PINE COUNTY, MINNESOTA

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2013

PINE COUNTY
PINE CITY, MINNESOTA
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PINE CITY, MINNESOTA
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INTRODUCTORY SECTION

PINE COUNTY
PINE CITY, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2013

Office	Name	Term Expires
Commissioners		
1st District	Stephen Hallan	2014
2nd District	Mitchell Pangerl	2014
3rd District	Steve Chaffee	2016
4th District	Curt Rossow*	2016
5th District	Matt Ludwig	2014
Officers		
Elected		
Attorney	John Carlson	2014
Auditor - Treasurer	Cathy J. Clemmer	2014
Sheriff	Robin Cole	2014
Appointed		
Administrator	David Minke	Indefinite
Assessor	Kelly Schroeder	Indefinite
County Recorder	Tamara Tricas	Indefinite
Registrar of Titles	Tamara Tricas	Indefinite
Highway Engineer	Mark LeBrun	Indefinite
Health and Human Services Director	Patrick Bruflat	Indefinite

* Chairperson

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FINANCIAL SECTION

REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pine County

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine County as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine County as of December 31, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2013 Pine County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which represent changes in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) and Required Supplementary Information other than the MD&A as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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 and Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pine County's basic financial statements. The supplementary information and other supplementary information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 August 26, 2014, on our consideration of Pine County'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 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 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 Pine County's internal control over financial reporting and compliance.

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 26, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013

This section of the Pine County (the County) annual financial report presents our discussion and analysis of the County's financial performance during the fiscal year that ended December 31, 2013. The Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34. Certain comparative information between the current year, 2013, and the prior year, 2012, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Pine County exceed its liabilities on December 31, 2013, by $75,446,421 (net position). The County-wide net position decreased 4.5 percent in 2013 over the prior year due primarily to increased health and human services and highway expenses.

    - Overall governmental fund-level revenues totaled $35,959,882 and were $5,476,865 less than expenditures in 2013. Expenditures exceeded revenues primarily due to road and bridge expenditures incurred prior to revenue sources being received.

    - The General Fund's fund balance increased $52,146 from the prior year as a result of increased forfeited tax land sale proceeds during 2013. Of the total fund balance amount, $1,166,814 was unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The financial section of the annual report consists of three parts – required supplementary information which includes the Management's Discussion and Analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the County:

- The first two statements are government-wide financial statements which provide both short-term and long-term information about the County's overall financial status.

- The remaining statements are fund financial statements which focus on individual parts of the County, reporting the County's operations in more detail than the government-wide statements.

    - The governmental funds statements tell how basic services such as general government, human services, and highways and streets were financed in the short-term, as well as what remains for future spending.

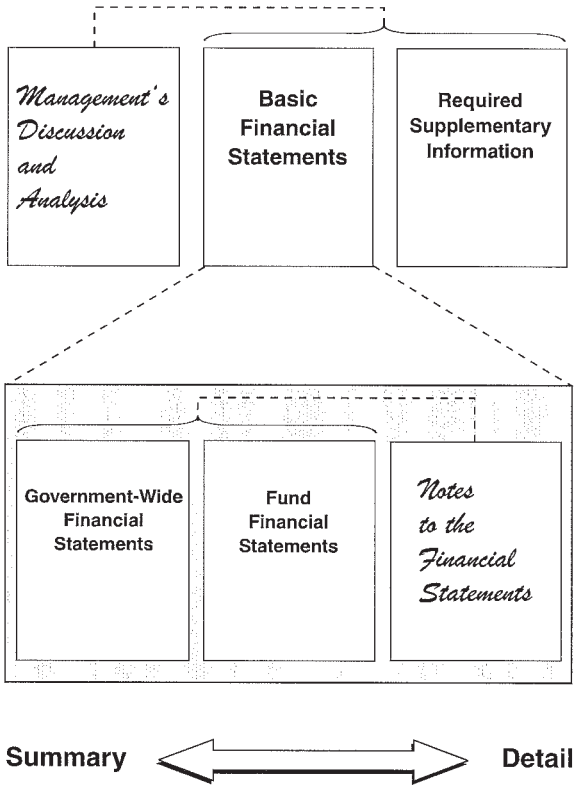
    - Fiduciary funds statements provide information about the financial relationships in which the County acts solely as a trustee or agent for the benefit of others to whom the resources belong.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-1
Annual Report Format



OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the County's financial statements, including the portion of the County's activities they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis highlights the structure and contents of each of the statements.

Figure A-2.
Major Features of the County's Government-Wide and Fund Financial Statements

Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset and deferred outflows of resources/liability and deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-Wide Statements

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the County's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

The two government-wide statements report the County's net position and how they have changed. Net position – the difference between the County's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the County's financial health or position.

- Over time, increases or decreases in the County's net position is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of county buildings and other facilities.

In the government-wide financial statements the County's activities are shown in a single category:

- Governmental activities – The County's basic services are included here. Property taxes and state aids finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the County's funds – focusing on its most significant or "major" funds – not the County as a whole. Funds are accounting devices the County uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The County establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The County has two kinds of funds:

- Governmental Funds – The County's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship (or differences) between them.
- Fiduciary Funds – The County is the fiscal agent, or fiduciary, for assets that belong to others. The County is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the County's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net position

Over time, net position serves as a useful indicator of the County's financial position. Pine County's total net position was $75,446,421 on December 31, 2013, a decrease of $3,547,744 from the prior year. The main reason for this decrease is the County spending more on highways and health and human services than received (see Table A-1).

Table A-1
The County's Net Position

	Governmental Activities	
	2013	2012
Current and Other Assets	$ 15,639,694	$ 20,644,692
Capital Assets	93,073,306	91,903,750
Total Assets	108,713,000	112,548,442
Deferred Outflows of Resources	1,803,420	1,952,223
Current Liabilities	4,474,337	3,898,659
Long-Term Liabilities	30,595,662	31,607,841
Total Liabilities	35,069,999	35,506,500
Net Position		
Net Investment in Capital Assets	65,931,819	63,561,313
Restricted	4,621,729	5,051,984
Unrestricted	4,892,873	10,380,868
Total Net Position	$ 75,446,421	$ 78,994,165

CHANGE IN NET POSITION

The government-wide total revenues were $36,095,312 for the year ended December 31, 2013 (a decrease of $594,532). This decrease is primarily attributable to decreased charges for services relating to boarding revenues in the County's jail and health and human services operating grants. Property taxes, operating grants and contributions, and capital grants and contributions accounted for 80% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

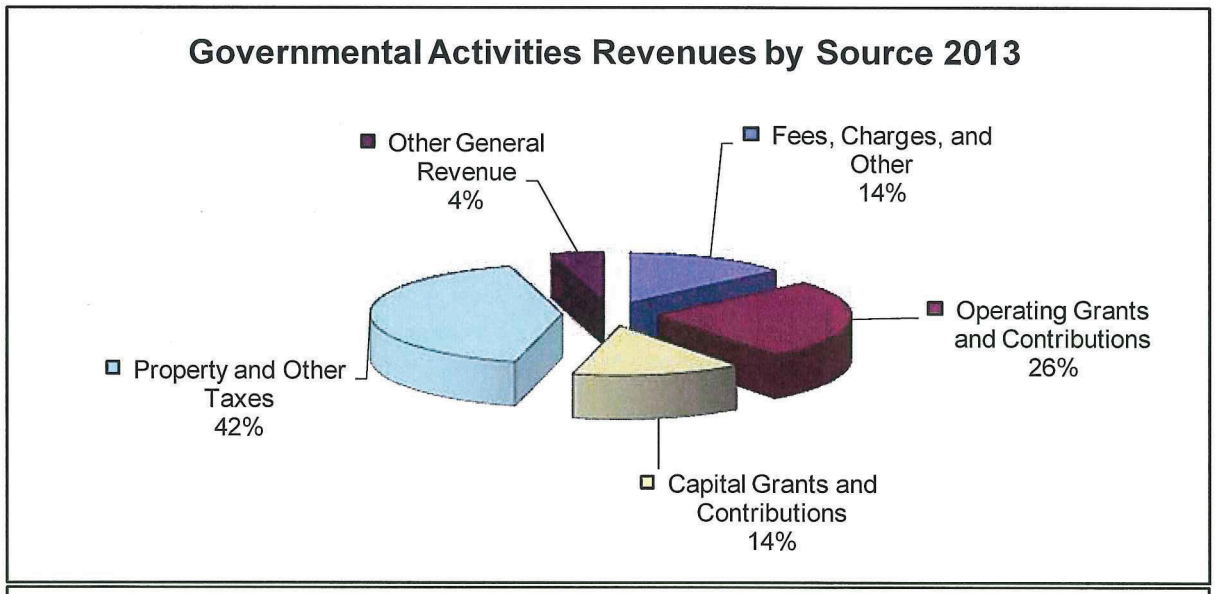
	Governmental Activities		Total %
	2013	2012	Change
REVENUES			
Program Revenues			
Charges for Services	$ 4,930,292	$ 5,314,376	(7.2)%
Operating Grants and Contributions	9,380,284	10,693,313	(12.3)
Capital Grants and Contributions	5,161,792	4,003,171	28.9
General Revenues			
Property Taxes	14,308,231	14,126,942	1.3
Other	2,314,713	2,552,042	(9.3)
Total Revenues	36,095,312	36,689,844	(1.6)
EXPENSES			
General Government	5,417,168	5,031,855	7.7
Public Safety	8,929,009	8,256,820	8.1
Highways and Streets	12,826,414	8,915,801	43.9
Sanitation	192,351	193,021	(0.3)
Human Services	7,745,141	7,378,781	5.0
Health	1,382,174	1,206,381	14.6
Culture and Recreation	314,260	365,203	(13.9)
Conservation of Natural Resources	1,508,049	577,152	161.3
Economic Development	42,949	371,918	(88.5)
Interest	1,285,541	1,319,143	(2.5)
Total Expenses	39,643,056	33,616,075	17.9
CHANGE IN NET POSITION	(3,547,744)	3,073,769	(215.4)
Net Position - Beginning of Year	78,994,165	75,920,396	4.0
NET POSITION - END OF YEAR	$ 75,446,421	$ 78,994,165	(4.5)

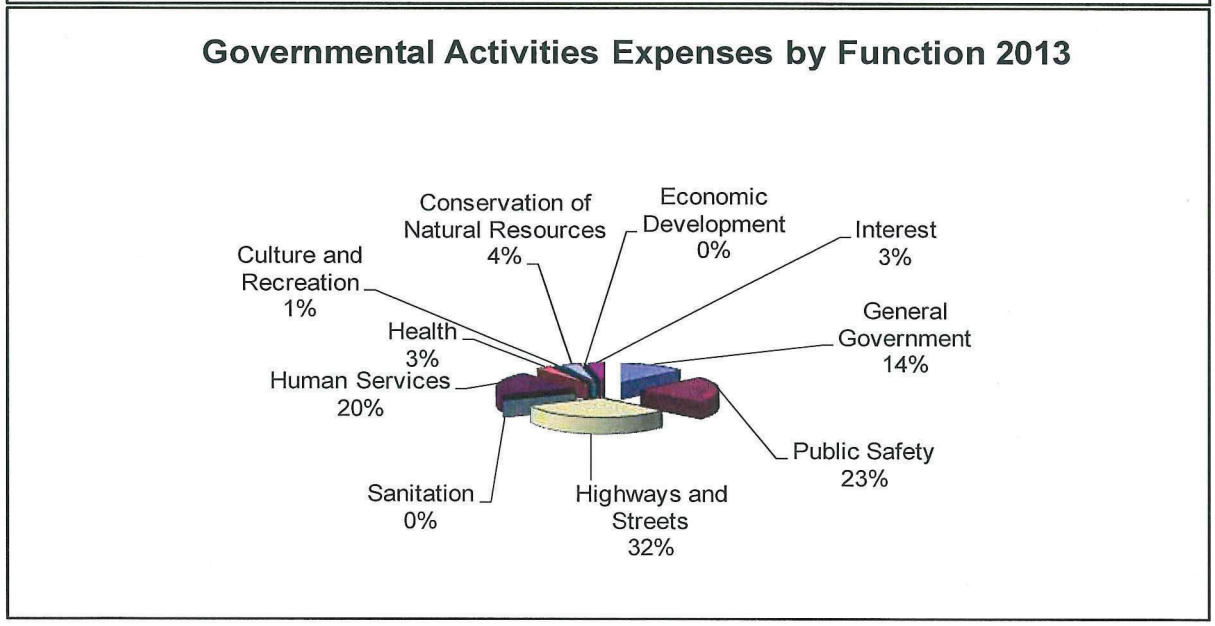
Total expenses surpassed revenues, decreasing net position $3,547,744 over last year.

CHANGE IN NET POSITION (CONTINUED)

The government-wide cost of all governmental activities this year was $39,643,056.

- Some of the cost was paid by the users of the County's programs ($4,930,292).
- The federal and state governments subsidized certain programs with grants and contributions ($14,542,076).
- The remainder of the County's governmental activities costs ($20,170,688) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was partially covered by $14,308,231 in property taxes, $1,621,223 of state aid, $693,490 of other general revenues, and resulted in a decrease to net position.





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CHANGE IN NET POSITION (CONTINUED)

Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

Table A-3
Expenses and Net (Revenue) Cost of Services

	Total Cost of Services		Percentage	Net (Revenue) Cost of Services		Percentage
	2013	2012	Change	2013	2012	Change
GOVERNMENTAL ACTIVITIES						
General Government	$ 5,417,168	$ 5,031,855	7.7 %	$ 3,844,345	$ 2,624,161	46.5 %
Public Safety	8,929,009	8,256,820	8.1	7,051,914	6,413,896	9.9
Highways and Streets	12,826,414	8,915,801	43.9	3,666,483	113,061	3142.9
Sanitation	192,351	193,021	(0.3)	118,853	118,611	0.2
Human Services	7,745,141	7,378,781	5.0	3,376,562	2,508,617	34.6
Health	1,382,174	1,206,381	14.6	405,037	442,057	(8.4)
Culture and Recreation	314,260	365,203	(13.9)	314,260	365,203	(13.9)
Conservation of Natural Resources	1,508,049	577,152	161.3	64,744	(671,452)	(109.6)
Economic Development	42,949	371,918	(88.5)	42,949	371,918	(88.5)
Interest	1,285,541	1,319,143	(2.5)	1,285,541	1,319,143	(2.5)
Total	$ 39,643,056	$ 33,616,075	17.9	$ 20,170,688	$ 13,605,215	48.3

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL

The financial performance of the County, as a whole, is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of $7,416,906. Revenues for the County's governmental funds were $35,959,882, while total expenditures were $41,436,747.

The General Fund includes the primary operations of the County in providing services to citizens. The fund balance increased by $52,146 during 2013 due to the transfers in from the closing of the Street Reconstruction Fund and the forfeited tax apportionments.

The Road and Bridge Fund has a total fund balance of $1,944,421. The fund balance decreased in 2013 primarily due to increased anticipated highway projects.

The Health and Human Services Fund has a total fund balance of $599,015. It decreased $1,563,733 from 2012 due to increases in social services expenditures and reduced state and federal reimbursements.

The Land Management Fund has a total fund balance of $832,745. It decreased $397,950 from 2012 as a result of increased forfeited property activities and subsequent increased apportionments to the County's General Fund, schools, and townships/cities.

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

Table A-4
General Fund Revenues

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
Taxes	$ 8,130,192	$ 7,941,789	$ 188,403	2.4 %
Licenses and Permits	100,945	78,715	22,230	28.2
Intergovernmental	3,448,480	2,856,866	591,614	20.7
Charges for Services	1,542,454	1,540,206	2,248	0.1
Fines and Forfeits	18,295	28,752	(10,457)	(36.4)
Gifts and Contributions	102,455	104,800	(2,345)	(2.2)
Interest	(253,611)	107,099	(360,710)	(336.8)
Miscellaneous and Other	737,873	1,343,753	(605,880)	(45.1)
Total General Fund Revenues	$ 13,827,083	$ 14,001,980	$ (174,897)	(1.2)

Total General Fund revenues decreased by $174,897, or 1.2%, from the previous year due primarily to the presentation of a loss on investment values. The County received $76,267 in investment earnings during the year. GASB 40 requires the County to present investments at fair value, resulting in a loss on investment earnings of $329,878. In comparison, the loss on investment earnings for 2012 was $17,616.This financial statement presentation loss offset by the actual interest received creates a net investment loss for financial statement presentation of $253,611. The County intends to hold the investments to maturity and does not intend to sell them at a loss in future years.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
General Government	$ 4,426,995	$ 4,312,508	$ 114,487	2.7 %
Public Safety	8,089,296	8,341,623	(252,327)	(3.0)
Sanitation	189,477	188,701	776	0.4
Culture and Recreation	314,260	365,203	(50,943)	(13.9)
Conservation	661,658	185,397	476,261	256.9
Unallocated	208,934	147,470	61,464	41.7
Debt Service	100,444	104,433	(3,989)	(3.8)
Total Expenditures	$ 13,991,064	$ 13,645,335	$ 345,729	2.5

The increase in General Fund expenditures was 2.5% from the prior year.

FINANCIAL ANALYSIS OF THE COUNTY AT THE FUND LEVEL (CONTINUED)

General Fund Budgetary Highlights

Over the course of the year, the County revised the annual operating budget for the General Fund for additional public safety, buildings/plant, and County Recorder equipment expenditures. The intergovernmental and miscellaneous revenue budgets were revised for additional aid, grant funding, and miscellaneous fees. The total budget did not change. In general, the County does not make a significant amount of budget amendments during the year.

- Actual revenues were $126,969 less than budgeted; this is due primarily to the reduction in prisoner boarding fees.
- The actual expenditures were $520,423 more than budget. The majority of expenditures exceeding budget was in the public safety function and the flood recovery project.

CAPITAL ASSETS

By the end of 2013, the County had invested approximately $132,400,000 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements). Total depreciation expense for the year was $2,955,137.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent
	2013	2012	Change
Land	$ 4,377,056	$ 4,300,523	1.8 %
Buildings	27,936,035	27,936,035	-
Machinery, Furniture, and Equipment	10,010,091	9,888,449	1.2
Software	157,921	157,921	-
Infrastructure	89,896,995	86,359,353	4.1
Less: Accumulated Depreciation	(39,304,792)	(36,738,531)	7.0
Total	$ 93,073,306	$ 91,903,750	1.3

LONG-TERM LIABILITIES

At year-end, the County had $31,403,432 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased $968,211 during the fiscal year, due primarily to scheduled payments on long-term debt.
- *Minnesota Statutes* limit the amount of debt a county may levy to three percent of its total market value of taxable property. At the end of 2013, Pine County's debt was 1.30 percent of its total market value of taxable property.

Table A-7
The County's Long-Term Liabilities

	2013	2012	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Public Facilities Authority Loans	$ 288,000	$ 378,000	(23.8)%
General Obligation Jail Bonds	15,375,000	15,915,000	(3.4)
General Obligation Capital Improvement Bonds	12,880,000	13,410,000	(4.0)
Special Assessments	435,135	507,658	(14.3)
Compensated Absences	1,281,856	1,216,775	5.3
Other Postemployment Benefit Plan	1,143,441	944,210	21.1
Total	$ 31,403,432	$ 32,371,643	(3.0)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The 800 MHz project was completed in 2013 with the County funding the entire project with local dollars. By the end of 2013, Pine County approved its balanced 2014 revenue and expenditure budgets and approved a 3% tax levy increase in 2014.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the money it receives. Questions about this report or additional financial information should be addressed to Cathy J. Clemmer, Pine County Auditor, Pine County Courthouse, 635 Northridge Drive N.W., Suite 240, Pine City, Minnesota 55063.

BASIC FINANCIAL STATEMENTS

PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

ASSETS		
Cash and Pooled Investments	$	8,642,208
Petty Cash and Change Funds		3,360
Restricted Cash and Investments - CDBG Grant		28,824
Taxes Receivable - Delinquent		1,209,924
Accounts Receivable - Net		1,451,036
Accrued Interest Receivable		21,264
Due from Other Governments		3,525,182
Inventory		438,559
Prepaid Items		319,337
Non-Depreciable Capital Assets		
Land		4,377,056
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		21,403,528
Machinery, Furniture, and Equipment		2,759,332
Software		63,169
Infrastructure		64,470,221
Total Assets		108,713,000
DEFERRED OUTFLOWS OF RESOURCES		
Refunding Deferred Charge on Bonds		1,803,420
LIABILITIES		
Accounts Payable		770,868
Salaries Payable		668,433
Workers Compensation Payable		82,131
Contracts Payable		416,226
Customer Deposits		12,711
Due to Other Governments		820,836
Accrued Interest Payable		452,609
General Obligation Bonds Payable - Due Within One Year		1,085,000
Special Assessments - Due Within One Year		72,523
Loans Payable - Due Within One Year		93,000
General Obligation Bonds Payable - Due in More Than One Year		27,612,753
Special Assessments - Due in More Than One Year		362,612
Loans Payable - Due in More Than One Year		195,000
Other Postemployment Benefits Payable - Due in More Than One Year		1,143,441
Compensated Absences Payable - Due in More Than One Year		1,281,856
Total Liabilities		35,069,999
NET POSITION		
Net Investment in Capital Assets		65,931,819
Restricted For:		
General Government		580,482
Public Safety		90,387
Highways and Streets		2,402,178
Economic Development		37,742
Conservation of Natural Resources		48,383
Debt Service		1,462,557
Unrestricted		4,892,873
Total Net Position	$	75,446,421

See accompanying Notes to Financial Statements.

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PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	$ 5,417,168	$ 993,914	$ 578,909	$ -	$ (3,844,345)
Public Safety	8,929,009	1,195,626	681,469	-	(7,051,914)
Highways and Streets	12,826,414	425,669	3,572,470	5,161,792	(3,666,483)
Sanitation	192,351	700	72,798	-	(118,853)
Human Services	7,745,141	617,183	3,751,396	-	(3,376,562)
Health	1,382,174	253,895	723,242	-	(405,037)
Culture and Recreation	314,260	-	-	-	(314,260)
Conservation of Natural Resources	1,508,049	1,443,305	-	-	(64,744)
Economic Development	42,949	-	-	-	(42,949)
Interest	1,285,541	-	-	-	(1,285,541)
Total Governmental Activities	$ 39,643,056	$ 4,930,292	$ 9,380,284	$ 5,161,792	(20,170,688)
GENERAL REVENUES					
Property Taxes					14,308,231
Mortgage Registry and Deed Tax					16,696
Payments in Lieu of Tax					708,055
Grants and Contributions not Restricted for a Particular Purpose					1,621,223
Investment Earnings (Losses)					(253,417)
Miscellaneous					222,156
Total General Revenues					16,622,944
CHANGE IN NET POSITION					(3,547,744)
Net Position - Beginning of Year					78,994,165
NET POSITION - END OF YEAR					$ 75,446,421

See accompanying Notes to Financial Statements.

PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge	Health and Human Services
ASSETS			
Cash and Pooled Investments	$ 1,757,273	$ 2,078,182	$ 788,268
Undistributed Cash in Agency Funds (Taxes and Other)	212,299	31,422	53,203
Petty Cash and Change Funds	3,210	150	-
Restricted Cash and Investments - CDBG Grant	-	-	-
Taxes Receivable			
Delinquent	675,009	137,004	226,514
Accounts Receivable	18,882	273	84,787
Accrued Interest Receivable	21,264	-	-
Due from Other Funds	417,912	15,360	1,086
Due from Other Governments	209,084	2,613,966	702,132
Prepaid Items	256,452	-	62,182
Inventories	-	438,559	-
Total Assets	$ 3,571,385	$ 5,314,916	$ 1,918,172
LIABILITIES			
Accounts Payable	$ 274,604	$ 109,019	$ 382,795
Salaries Payable	395,928	79,116	188,652
Workers' Compensation Payable	43,340	35,661	-
Contracts Payable	30	416,196	-
Due to Other Funds	12,407	337	24,919
Due to Other Governments	111,643	11,335	96,872
Customer Deposits	12,711	-	-
Total Liabilities	850,663	651,664	693,238

See accompanying Notes to Financial Statements.

Land Management	Other Governmental Funds	Total Governmental Funds
$ 1,838,949	$ 1,836,646	$ 8,299,318
-	45,966	342,890
-	-	3,360
-	28,824	28,824
-	171,397	1,209,924
1,347,094	-	1,451,036
-	-	21,264
-	-	434,358
-	-	3,525,182
703	-	319,337
-	-	438,559
$ 3,186,746	$ 2,082,833	$ 16,074,052

$ 1,359	$ 3,091	$ 770,868
4,737	-	668,433
3,130	-	82,131
-	-	416,226
396,695	-	434,358
600,986	-	820,836
-	-	12,711
1,006,907	3,091	3,205,563

PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Road and Bridge	Health and Human Services
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	$ 582,723	$ 119,530	$ 196,601
Unavailable Grants	32,654	2,599,301	405,436
Unavailable Revenue	-	-	23,882
Total Deferred Inflows of Resources	615,377	2,718,831	625,919
FUND BALANCES			
Nonspendable for			
Prepaid Items	256,452	-	62,182
Inventories	-	438,559	-
Restricted for			
Debt Service	-	-	-
Law Library	46,689	-	-
Missing Heirs	73,705	-	-
Recorder's Equipment Purchases	303,767	-	-
Recorder's Compliance	119,233	-	-
Election Equipment	37,088	-	-
Attorney Forfeiture	72,134	-	-
Sheriff's Contingency	1,787	-	-
Sheriff Posse, Horse, Canine	836	-	-
Economic Development	8,000		-
Gun Permits	15,630	-	-
Ditches	-	-	-
Rehabilitation Program	-	-	-
Road Access	-	-	-
Assigned for			
Capital Projects	-	-	-
Petty Cash	3,210	150	-
Forestry	-	-	-
Fund Purposes	-	1,505,712	536,833
Unassigned	1,166,814	-	-
Total Fund Balances	2,105,345	1,944,421	599,015
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 3,571,385	$ 5,314,916	$ 1,918,172

See accompanying Notes to Financial Statements.

Land Management	Other Governmental Funds	Total Governmental Funds
$ -	$ 144,362	$ 1,043,216
-	-	3,037,391
1,347,094	-	1,370,976
1,347,094	144,362	5,451,583
703	-	319,337
-	-	438,559
-	1,770,804	1,770,804
-	-	46,689
-	-	73,705
-	-	303,767
-	-	119,233
-	-	37,088
-	-	72,134
-	-	1,787
-	-	836
-	-	8,000
-	-	15,630
-	11,976	11,976
-	29,742	29,742
36,407	-	36,407
-	122,858	122,858
-	-	3,360
795,635	-	795,635
-	-	2,042,545
-	-	1,166,814
832,745	1,935,380	7,416,906
$ 3,186,746	$ 2,082,833	$ 16,074,052

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PINE COUNTY
PINE CITY, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2013

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		$ 7,416,906
Total net position reported for governmental activities in the statement of net position is different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		93,073,306
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred inflows of resources in the governmental funds. Forfeited tax sale receivables included in deferred inflows of resources will be paid to other governments when collected. That portion of deferred inflows of resources is reported in the statement of activities as revenues.		
Deferred Inflows of Resources		5,451,583
Long-term liabilities and deferred ouflows of resources, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General Obligation Bonds	$ (28,255,000)	
Unamortized Bond Discounts	179,414	
Unamortized Bond Premium	(622,167)	
Unamortized Deferred Outflows of Resources on Refunding Bond	1,803,420	
Loans Payable	(288,000)	
Special Assessments Payable	(435,135)	
Compensated Absences	(1,281,856)	
Other Postemployment Benefit Plan Payable	(1,143,441)	
Accrued Interest Payable	(452,609)	(30,495,374)
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		$ 75,446,421

See accompanying Notes to Financial Statements.

PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	General	Road and Bridge	Health and Human Services
REVENUES			
Taxes	$ 8,130,192	$ 1,474,405	$ 2,496,335
Licenses and Permits	100,945	-	-
Intergovernmental	3,448,480	9,148,974	4,023,943
Charges for Services	1,542,454	252,940	103,880
Fines and Forfeits	18,295	-	-
Gifts and Contributions	102,455	-	5,691
Investment Earnings (Loss)	(253,611)	-	121
Miscellaneous	737,873	172,729	854,084
Total Revenues	13,827,083	11,049,048	7,484,054
EXPENDITURES			
CURRENT			
General Government	4,426,995	-	-
Public Safety	8,089,296	-	-
Highways and Streets	-	14,314,904	-
Sanitation	189,477	-	-
Human Services	-	-	7,683,916
Health	-	-	1,363,871
Culture and Recreation	314,260	-	-
Conservation of Natural Resources	661,658	-	-
Economic Development	-	-	-
INTERGOVERNMENTAL			
Highways and Streets	-	390,665	-
UNALLOCATED			
Insurance	208,934	-	-
DEBT SERVICE			
Principal	72,523	90,000	-
Interest	27,921	11,340	-
Administrative - Fiscal Charges	-	-	-
Total Expenditures	13,991,064	14,806,909	9,047,787
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(163,981)	(3,757,861)	(1,563,733)
OTHER FINANCING SOURCES (USES)			
Transfers In	530,002	-	-
Transfers Out	(313,875)	-	-
Total Other Financing Sources (Uses)	216,127	-	-
NET CHANGES IN FUND BALANCES	52,146	(3,757,861)	(1,563,733)
Fund Balances - Beginning of Year	2,053,199	5,798,840	2,162,748
DECREASE IN INVENTORIES	-	(96,558)	-
FUND BALANCES - END OF YEAR	$ 2,105,345	$ 1,944,421	$ 599,015

See accompanying Notes to Financial Statements.

Land Management	Other Governmental Funds	Total Governmental Funds
$ -	$ 2,256,004	$ 14,356,936
-	-	100,945
36,618	44,559	16,702,574
-	130	1,899,404
-	-	18,295
-	-	108,146
-	102	(253,388)
1,262,284	-	3,026,970
1,298,902	2,300,795	35,959,882
-	42,320	4,469,315
-	201,758	8,291,054
-	-	14,314,904
-	-	189,477
-	-	7,683,916
-	-	1,363,871
-	-	314,260
1,235,698	-	1,897,356
-	42,449	42,449
-	-	390,665
-	-	208,934
-	1,070,000	1,232,523
-	997,861	1,037,122
-	901	901
1,235,698	2,355,289	41,436,747
63,204	(54,494)	(5,476,865)
-	987,180	1,517,182
(461,154)	(742,153)	(1,517,182)
(461,154)	245,027	-
(397,950)	190,533	(5,476,865)
1,230,695	1,744,847	12,990,329
-	-	(96,558)
$ 832,745	$ 1,935,380	$ 7,416,906

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PINE COUNTY
PINE CITY, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		$ (5,476,865)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the Statement of Activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the funds, the proceeds of the sale increase financial resources. The difference is the net book value of assets sold.		
Expenditures for General Capital Assets and Infrastructure	$ 4,144,009	
Net Book Value of Disposed Assets	(19,316)	
Current Year Depreciation	(2,955,137)	1,169,556
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds.		135,430
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Principal Repayments		
General Obligation Bonds	540,000	
General Obligation Notes	530,000	
Special Assessments Payable	72,523	
Loans Payable	90,000	1,232,523
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds.		
Change in Accrued Interest Payable	157,070	
Amortization of Premiums/Discounts and Refunding Deferred Charge	(122,835)	
Elimination of Deferred Charges under GASB 65	(281,753)	
Change in Inventories	(96,558)	
Change in Compensated Absences	(65,081)	
Change in Other Postemployment Benefits	(199,231)	(608,388)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		$ (3,547,744)

See accompanying Notes to Financial Statements.

PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2013

ASSETS	
Cash and Pooled Investments	$ 579,361
Accounts Receivable	45
Total Assets	$ 579,406
LIABILITIES	
Due to Other Governments	$ 579,406

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pine County's (the County) financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Changes in Accounting Principles

During 2013, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statements 61 and 65. GASB Statement No. 61, *The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34*, modifies and clarifies the requirements for inclusion of component units and their presentation in the primary government's financial statements. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, established accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items previously reported as assets and liabilities. See Note 1.D.6 for additional information regarding the County's deferred inflows/outflows of resources.

Restatements of December 31, 2012 net position or fund balance were not required as a result of adopting these changes in accounting principles.

A. Financial Reporting Entity

Pine County was established March 1, 1856, and is an organized county having the powers, duties, and privileges granted counties by *Minnesota Statutes* ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Pine County. The County is governed by a five-member Board of County Commissioners elected from districts within the County. The Board is organized with a chair and vice-chair elected at the annual meeting in January of each year.

Joint Ventures

The County participates in joint ventures which are described in Note 8.C. The County also participates in jointly-governed organizations which are described in Note 8.D. A related organization is described in Note 8.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) display information about the government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

The government-wide statement of net position is presented on a consolidated basis by column and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category - governmental and fiduciary - are presented. The emphasis of the governmental fund financial statements are on major individual governmental funds, with each displayed as a separate column in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for restricted intergovernmental revenues and other revenues and expenditures of the County Highway Department which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Health and Human Services Special Revenue Fund is used to account for the restricted revenues of the economic assistance and community social services programs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Fund Financial Statements (Continued)

2. Fund Level Statements (Continued)

Additionally, the County reports the following fund types:

The Land Management Special Revenue Fund is used to account for the activities of the Land Department. Financing is provided primarily from the lease and sale of land and timber on County-managed, tax-forfeited lands.

Capital Project Funds account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

Agency Funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agency capacity.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Pine County considers all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at year end, based on market prices. Pursuant to *Minnesota Statutes* §385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants.

Pine County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to *Minnesota Statutes* §471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent maturities of interfund loans).

All receivables are shown net of an allowance for uncollectibles which is calculated on a case-by-case basis.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average cost method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. On the government-wide financial statements inventories are recorded as expenses when consumed.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $10,000 and software of $20,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

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

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

Assets	Years
Buildings	40
Public Domain Infrastructure	50
Equipment and Vehicles	5 - 10
Software	3 - 5

5. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual leave balances. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Outflows of Resources

The County reports a decrease in net position or fund balance that relates to future periods as deferred outflows of resources in a separate section of its government-wide statement of net position or governmental fund balance sheet. The County will not recognize the related outflow until a future event occurs. The County only has one item that qualifies for reporting in this category, which is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and it's re-acquisition price. This amount is deferred and amortized over the short of the life of the refunded or refunding debt.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Deferred Inflows of Resources

The County's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund balance that applies to a future period. The County will not recognize the related revenue until a future event occurs. The County has one type of item which occurs relating to revenue recognition: The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the County's year) under the modified accrual basis of accounting. The County does not have any deferred inflows of resources to report in its governmental activities financial statements in the current year.

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year of bond issuance.

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 the 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.

9. Fund Balance/Net Position

In the fund financial statements, governmental funds report nonspendable, restricted, committed, assigned, and unassigned fund balances. Nonspendable portions of fund balance relate to prepaids, inventories, and long term receivables. Restricted funds are constrained from outside parties (statute, grantors, bond agreements, etc.). Committed funds can only be established, modified, or rescinded by formal resolution of the County Board. Assigned funds are established by County Auditor/Treasurer as allowed based on the County's adopted policy. Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in other classifications.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Fund Balance/Net Position (Continued)

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the County's policy to use restricted first, then unrestricted fund balance. When an expenditure is incurred for purposes for which committed, assigned, and unassigned amounts are available, it is the County's policy to use committed first, then assigned, and finally unassigned amounts.

Net position represents the differences between assets and liabilities in the government-wide financial statements. The net investment of 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 capital assets. Net position is reported as restricted in government-wide financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

10. 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 and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Budget

The following is a summary of individual funds with expenditures in excess of budget for the year ended December 31, 2013.

	Expenditures	Budget	Excess
General Fund	$ 13,991,064	$ 13,470,641	$ 520,423
Road and Bridge Fund	14,806,909	14,219,734	587,175
Health and Human Services Fund	9,047,787	8,209,572	838,215
Land Management Fund	1,235,698	777,600	458,098

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Reconciliations of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

TOTAL CASH AND INVESTMENTS

Government-Wide Statement of Net Position	
Cash and Pooled Investments	$ 8,642,208
Petty Cash and Change Funds	3,360
Restricted Cash and Investments - CDBG Grant	28,824
Statement of Fiduciary Net Position	
Cash and Pooled Investments	579,361
Total Cash and Investments	$ 9,253,753
Deposits	$ 3,009,087
Change Funds	3,360
Investments	6,241,306
Total Deposits, Cash and Investments	$ 9,253,753

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has a deposit policy for custodial credit risk and follows *Minnesota Statutes* regarding pledged collateral. As of December 31, 2013, the County's deposits were fully covered by FDIC insurance or collateralized.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds. Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Minnesota Statutes §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

(a) Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statutes* §118A.04, Subd. 6;

(b) Mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(c) General obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(d) Bankers' acceptances of United States banks;

(e) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(f) With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk
Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of the investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments. It is the County's investment policy to keep securities to a maximum average life of ten years, except treasury strips and zero coupons, which are limited to 15 percent of the investment portfolio at time of purchase.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County's investment policy is to invest in securities that meet the ratings requirements set by state statute.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration Credit Risk
The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that investing could include, but is not limited to: U.S. Treasury securities, short-term obligations of the U.S. governmental agencies and instrumentalities, mortgage-backed bonds, and A1-P1 rated commercial paper. It is the County's policy that securities having potential default risk shall be limited in size so that, in case of default, the portfolio's annual investment income will not exceed a loss on a single issuer's securities.

Custodial Credit Risk – Investments
For an investment, this is the risk that, in the event of failure by the counterparty to a transaction, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County has a policy for investment custodial credit risk which permits brokers to hold investments only to the extent there is SIPC and excess SIPC coverage available. As of December 31, 2013, none of Pine County's investments were subject to custodial credit risk. A portion of these investments is covered by Securities Investor Protection Corporation insurance.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2013, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
U.S. Government Agency Securities					
Federal National Mortgage Association Note	AAA	Moody's	4.8 %	8/28/2020	$ 296,706
Federal National Mortgage Association Note			3.7	2/25/2022	232,877
Total Federal National Mortgage Association Notes			8.5		529,583
Federal Home Loan Bank Bonds	AAA	Moody's	3.8	2/8/2023	234,303
Federal Home Loan Bank Bonds	AAA	Moody's	2.3	3/28/2023	142,352
Federal Home Loan Bank Bonds	AAA	Moody's	3.6	5/8/2023	223,668
Federal Home Loan Bank Bonds	AAA	Moody's	3.6	5/22/2023	227,478
Federal Home Loan Bank Bonds	AAA	Moody's	3.7	5/23/2023	233,378
Federal Home Loan Bank Bonds	AAA	Moody's	7.5	6/20/2023	465,370
Federal Home Loan Bank Bonds	AAA	Moody's	6.3	6/27/2023	390,244
Federal Home Loan Bank Bonds	AAA	Moody's	7.1	8/8/2022	442,824
Federal Home Loan Bank Bonds	AAA	Moody's	4.3	12/7/2023	269,493
Total Federal Home Loan Bank Bonds			42.1		2,629,110
Federal Farm Credit Bank	AAA	Moody's	3.9	1/10/2022	246,283
Federal Farm Credit Bank	AAA	Moody's	7.6	3/26/2021	476,455
Federal Farm Credit Bank	AAA	Moody's	7.8	5/1/2018	485,995
Total Federal Farm Credit Bank			19.4		1,208,733
Investment Pools/Mutual Funds					
MAGIC Fund	N/A	N/A	N/A	N/A	289,122
Mutual Securities - Treasury Strip	Aa	Moody's	4.8	11/15/2042	300,250
Total Investment Pools/Mutual Funds					589,372
Negotiable Certificates of Deposit					
GE Capital Retail Bank UT					202,332
BMW Bank of North America					248,821
GE Capital Bank					150,597
Goldman Sachs					244,898
CITI Bank UT					238,668
Discover Bank					99,565
Sallie Mae					99,627
Total Negotiable Certificates of Deposit					1,284,508
Total Investments					6,241,306
Deposits					3,009,087
Petty Cash					3,360
Total Cash and Investments					$ 9,253,753

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2013, including applicable allowances for uncollectible accounts, are as follows:

	County Receivable
Taxes	$ 1,209,924
Accounts	1,451,036
Interest	21,264
Due from Other Governments	3,525,182
Total	$ 6,207,406

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	$ 4,300,523	$ 76,533	$ -	$ 4,377,056
Capital Assets, Being Depreciated				
Buildings	27,936,035	-	-	27,936,035
Machinery and Equipment	9,888,449	529,834	408,192	10,010,091
Software	157,921	-	-	157,921
Infrastructure	86,359,353	3,537,642	-	89,896,995
Total Capital Assets, Being Depreciated	124,341,758	4,067,476	408,192	128,001,042
Less Accumulated Depreciation for				
Buildings	5,865,729	666,778	-	6,532,507
Machinery, Furniture, and Equipment	7,119,192	520,443	388,876	7,250,759
Software	63,168	31,584	-	94,752
Infrastructure	23,690,442	1,736,332	-	25,426,774
Total Accumulated Depreciation	36,738,531	2,955,137	388,876	39,304,792
Total Capital Assets, Being Depreciated, Net	87,603,227	1,112,339	19,316	88,696,250
Governmental Activities Capital Assets, Net	$ 91,903,750	$ 1,188,872	$ 19,316	$ 93,073,306

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

Governmental Activities	
General Government	$ 319,514
Public Safety	595,868
Highways and Streets, Including Depreciation of Infrastructure Assets	2,035,460
Conservation of Natural Resources	4,295
Total Depreciation Expense - Governmental Activities	$ 2,955,137

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2013, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Health and Human Services	$ 21,421
	Road and Bridge	337
	Land Management	396,154
Total Due to General Fund		417,912
Road and Bridge	General	11,712
	Health and Human Services	3,498
	Land Management	150
Total Due to Road and Bridge		15,360
Health and Human Services	General	695
	Land Management	391
Total Due to Health and Human Services		1,086
Total Due To/From Other Funds		$ 434,358

The General Fund receivable from the Land Management Fund is the 2013 forfeited tax distribution. The remaining due to and due from other funds are for interfund services not paid at year-end.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2013, consisted of the following:

	Amount	Description
Transfers to General Fund from Land Management Fund	$ 461,154	Forfeited Tax Distribution and Salary Reimbursement
Street Reconstruction Bond Fund	68,848	Close Out Fund Per County Board
Total Transfers to General Fund	530,002	
Transfer to 800 MHz Capital Projects Fund from General Fund	313,875	Project Completed - Fund Closed Out
Transfer to GO Courthouse Bond Fund from HRA Project Bond	673,305	Refinance of Courthouse Bonds
Total Interfund Transfers	$ 1,517,182	

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2013. The projects include the following:

Governmental Activities	Spent-to-Date	Remaining Commitment
Roads and Bridges	$ 12,928,499	$ 283,911

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2013
General Obligation Bonds					
2005A G.O. Jail Bonds	2031	$ 500,000 - 1,685,000	4.000	$ 16,935,000	$ 15,375,000
2012A G.O. Capital Improvement Bond	2031	480,000 - 965,000	3.000 - 4.000	13,410,000	12,880,000
General Obligation Public Facilities Authority (PFA) Loan					
2001 G.O. PFA Loan	2016	77,405 - 108,439	3.000	1,434,459	288,000
Special Assessments					435,135
Total General Obligation Bonds, Loans, and Assessments				$ 31,779,459	$ 28,978,135
Add: Unamortized Premium					622,167
Less: Unamortized Discount					(179,414)
Total General Obligation Bonds, Net					$ 29,420,888

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2013, were as follows:

Year Ending	2005A G.O. Jail Bonds		2001 G.O. PFA Loan	
December 31,	Principal	Interest	Principal	Interest
2014	$ 560,000	$ 658,161	$ 93,000	$ 8,640
2015	580,000	635,361	96,000	5,850
2016	605,000	611,661	99,000	2,970
2017	630,000	586,961	-	-
2018	660,000	559,924	-	-
2019-2023	3,745,000	2,332,041	-	-
2024-2028	4,695,000	1,412,648	-	-
2029-2031	3,900,000	290,475	-	-
Total	$ 15,375,000	$ 7,087,232	$ 288,000	$ 17,460

Year Ending	Special Assessments		2012A G.O. Capital Improvement Bonds	
December 31,	Principal	Interest	Principal	Interest
2014	$ 72,523	$ 23,933	$ 525,000	$ 410,425
2015	72,523	19,944	540,000	394,450
2016	72,523	15,955	565,000	377,875
2017	72,523	11,966	580,000	357,800
2018	72,523	7,977	610,000	334,000
2019-2023	72,520	3,699	3,485,000	1,287,425
2024-2028	-	-	4,200,000	680,250
2029-2031	-	-	2,375,000	93,375
Total	$ 435,135	$ 83,474	$ 12,880,000	$ 3,935,600

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
2005A G.O. Jail Bonds	$15,915,000	$ -	$ 540,000	$ 15,375,000	$ 560,000
2012A G.O. Capital Bonds	13,410,000	-	530,000	12,880,000	525,000
Add: Premium on Bonds	658,587	-	36,420	622,167	-
Less: Discount on Bonds	(189,866)	-	(10,452)	(179,414)	-
2001 G.O. PFA Loan	378,000	-	90,000	288,000	93,000
Special Assessments	507,658	-	72,523	435,135	72,523
Compensated Absences	1,216,775	1,125,784	1,060,703	1,281,856	-
Other Postemployment Benefits	944,210	340,448	141,217	1,143,441	-
Total Long-Term Liabilities	$32,840,364	$ 1,466,232	$ 2,460,411	$ 31,846,185	$ 1,250,523

Debt is generally paid from the Debt Service Funds. The Public Facilities Authority loans are paid from the Road and Bridge Fund. The special assessments are paid from the General Fund. Compensated absences are paid from the General Fund, Road and Bridge Fund, Health and Human Services Fund and Land Management Special Revenue Fund. Other Postemployment Benefits are paid from the General Fund.

In 2012, the County issued $13,410,000 in General Obligation Capital Improvement Plan Bonds (Series 2012A) for an advance refunding of the Series 2005A Public Project Revenue Bonds maturing in 2017 through 2031. Refunding bond proceeds were placed in an escrow account to be used to make the principal and interest payments due through February 1, 2016. The amount of these bonds outstanding as of December 31, 2013 is $12,130,000.

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Lease Obligations

The County is committed under various operating leases for copiers and office equipment. The following is a summary of the operating lease expense for 2013:

Type of Property	Amount
Copiers and Office Equipment	$ 45,591

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2013:

Year Ended	Amount
2014	$ 45,086
2015	35,732
2016	15,012
2017	4,734
Total Future Minimum Lease Payments	$ 100,564

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

A. Defined Benefit Plan

1. Plan Description

All full-time and certain part-time employees of Pine County are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF), and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

1. Plan Description (Continued)

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF, and PECF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

2. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2013. PECF members are required to contribute 5.83 percent of their annual covered salary. Pine County is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, 14.40 percent for PEPFF members, and 8.75 percent for PECF members.

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

A. Defined Benefit Plan (Continued)

2. Funding Policy (Continued)

The County's contributions to the General Employees Retirement Fund, Public Employees Police and Fire Fund, and Public Employees Correctional Fund, for the years ending December 31, 2013, 2012, and 2011 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund	Public Employees Correctional Fund	Defined Contribution Plan
2013	$ 573,775	$ 264,078	$ 151,892	$ 4,051
2012	544,149	285,849	142,584	4,209
2011	520,934	269,819	146,911	4,117

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Four elected officials of Pine County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary, which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and .25 percent of assets in each member's account annually.

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The County provides health and dental insurance benefits for certain retired employees under a single-employer fully-insured plan. The County contributes towards the health insurance premiums for certain qualified retired employees for life as described below.

The rates are based on the County's group policy rates and are financed on a pay-as-you-go basis. For qualified retired employees hired before January 1, 1983, the County will provide 100 percent of the single coverage premium plus 50 percent of dependent coverage if that coverage option is selected. Employees hired before January 1, 1986, will receive benefits that can vary depending on their bargaining unit and County contract in effect.

The County provides benefits for retirees as required by *Minnesota Statutes* §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of January 1, 2013, approximately 39 retirees were receiving health benefits from the County's health plan.

A. Annual OPEB Cost and Net OPEB Obligation

The County's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of Governmental Accounting Standards Board (GASB) Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost of 2013, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	$ 357,284
Interest on Net OPEB Obligation	37,768
Adjustment to ARC	(54,604)
Annual OPEB Cost	340,448
Contributions during the year	(141,217)
Increase in Net OPEB Obligation	199,231
Net OPEB - Beginning of the Year	944,210
Net OPEB - End of the Year	$ 1,143,441

NOTE 5 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

A. Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2013, 2012, and 2011 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	$ 340,448	$ 141,217	41.5 %	$ 1,143,441
December 31, 2012	335,298	137,696	41.1	944,210
December 31, 2011	426,897	171,335	40.1	746,608

B. Funding Status

The County currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of assets is zero.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	$ -	$ 3,264,717	$ 3,264,717	- %	$ 10,986,726	29.72 %

C. Actuarial Methods and Assumptions

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a 4.0 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the County. The annual healthcare cost trend rate is 6.5 percent initially, reduced incrementally to an ultimate rate of 5.00 percent after three years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

NOTE 6 POSTEMPLOYMENT HEALTH CARE PLANS

A. MSRS Health Care Savings Plan

In May 2006, Pine County's Board of Commissioners approved a Health Care Savings Plan (HCSP) administered by the Minnesota State Retirement System (MSRS). The plan is authorized under *Minnesota Statutes* §352.98 and through an Internal Revenue Service (IRS) private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to any active public employees in Minnesota if they are covered under certain public service retirement plans.

Under the terms of the HCSP, employees are allowed to save money, tax-free, to use upon termination of employment to pay for eligible health care expenses. The IRS private letter ruling requires mandatory participation of all employees in each bargaining unit in order to gain tax-free benefits. Allowable amounts deposited into individual accounts must be negotiated by each individual bargaining unit and the employer. The plan must be written into the collective bargaining agreement or a Memo of Understanding. For those employees not covered by a bargaining unit, amounts to be deposited into individual accounts must be agreed to by the employer and included in a written personnel policy.

Under Pine County's plan, both unionized and non-unionized employees are allowed to contribute up to two percent of their annual salary into their HCSP account. Through a Memo of Understanding between Pine County and the Law Enforcement Labor Services (LELS) Deputies Division, those unionized employees are authorized to contribute up to one percent of their annual salary. Additionally, the LELS Deputies Division employees are allowed to transfer excess compensatory hours, wellness day hours, and personal day hours to their HCSP accounts. Non-unionized employees, according to policy, must transfer personal time off days in excess of the maximum allowed into their HCSP accounts.

B. Minnesota Service Cooperative VEBA Plan

In 2004, the Pine County Board of Commissioners approved a Voluntary Employee's Beneficiary Association (VEBA) plan for funding employee health benefits as authorized under Section 213(d) of the IRS code. The VEBA plan is a health reimbursement plan providing for individual employer-funded accounts that can be used to help pay eligible medical expenses incurred by participating employees. The plan is used in combination with a high-deductible health plan. Funding is provided through pre-tax contributions from Pine County based on employee health care premiums, accumulated severance, and other longevity-based benefits. The VEBA plan is administered by MII Life.

The current maximum County contribution for active employees consists of the difference between the County's contribution to its employees' single or family health insurance premiums under its existing comprehensive major medical plan, less the cost of the single or family health insurance premium under the VEBA high-deductible plan. Any balance remaining in an employee's account at year-end rolls over into the subsequent year.

NOTE 6 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

B. Minnesota Service Cooperative VEBA Plan (Continued)

Eligibility requirements include:

- being an active employee or retiree of a public entity;
- active employees must have a high-deductible health plan; and
- being a member of a bargaining unit that has approved the VEBA plan.

NOTE 7 RISK MANAGEMENT

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of the MCIT Workers' Compensation, Property and Casualty, and Employee Benefits (for health insurance) Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $470,000 per claim in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Employee Benefits Division of the MCIT health plan is self-insured. Benefits under the plan are paid from assets of MCIT. Each participating county contributes the aggregate cost of coverage under the plan for the covered employees attributable to it. These amounts are held in trust by MCIT until they are needed to pay for benefits under the plan or to defray the reasonable costs of administering the plan. Stop-loss coverage of $150,000 is available to protect the assets held in trust by MCIT from catastrophic loss due to unexpected plan costs.

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds.

The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

B. Conduit Debt

Camp Heartland Project
In 2000, the County issued $1,175,000 of Industrial Development Revenue Notes to provide financial assistance to Camp Heartland Project, Inc., a nonprofit corporation, for refinancing the corporation's debt incurred for acquiring, constructing, and equipping facilities located in Willow River. The corporation is primarily engaged in providing programs for children infected with or affected by HIV/AIDS. The notes are secured by the property financed and are payable solely from revenues of the corporation. Neither the County, the state, nor any political subdivision thereof, is obligated in any manner for repayment of the notes. Accordingly, the notes are not reported as liabilities in the accompanying financial statements. As of December 31, 2013, the outstanding principal amount payable was $755,321.

C. Joint Ventures

Kanabec/Pine Community Health Services
The Kanabec/Pine Community Health Services (CHS) was established by a joint powers agreement in 1990 to contract for the procurement of efficient health care services for the participating counties. Both Pine County and Kanabec County appoint three members to the CHS Board, with at least one of the appointees being a County Board member. Financial responsibility requires the County to provide administrative cost reimbursements and grant financing to the CHS Board.

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Kanabec/Pine Community Health Services (Continued)

Complete financial information can be obtained from:

Kanabec/Pine Community Health Services
905 East Forest Avenue, Suite 127
Mora, Minnesota 55051

East Central Solid Waste Commission
The East Central Solid Waste Commission was established in March 1988 by a joint powers agreement among Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to conduct a solid waste management program on behalf of the participating counties. The Commission is an organized joint venture having the powers, duties, and privileges granted joint powers by *Minnesota Statutes* §471.59. The Commission has five voting members, one Commissioner from each county. Each county has one voting member and, in the absence of the voting member, an alternate, who is also a County Commissioner, votes.

Each county's proportionate share of the total operating costs is based on the most recent census data available and is to be adjusted upon the admission of additional counties or the withdrawal of counties. The Commission will remain in existence as long as two or more counties remain as parties to the agreement. Upon dissolution of the Commission, there will be an audit to determine assets and liabilities, and the proceeds will be distributed to the counties based on their respective ratios set by the most recent census data.

Each county's share of the Commission's assets, liabilities, and equities cannot be accurately determined since it will fluctuate with census data rather than ownership interest.

During 2007, the Commission repaid the outstanding balance of its long-term bonds. Pine County was not required to contribute toward debt service. During 2013, the County made no further contribution to the Commission, but continues to collect delinquent taxes.

Complete financial information can be obtained from:

East Central Solid Waste Commission
1756 - 180th Avenue
Mora, Minnesota 55051

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Snake River Watershed Management Board

The Snake River Watershed Management Board was established in April 1983 by Aitkin, Kanabec, Mille Lacs, and Pine Counties, pursuant to the provisions of *Minnesota Statutes* §471.59. The purpose of the Board is to coordinate the member counties' water plans and to develop objectives to promote sound hydrologic management of water and related land resources.

The four-member Board consists of one County Commissioner from each of the participating counties. The Kanabec County Auditor is the fiscal agent for the Board. The Board is funded through an annual budget, and participation in the administrative cost is in the following percentages:

Aitkin County	20.8%
Kanabec County	49.5
Mille Lacs County	9.2
Pine County	20.5

Pine County provided $9,968 to this organization during 2013. Upon dissolution, the personal property shall be returned to the member county contributing the same.

Complete financial information can be obtained from:

Snake River Watershed Management Board
Kanabec County Courthouse
18 North Vine Street
Mora, Minnesota 55051

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Pine County/Independent School District (ISD) 2580 Joint Powers Agreement
Pine County entered into a joint powers agreement with ISD 2580 in April 1998, pursuant to *Minnesota Statutes* §471.59, to provide for the construction and operation of a joint use at-risk children, family, social, and human services facility. The County purchased the land and building and then deeded the building to ISD 2580 as required by the $1,000,000 grant agreement between the State of Minnesota and ISD 2580. The joint powers agreement calls for separate installation and maintenance of phone systems, utility costs shared based on square footage, and repair/maintenance costs shared equally. The term of the agreement is for 20 years or until the state releases its interest in the facility and land. The agreement states that if the County withdraws early, it is not entitled to reimbursement for any contributions made toward construction. If ISD 2580 withdraws and the facility is sold, ISD 2580 must pay the County an amount equal to the County's initial investment, less proceeds of the sale to which the County is entitled. Once the state releases its interest, ownership reverts to the County.

ISD 2580 is the fiscal agent for this project, which was completed in 2000. Separate financial information is not available.

Central Minnesota Emergency Medical Services Region
The Central Minnesota Emergency Medical Services Region (the Region) was established in 2001, under *Minnesota Statutes* §471.59, to improve access, delivery, and effectiveness of the emergency medical services system; promote systematic and cost-effective delivery of services; and identify and address system needs within the member counties. The member counties are Benton, Cass, Chisago, Crow Wing, Isanti, Kanabec, Mille Lacs, Morrison, Pine, Sherburne, Stearns, Todd, Wadena, and Wright. The Region established a Board comprising one Commissioner from each member county. The Region's Board has financial responsibility, and Stearns County is the fiscal agent.

Complete financial information can be obtained from:

Central Minnesota Emergency Medical Services Region
Administration Center
705 Courthouse Square
St. Cloud, Minnesota 56303-4701

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Workforce Investment/Workforce Center Systems Joint Powers Board

The Workforce Investment/Workforce Center Systems Joint Powers Board was established in March 2002, pursuant to *Minnesota Statutes* ch. 268 and §471.59, as a joint powers entity. Its purpose is to develop and approve the planning, coordination, and administration of job training and retention programs for the hard-to-serve Temporary Assistance for Needy Families recipients and associated noncustodial parents under the Welfare to Work Program. It comprises Chisago, Isanti, Kanabec, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, and Wright Counties. Funding is to be provided through block grants from the U.S. Department of Labor. One County Commissioner from each participating county is appointed to the Joint Powers Board.

Rush Line Corridor Joint Powers Agreement

The Rush Line Corridor Joint Powers Agreement was established in March 1999, pursuant to *Minnesota Statutes* ch. 398A and §471.59, as a joint powers entity. The Rush Line Corridor is a transit way corridor that originates in St. Paul in Ramsey County and extends north from Ramsey County through Washington, Chisago, Pine, and Carlton Counties to Duluth in St. Louis County. The Rush Line Corridor consists of the cities, counties, and towns from St. Paul to Duluth and was created to preserve the corridor for future multi-modal transportation improvements including highway, rail transit, and multi-use paths.

As part of the agreement, a joint powers board called the Rush Line Corridor Task Force was created to make the decisions needed to carry out the terms of the joint powers agreement. This Task Force consists of one member and one alternate appointed from each party, with their membership terms beginning on January 15 and ending on January 14 of the next succeeding year, or until a successor is appointed.

The Task Force has the authority to adopt budgets; enter into transactions, contracts, and leases; incur debts, liabilities, and obligations; employ agents and employees; and enter into legal claims. The Task Force is also a separate entity from its members, and the members are not liable for the Task Force's actions.

Funding, if needed for administrative costs, is provided to the Task Force based on corridor county population for the most recent census year or state demographer data available. During 2013, Pine County did not make any contributions or payments.

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Minneapolis-Duluth/Superior Passenger Rail Alliance Joint Powers Agreement
The Minneapolis-Duluth/Superior Passenger Rail Alliance (also known as the "Northern Lights Express") Joint Powers Agreement was established in February 2008, pursuant to *Minnesota Statutes* §471.59 and *Minnesota Statutes* §§ 398A.04 and 398A.06, as a joint powers entity. The Minneapolis-Duluth/Superior Passenger Rail Alliance corridor is a transit way corridor that is a critical line between the Twin Cities metropolitan area and northeast areas of Minnesota and further serving communities in the Corridor from Minneapolis, northeast to Duluth, Minnesota, and Superior, Wisconsin ("Twin Ports"). The Minneapolis-Duluth/Superior Passenger Rail Alliance was created to analyze the feasibility, environmental impact, rail characteristics, station locations, train scheduling, operations, and other necessary features for integrated transportation improvements along the corridor, including intercity passenger and freight rail and to analyze safety and related issues. The Joint Powers Agreement provides a mechanism whereby the Alliance can facilitate systematic planning and development for passenger rail transportation along the corridor, including communication with and coordination of Alliance activities as necessary with BNSF Railway Company (primary owner and operator of the corridor); other affected railroads; state agencies; counties; municipalities; the Federal Railroad Administration; other regulatory, planning and funding agencies; tribal authorities; and other stakeholders for advancement of the Alliance's purposes.

As part of the agreement, a joint powers board called the Minneapolis-Duluth/Superior Passenger Rail Alliance Board was created to make the decisions needed to carry out the terms of the joint powers agreement. This Board consists of one elected official selected by each party and alternate members, consisting of one individual selected by each party, with their membership terms beginning on January 1 and ending on January 1 of the next succeeding year, or until a successor is appointed by the applicable party.

The Board has the authority to adopt budgets; enter into transactions, contracts, and leases; incur debts, liabilities, and obligations; employ agents and employees; and enter into legal claims. The Board is also a separate entity from its members, and the members are not liable for the Board's actions.

The parties shall contribute the funds necessary to carry out the purposes and powers of the Board, consistent with an annual budget and cost-sharing formula adopted by the Board and approved annually by each party's governing body. The St. Louis-Lake Regional Railroad Authority shall initially serve as the fiscal agent for the Board and shall provide contract management and the necessary legal services for said contract management until such time the Board otherwise designates a fiscal agent. During 2013, Pine County did not expend any funds on transportation feasibility studies or other administrative costs.

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

Northeast Minnesota Regional Radio Board

The Northeast Minnesota Regional Radio Board was established through a joint powers agreement, pursuant to *Minnesota Statutes* §§ 471.59 and 403.39, to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) and to enhance and improve interoperable public safety communications.

The joint powers are the Counties of Aitkin, Carlton, Cass, Cook, Crow Wing, Itasca, Kanabec, Koochiching, Lake, Pine, and St. Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia. Control of the Northeast Minnesota Regional Radio Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties and one City Councilor from each of the member cities. In addition, there is one member from the Northeast Minnesota Regional Advisory Committee, one member from the Northeast Minnesota Regional Radio System User Committee, and one member from the Northeast Minnesota Owners and Operators Committee who are also voting members of the Board.

Itasca County is the fiscal agent for the Northeast Minnesota Regional Radio Board. Funding is provided by grants and contributions from participating members. Pine County made no contribution in 2013.

East Central Drug and Violent Offender Task Force

The East Central Drug and Violent Offender Task Force (Task Force) was established through a joint powers agreement, pursuant to *Minnesota Statutes* § 471.59, for the enforcement of controlled substance laws, deterrence of violent crimes and investigation of other associated unlawful activity in the respective jurisdictions.

The joint powers are Chisago County, Istanti County, and Pine County. Control of the Task Force is vested in an Administrative Board composed of the sheriff of each of the members, or his or her designee, and one associate member from one of the participating counties' county attorney's office as appointed by the Board.

Pine County is the fiscal agent for the Task Force and accounts for it as an agency fund. Funding is provided by grants and matching contributions from participating members. Pine County made no contributions in 2013.

NOTE 8 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

D. Jointly-Governed Organizations

Pine County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

Pine County Children, Families, and Learning Services Collaborative
The Pine County Children, Families, and Learning Services Collaborative (the Collaborative) was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. Pine County has no operational or financial control over the Collaborative. The County is the fiscal agent for the Collaborative and accounts for it in an agency fund.

Minnesota Counties Computer Cooperative
The Minnesota Counties Computer Cooperative (the Cooperative) was established to provide computer programming to member counties. During 2013, Pine County expended $146,632 to the Cooperative.

E. Related Organization

Pine County Housing and Redevelopment Authority
The Pine County Housing and Redevelopment Authority (HRA) is a legally separate organization having numerous rights and powers. The Pine County Board appoints all of the HRA Board members, but financial accountability necessary to include this organization as a component unit of the County is not present. Related party transactions comprise payment of $3,200 by the County to the HRA Board members for per diem expenses.

F. Tax-Forfeited Land

The County manages approximately 44,046 acres of state-owned, tax-forfeited land with a taxable market value for 2013 of $30,346,000. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 8,364,842	$ 8,364,842	$ 8,130,192	$ (234,650)
Licenses and Permits	70,000	70,000	100,945	30,945
Intergovernmental	2,706,685	2,753,685	3,448,480	694,795
Charges for Services	1,693,125	1,741,125	1,542,454	(198,671)
Fines and Forfeits	21,050	21,050	18,295	(2,755)
Gifts and Contributions	90,000	90,000	102,455	12,455
Investment Earnings	100,000	100,000	(253,611)	(353,611)
Miscellaneous	770,900	813,350	737,873	(75,477)
Total Revenues	13,816,602	13,954,052	13,827,083	(126,969)
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	210,566	210,566	197,206	13,360
Courts	64,000	64,000	48,663	15,337
Law Library	20,000	20,000	28,426	(8,426)
County Auditor	571,875	561,875	551,891	9,984
County Assessor	446,264	446,264	450,062	(3,798)
Elections	8,600	18,600	19,370	(770)
Data Processing	440,343	440,343	408,394	31,949
Central Services	90,000	90,000	75,107	14,893
Administrator	357,177	357,177	344,241	12,936
Attorney	747,221	747,221	719,146	28,075
Contracted Legal Services	20,000	20,000	42,604	(22,604)
Recorder	445,907	513,907	536,807	(22,900)
Planning and Zoning	119,927	99,927	95,017	4,910
Buildings and Plant	709,421	728,421	783,514	(55,093)
Veterans Service Officer	70,847	80,847	81,768	(921)
Other General Government	38,612	38,612	44,779	(6,167)
Total General Government	4,360,760	4,437,760	4,426,995	10,765
PUBLIC SAFETY				
Sheriff	3,811,298	3,834,748	3,689,492	145,256
Boat and Water Safety	7,000	7,000	2,605	4,395
Coroner	50,000	50,000	64,757	(14,757)
E-911 System	100,000	100,000	115,108	(15,108)
County Jail	3,199,825	3,199,825	3,370,517	(170,692)
Sentence to Serve	70,752	70,752	57,414	13,338
Probation and Parole	660,325	660,325	673,765	(13,440)
Civil Defense	45,000	45,000	27,176	17,824
Other Public Safety	4,500	4,500	88,462	(83,962)
Total Public Safety	7,948,700	7,972,150	8,089,296	(117,146)

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
SANITATION				
Solid Waste	$ 73,932	$ 73,932	$ 69,698	$ 4,234
Recycling	121,800	121,800	119,779	2,021
Total Sanitation	195,732	195,732	189,477	6,255
CULTURE AND RECREATION				
Historical Society	10,000	10,000	10,000	-
Regional Library	304,200	304,200	304,260	(60)
Total Culture and Recreation	314,200	314,200	314,260	(60)
CONSERVATION OF NATURAL RESOURCES				
County Extension	97,491	97,491	88,366	9,125
Soil and Water Conservation	34,000	34,000	33,886	114
Agricultural Society/County Fair	10,000	10,000	10,000	-
Water Planning	27,710	27,710	41,565	(13,855)
Wetland Challenge	69,252	69,252	103,878	(34,626)
Flood Recovery	-	-	373,447	(373,447)
Other	11,118	11,118	10,516	602
Total Conservation of Natural Resources	249,571	249,571	661,658	(412,087)
UNALLOCATED				
Insurance	163,784	200,784	208,934	(8,150)
DEBT SERVICE				
Principal	72,523	72,523	72,523	-
Interest	27,921	27,921	27,921	-
Total Debt Service	100,444	100,444	100,444	-
Total Expenditures	13,333,191	13,470,641	13,991,064	(520,423)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	483,411	483,411	(163,981)	(647,392)
OTHER FINANCING SOURCES (USES)				
Transfers In	65,000	65,000	530,002	465,002
Transfers Out	-	(313,875)	(313,875)	-
Total Other Financing Sources (Uses)	65,000	(248,875)	216,127	465,002
NET CHANGE IN FUND BALANCE	$ 548,411	$ 234,536	52,146	$ (182,390)
Fund Balance - Beginning of Year			2,053,199	
FUND BALANCE - END OF YEAR			$ 2,105,345	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 1,475,000	$ 1,475,000	$ 1,474,405	$ (595)
Intergovernmental	9,699,234	9,699,234	9,148,974	(550,260)
Charges for Services	197,000	197,000	252,940	55,940
Miscellaneous	98,500	98,500	172,729	74,229
Total Revenues	11,469,734	11,469,734	11,049,048	(420,686)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	312,105	312,105	311,331	774
Maintenance	2,156,053	2,156,053	2,244,412	(88,359)
Construction	9,670,632	9,670,632	9,620,936	49,696
Equipment and Maintenance Shops	1,961,157	1,961,157	2,107,778	(146,621)
Unallocated - Highways and Streets	29,787	29,787	30,447	(660)
Total Highways and Streets	14,129,734	14,129,734	14,314,904	(185,170)
INTERGOVERNMENTAL				
Highways and Streets	-	-	390,665	(390,665)
DEBT SERVICE				
Principal	90,000	90,000	90,000	-
Interest	-	-	11,340	(11,340)
Total Debt Service	90,000	90,000	101,340	(11,340)
Total Expenditures	14,219,734	14,219,734	14,806,909	(587,175)
NET CHANGE IN FUND BALANCE	$ (2,750,000)	$ (2,750,000)	(3,757,861)	$ (1,007,861)
Fund Balance - Beginning of Year			5,798,840	
Decrease in Inventory			(96,558)	
FUND BALANCE - END OF YEAR			$ 1,944,421	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 2,525,000	$ 2,525,000	$ 2,496,335	$ (28,665)
Intergovernmental	4,763,987	4,763,987	4,023,943	(740,044)
Charges for Services	74,500	74,500	103,880	29,380
Gifts and Contributions	-	-	5,691	5,691
Investment Earnings	-	-	121	121
Miscellaneous	846,085	846,085	854,084	7,999
Total Revenues	8,209,572	8,209,572	7,484,054	(725,518)
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,370,128	2,370,128	2,442,364	(72,236)
Social Services	4,453,920	4,453,920	5,241,552	(787,632)
Total Human Services	6,824,048	6,824,048	7,683,916	(859,868)
HEALTH				
Nursing Services	1,117,505	1,117,505	1,112,448	5,057
Women, Infants, and Children	148,684	148,684	146,469	2,215
Maternal and Child Health	72,047	72,047	54,284	17,763
Environmental Health	24,280	24,280	30,287	(6,007)
Health Education	23,008	23,008	20,383	2,625
Total Health	1,385,524	1,385,524	1,363,871	21,653
Total Expenditures	8,209,572	8,209,572	9,047,787	(838,215)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ -	$ -	(1,563,733)	$ (1,563,733)
Fund Balance - Beginning of Year			2,162,748	
FUND BALANCE - END OF YEAR			$ 599,015	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

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PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Intergovernmental	$ 38,100	$ 38,100	$ 36,618	$ (1,482)
Miscellaneous	836,310	836,310	1,262,284	425,974
Total Revenues	874,410	874,410	1,298,902	424,492
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Land Use	745,100	745,100	1,230,561	(485,461)
Other Conservation	32,500	32,500	5,137	27,363
Total Expenditures	777,600	777,600	1,235,698	(458,098)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	96,810	96,810	63,204	(33,606)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(65,000)	(65,000)	(461,154)	(396,154)
NET CHANGE IN FUND BALANCE	$ 31,810	$ 31,810	(397,950)	$ (429,760)
Fund Balance - Beginning of Year			1,230,695	
FUND BALANCE - END OF YEAR			$ 832,745	

The Notes to the Required Supplementary Information are an Integral Part of this Schedule.

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for most governmental funds. All annual appropriations lapse at fiscal year-end.

Based on a process established by the Board of County Commissioners, all departments of the County submit requests for appropriations to the County Administrator each year. A draft of the proposed budget is presented to a Budget Committee. The Budget Committee consists of two County Commissioners, the County Administrator, the County Auditor-Treasurer, and the Fiscal Supervisor. The Budget committee reviews and amends the departmental requests in order to develop a proposed budget and preliminary tax levy. Before September 30, a final draft of the proposed budget and preliminary tax levy is presented to the County Board for review. A final budget and tax levy is adopted by the Board and certified to the Auditor no later than December 31.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control – the level at which expenditures may not legally exceed appropriations – is the fund level, except the General Fund, which is at the department level.

Encumbrance accounting is employed in governmental funds. Encumbrances (purchase orders or contracts) outstanding at year-end are reported as assignments of fund balances and do not constitute expenditures or liabilities because the assignments will be re-apportioned and honored during the subsequent year.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2013, the following departments of the General Fund had expenditures that exceeded appropriations:

General Fund by Department Level	Budget	Expenditures	Excess
Current			
General Government			
Law Library	$ 20,000	$ 28,426	$ 8,426
County Assessor	446,264	450,062	3,798
Elections	18,600	19,370	770
Contracted Legal Services	20,000	42,604	22,604
Recorder	513,907	536,807	22,900
Buildings and Plant	728,421	783,514	55,093
Veterans Service Officer	80,847	81,768	921
Other General Government	38,612	44,779	6,167
Public Safety			
Coroner	50,000	64,757	14,757
E-911 System	100,000	115,108	15,108
County Jail	3,199,825	3,370,517	170,692
Probation and Parole	660,325	673,765	13,440
Other Public Safety	4,500	88,462	83,962
Culture and Recreation			
Regional Library	304,200	304,260	60
Conservation of Natural Resources			
Water Planning	27,710	41,565	13,855
Wetland Challenge	69,252	103,878	34,626
Flood Recovery	-	373,447	373,447
Unallocated			
Insurance	200,784	208,934	8,150
Total	$ 6,483,247	$ 7,332,023	$ 848,776

Special Revenue Funds by Fund	Budget	Expenditures	Excess
Road and Bridge Fund	$ 14,219,734	$ 14,806,909	$ 587,175
Health and Human Services Fund	8,209,572	9,047,787	838,215
Land Management Fund	777,600	1,235,698	458,098

PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
YEAR ENDED DECEMBER 31, 2013

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2012	$ -	$ 3,264,717	$ 3,264,717	- %	$ 10,986,726	29.72 %
1/1/2010	-	3,722,718	3,722,718	-	11,151,733	33.38
1/1/2008	-	2,717,794	2,717,794	-	9,712,033	27.98

SUPPLEMENTARY INFORMATION

PINE COUNTY
PINE CITY, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

The Ditch Special Revenue Fund is used to account for funds used for public improvements and services for the ditch system.

The Countywide Rehabilitation Program Special Revenue Fund is used to provide funds to support housing and economic development within Pine County.

The General Obligation Courthouse Bond Debt Service Fund accounts for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

The General Obligation Jail Bond Debt Service Fund accounts for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

The Street Reconstruction Bond Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. This fund was closed out in 2013.

The HRA Project Bond Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. This fund was closed out in 2013.

The Governmental Buildings Capital Projects Fund is used to account for future capital acquisitions and construction.

The 800 MHz Capital Projects Fund is used to account for capital acquisitions and future expenditures of the County's 800 megahertz radio project. This fund was closed out in 2013.

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
ASSETS				
Cash and Pooled Investments	$ 12,894	$ 1,697,803	$ 125,949	$ 1,836,646
Restricted Cash and Investments - CDBG Grant	28,824	-	-	28,824
Undistributed Cash in Agency Funds	-	45,966	-	45,966
Taxes Receivable - Delinquent	-	171,397	-	171,397
Total Assets	$ 41,718	$ 1,915,166	$ 125,949	$ 2,082,833
LIABILITIES				
Accounts Payable	$ -	$ -	$ 3,091	$ 3,091
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	-	144,362	-	144,362
FUND BALANCES				
Restricted for				
Debt Service	-	1,770,804	-	1,770,804
Ditches	11,976	-	-	11,976
Rehabilitation Program	29,742	-	-	29,742
Assigned for				
Capital Projects	-	-	122,858	122,858
Total Fund Balances	41,718	1,770,804	122,858	1,935,380
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 41,718	$ 1,915,166	$ 125,949	$ 2,082,833

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Funds
REVENUES				
Taxes	$ -	$ 2,256,004	$ -	$ 2,256,004
Intergovernmental	602	43,957	-	44,559
Charges for Services	130	-	-	130
Investment Earnings	102	-	-	102
Total Revenues	834	2,299,961	-	2,300,795
EXPENDITURES				
CURRENT				
General Government	-	-	42,320	42,320
Public Safety	-	-	201,758	201,758
Economic Development	42,449	-	-	42,449
DEBT SERVICE				
Principal	-	1,070,000	-	1,070,000
Interest	-	997,861	-	997,861
Administrative Fiscal Charges	-	901	-	901
Total Expenditures	42,449	2,068,762	244,078	2,355,289
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(41,615)	231,199	(244,078)	(54,494)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	673,305	313,875	987,180
Transfers Out	-	(742,153)	-	(742,153)
Total Other Financing Sources (Uses)	-	(68,848)	313,875	245,027
NET CHANGE IN FUND BALANCES	(41,615)	162,351	69,797	190,533
Fund Balance - Beginning of Year	83,333	1,608,453	53,061	1,744,847
FUND BALANCE - END OF YEAR	$ 41,718	$ 1,770,804	$ 122,858	$ 1,935,380

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2013

	Ditch	Countywide Rehabilitation Program	Total
ASSETS			
Cash and Pooled Investments	$ 11,976	$ 918	$ 12,894
Restricted Cash and Investments - CDBG Grant	-	28,824	28,824
Total Assets	$ 11,976	$ 29,742	$ 41,718
LIABILITIES AND FUND BALANCES			
FUND BALANCES			
Restricted for			
Ditches	$ 11,976	$ -	$ 11,976
Rehabilitation Program	-	29,742	29,742
Total Fund Balances	11,976	29,742	41,718
Total Liabilities and Fund Balances	$ 11,976	$ 29,742	$ 41,718

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2013

	Ditch	County-Wide Rehabilitation Program	Total
REVENUES			
Intergovernmental	$ -	$ 602	$ 602
Charges for Services	130	-	130
Investment Earnings	-	102	102
Total Revenues	130	704	834
EXPENDITURES			
CURRENT			
Economic Development	-	42,449	42,449
NET CHANGE IN FUND BALANCES	130	(41,745)	(41,615)
Fund Balance - Beginning of Year	11,846	71,487	83,333
FUND BALANCE - END OF YEAR	$ 11,976	$ 29,742	$ 41,718

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
DECEMBER 31, 2013

	Nonmajor Debt Service Funds		
	General Obligation Courthouse Bonds	General Obligation Jail Bond	Total
ASSETS			
Cash and Pooled Investments	$ 778,171	$ 919,632	$ 1,697,803
Undistributed Cash in Agency Funds	20,020	25,946	45,966
Taxes Receivable - Delinquent	75,182	96,215	171,397
Total Assets	$ 873,373	$ 1,041,793	$ 1,915,166
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	$ 63,443	$ 80,919	$ 144,362
FUND BALANCES			
Restricted for Debt Service	809,930	960,874	1,770,804
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 873,373	$ 1,041,793	$ 1,915,166

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2013

	Nonmajor Debt Service Funds				
	General Obligation Courthouse Bonds	General Obligation Jail Bond	Street Reconstruction Bond	HRA Project Bond	Total
REVENUES					
Taxes	$ 965,687	$ 1,272,075	$ 6,963	$ 11,279	$ 2,256,004
Intergovernmental	19,088	24,869	-	-	43,957
Total Revenues	984,775	1,296,944	6,963	11,279	2,299,961
EXPENDITURES					
DEBT SERVICE					
Principal	530,000	540,000	-	-	1,070,000
Interest	317,700	680,161	-	-	997,861
Administrative Fiscal Charges	450	451	-	-	901
Total Expenditures	848,150	1,220,612	-	-	2,068,762
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	136,625	76,332	6,963	11,279	231,199
OTHER FINANCING SOURCES (USES)					
Transfers In	673,305	-	-	-	673,305
Transfers Out	-	-	(68,848)	(673,305)	(742,153)
Total Other Financing Sources (Uses)	673,305	-	(68,848)	(673,305)	(68,848)
NET CHANGE IN FUND BALANCES	809,930	76,332	(61,885)	(662,026)	162,351
Fund Balance - Beginning of Year	-	884,542	61,885	662,026	1,608,453
FUND BALANCE - END OF YEAR	$ 809,930	$ 960,874	$ -	$ -	$ 1,770,804

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2013

	Governmental Buildings
ASSETS	
Cash and Pooled Investments	$ 125,949
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	$ 3,091
FUND BALANCES	
Assigned	
Capital Projects	122,858
Total Liabilities and Fund Balances	$ 125,949

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2013

	Governmental Buildings	800 MHz Project	Total
EXPENDITURES			
CURRENT			
General Government	$ 42,320	$ -	$ 42,320
Public Safety	-	201,758	201,758
Total Expenditures	42,320	201,758	244,078
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(42,320)	(201,758)	(244,078)
OTHER FINANCING SOURCES			
Transfers In	-	313,875	313,875
NET CHANGE IN FUND BALANCES	(42,320)	112,117	69,797
Fund Balance (Deficit) - Beginning of Year	165,178	(112,117)	53,061
FUND BALANCE - END OF YEAR	$ 122,858	$ -	$ 122,858

PINE COUNTY
PINE COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION COURTHOUSE BONDS DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 992,465	$ 992,465	$ 965,687	$ (26,778)
Intergovernmental	-	-	19,088	19,088
Total Revenues	992,465	992,465	984,775	(7,690)
EXPENDITURES				
DEBT SERVICE				
Principal	525,000	525,000	530,000	(5,000)
Interest	410,425	410,425	317,700	92,725
Administrative Fiscal Charges	4,000	4,000	450	3,550
Total Expenditures	939,425	939,425	848,150	91,275
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,040	53,040	136,625	83,585
OTHER FINANCING SOURCES (USES)				
Transfers In	-	673,305	673,305	-
NET CHANGE IN FUND BALANCE	$ 53,040	$ 726,345	809,930	$ 83,585
Fund Balance - Beginning of Year			-	
FUND BALANCE - END OF YEAR			$ 809,930	

PINE COUNTY
PINE COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION JAIL BOND DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ 1,292,900	$ 1,292,900	$ 1,272,075	$ (20,825)
Intergovernmental	-	-	24,869	24,869
Total Revenues	1,292,900	1,292,900	1,296,944	4,044
EXPENDITURES				
DEBT SERVICE				
Principal	540,000	540,000	540,000	-
Interest	680,161	680,161	680,161	-
Administrative Fiscal Charges	1,875	1,875	451	1,424
Total Expenditures	1,222,036	1,222,036	1,220,612	1,424
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$ 70,864	$ 70,864	76,332	$ 5,468
Fund Balance - Beginning of Year			884,542	
FUND BALANCE - END OF YEAR			$ 960,874	

PINE COUNTY
PINE COUNTY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
HRA PROJECT BONDS DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget
REVENUES				
Taxes	$ -	$ -	$ 11,279	$ 11,279
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	11,279	11,279
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(673,305)	(673,305)	-
NET CHANGE IN FUND BALANCE	$ -	$ (673,305)	(662,026)	$ 11,279
Fund Balance - Beginning of Year			662,026	
FUND BALANCE - END OF YEAR			$ -	

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PINE COUNTY
PINE CITY, MINNESOTA
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2013

Agency funds account for assets held in a custodial capacity for others.

Pine County Children, Families, and Learning Services Collaborative Fund is used to account for the collection and payment of funds of the Children, Family, and Learning Services Collaborative.

State Revenue Fund is used to account for the collection and distribution of funds for the State of Minnesota.

Taxes and Penalties Fund is used to account for the collection of taxes and penalties and their payment to the various taxing districts.

East Central Drug and Violent Offenders Task Force Fund is used for the collection and distribution of grant funds, agency deposited funds, and pending/settled forfeiture funds.

PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2013

	Balance January 1	Additions	Deductions	Balance December 31
PINE COUNTY CHILDREN, FAMILIES AND LEARNING SERVICES COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	$ 33,925	$ 149,134	$ 129,680	$ 53,379
LIABILITIES				
Due to Other Governments	$ 33,925	$ 149,134	$ 129,680	$ 53,379
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	$ 23,910	$ 665,351	$ 650,895	$ 38,366
Accounts Receivable	353	45	353	45
Total Assets	$ 24,263	$ 665,396	$ 651,248	$ 38,411
LIABILITIES				
Due to Other Governments	$ 24,263	$ 665,396	$ 651,248	$ 38,411
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	$ 542,028	$ 33,988,101	$ 34,093,800	$ 436,329
LIABILITIES				
Due to Other Governments	$ 542,028	$ 33,988,101	$ 34,093,800	$ 436,329
EAST CENTRAL DRUG TASK FORCE				
ASSETS				
Cash and Pooled Investments	$ 32,287	$ 153,460	$ 134,460	$ 51,287
LIABILITIES				
Due to Other Governments	$ 32,287	$ 153,460	$ 134,460	$ 51,287
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	$ 632,150	$ 34,956,046	$ 35,008,835	$ 579,361
Accounts Receivable	353	45	353	45
Total Assets	$ 632,503	$ 34,956,091	$ 35,009,188	$ 579,406
LIABILITIES				
Due to Other Governments	$ 632,503	$ 34,956,091	$ 35,009,188	$ 579,406

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OTHER SUPPLEMENTARY INFORMATION

PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2013

SHARED REVENUE		
STATE		
Highway Users Tax	$	7,269,339
Road Gas Tax		3,230
County Program Aid		1,297,284
PERA Rate Reimbursement		36,545
Disparity Reduction Aid		1,057
Police Aid		217,843
Enhanced 911		109,110
Market Value Credit		244,063
Local Option Disaster Abatement Reimbursement		26,987
Total Shared Revenue		9,205,458
REIMBURSEMENT FOR SERVICES		
STATE		
Minnesota Department of Human Services		579,715
PAYMENTS IN LIEU OF TAX		702,271
GRANTS		
STATE		
Minnesota Department of		
Corrections		206,803
Public Safety		2,696
Health		7,421
Natural Resources		373,235
Human Services		1,464,788
Veteran Affairs		10,000
Water and Soil Resources Board		112,280
Pollution Control Agency		72,798
Peace Officer Standards and Training Board		11,278
Total State		2,261,299
FEDERAL		
Department of		
Agriculture		300,335
Housing and Urban Development		602
Interior		10,730
Justice		6,829
Transportation		1,843,929
Health and Human Services		1,763,280
Homeland Security		28,126
Total Federal		3,953,831
Total State and Federal Grants		6,215,130
Total Intergovernmental Revenue	$	16,702,574

PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2013

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Kanabec Pine Community Health Services		
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	$ 189,896
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for Supplemental Nutrition Assistance Program	10.561	194,469
Total Department of Agriculture		384,365
U.S. Department of Housing and Urban Development		
Passed Through Minnesota Department of Commerce		
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	602
U.S. Department of Interior		
Direct		
Payments in Lieu of Taxes	15.226	4,946
Wildlife Restoration and Basic Hunter Education	15.611	5,784
Total Department of Interior		10,730
U.S. Department of Justice		
Direct		
Law Enforcement Assistance - Narcotics and Dangerous Drugs Training	16.004	6,829
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction	20.205	1,843,929
U.S. Department of Health and Human Services		
Passed Through Kanabec Pine Community Health Services		
Public Health Emergency Preparedness	93.069	23,707
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	59,187
Temporary Assistance for Needy Families	93.558	39,136
(Total Temporary Assistance for Needy Families 93.558 $412,539)		
Maternal and Child Health Services Block Grant to the States	93.994	36,085
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families - Title IV-B	93.556	11,027
Temporary Assistance for Needy Families	93.558	373,403
(Total Temporary Assistance for Needy Families 93.558 $412,539)		
Child Support Enforcement	93.563	601,785
Refugee and Entrant Assistance - State Administered Programs	93.566	418
Child Care and Development Block Grant	93.575	13,288
Community-Based Child Abuse Prevention Grants	93.590	16,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	4,570
Foster Care Title IV-E	93.658	52,854
Social Services Block Grant	93.667	185,946

PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2013

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Expenditures
Passed Through Minnesota Department of Human Services (Continued)		
Chafee Foster Care Independence Program	93.674	$ 1,829
Children's Health Insurance Program	93.767	72
Medical Assistance Program	93.778	610,336
Total Department of Health and Human Services		2,029,643
U.S. Department of Homeland Security		
Pass Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	9,818
Pass Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	18,308
Total Department of Homeland Security		28,126
Total Cash Type Federal Awards		$ 4,304,224

Notes to the Schedule of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the federal award programs expended by Pine County. The County's reporting entity is defined in Note 1 to the financial statements.

2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pine County under programs of the federal government for the year ended December 31, 2013. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*.

3. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. During 2013, Pine County did not pass any federal money to subrecipients.

5. Reconciliation to the Schedule of Intergovernmental Revenue

Federal Grant Revenue per Schedule of Intergovernmental Revenue:	$ 3,953,831
Expenditures Reported in the Schedule of Expenditures of Federal Awards, not Included as Revenues in the Schedule of Intergovernmental Revenue	350,393
Expenditures per Schedule of Expenditures of Federal Awards	$ 4,304,224

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