CONSULTANT for the specific purpose intended will be at OWNER'S sole risk and without liability or legal exposure to CONSULTANT. In this regard, the OWNER will indemnify and hold harmless CONSULTANT from any and all suits or claims of third parties arising out of such reuse, which is not specifically verified, adapted or authorized by CONSULTANT.

ARTICLE 8. DOCUMENTS FORMING THE CONTRACT

The contract documents shall be deemed to include this Agreement with all accompanying attachments of part hereof.

ARTICLE 9. OWNER'S RESPONSIBILITY

- A. To permit CONSULTANT to perform the services required hereunder, the OWNER shall supply in proper time and sequence, the following at no expense to CONSULTANT.
1. Provide all necessary information regarding its requirements as necessary for orderly progress of the work.
 2. Designate in writing, a person to act as OWNER'S representative with respect to the services to be rendered under this Agreement. Such person shall have authority to transmit instructions, receive instructions, receive information, interpret, and define OWNER'S policies with respect to CONSULTANT'S services.
 3. Furnish, as required for performance of CONSULTANT'S services (except to the extent provided otherwise in ATTACHMENT A), data prepared by or services of others, including without limitation, core borings, probings and subsurface explorations, hydrographic and geohydrologic surveys, laboratory tests and inspections of samples, materials and equipment; appropriate professional interpretations of all of the foregoing; environmental assessment and impact statements; property, boundary, easement, right-of-way, topographic and utility surveys; property descriptions; zoning, deed and other land use restriction; and other special data not covered in ATTACHMENT A.
 4. Provide access to, and make all provisions for CONSULTANT to enter upon publicly- and privately-owned property as required to perform the work.
 5. Act as liaison with other agencies to carry out necessary coordination and negotiations; furnish approvals and permits from all governmental authorities having jurisdiction over the Project and such approvals and consents from others as may be necessary for completion of the Project.
 6. Examine all reports, sketches, drawings, specifications and other documents prepared and presented by CONSULTANT, obtain advice of an attorney, insurance counselor or others as OWNER deems necessary for such examination and render in writing, decisions pertaining thereto within a reasonable time so as not to delay the services of CONSULTANT.

7. Give prompt written notice to CONSULTANT whenever OWNER observes or otherwise becomes aware of any development that affects the scope or timing of CONSULTANT'S services or any defect in the work of Construction Contractor(s), Consultants or CONSULTANT.
8. Initiate action, where appropriate, to identify and investigate the nature and extent of asbestos and/or pollutant in the Project and to abate and/or remove the same as may be required by federal, state or local statute, ordinance, code, rule, or regulation now existing or hereinafter enacted or amended. For purposes of these General Provisions, "pollution" shall mean any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, alkalis, chemicals and hazardous or toxic waste. Hazardous or toxic waste means any substance, waste, pollutant or contaminant now or hereafter included within such terms under any federal, state or local statute, ordinance, code, rule or regulation now existing or hereinafter enacted or amended.

If CONSULTANT encounters, or reasonably suspects that it has encountered, asbestos, or pollution, including soil contamination in the project area, CONSULTANT shall cease activity in said area and promptly notify the OWNER who shall proceed as set forth above. Unless otherwise specifically provided in ATTACHMENT A, the services to be provided by CONSULTANT do not include identification of asbestos or pollution, including soil contamination and CONSULTANT has no duty to identify or attempt to identify the same in the project area.

9. Provide such accounting, independent cost estimating and insurance counseling services as may be required for the Project, such legal services as OWNER may require or CONSULTANT may reasonably request with regard to legal issues pertaining to the Project and such auditing services as OWNER may require to ascertain how or for what purpose any Contractor has used the monies paid under the construction contract.
 10. Provide such inspection services (except to the extent provided otherwise in ATTACHMENT A) as OWNER may require to ascertain that Contractor (s) are complying with any law, rule, regulation, ordinance, code or order applicable to their furnishing and performing the work.
 11. Provide "record" drawings and specifications for all existing physical plants or facilities which are pertinent to the Project.
 12. Provide written notice to CONSULTANT when the project has been financially closed-out by FAA.
 13. Provide other services, materials, or data as may be set forth in ATTACHMENT A.
- B. CONSULTANT shall be entitled to rely on the accuracy and completeness of information or services furnished by the OWNER. If CONSULTANT finds that any information or services furnished by the OWNER is in error or is inadequate for its purpose, CONSULTANT shall promptly notify the OWNER.

ARTICLE 10. OPINIONS OF COST

Opinions of probable project cost, construction cost, financial evaluations, feasibility studies, economic analyses of alternate solutions and utilitarian considerations of operations and

maintenance costs provided for in ATTACHMENT A, a part hereof, are to be made on the basis of CONSULTANT'S experience and qualifications and represent CONSULTANT'S best judgement as an experienced and qualified design professional. It is recognized, however, that CONSULTANT does not have control over the cost of labor, material, equipment or services furnished by others or over market conditions or contractor's methods of determining their prices, and that any evaluation of any facility to be constructed or reacquired, or work to be performed on the basis of CONSULTANT'S cost opinions, must of necessity, be speculative until completion of construction or acquisition. Accordingly, CONSULTANT cannot and does not guarantee that proposals, bids, or actual costs will not substantially vary from opinions, evaluations or studies submitted by CONSULTANT to OWNER hereunder.

ARTICLE 11. CONSTRUCTION PHASE SERVICES

OWNER acknowledges that it is customary for the architect or engineer who is responsible for the preparation and furnishing of Drawings and Specifications and other construction-related documents to be employed to provide professional services during the Bidding and Construction Phases of the Project, (1) to interpret and clarify the documentation so furnished and to modify the same as circumstances revealed during bidding and construction may dictate, (2) in connection with acceptance of substitute or equal items of materials and equipment proposed by bidders and contractor(s), (3) in connection with approval of shop drawings and same submittals, and (4) as a result of and in response to CONSULTANT'S detecting in advance of performance of affected work inconsistencies or irregularities in such documentation. OWNER agrees that if CONSULTANT is not employed to provide such professional services during the Bidding (if the work is put out for bids) and the Construction Phases of the Project, CONSULTANT will not be responsible for, and OWNER shall indemnify and hold CONSULTANT (and CONSULTANT'S professional associates and consultants) harmless from, all claims, damages, losses and expenses including attorneys' fees arising out of, or resulting from, any interpretation, clarification, substitution acceptance, shop drawing or sample approval or modification of such documentation issued or carried out by OWNER or others. Nothing contained in this paragraph shall be construed to release CONSULTANT (or CONSULTANT'S professional associates or consultants) from liability for failure to perform in accordance with professional standards any duty or responsibility which CONSULTANT has undertaken or assumed under this Agreement.

ARTICLE 12. INSURANCE

CONSULTANT shall procure and maintain insurance for protection from claims against it under workers' compensation acts, claims for damages because of bodily injury including personal injury, sickness or disease or death of any and all employees or of any person other than such employees, and from claims for damages against it because of injury to or destruction of property including loss of use resulting therefrom.

Also, CONSULTANT shall procure and maintain professional liability insurance for protection from claims arising out of performance of professional services caused by any negligent act, error, or omission for which CONSULTANT is legally liable. However, CONSULTANT hereby states and the OWNER acknowledges, that CONSULTANT has no professional liability (errors and omissions) or other insurance, and is unable to reasonably obtain such insurance, for claims arising out of the performance or failure to perform professional services, including but not limited to the preparation of reports, designs, drawings and specifications, related to the investigation, detection, abatement, replacement, modification, removal or disposal of (1) pollutants or of (2) products, materials or processes containing asbestos. Pollutants herein under (1) above meaning any solid, liquid, gaseous, or thermal irritant or contaminant, including smoke, vapor, soot, alkalis, chemicals and hazardous or toxic waste. Accordingly, the OWNER hereby agrees to bring no claim for non-negligent services, breach of contract, or other cause of action against CONSULTANT, its

principals, employees, agents and consultants if such claim in any way arises out of the actual, alleged or threatened discharge, dispersal, release or escape of pollutants, or the investigation of or remedial work related to such pollutants or asbestos in the project. Certificates of insurance will be provided to the OWNER upon request.

ARTICLE 13. INDEPENDENT CONTRACTOR

The CONSULTANT in performance of work hereunder operates as an independent contractor and covenants and agrees that it will conduct itself consistent with such status, that is will neither hold itself out as nor claim to be an officer or employee of the OWNER by reason hereof, and that it will not by reason hereby, make any claim, demand or shall it apply for any right or privilege applicable to an officer or employee of the OWNER, including, but not limited to, worker's compensation coverage, unemployment insurance benefits, social security coverage or retirement membership or credit.

ARTICLE 14. FEDERAL AND STATE PARTICIPATION

Work performed under this Agreement may be financed in part by State and Federal funds. However, payments to CONSULTANT will be made by the OWNER.

The State of Minnesota and the United States are not parties to this Contract and no reference herein to the Mn/DOT, Office of Aeronautics, and to the FAA or any representatives thereof makes the State of Minnesota or the United States a party to the Contract.

ARTICLE 15. COVENANT AGAINST CONTINGENT FEES

The CONSULTANT warrants that no person or legal entity has been employed or retained to solicit or secure this contract upon an Agreement or understanding for a commission, percentage, brokerage, or contingent fee excepting bona-fide employees or bona-fide established commercial or selling agencies maintained by CONSULTANT for the purpose of securing business. For breach or violation of this warranty, the OWNER shall have the right to annul this Agreement without liability or in its discretion to deduct from payment to CONSULTANT the full amount of each commission, percentages, brokerage, or contingent fee.

ARTICLE 16. FEDERAL CONTRACT CLAUSES

If this Agreement is to be financed in part by Federal funds, certain federally-required, contract clauses must be incorporated. These federally-required, contract clauses, included as ATTACHMENT C, are hereby incorporated herein and made a part of this Agreement. The ATTACHMENT C incorporated is for Non-Construction Contract of (check as appropriate):

<input checked="" type="checkbox"/>	\$10,000 or less
<input type="checkbox"/>	\$10,001 to \$25,000
<input type="checkbox"/>	\$25,001 to \$100,000 or
<input type="checkbox"/>	\$100,001 and over

The term "contractor" as used in said ATTACHMENT is understood to mean CONSULTANT.

ARTICLE 17. ASSIGNMENT

This Agreement, being intended to secure the personal service of the individuals employed by and through whom CONSULTANT performs work hereunder, shall not be assigned, sublet or transferred without written consent of the OWNER.

ARTICLE 18. NOTICES

All notices required by law or by this Agreement to be given to the CONSULTANT must be written and may be given personally or by depositing the same in the United States mail, postage prepaid, and addressed to CONSULTANT at such premises and at the following address:

Short Elliott Hendrickson Inc.
3535 Vadnais Center Drive
St. Paul, Minnesota 55110

All notices required or permitted to be given to the OWNER hereunder shall be given by United States mail, postage prepaid, and addressed to:

City of Two Harbors, Minnesota
c/o City Administrator
522 First Avenue
Two Harbors, MN 55616

Notice shall be deemed given as of the date said notice is deposited in the mail or personally delivered.

The parties must notify each other promptly in the event of a change in name or address.

ARTICLE 19. CONTROLLING LAW


This Agreement is to be governed by the laws of the State of Minnesota.

ARTICLE 20. SPECIAL CONDITIONS

IN WITNESS WHEREOF, the parties hereto have executed this Agreement the day and year first above written.

City of Two Harbors, MN
OWNER

By 

Attest 

Short Elliott Hendrickson Inc.
CONSULTANT

By 

Attachments: A, B, C

ATTACHMENT A
Richard B. Helgeson Airport
Two Harbors, Minnesota
2021 SRE Acquisition – Snow Blower Attachment
Scope of Work
(Administration and Closeout)

Project Description – The project consists of acquiring a front-end loader snow blower attachment for the Richard B. Helgeson Airport in Two Harbors, Minnesota. This proposal will provide administrative services associated with the SRE acquisition.

The Consultant will provide the following specific services:

Administration, and Project Closeout:

1. Scoping, Review and Project Coordination: Detailed project scoping, including review and coordination with MnDOT, FAA, and other regulatory agencies. Update acquisition request as needed based on input received.
2. Project Formulation: Completion of the project and grant pre-application, cost breakdowns and eligibility determinations. The required categorical exclusion checklist and letter will also be submitted to the FAA for approval.
3. FAA Project Closeout Report: The Consultant will prepare a "Project Closeout Report" as required by the FAA and using "Sponsors Guide to Quality Project Closeout Report Requirements" (FAA Publication). The scope as part of this proposal includes closeout efforts solely for the SRE equipment, including vehicle information, photographs, and special conditions.

ESTIMATED FEES AND EXPENSES

ATTACHMENT B

2021 SRE ACQUISITION

Richard B. Helgeson Airport

Two Harbors, Minnesota

Task No.	Task Description	Project Manager	Admin Technician
<i>Administration, and Project Closeout</i>			
1.	Scoping, Review and Project Coordination	8	
2.	Project Formulation	16	
3.	FAA Project Close-out Report	6	3
Total hours per labor category		30	3

ESTIMATE OF LABOR COSTS:

Labor Category	Hours	Rate	Extension
Project Manager	30	\$46.22	\$1,386.60
Admin Technician	3	\$31.06	\$93.18

Total Direct Labor Costs:	33		\$1,479.78
Salary Overhead (35%)			\$517.92
General and Administrative Overhead (137%)			\$2,027.30
Total Labor Costs			\$4,025.00

Fee (15%)			\$ 603.75
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ESTIMATE OF EXPENSES:

Direct Expenses	Quantity	Rate	Extension
Equipment Usage	33	\$3.00	\$99.00
Reproductions / Miscellaneous	1	\$100.00	\$100.00
Total Expenses			\$199.00

SUMMARY:

Total Labor Costs + Fees + Expenses	\$4,827.75
Total	\$4,827.75
Not to Exceed Amount	\$4,800.00

ATTACHMENT C

ACCESS TO RECORDS AND REPORTS

The Contractor must maintain an acceptable cost accounting system. The Contractor agrees to provide the sponsor, the Federal Aviation Administration, and the Comptroller General of the United States or any of their duly authorized representatives, access to any books, documents, papers, and records of the contractor which are directly pertinent to the specific contract for the purpose of making audit, examination, excerpts and transcriptions. The Contractor agrees to maintain all books, records and reports required under this contract for a period of not less than three years after final payment is made and all pending matters are closed.

BREACH OF CONTRACT TERMS

Any violation or breach of terms of this contract on the part of the contractor or its subcontractors may result in the suspension or termination of this contract or such other action that may be necessary to enforce the rights of the parties of this agreement.

Owner will provide Consultant written notice that describes the nature of the breach and corrective actions the Consultant must undertake in order to avoid termination of the contract. Owner reserves the right to withhold payments to Contractor until such time the Contractor corrects the breach or the Owner elects to terminate the contract. The Owner's notice will identify a specific date by which the Consultant must correct the breach. Owner may proceed with termination of the contract if the Consultant fails to correct the breach by deadline indicated in the Owner's notice.

The duties and obligations imposed by the Contract Documents and the rights and remedies available thereunder are in addition to, and not a limitation of, any duties, obligations, rights and remedies otherwise imposed or available by law.

GENERAL CIVIL RIGHTS PROVISIONS

The contractor agrees to comply with pertinent statutes, Executive Orders and such rules as are promulgated to ensure that no person shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participating in any activity conducted with or benefiting from Federal assistance.

This provision binds the contractor and subtier contractors from the bid solicitation period through the completion of the contract. This provision is in addition to that required of Title VI of the Civil Rights Act of 1964.

Title VI Solicitation Notice:

The **Sponsor**, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award.

Compliance with Nondiscrimination Requirements

During the performance of this contract, the contractor, for itself, its assignees, and successors in interest (hereinafter referred to as the "contractor") agrees as follows:

1. **Compliance with Regulations:** The contractor (hereinafter includes consultants) will comply with the Title VI List of Pertinent Nondiscrimination Acts And Authorities, as they may be amended from time to time, which are herein incorporated by reference and made a part of this contract.
2. **Non-discrimination:** The contractor, with regard to the work performed by it during the contract, will not discriminate on the grounds of race, color, or national origin in the selection and retention of subcontractors, including procurements of materials and leases of equipment. The contractor will not participate directly or indirectly in the discrimination prohibited by the Nondiscrimination Acts and Authorities, including employment practices when the contract covers any activity, project, or program set forth in Appendix B of 49 CFR part 21.
3. **Solicitations for Subcontracts, Including Procurements of Materials and Equipment:** In all solicitations, either by competitive bidding, or negotiation made by the contractor for work to be performed under a subcontract, including procurements of materials, or leases of equipment, each potential subcontractor or supplier will be

notified by the contractor of the contractor's obligations under this contract and the Nondiscrimination Acts And Authorities on the grounds of race, color, or national origin.

4. **Information and Reports:** The contractor will provide all information and reports required by the Acts, the Regulations, and directives issued pursuant thereto and will permit access to its books, records, accounts, other sources of information, and its facilities as may be determined by the sponsor or the Federal Aviation Administration to be pertinent to ascertain compliance with such Nondiscrimination Acts And Authorities and instructions. Where any information required of a contractor is in the exclusive possession of another who fails or refuses to furnish the information, the contractor will so certify to the sponsor or the Federal Aviation Administration, as appropriate, and will set forth what efforts it has made to obtain the information.
5. **Sanctions for Noncompliance:** In the event of a contractor's noncompliance with the Non-discrimination provisions of this contract, the sponsor will impose such contract sanctions as it or the Federal Aviation Administration may determine to be appropriate, including, but not limited to:
 - a. Withholding payments to the contractor under the contract until the contractor complies; and/or
 - b. Cancelling, terminating, or suspending a contract, in whole or in part.
6. **Incorporation of Provisions:** The contractor will include the provisions of paragraphs one through six in every subcontract, including procurements of materials and leases of equipment, unless exempt by the Acts, the Regulations and directives issued pursuant thereto. The contractor will take action with respect to any subcontract or procurement as the sponsor or the Federal Aviation Administration may direct as a means of enforcing such provisions including sanctions for noncompliance. Provided, that if the contractor becomes involved in, or is threatened with litigation by a subcontractor, or supplier because of such direction, the contractor may request the sponsor to enter into any litigation to protect the interests of the sponsor. In addition, the contractor may request the United States to enter into the litigation to protect the interests of the United States.

Title VI List of Pertinent Nondiscrimination Acts and Authorities

During the performance of this contract, the contractor, for itself, its assignees, and successors in interest (hereinafter referred to as the "contractor") agrees to comply with the following non-discrimination statutes and authorities; including but not limited to:

- Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d *et seq.*, 78 stat. 252), (prohibits discrimination on the basis of race, color, national origin);
- 49 CFR part 21 (Non-discrimination In Federally-Assisted Programs of The Department of Transportation—Effectuation of Title VI of The Civil Rights Act of 1964);
- The Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970, (42 U.S.C. § 4601), (prohibits unfair treatment of persons displaced or whose property has been acquired because of Federal or Federal-aid programs and projects);
- Section 504 of the Rehabilitation Act of 1973, (29 U.S.C. § 794 *et seq.*), as amended, (prohibits discrimination on the basis of disability); and 49 CFR part 27;
- The Age Discrimination Act of 1975, as amended, (42 U.S.C. § 6101 *et seq.*), (prohibits discrimination on the basis of age);
- Airport and Airway Improvement Act of 1982, (49 USC § 471, Section 47123), as amended, (prohibits discrimination based on race, creed, color, national origin, or sex);
- The Civil Rights Restoration Act of 1987, (PL 100-209), (Broadened the scope, coverage and applicability of Title VI of the Civil Rights Act of 1964, The Age Discrimination Act of 1975 and Section 504 of the Rehabilitation Act of 1973, by expanding the definition of the terms "programs or activities" to include all of the programs or activities of the Federal-aid recipients, sub-recipients and contractors, whether such programs or activities are Federally funded or not);
- Titles II and III of the Americans with Disabilities Act of 1990, which prohibit discrimination on the basis of disability in the operation of public entities, public and private transportation systems, places of public accommodation, and certain testing entities (42 U.S.C. §§ 12131 – 12189) as implemented by Department of Transportation regulations at 49 CFR parts 37 and 38;

- The Federal Aviation Administration's Non-discrimination statute (49 U.S.C. § 47123) (prohibits discrimination on the basis of race, color, national origin, and sex);
- Executive Order 12898, Federal Actions to Address Environmental Justice in Minority Populations and Low-Income Populations, which ensures non-discrimination against minority populations by discouraging programs, policies, and activities with disproportionately high and adverse human health or environmental effects on minority and low-income populations;
- Executive Order 13166, Improving Access to Services for Persons with Limited English Proficiency, and resulting agency guidance, national origin discrimination includes discrimination because of limited English proficiency (LEP). To ensure compliance with Title VI, you must take reasonable steps to ensure that LEP persons have meaningful access to your programs (70 Fed. Reg. at 74087 to 74100);
- Title IX of the Education Amendments of 1972, as amended, which prohibits you from discriminating because of sex in education programs or activities (20 U.S.C. 1681 et seq).

CLEAN AIR AND WATER POLLUTION CONTROL

Contractor agrees to comply with all applicable standards, orders, and regulations issued pursuant to the Clean Air Act (42 U.S.C. § 740-7671q) and the Federal Water Pollution Control Act as amended (33 U.S.C. § 1251-1387). The Contractor agrees to report any violation to the Owner immediately upon discovery. The Owner assumes responsibility for notifying the Environmental Protection Agency (EPA) and the Federal Aviation Administration.

Contractor must include this requirement in all subcontracts that exceeds \$150,000.

CERTIFICATION OF OFFERER/BIDDER REGARDING DEBARMENT

By submitting a bid/proposal under this solicitation, the bidder or offeror certifies that neither it nor its principals are presently debarred or suspended by any Federal department or agency from participation in this transaction.

CERTIFICATION OF LOWER TIER CONTRACTORS REGARDING DEBARMENT

The successful bidder, by administering each lower tier subcontract that exceeds \$25,000 as a "covered transaction", must verify each lower tier participant of a "covered transaction" under the project is not presently debarred or otherwise disqualified from participation in this federally assisted project. The successful bidder will accomplish this by:

1. Checking the System for Award Management at website: <http://www.sam.gov>
2. Collecting a certification statement similar to the Certificate Regarding Debarment and Suspension (Bidder or Offeror), above.
3. Inserting a clause or condition in the covered transaction with the lower tier contract

If the FAA later determines that a lower tier participant failed to disclose to a higher tier participant that it was excluded or disqualified at the time it entered the covered transaction, the FAA may pursue any available remedies, including suspension and debarment of the non-compliant participant.

DISADVANTAGED BUSINESS ENTERPRISES

Contract Assurance (§ 26.13) - The contractor or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of DOT assisted contracts. Failure by the contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy, as the recipient deems appropriate.

Prompt Payment (§26.29) - The prime contractor agrees to pay each subcontractor under this prime contract for satisfactory performance of its contract no later than {specify number} days from the receipt of each payment the prime contractor receives from {Name of recipient}. The prime contractor agrees further to return retainage payments to each subcontractor within {specify the same number as above} days after the subcontractor's work is satisfactorily completed. Any delay or postponement of payment from the above referenced time frame may occur only for good cause following written approval of the {Name of Recipient}. This clause applies to both DBE and non-DBE subcontractors.

A1.1.1 RACE/GENDER NEUTRAL LANGUAGE

The requirements of 49 CFR part 26 apply to this contract. It is the policy of the Sponsor to practice nondiscrimination based on race, color, sex or national origin in the award or performance of this contract. The Owner encourages participation by all firms qualifying under this solicitation regardless of business size or ownership.

TEXTING WHEN DRIVING

In accordance with Executive Order 13513, "Federal Leadership on Reducing Text Messaging While Driving" (10/1/2009) and DOT Order 3902.10 "Text Messaging While Driving" (12/30/2009), the FAA encourages recipients of Federal grant funds to adopt and enforce safety policies that decrease crashes by distracted drivers, including policies to ban text messaging while driving when performing work related to a grant or sub-grant.

In support of this initiative, the Owner encourages the Contractor to promote policies and initiatives for its employees and other work personnel that decrease crashes by distracted drivers, including policies that ban text messaging while driving motor vehicles while performing work activities associated with the project. The Contractor must include the substance of this clause in all sub-tier contracts exceeding \$3,500 and involve driving a motor vehicle in performance of work activities associated with the project.

ENERGY CONSERVATION REQUIREMENTS

Contractor and Subcontractor agree to comply with mandatory standards and policies relating to energy efficiency as contained in the state energy conservation plan issued in compliance with the Energy Policy and Conservation Act (42 U.S.C. 6201*et seq.*).

FEDERAL FAIR LABOR STANDARDS ACT

All contracts and subcontracts that result from this solicitation incorporate by reference the provisions of 29 CFR part 201, the Federal Fair Labor Standards Act (FLSA), with the same force and effect as if given in full text. The FLSA sets minimum wage, overtime pay, recordkeeping, and child labor standards for full and part time workers.

The Consultant has full responsibility to monitor compliance to the referenced statute or regulation. The Consultant must address any claims or disputes that arise from this requirement directly with the U.S. Department of Labor – Wage and Hour Division

CERTIFICATION REGARDING LOBBYING

The bidder or offeror certifies by signing and submitting this bid or proposal, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the Bidder or Offeror, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including subcontracts, sub-grants, and contracts under grants, loans, and cooperative agreements) and that all sub-recipients shall certify and disclose accordingly.

This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

OCCUPATIONAL SAFETY AND HEALTH ACT

All contracts and subcontracts that result from this solicitation incorporate by reference the requirements of 29 CFR Part 1910 with the same force and effect as if given in full text. Contractor must provide a work environment that is free from recognized hazards that may cause death or serious physical harm to the employee. The Contractor retains full responsibility to monitor its compliance and their subcontractor's compliance with the applicable requirements of the Occupational Safety and Health Act of 1970 (20 CFR Part 1910). Contractor must address any claims or disputes that pertain to a referenced requirement directly with the U.S. Department of Labor – Occupational Safety and Health Administration.

RIGHTS TO INVENTIONS

Contracts or agreements that include the performance of experimental, developmental, or research work must provide for the rights of the Federal Government and the Owner in any resulting invention as established by 37 CFR part 401, Rights to Inventions Made by Non-profit Organizations and Small Business Firms under Government Grants, Contracts, and Cooperative Agreements. This contract incorporates by reference the patent and inventions rights as specified within in the 37 CFR §401.14. Contractor must include this requirement in all sub-tier contracts involving experimental, developmental or research work.

CERTIFICATION OF OFFERER/BIDDER REGARDING TAX DELINQUENCY AND FELONY CONVICTIONS

The applicant must complete the following two certification statements. The applicant must indicate its current status as it relates to tax delinquency and felony conviction by inserting a checkmark (✓) in the space following the applicable response. The applicant agrees that, if awarded a contract resulting from this solicitation, it will incorporate this provision for certification in all lower tier subcontracts.

Certifications

- a) The applicant represents that it is () is not (✓) a corporation that has any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability.
- b) The applicant represents that it is () is not (✓) is not a corporation that was convicted of a criminal violation under any Federal law within the preceding 24 months.

Note

If an applicant responds in the affirmative to either of the above representations, the applicant is ineligible to receive an award unless the sponsor has received notification from the agency suspension and debarment official (SDO) that the SDO has considered suspension or debarment and determined that further action is not required to protect the Government's interests. The applicant therefore must provide information to the owner about its tax liability or conviction to the Owner, who will then notify the FAA Airports District Office, which will then notify the agency's SDO to facilitate completion of the required considerations before award decisions are made.

Term Definitions

Felony conviction: Felony conviction means a conviction within the preceding twentyfour (24) months of a felony criminal violation under any Federal law and includes conviction of an offense defined in a section of the U.S. code that specifically classifies the offense as a felony and conviction of an offense that is classified as a felony under 18 U.S.C. § 3559.

Tax Delinquency: A tax delinquency is any unpaid Federal tax liability that has been assessed, for which all judicial and administrative remedies have been exhausted, or have lapsed, and that is not being paid in a timely manner pursuant to an agreement with the authority responsible for collecting the tax liability.

Termination for Convenience (Professional Services)

The Owner may, by written notice to the Consultant, terminate this Agreement for its convenience and without cause or default on the part of Consultant. Upon receipt of the notice of termination, except as explicitly directed by the Owner, the Contractor must immediately discontinue all services affected.

Upon termination of the Agreement, the Consultant must deliver to the Owner all data, surveys, models, drawings, specifications, reports, maps, photographs, estimates, summaries, and other documents and materials prepared by the Engineer under this contract, whether complete or partially complete.

Owner agrees to make just and equitable compensation to the Consultant for satisfactory work completed up through the date the Consultant receives the termination notice. Compensation will not include anticipated profit on non-performed services.

Owner further agrees to hold Consultant harmless for errors or omissions in documents that are incomplete as a result of the termination action under this clause.

Termination for Default (Professional Services)

Either party may terminate this Agreement for cause if the other party fails to fulfill its obligations that are essential to the completion of the work per the terms and conditions of the Agreement. The party initiating the termination action must allow the breaching party an opportunity to dispute or cure the breach.

The terminating party must provide the breaching party [7] days advance written notice of its intent to terminate the Agreement. The notice must specify the nature and extent of the breach, the conditions necessary to cure the breach, and the effective date of the termination action. The rights and remedies in this clause are in addition to any other rights and remedies provided by law or under this agreement.

a) **Termination by Owner:** The Owner may terminate this Agreement in whole or in part, for the failure of the Consultant to:

1. Perform the services within the time specified in this contract or by Owner approved extension;
2. Make adequate progress so as to endanger satisfactory performance of the Project;
3. Fulfill the obligations of the Agreement that are essential to the completion of the Project.

Upon receipt of the notice of termination, the Consultant must immediately discontinue all services affected unless the notice directs otherwise. Upon termination of the Agreement, the Consultant must deliver to the Owner all data, surveys, models, drawings, specifications, reports, maps, photographs, estimates, summaries, and other documents and materials prepared by the Engineer under this contract, whether complete or partially complete.

Owner agrees to make just and equitable compensation to the Consultant for satisfactory work completed up through the date the Consultant receives the termination notice. Compensation will not include anticipated profit on non-performed services.

Owner further agrees to hold Consultant harmless for errors or omissions in documents that are incomplete as a result of the termination action under this clause.

If, after finalization of the termination action, the Owner determines the Consultant was not in default of the Agreement, the rights and obligations of the parties shall be the same as if the Owner issued the termination for the convenience of the Owner.

b) **Termination by Consultant:** The Consultant may terminate this Agreement in whole or in part, if the Owner:

1. Defaults on its obligations under this Agreement;
2. Fails to make payment to the Consultant in accordance with the terms of this Agreement;
3. Suspends the Project for more than [180] days due to reasons beyond the control of the Consultant.

Upon receipt of a notice of termination from the Consultant, Owner agrees to cooperate with Consultant for the purpose of terminating the agreement or portion thereof, by mutual consent. If Owner and Consultant cannot reach mutual agreement on the termination settlement, the Consultant may, without prejudice to any rights and remedies it may have, proceed with terminating all or parts of this Agreement based upon the Owner's breach of the contract.

In the event of termination due to Owner breach, the Engineer is entitled to invoice Owner and to receive full payment for all services performed or furnished in accordance with this Agreement and all justified reimbursable expenses incurred by the Consultant through the effective date of termination action. Owner agrees to hold

Consultant harmless for errors or omissions in documents that are incomplete as a result of the termination action under this clause.

TRADE RESTRICTION CERTIFICATION

By submission of an offer, the Offeror certifies that with respect to this solicitation and any resultant contract, the Offeror

- a. is not owned or controlled by one or more citizens of a foreign country included in the list of countries that discriminate against U.S. firms as published by the Office of the United States Trade Representative (U.S.T.R.);
- b. has not knowingly entered into any contract or subcontract for this project with a person that is a citizen or national of a foreign country included on the list of countries that discriminate against U.S. firms as published by the U.S.T.R.; and
- c. has not entered into any subcontract for any product to be used on the Federal on the project that is produced in a foreign country included on the list of countries that discriminate against U.S. firms published by the U.S.T.R.

This certification concerns a matter within the jurisdiction of an agency of the United States of America and the making of a false, fictitious, or fraudulent certification may render the maker subject to prosecution under Title 18, United States Code, Section 1001.

The Offeror/Contractor must provide immediate written notice to the Owner if the Offeror/Contractor learns that its certification or that of a subcontractor was erroneous when submitted or has become erroneous by reason of changed circumstances. The Contractor must require subcontractors provide immediate written notice to the Contractor if at any time it learns that its certification was erroneous by reason of changed circumstances.

Unless the restrictions of this clause are waived by the Secretary of Transportation in accordance with 49 CFR 30.17, no contract shall be awarded to an Offeror or subcontractor:

- (1) who is owned or controlled by one or more citizens or nationals of a foreign country included on the list of countries that discriminate against U.S. firms published by the U.S.T.R. or
- (2) whose subcontractors are owned or controlled by one or more citizens or nationals of a foreign country on such U.S.T.R. list or
- (3) who incorporates in the public works project any product of a foreign country on such U.S.T.R. list;

Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render, in good faith, the certification required by this provision. The knowledge and information of a contractor is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.

The Offeror agrees that, if awarded a contract resulting from this solicitation, it will incorporate this provision for certification without modification in all lower tier subcontracts. The contractor may rely on the certification of a prospective subcontractor that it is not a firm from a foreign country included on the list of countries that discriminate against U.S. firms as published by U.S.T.R, unless the Offeror has knowledge that the certification is erroneous.

This certification is a material representation of fact upon which reliance was placed when making an award. If it is later determined that the Contractor or subcontractor knowingly rendered an erroneous certification, the Federal Aviation Administration may direct through the Owner cancellation of the contract or subcontract for default at no cost to the Owner or the FAA.

VETERAN'S PREFERENCE

In the employment of labor (excluding executive, administrative, and supervisory positions), the contractor and all sub-tier contractors must give preference to covered veterans as defined within Title 49 United States Code Section 47112. Covered veterans include Vietnam-era veterans, Persian Gulf veterans, Afghanistan-Iraq war veterans, disabled veterans, and small business concerns (as defined by 15 U.S.C. 632) owned and controlled by disabled veterans. This preference only applies when there are covered veterans readily available and qualified to perform the work to which the employment relates.



U.S. Department
of Transportation
**Federal Aviation
Administration**

Dakota-Minnesota Airports District Office
Bismarck Office
2301 University Drive, Building 23B
Bismarck, ND 58504

Dakota-Minnesota Airports District Office
Minneapolis Office
6020 28th Avenue South, Suite 102
Minneapolis, MN 55450

March 28th, 2022

Ms. Miranda Pietila
City Administrator
City of Two Harbors
522 First Ave.
Two Harbors, MN 55616

Two Harbors – Richard B. Helgeson Airport
Two Harbors, Minnesota
AIP 3-27-0103-015-2022
Acquire Snow Removal Equipment Snow Blower Attachment
Buy American-Type 3 Waiver Approval

Dear Ms. Pietila:

We have reviewed your request for Waiver of Buy American Requirements to acquire a HitchDoc Hydraulic Snow Blower from HitchDoc under this AIP grant. The information submitted from the manufacturers satisfies the requirement for waiver of the requirements of 49 USC § 5010.

This is based on the HitchDoc snow blower at 97.7% of the cost of components and subcomponents to be used in the project being produced in the United States. Final assembly is performed in Jackson, MN. The waiver is hereby approved for use on this AIP grant project.

Sincerely,

E. Lindsay Butler
Manager
Dakota Minnesota Airports District Office

cc: MnDOT Aeronautics
Sarah Mattes, SEH Inc.

Airport: Richard B Helgeson Airport (TWM)
 Sponsor: City of Two Harbors
 UEI: CK41K6627Z15
 State Project: A3801-56
 AIP Project: 13-27-0103-15-22
 Description: Acquire Snow Removal Equipment, Snow Blower Attachment
 Version: App (6/7/2022)

Construction	Description	Total	Federal (90%)	State Match (0%)	Local (10%)
1	HDS9200 HitchDoc Snow Blower, 9' width, 40-50 GPM (Installed)	\$ 70,200.00	\$ 63,180.00	\$ -	\$ 7,020.00
	CONSTRUCTION SUBTOTAL	\$ 70,200.00	\$ 63,180.00	\$ -	\$ 7,020.00
Engineering	Description	Total	Federal (90%)	State (0%)	Local (5%)
1	Engineering	\$ 4,800.00	\$ 4,320.00	\$ -	\$ 480.00
	ENGINEERING SUBTOTAL	\$ 4,800.00	\$ 4,320.00	\$ -	\$ 480.00
Administration	Description	Total	Federal (90%)	State (0%)	Local (5%)
1		\$ -	\$ -	\$ -	\$ -
	ADMINISTRATION SUBTOTAL	\$ -	\$ -	\$ -	\$ -
Grant Amounts		\$ 75,000.00	\$ 67,500.00	\$ -	\$ 7,500.00
Overall Share Percentages			90.00%	0.00%	10.00%

RESOLUTION

AUTHORIZATION TO EXECUTE MINNESOTA DEPARTMENT OF TRANSPORTATION GRANT AGREEMENT FOR AIRPORT IMPROVEMENT EXCLUDING LAND ACQUISITION

It is resolved by the City of Two Harbors as follows:

1. That the state of Minnesota Agreement No. 1051915,
"Grant Agreement for Airport Improvement Excluding Land Acquisition," for
State Project No. A3801-56 at the Two Harbors Municipal Airport is accepted.
2. That the _____ and _____ are
(Title) (Title)
authorized to execute this Agreement and any amendments on behalf of the
City of Two Harbors.

CERTIFICATION

STATE OF MINNESOTA

COUNTY OF _____

I certify that the above Resolution is a true and correct copy of the Resolution adopted by the

(Name of the Recipient)

at an authorized meeting held on the _____ day of _____, 20____
as shown by the minutes of the meeting in my possession.

Signature: _____
(Clerk or Equivalent)

CORPORATE SEAL

/OR/

NOTARY PUBLIC

My Commission Expires: _____

Patty Nordean

From: Info
Sent: Friday, April 21, 2023 8:08 AM
To: Miranda Pietila; Patty Nordean
Subject: FW: Public Hearing on sidewalk improvements

FYI

From: Mark Cullen <1paypel71@gmail.com>
Sent: Thursday, April 20, 2023 9:11 PM
To: Info <info@twoharborsmn.gov>
Subject: Public Hearing on sidewalk improvements

City Councilors,

I live on the 800 Block on Tenth Avenue.

I have to take issue with this public hearing process. I was notified of the tree removal to happen by a contractor, then approximately a week later I received a public hearing notice.

It appears that the decision to do the sidewalk improvements have been made and this public hearing is just a formality. You are going to spend an unknown amount of my money without my knowledge or participation. Your communication and transparency leaves much to be desired.

As of today I am not in favor of this project as it stands.

The newly elected mayor was kind enough to meet with me on the street by my house this week and talk about the sidewalk project. He patiently listened to my concerns and possible solutions. Most of our conversation revolved around sidewalk and tree concerns. I appreciated the time he took to get a visual perspective of the project.

I will be drafting a detailed letter explaining different perspectives for this and future sidewalk projects. A copy of this letter will be sent to each councilor and the mayor for consideration.

Thank you for your time.

Mark S. Cullen
805 10th Avenue
Two Harbors



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: Electric & Gas Rate Study	Date: 04/24/2023
Agenda Item Subject: Consider accepting proposal from Dave Berg Consulting for a utility rate study for the electric and gas services.	Fiscal Impact: Electric & Gas Rate Study	
BACKGROUND: The electrical and gas rates have not been reviewed in over 10 years. With new contracts in place with MN Power the city would like an analysis of the current rate structure.		
COUNCIL ACTION REQUESTED: Accept proposal from Dave Berg Consulting for a utility rate study for the electric and gas services for \$18,000.		
RECOMMENDATION: Accept proposal from Dave Berg Consulting for a utility rate study for the electric and gas services for \$18,000.		
ATTACHMENTS: Proposal – Dave Berg		



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department:	Date: 04/24/2023
Agenda Item Subject: Consider resolutions updating signing and key executive authority for the City of Two Harbors bank accounts	Fiscal Impact:	
BACKGROUND: With the new City Administrator and Mayor, the accounts at Park State Bank need to be updated with signers and key executive authority.		
COUNCIL ACTION REQUESTED: Approve resolution updating signing and key executive authority for the City of Two Harbors bank accounts		
RECOMMENDATION: Approve resolution updating signing and key executive authority for the City of Two Harbors bank accounts		
ATTACHMENTS: Resolution for Petty Cash and Resolution for Key Park State Bank Accounts		

RESOLUTION NO. 04-xxx-23

UPDATING SIGNING AND KEY EXECUTIVE AUTHORITY
FOR THE CITY OF TWO HARBORS
WATER INFRASTRUCTURE SYSTEM REPLACEMENT ACCOUNT
FLEXIBLE SPENDING ACCOUNT
PAYROLL ACCOUNT
AND GENERAL FUND ACCOUNT
WITH PARK STATE BANK

WHEREAS, a Water Infrastructure System Replacement account, Flexible Spending Account bank account with Park State Bank currently exists, and

WHEREAS, the authorized signers on the account are currently listed as follows:

Dan Walker, former City Administrator
Miranda Pietila, Finance Director
Christopher M. Swanson, former Mayor

And WHEREAS, the key executive authority is currently listed as follows:

Dan Walker, Administrator
Miranda Pietila, Finance Director

And WHEREAS, City staff has recommended that, in accordance with City Code, this account should be updated to remove said signers and key executive authorities from the account and that the following individuals be added as signers and key executives for said account:

Signers:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director
Lew Conner, Mayor

Key Executive Authority:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director

And WHEREAS, the City Council believes it to be in the best interest of the City to accept the recommendation of staff to assign said signers and key executive authorities for the City's bank accounts at Park State Bank, now therefore

BE IT RESOLVED, by the City Council of the City of Two Harbors, that the City's bank accounts at Park State Bank is updated to remove the following signers and key executives:

Signers:

Dan Walker, former City Administrator
Miranda Pietila, Finance Director
Christopher M. Swanson, former Mayor

Key Executive Authorities:

Dan Walker, former City Administrator
Miranda Pietila, Finance Director

And BE IT FURTHER RESOLVED, that the following individuals are hereby added as signers and key executive authorities for the City's Storefront Loan Account at Two Harbors Federal Credit Union:

Signers:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director
Lew Conner, Mayor

Key Executive Authority:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director

ADOPTED, this 24th day of April A.D., 2023.

Ben Redden, President, City Council

ATTEST: _____
Patricia D. Nordean, City Clerk

APPROVED, by the Mayor of the City of Two Harbors this 25th day of April, 2023.

Lou Conner, Mayor

RESOLUTION NO. 04-xxx-23

UPDATING SIGNING AND KEY EXECUTIVE AUTHORITY
FOR THE CITY OF TWO HARBORS
PETTY CASH ACCOUNT
WITH PARK STATE BANK

WHEREAS, a Petty Cash bank account with Park State Bank currently exists, and

WHEREAS, the authorized signers on the account are currently listed as follows:

Miranda Pietila, Finance Director

And WHEREAS, the key executive authority is currently listed as follows:

Miranda Pietila, Finance Director

And WHEREAS, City staff has recommended that, in accordance with City Code, this account should be updated to remove said signers and key executive authorities from the account and that the following individuals be added as signers and key executives for said account:

Signers:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director

Key Executive Authority:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director

And WHEREAS, the City Council believes it to be in the best interest of the City to accept the recommendation of staff to assign said signers and key executive authorities for the City's Petty Cash bank account at Park State Bank, now therefore

BE IT RESOLVED, by the City Council of the City of Two Harbors, that the City's Petty Cash bank account at Park State Bank is updated to remove the following signers and key executives:

Signers:

Miranda Pietila, Finance Director

Key Executive Authorities:

Miranda Pietila, Finance Director

And BE IT FURTHER RESOLVED, that the following individuals are hereby added as signers and key executive authorities for the City's Petty Cash bank account at Park State Bank:

Signers:

Patricia Nordean, Administrator
Miranda Pietila, Finance Director

Key Executive Authority:
Patricia Nordean, Administrator
Miranda Pietila, Finance Director

ADOPTED, this 24th day of April A.D., 2023.

Ben Redden, President, City Council

ATTEST: _____
Patricia D. Nordean, City Clerk

APPROVED, by the Mayor of the City of Two Harbors this 25th day of April, 2023.

Lew Conner, Mayor



**CITY OF TWO HARBORS
CITY COUNCIL**

**AGENDA ITEM
COVER SHEET**

Originating Staff: Miranda Pietila	Department: All	Date: 04/24/2023
Agenda Item Subject: Consider approving the 2022 Audited Financial Statements for the City of Two Harbors, Minnesota	Fiscal Impact:	
BACKGROUND: See the attached 2022 Audited Financial Statements for the City of Two Harbors		
COUNCIL ACTION REQUESTED: Approve the 2022 Audited Financial Statements for the City of Two Harbors, Minnesota		
RECOMMENDATION: Approve the 2022 Audited Financial Statements for the City of Two Harbors, Minnesota		
ATTACHMENTS: 2022 Audited Financial Statements		