

**PINE COUNTY, MINNESOTA**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEAR ENDED DECEMBER 31, 2015**





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PINE CITY, MINNESOTA  
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## **INTRODUCTORY SECTION**



**PINE COUNTY  
PINE CITY, MINNESOTA  
PRINCIPAL COUNTY OFFICIALS  
DECEMBER 31, 2015**

Office	Name	Term Expires
<b>Commissioners</b>		
1 <sup>st</sup> District	Stephen Hallan*	2018
2 <sup>nd</sup> District	Joshua Mohr	2018
3 <sup>rd</sup> District	Steve Chaffee	2016
4 <sup>th</sup> District	Curt Rossow	2016
5 <sup>th</sup> District	Matt Ludwig	2018
<b>Officers</b>		
<b>Elected</b>		
Attorney	Reese Frederickson	2018
Auditor - Treasurer	Cathy J. Clemmer	2018
Sheriff	Jeffrey Nelson	2018
<b>Appointed</b>		
Administrator	David Minke	Indefinite
Assessor/Land Services Director	Kelly Schroeder	Indefinite
County Recorder	Tamara Tricas	Indefinite
Registrar of Titles	Tamara Tricas	Indefinite
Highway Engineer	Mark LeBrun	Indefinite
Health and Human Services Director	Rebecca Foss	Indefinite

\* Chairperson

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## **FINANCIAL SECTION**





REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Pine County  
Pine City, Minnesota

#### **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, Minnesota, as of and for the year ended December 31, 2015, 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 from 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, 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, 2015, 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 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change 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 and Required Supplementary Information 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 Supplementary 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 5, 2016, 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 5, 2016

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## **REQUIRED SUPPLEMENTARY INFORMATION**



**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

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, 2015. 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, 2015, and the prior year, 2014, is required to be presented in the MD&A.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of Pine County exceed its liabilities and deferred inflows of resources on December 31, 2015, by \$74,898,673 (net position). The County-wide net position decreased 6.3 percent in 2015 over the prior year due primarily to the implementation of GASB Statements No. 68, 71, and 82.
- Overall governmental fund-level revenues totaled \$39,734,884 and were \$1,039,133 more than expenditures in 2015. Forfeited property sales increased from the previous year.
- The General Fund's fund balance increased \$1,175,671 from the prior year as a result of a slight increase in county program aid and forfeited tax land sale proceeds during 2015. Of the total fund balance amount, \$3,643,893 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.

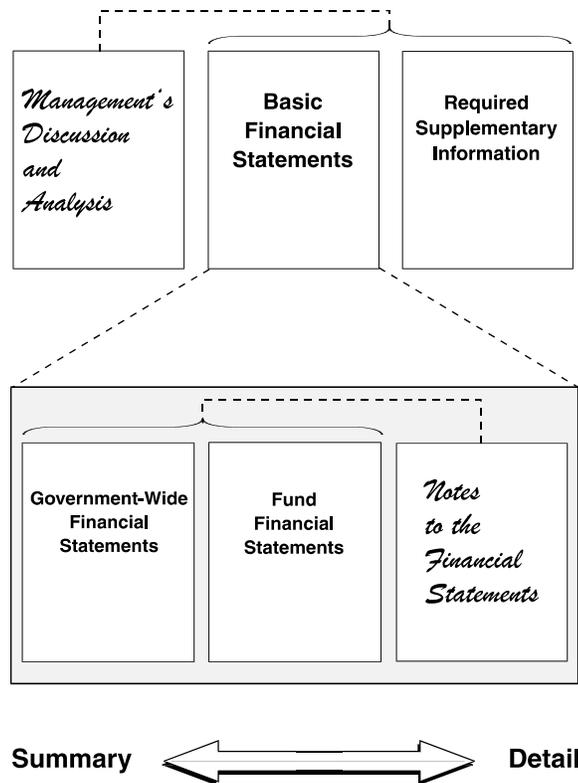
**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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**



**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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.

<b>Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements</b>			
<b>Type of Statements</b>	<b>Government-Wide</b>	<b>Governmental Funds</b>	<b>Fiduciary Funds</b>
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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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 \$74,898,673 on December 31, 2015, a decrease of \$5,031,765 from the prior year. The main reason for this decrease is due to the county's implementation of the GASB pension standards 68, 71, and 82 (see Table A-1).

Table A-1  
The County's Net Position

	Governmental Activities	
	2015	2014
Current and Other Assets	\$ 29,578,801	\$ 14,577,386
Capital Assets	102,126,284	99,604,034
Total Assets	131,705,085	114,181,420
Deferred Outflows of Resources	3,376,032	1,697,854
Current Liabilities	19,144,665	5,065,300
Long-Term Liabilities	38,621,415	29,520,596
Total Liabilities	57,766,080	34,585,896
Deferred Inflows of Resources	2,416,364	1,362,940
Net Position		
Net Investment in		
Capital Assets	75,978,678	73,451,843
Restricted	16,616,559	2,794,910
Unrestricted	(17,696,564)	3,683,685
Total Net Position, as Reported	\$ 74,898,673	79,930,438
Change in Accounting Principle*		(9,001,253)
Total Net Position, as Restated		\$ 70,929,185

\*This is the first year the County implemented the new pension accounting and financial reporting standards GASB 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred inflows and outflows of resources.

**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**CHANGE IN NET POSITION**

The government-wide total revenues were \$39,504,817 for the year ended December 31, 2015 (a decrease of \$4,527,021). This decrease is primarily attributable to federal and state disaster recovery FEMA money received in the prior year. Property taxes, operating grants and contributions, and capital grants and contributions accounted for 75% of total revenue for the year (see Table A-2).

Table A-2  
Change in Net Position

	Governmental Activities		Total % Change
	2015	2014	
<b>REVENUES</b>			
<u>Program Revenues</u>			
Charges for Services	\$ 6,383,521	\$ 6,559,578	(2.7)%
Operating Grants and Contributions	9,153,568	13,853,821	(33.9)
Capital Grants and Contributions	5,284,461	5,314,841	(0.6)
<u>General Revenues</u>			
Property Taxes	15,194,454	14,610,084	4.0
Other	3,544,083	3,693,514	(4.0)
Total Revenues	<u>39,560,087</u>	<u>44,031,838</u>	(10.2)
<b>EXPENSES</b>			
General Government	5,062,878	9,415,154	(46.2)
Public Safety	9,431,246	9,416,459	0.2
Highways and Streets	8,733,960	8,913,395	(2.0)
Sanitation	170,630	166,620	2.4
Human Services	7,266,379	7,563,856	(3.9)
Health	1,222,872	1,377,505	(11.2)
Culture and Recreation	318,211	320,642	(0.8)
Conservation of Natural Resources	1,581,165	1,138,080	38.9
Economic Development	34,831	9,918	251.2
Interest	1,768,427	1,226,192	44.2
Total Expenses	<u>35,590,599</u>	<u>39,547,821</u>	(10.0)
<b>CHANGE IN NET POSITION</b>	3,969,488	4,484,017	(11.5)
Net Position - Beginning of Year	79,930,438	75,446,421	5.9
Change in Accounting Principle	(9,001,253)	-	(100.0)
Net Position - Beginning of Year, as Restated	<u>70,929,185</u>	<u>75,446,421</u>	
<b>NET POSITION - END OF YEAR</b>	<u>\$ 74,898,673</u>	<u>\$ 79,930,438</u>	(6.3)

Although total revenues surpassed expenses, net position decreased \$5,031,765 over last year as a result of the implementation of new standards.

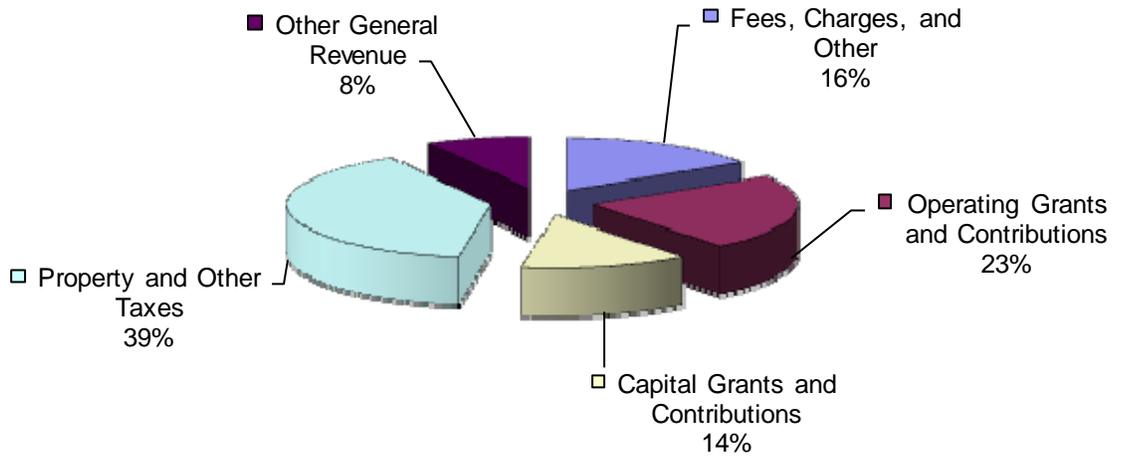
**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**CHANGE IN NET POSITION (CONTINUED)**

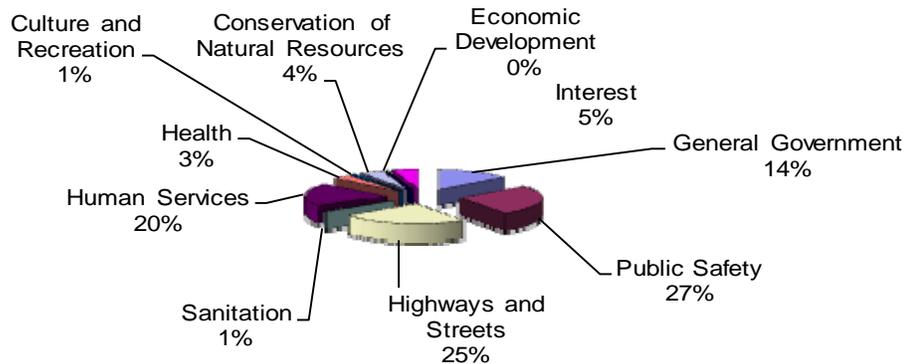
The government-wide cost of all governmental activities this year was \$35,590,599.

- Some of the cost was paid by the users of the County's programs (\$6,383,521).
- The federal and state governments subsidized certain programs with grants and contributions (\$14,438,029).
- The remainder of the County's governmental activities costs (\$14,769,049) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was covered by \$15,194,454 in property taxes, \$2,171,105 of state aid, \$1,372,978 of other general revenues, and resulted in an increase to net position.

**Governmental Activities Revenues by Source 2015**



**Governmental Activities Expenses by Function 2015**



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**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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 Change	Net (Revenue) Cost of Services		Percentage Change
	2015	2014		2015	2014	
<b>GOVERNMENTAL ACTIVITIES</b>						
General Government	\$ 5,062,878	\$ 9,415,154	(46.2)%	\$ 3,954,529	\$ 4,064,505	(2.7)%
Public Safety	9,431,246	9,416,459	0.2	7,097,298	7,149,240	(0.7)
Highways and Streets	8,733,960	8,913,395	(2.0)	(789,806)	(2,003,380)	(60.6)
Sanitation	170,630	166,620	2.4	79,559	81,456	(2.3)
Human Services	7,266,379	7,563,856	(3.9)	1,635,668	2,872,723	(43.1)
Health	1,222,872	1,377,505	(11.2)	1,146,296	336,044	241.1
Culture and Recreation	318,211	320,642	(0.8)	318,211	320,642	(0.8)
Conservation of Natural Resources	1,581,165	1,138,080	38.9	(473,464)	(230,940)	(105.0)
Economic Development	34,831	9,918	251.2	32,331	3,099	943.3
Interest	1,768,427	1,226,192	44.2	1,768,427	1,226,192	44.2
Total	<u>\$ 35,590,599</u>	<u>\$ 39,547,821</u>	(10.0)	<u>\$ 14,769,049</u>	<u>\$ 13,819,581</u>	6.9

**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 \$22,668,592. Revenues for the County's governmental funds were \$39,790,154, while total expenditures were \$38,695,751.

The General Fund includes the primary operations of the County in providing services to citizens. The fund balance increased by \$1,175,671 during 2015 due to an increase in county program aid and increases in transfers relating to tax forfeiture sales.

The Road and Bridge Fund has a total fund balance deficit of \$211,775. The fund balance decreased in 2015 primarily due to increased anticipated highway projects and an advance of state aid dollars which is reported as a deferred inflow until 2016.

The Health and Human Services Fund has a total fund balance of \$1,042,124. It increased \$471,835 from 2014 due to increased state and federal reimbursements as well as a tax levy increase.

The Land Management Fund has a total fund balance of \$945,250. It increased \$68,944 from 2014 as a result of increased forfeited property activities during the year.

**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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, 2015	December 31, 2014	Increase (Decrease)	Percent
Taxes	\$ 8,190,930	\$ 8,197,702	\$ (6,772)	(0.1)%
Licenses and Permits	108,415	96,030	12,385	12.9
Intergovernmental	3,853,454	7,800,208	(3,946,754)	(50.6)
Charges for Services	1,877,902	1,897,774	(19,872)	(1.0)
Fines and Forfeits	48,862	20,551	28,311	137.8
Gifts and Contributions	117,900	77,669	40,231	51.8
Interest	101,908	358,643	(256,735)	(71.6)
Miscellaneous and Other	802,740	905,260	(102,520)	(11.3)
Total General Fund Revenues	<u>\$ 15,102,111</u>	<u>\$ 19,353,837</u>	<u>\$ (4,251,726)</u>	<u>(22.0)</u>

Total General Fund revenues decreased by \$4,251,726, or 22.0%, from the previous year due primarily to prior year FEMA flood recovery grant funding.

The following schedule presents a summary of General Fund expenditures:

Table A-5  
General Fund Expenditures

	Year Ended		Change	
	December 31, 2015	December 31, 2014	Increase (Decrease)	Percent
General Government	\$ 4,580,888	\$ 8,700,034	\$ (4,119,146)	(47.3)%
Public Safety	9,042,449	8,525,724	516,725	6.1
Sanitation	170,656	163,620	7,036	4.3
Culture and Recreation	318,211	320,642	(2,431)	(0.8)
Conservation	348,039	272,680	75,359	27.6
Unallocated	162,430	159,592	2,838	1.8
Debt Service	92,466	96,455	(3,989)	(4.1)
Total Expenditures	<u>\$ 14,715,139</u>	<u>\$ 18,238,747</u>	<u>\$ (3,523,608)</u>	<u>(19.3)</u>

The decrease in General Fund expenditures was 19.3% from the prior year.

**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**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 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 \$329,383 more than budgeted; this is due primarily to budgeting conservatively for state and federal grant revenue.
- The actual expenditures were \$239,947 more than budget due to additional technology purchases in the Sheriff's office.

**CAPITAL ASSETS**

By the end of 2015, the County had invested approximately \$146,424,000 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 \$3,761,479.

Table A-6  
The County's Capital Assets

	Governmental Activities		Percent Change
	2015	2014	
Land	\$ 4,413,866	\$ 4,413,866	-
Construction-in-Progress	-	1,340,724	(100.0)
Buildings	26,810,906	26,810,906	-
Machinery, Furniture, and Equipment	9,823,156	9,943,171	(1.2)
Software	337,826	157,921	113.9
Infrastructure	105,038,241	98,177,292	7.0
Less: Accumulated Depreciation	(44,297,711)	(41,239,846)	7.4
Total	<u>\$ 102,126,284</u>	<u>\$ 99,604,034</u>	2.5

**PINE COUNTY  
PINE CITY, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED DECEMBER 31, 2015**

**LONG-TERM LIABILITIES**

At year-end, the County had \$42,640,929 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt increased \$12,316,585 during the fiscal year, due primarily to issuance of G.O. Crossover Refunding Bonds.
- 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 2015, Pine County's debt was 1.76 percent of its total market value of taxable property.

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

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
<b>GOVERNMENTAL ACTIVITIES</b>			
General Obligation Public Facilities			
Authority Loans	\$ 99,000	\$ 195,000	(49.2)%
General Obligation Jail Bonds	14,235,000	14,815,000	(3.9)
General Obligation Capital Improvement Bonds	11,815,000	12,355,000	(4.4)
General Obligation Crossover Refunding Bonds	13,430,000	-	100.0
Special Assessments	290,089	362,612	(20.0)
Compensated Absences	1,320,327	1,294,355	2.0
Other Postemployment Benefit Plan	1,451,513	1,302,377	11.5
Total	<u>\$ 42,640,929</u>	<u>\$ 30,324,344</u>	40.6

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

By the end of 2015, Pine County approved its balanced 2016 revenue and expenditure budgets and approved a 4.8% tax levy increase in 2016.

**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, 2015**

<b>ASSETS</b>	
Cash and Pooled Investments	\$ 11,347,051
Petty Cash and Change Funds	3,360
Cash with Escrow Agent	13,821,649
Restricted Cash and Investments - CDBG Grant	5,017
Taxes Receivable - Delinquent	1,100,154
Accounts Receivable	1,276,129
Accrued Interest Receivable	10,081
Due from Other Governments	1,176,189
Inventory	429,916
Prepaid Items	409,255
Non-Depreciable Capital Assets	
Land	4,413,866
Depreciable Capital Assets - Net of Accumulated Depreciation	
Buildings	19,865,735
Machinery, Furniture, and Equipment	2,453,630
Software	143,924
Infrastructure	75,249,129
Total Assets	<u>131,705,085</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension Related	1,783,744
Refunding Deferred Charge on Bonds	1,592,288
Total Deferred Outflows of Resources	<u>3,376,032</u>
<b>LIABILITIES</b>	
Accounts Payable	740,266
Salaries Payable	841,189
Workers Compensation Payable	19,504
Contracts Payable	531,476
Customer Deposits	14,207
Due to Other Governments	1,417,736
Accrued Interest Payable	608,764
General Obligation Bonds Payable - Due Within One Year	14,800,000
Special Assessments - Due Within One Year	72,523
Loans Payable - Due Within One Year	99,000
General Obligation Bonds Payable - Due in More Than One Year	25,980,805
Net Pension Liability	9,651,204
Special Assessments - Due in More Than One Year	217,566
Other Postemployment Benefits Payable - Due in More Than One Year	1,451,513
Compensated Absences Payable - Due in More Than One Year	1,320,327
Total Liabilities	<u>57,766,080</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension Related	1,347,657
Advanced Allotments	1,068,707
Total Deferred Inflows of Resources	<u>2,416,364</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	75,978,678
Restricted For:	
General Government	576,583
Public Safety	159,485
Highways and Streets	308,075
Economic Development	5,206
Conservation of Natural Resources	162,992
Debt Service	15,404,218
Unrestricted	(17,696,564)
Total Net Position	<u>\$ 74,898,673</u>

See accompanying Notes to Financial Statements.

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**PINE COUNTY  
PINE CITY, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2015**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
GOVERNMENTAL ACTIVITIES					
General Government	\$ 5,062,878	\$ 980,374	\$ 127,975	\$ -	\$ (3,954,529)
Public Safety	9,431,246	1,591,397	742,551	-	(7,097,298)
Highways and Streets	8,733,960	573,936	3,665,369	5,284,461	789,806
Sanitation	170,630	3,200	87,871	-	(79,559)
Human Services	7,266,379	1,358,024	4,272,687	-	(1,635,668)
Health	1,222,872	1,598	74,978	-	(1,146,296)
Culture and Recreation	318,211	-	-	-	(318,211)
Conservation of Natural Resources	1,581,165	1,874,992	179,637	-	473,464
Economic Development	34,831	-	2,500	-	(32,331)
Interest	1,768,427	-	-	-	(1,768,427)
Total Governmental Activities	\$ 35,590,599	\$ 6,383,521	\$ 9,153,568	\$ 5,284,461	(14,769,049)
<b>GENERAL REVENUES</b>					
					15,194,454
					287,721
					18,781
					704,589
					2,171,105
					102,233
					259,654
					18,738,537
<b>CHANGE IN NET POSITION</b>					
					3,969,488
					79,930,438
					(9,001,253)
					70,929,185
					\$ 74,898,673

See accompanying Notes to Financial Statements.

**PINE COUNTY  
PINE CITY, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	General	Road and Bridge	Health and Human Services
<b>ASSETS</b>			
Cash and Pooled Investments	\$ 4,197,806	\$ 1,220,274	\$ 752,126
Undistributed Cash in Agency Funds (Taxes and Other)	217,669	33,323	69,237
Petty Cash and Change Funds	3,210	150	-
Cash with Escrow Agent	-	-	-
Restricted Cash and Investments - CDBG Grant	-	-	-
Taxes Receivable			
Delinquent	597,155	118,909	222,738
Accounts Receivable	31,196	3,995	205,377
Accrued Interest Receivable	10,081	-	-
Due from Other Funds	728,338	9,198	-
Due from Other Governments	215,835	373,474	586,880
Prepaid Items	409,255	-	-
Inventories	-	429,916	-
	<b>\$ 6,410,545</b>	<b>\$ 2,189,239</b>	<b>\$ 1,836,358</b>
<b>LIABILITIES</b>			
Accounts Payable	\$ 314,892	\$ 237,990	\$ 187,051
Salaries Payable	501,171	100,990	232,114
Workers' Compensation Payable	15,181	-	-
Contracts Payable	150	531,326	-
Due to Other Funds	8,474	1,230	23,977
Due to Other Governments	169,048	12,464	173,075
Customer Deposits	14,207	-	-
	<b>1,023,123</b>	<b>884,000</b>	<b>616,217</b>

See accompanying Notes to Financial Statements.

Land Management	General Obligation Jail Bond	Other Governmental Funds	Total Governmental Funds
\$ 2,723,824	\$ 1,079,082	\$ 1,003,738	\$ 10,976,850
-	27,208	22,764	370,201
-	-	-	3,360
-	13,821,649	-	13,821,649
-	-	5,017	5,017
-	88,977	72,375	1,100,154
1,035,561	-	-	1,276,129
-	-	-	10,081
-	-	-	737,536
-	-	-	1,176,189
-	-	-	409,255
-	-	-	429,916
<u>\$ 3,759,385</u>	<u>\$ 15,016,916</u>	<u>\$ 1,103,894</u>	<u>\$ 30,316,337</u>

\$ 333	\$ -	\$ -	\$ 740,266
6,914	-	-	841,189
4,323	-	-	19,504
-	-	-	531,476
703,855	-	-	737,536
1,063,149	-	-	1,417,736
-	-	-	14,207
<u>1,778,574</u>	<u>-</u>	<u>-</u>	<u>4,301,914</u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Taxes	\$ 486,634	\$ 97,937	\$ 178,017
Unavailable Grants	-	350,370	-
Unavailable Revenue	-	-	-
Advanced Allotments	-	1,068,707	-
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	486,634	1,517,014	178,017
<b>FUND BALANCES</b>			
Nonspendable for			
Prepaid Items	409,255	-	-
Inventories	-	429,916	-
Restricted for			
Debt Service	-	-	-
Aquatic Invasive Species	108,362	-	-
Law Library	48,913	-	-
Missing Heirs	73,705	-	-
Recorder's Equipment Purchases	271,859	-	-
Recorder's Compliance	160,460	-	-
Election Equipment	21,646	-	-
Attorney Forfeiture	90,712	-	-
Sheriff's Contingency	4,885	-	-
Sheriff Posse, Horse, Canine	836	-	-
Drug Forfeitures	8,646	-	-
Gun Permits	54,406	-	-
Ditches	-	-	-
Rehabilitation Program	-	-	-
Road Access	-	-	-
Assigned for			
Capital Projects	-	-	-
Petty Cash	3,210	150	-
Fund Purposes	-	-	1,042,124
Unassigned	3,643,893	(641,841)	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	4,900,788	(211,775)	1,042,124
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,410,545</u>	<u>\$ 2,189,239</u>	<u>\$ 1,836,358</u>

See accompanying Notes to Financial Statements.

Land Management	General Obligation Jail Bond	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 71,265	\$ 57,340	\$ 891,193
-	-	-	350,370
1,035,561	-	-	1,035,561
-	-	-	1,068,707
<u>1,035,561</u>	<u>71,265</u>	<u>57,340</u>	<u>3,345,831</u>
-	-	-	409,255
-	-	-	429,916
-	14,945,651	940,636	15,886,287
-	-	-	108,362
-	-	-	48,913
-	-	-	73,705
-	-	-	271,859
-	-	-	160,460
-	-	-	21,646
-	-	-	90,712
-	-	-	4,885
-	-	-	836
-	-	-	8,646
-	-	-	54,406
-	-	10,770	10,770
-	-	5,206	5,206
43,860	-	-	43,860
-	-	89,942	89,942
-	-	-	3,360
901,390	-	-	1,943,514
-	-	-	3,002,052
<u>945,250</u>	<u>14,945,651</u>	<u>1,046,554</u>	<u>22,668,592</u>
<u>\$ 3,759,385</u>	<u>\$ 15,016,916</u>	<u>\$ 1,103,894</u>	<u>\$ 30,316,337</u>

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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, 2015**

**TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS** \$ 22,668,592

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. 102,126,284

Other long-term assets (deferred inflows of resources) are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.

Unavailable Revenue 2,277,124

The County's net pension liability and related deferred inflows and outflows are recorded on the statement of net position. Balances at year-end are:

Net Pension Liability	\$ (9,651,204)	
Deferred Outflows of Resources - Pension Related	1,783,744	
Deferred Inflows of Resources - Pension Related	<u>(1,347,657)</u>	(9,215,117)

Long-term liabilities and deferred outflows 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	(39,480,000)	
Unamortized Bond Discounts	94,726	
Unamortized Bond Premium	(1,395,531)	
Unamortized Deferred Outflows of Resources on Refunding Bond	1,592,288	
Loans Payable	(99,000)	
Special Assessments Payable	(290,089)	
Compensated Absences	(1,320,327)	
Other Postemployment Benefit Plan Payable	(1,451,513)	
Accrued Interest Payable	<u>(608,764)</u>	<u>(42,958,210)</u>

**TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES** \$ 74,898,673

**PINE COUNTY  
PINE CITY, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	General	Road and Bridge	Health and Human Services
<b>REVENUES</b>			
Taxes	\$ 8,190,930	\$ 1,791,164	\$ 3,193,937
Licenses and Permits	108,415	-	-
Intergovernmental	3,853,454	9,018,499	4,271,598
Charges for Services	1,877,902	409,343	62,416
Fines and Forfeits	48,862	-	-
Gifts and Contributions	117,900	-	8,793
Investment Earnings	101,908	-	325
Miscellaneous	802,740	164,593	1,285,978
Total Revenues	15,102,111	11,383,599	8,823,047
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
General Government	4,580,888	-	-
Public Safety	9,042,449	-	-
Highways and Streets	-	11,233,927	-
Sanitation	170,656	-	-
Human Services	-	-	7,137,073
Health	-	-	1,214,139
Culture and Recreation	318,211	-	-
Conservation of Natural Resources	348,039	-	-
Economic Development	-	-	-
<b>INTERGOVERNMENTAL</b>			
Highways and Streets	-	424,389	-
<b>UNALLOCATED</b>			
Insurance	162,430	-	-
<b>DEBT SERVICE</b>			
Principal	72,523	96,000	-
Interest	19,943	5,850	-
Administrative - Fiscal Charges	-	-	-
Total Expenditures	14,715,139	11,760,166	8,351,212
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	386,972	(376,567)	471,835
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	788,699	-	-
Transfers Out	-	-	-
Refunding Bond Proceeds	-	-	-
Premium on Refunding Bonds	-	-	-
Total Other Financing Sources (Uses)	788,699	-	-
<b>NET CHANGES IN FUND BALANCES</b>	1,175,671	(376,567)	471,835
Fund Balances - Beginning of Year	3,725,117	218,124	570,289
<b>DECREASE IN INVENTORIES</b>	-	(53,332)	-
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 4,900,788</u>	<u>\$ (211,775)</u>	<u>\$ 1,042,124</u>

See accompanying Notes to Financial Statements.

Land Management	General Obligation Jail Bond	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,265,987	\$ 1,072,553	\$ 15,514,571
-	-	-	108,415
35,810	26,824	20,758	17,226,943
-	-	88	2,349,749
-	-	-	48,862
-	-	-	126,693
-	-	-	102,233
2,059,377	-	-	4,312,688
<u>2,095,187</u>	<u>1,292,811</u>	<u>1,093,399</u>	<u>39,790,154</u>
-	-	9,926	4,590,814
-	-	-	9,042,449
-	-	-	11,233,927
-	-	-	170,656
-	-	-	7,137,073
-	-	-	1,214,139
-	-	-	318,211
1,237,544	-	1,350	1,586,933
-	-	21,097	21,097
-	-	-	424,389
-	-	-	162,430
-	580,000	540,000	1,288,523
-	884,798	394,450	1,305,041
-	252,788	2,551	255,339
<u>1,237,544</u>	<u>1,717,586</u>	<u>969,374</u>	<u>38,751,021</u>
857,643	(424,775)	124,025	1,039,133
-	-	-	788,699
(788,699)	-	-	(788,699)
-	13,430,000	-	13,430,000
-	894,683	-	894,683
<u>(788,699)</u>	<u>14,324,683</u>	<u>-</u>	<u>14,324,683</u>
68,944	13,899,908	124,025	15,363,816
876,306	1,045,743	922,529	7,358,108
-	-	-	(53,332)
<u>\$ 945,250</u>	<u>\$ 14,945,651</u>	<u>\$ 1,046,554</u>	<u>\$ 22,668,592</u>

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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, 2015**

**NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS** \$ 15,363,816

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	\$ 6,295,101	
Net Book Value of Disposed Assets	(11,372)	
Current Year Depreciation	<u>(3,761,479)</u>	2,522,250

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (230,067)

Pension expenditures on the governmental funds are measured by current-year employer contributions. Pension expenses on the statement of activities are measured by the change in net pension liability and the related deferred inflows and outflows of resources. (213,864)

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		
2005A General Obligation Bonds	580,000	
2012A General Obligation Bonds	540,000	
Special Assessments Payable	72,523	
Loans Payable	<u>96,000</u>	1,288,523

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	(181,134)	
Amortization of Premiums/Discounts and Refunding Deferred Charge	(26,913)	
Proceeds on Refunding Bonds	(13,430,000)	
Premium on Bonds Issued in 2015	(894,683)	
Change in Inventories	(53,332)	
Change in Compensated Absences	(25,972)	
Change in Other Postemployment Benefits	<u>(149,136)</u>	<u>(14,761,170)</u>

**CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES** **\$ 3,969,488**

**PINE COUNTY  
PINE CITY, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2015**

**ASSETS**

Cash and Pooled Investments	\$ 560,305
Accounts Receivable	381
Due from Other Governments	<u>41,684</u>
 Total Assets	 <u><u>\$ 602,370</u></u>

**LIABILITIES**

Due to Other Governments	<u><u>\$ 602,370</u></u>
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*See accompanying Notes to Financial Statements.*

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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.

**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, Jointly-Governed, and Related Organizations

The County participates in joint ventures which are described in Note 9.C. The County also participates in jointly-governed organizations which are described in Note 9.D. A related organization is described in Note 9.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.

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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basic Financial Statements (Continued)

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.

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.

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

Additionally, the County reports the following fund types:

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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 90 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.

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. Pooled investment earnings for 2015 were \$102,233.

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. The investment in the pool is measured at the net asset value per share provided by the pool.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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)

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).

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.

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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 (Continued)

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. The liability has been calculated using the vesting method in which leave amounts for both employees who currently eligible to receive payments and other employees expected to become eligible in the future to receive such payments upon termination are included. 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 has two items that qualify for reporting in this category which are both 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 its re-acquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second type relates to pension liabilities as described in Note 4 to the financial statements.

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 three types of items which occur relating to revenue recognition: Unavailable revenues, pension related, and advanced allotments.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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 (Continued)

The unavailable revenue 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 advanced allotment occurs when allotments are received in advance of the period they are for in both the modified accrual and full accrual basis of accounting. The third type relates to deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes on proportionate share and, accordingly, are reported only in the statement of net position.

8. Net Pension Liability

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

9. 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 deferred and 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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)

10. 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.

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 deferred outflows of resources 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. Unrestricted net position is net position that does not meet the definition of restricted net position or net investment in capital assets.

11. Change in Accounting Principle

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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)

11. Change in Accounting Principle (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68* addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues—an amendment of GASB Statement No. 68* modifies the measure of payroll that is presented in the required supplementary information.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources as follows:

	Governmental Activities
Net Position, December 31, 2014, as Previously Reported	\$ 79,930,438
Cumulative Affect of Application of GASB 68, Net Pension Liability	(9,514,069)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for County Contributions Made to the Plan During Fiscal Year Ending December 31, 2014	512,816
Net Position, December 31, 2014, as Restated	\$ 70,929,185

12. 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

A. 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, 2015.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 14,715,139	\$ 14,475,192	\$ 239,947
Road and Bridge Fund	11,760,166	11,042,829	717,337
General Obligation Jail Bond Debt			
Service Fund	1,717,586	1,216,661	500,925
General Obligation Courthouse			
Bonds Debt Service Fund	937,001	935,750	1,251

These expenditures in excess of budget were funded by higher than anticipated revenues and existing fund balance.

B. Deficit Fund Balance

The Road and Bridge Special Revenue fund reported deficit fund balance at year-end of \$211,775. This deficit will be eliminated through state aid allotment revenues.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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	\$ 11,347,051
Petty Cash and Change Funds	3,360
Cash with Escrow Agent	13,821,649
Restricted Cash and Investments - CDBG Grant	5,017
Statement of Fiduciary Net Position	
Cash and Pooled Investments	<u>560,305</u>
Total Cash and Investments	<u><u>\$ 25,737,382</u></u>
Deposits	\$ 6,545,910
Change Funds	3,360
Cash with Escrow Agent	13,821,649
Investments	<u>5,366,463</u>
Total Deposits, Cash and Investments	<u><u>\$ 25,737,382</u></u>

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, 2015, the County's deposits were fully covered by FDIC insurance or collateralized.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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.

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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

1. Deposits and Investments (Continued)

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.

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, 2015, 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**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, 2015, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Government Agency Securities					
Federal National Mortgage Association Note	AAA	Moody's	4.5 %	2/25/2022	\$ 244,048
Federal Home Loan Bank Bonds	AAA	Moody's	3.2	8/8/2022	173,111
Federal Home Loan Bank Bonds	AAA	Moody's	4.6	5/22/2023	249,175
Total Federal Home Loan Bank Bonds			7.9		<u>422,286</u>
Federal Home Loan Mortgage Corporation	AAA	Moody's	4.8	12/30/2020	259,246
Investment Pools/Mutual Funds					
MAGIC Fund	N/A	N/A	N/A	N/A	2,133,100
Negotiable Certificates of Deposit					
JP Morgan Chase					245,813
Capital One Bk USA					248,344
Worlds Foremost Bank					197,142
Goldman Sachs					247,611
BMW Bank of NA					240,657
American Express Fed Svgs Bk					149,323
American Express Centurion					148,137
CIT Bk Sale Lake City UT					244,928
Discover Bk Greenwood DEL					101,300
GE Cap Bk Retail					242,264
Synchrony Bk Retail					242,264
Total Negotiable Certificates of Deposit					<u>2,307,783</u>
Total Investments					5,366,463
Deposits					6,545,910
Petty Cash					3,360
Cash with Escrow Agent					<u>13,821,649</u>
Total Cash and Investments					<u>\$ 25,737,382</u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2015, are as follows:

	<u>County Receivable</u>
Taxes	\$ 1,100,154
Accounts	1,276,129
Interest	10,081
Due from Other Governments	<u>1,176,189</u>
Total	<u>\$ 3,562,553</u>

All amounts are scheduled to be collected during the subsequent year. No applicable allowance for uncollectible accounts is recorded relating to the above receivables.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 4,413,866	\$ -	\$ -	\$ 4,413,866
Construction in Progress	1,340,724	956,313	2,297,037	-
Total Capital Assets, Not Being Depreciated	5,754,590	956,313	2,297,037	4,413,866
Capital Assets, Being Depreciated				
Buildings	26,810,906	-	-	26,810,906
Machinery and Equipment	9,943,171	594,971	714,986	9,823,156
Software	157,921	179,905	-	337,826
Infrastructure	98,177,292	6,860,949	-	105,038,241
Total Capital Assets, Being Depreciated	135,089,290	7,635,825	714,986	142,010,129
Less Accumulated Depreciation for				
Buildings	6,312,162	633,009	-	6,945,171
Machinery, Furniture, and Equipment	7,473,636	599,504	703,614	7,369,526
Software	126,336	67,566	-	193,902
Infrastructure	27,327,712	2,461,400	-	29,789,112
Total Accumulated Depreciation	41,239,846	3,761,479	703,614	44,297,711
Total Capital Assets, Being Depreciated, Net	93,849,444	3,874,346	11,372	97,712,418
Governmental Activities Capital Assets, Net	<u>\$ 99,604,034</u>	<u>\$ 4,830,659</u>	<u>\$ 2,308,409</u>	<u>\$ 102,126,284</u>

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

Governmental Activities	
General Government	\$ 337,357
Public Safety	624,946
Highways and Streets, Including Depreciation of Infrastructure Assets	2,794,881
Conservation of Natural Resources	4,295
Total Depreciation Expense - Governmental Activities	<u>\$ 3,761,479</u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2015, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Health and Human Services	\$ 23,409
	Road and Bridge	1,230
	Land Management	703,699
Total Due to General Fund		728,338
Road and Bridge	General	8,474
	Health and Human Services	568
	Land Management	156
Total Due to Road and Bridge Fund		9,198
Total Due To/From Other Funds		\$ 737,536

The due to and due from other fund balances are for interfund services not paid at year-end.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2015, consisted of the following:

	Amount	Description
Transfers to General Fund from Land Management Fund	\$ 788,699	Forfeited Tax Distribution and Salary Reimbursement

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2015. The projects include the following:

Governmental Activities	Spent-to-Date	Remaining Commitment
Roads and Bridges	\$ 22,678,314	\$ 358,435

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2015
General Obligation Bonds					
2005A G.O. Jail Bonds	2031	\$ 500,000 - 1,685,000	4.000	\$ 16,935,000	\$ 14,235,000
2012A G.O. Capital Improvement Bonds	2031	480,000 - 965,000	3.000 - 4.000	13,410,000	11,815,000
2015A G.O. Crossover Refunding Bonds	2031	655,000 - 1,595,000	3.000 - 4.000	13,430,000	13,430,000
General Obligation Public Facilities					
2001 G.O. PFA Loan	2016	77,405 - 108,439	3.000	1,434,459	99,000
Special Assessments	2019	72,523	5.500		290,089
Total General Obligation Bonds, Loans, and Assessments				\$ 45,209,459	39,869,089
Add: Unamortized Premium					1,395,531
Less: Unamortized Discount					(94,726)
Total General Obligation Bonds, Net					\$ 41,169,894

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31,	2005A G.O. Jail Bonds		2001 G.O. PFA Loan	
	Principal	Interest	Principal	Interest
2016	\$ 14,235,000	\$ 311,881	\$ 99,000	\$ 2,970

Year Ending December 31,	Special Assessments		2012A G.O. Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
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	72,520	3,699	635,000	309,100
2020	-	-	665,000	283,100
2021-2025	-	-	3,775,000	1,042,475
2026-2030	-	-	4,505,000	419,175
2031	-	-	480,000	7,200
Total	\$ 290,089	\$ 39,597	\$ 11,815,000	\$ 3,130,725

Year Ending December 31,	2015A G.O. Crossover Refunding Bonds	
	Principal	Interest
2016	\$ -	\$ 229,075
2017	655,000	448,325
2018	680,000	428,300
2019	695,000	404,200
2020	725,000	375,800
2021-2025	4,105,000	1,409,200
2026-2030	4,975,000	622,875
2031	1,595,000	23,925
Total	\$ 13,430,000	\$ 3,941,700

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**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, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
Bonds Payable					
2005A G.O. Jail Bonds	\$ 14,815,000	\$ -	\$ 580,000	\$ 14,235,000	\$ 14,235,000
2012A G.O. Capital Bonds	12,355,000	-	540,000	11,815,000	565,000
2015A G.O. Crossover Refunding Bonds	-	13,430,000	-	13,430,000	-
Add: Premium on Bonds	585,747	894,683	84,899	1,395,531	-
Less: Discount on Bonds	(100,972)	-	(6,246)	(94,726)	-
2001 G.O. PFA Loan	195,000	-	96,000	99,000	99,000
Special Assessments	362,612	-	72,523	290,089	72,523
Compensated Absences	1,294,355	1,190,978	1,165,006	1,320,327	-
Other Postemployment Benefits	1,302,377	267,172	118,036	1,451,513	-
<b>Total Long-Term Liabilities</b>	<b>\$ 30,809,119</b>	<b>\$ 15,782,833</b>	<b>\$ 2,650,218</b>	<b>\$ 43,941,734</b>	<b>\$ 14,971,523</b>

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, 2015 is \$11,270,000.

During 2015, the County issued \$13,430,000 in General Obligation Crossover Refunding Bonds, Series 2015A for an advance crossover refunding of the 2005A G.O. Jail Bonds maturing in 2031. The refunding bond proceeds for the crossover refunding bond were placed in an escrow account to be liquidated on the crossover refunding date of February 1, 2016. The total cash flow savings to the County attributable to the refunding of these bonds was \$1,743,039 with a net present value of approximately \$1,407,145.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)**

C. Liabilities (Continued)

5. Lease Obligations

The County is committed under various operating leases for vehicles, copiers and office equipment. The following is a summary of the operating lease expense for 2015:

<u>Type of Property</u>	<u>Amount</u>
Vehicle	\$ 2,784
Copiers and Office Equipment	68,654
Total Operating Lease Expense	<u>\$ 71,438</u>

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2015:

<u>Year Ended</u>	<u>Amount</u>
2016	\$ 71,936
2017	44,588
2018	22,622
2019	17,534
2020	7,334
Total Future Minimum Lease Payments	<u>\$ 164,014</u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 PENSION PLANS**

A. Plan Description

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

1. General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the County are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

2. Public Employees Police and Fire Fund (PEPFF)

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

3. Public Employees Correctional Fund (PECF)

The Local Government Correctional Fund, referred to as the Public Employees Correctional Fund (PECF), was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80% for one year or 85% for two consecutive years, are given 1% increases.

The benefit provisions stated in the following 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
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**NOTE 4 PENSION PLANS (CONTINUED)**

B. Benefits Provided (Continued)

1. GERF Benefits

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% of average salary for each of the first ten years of service and 2.7% 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% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

2. PEPFF Benefits

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

3. PECF Benefits

Benefits for PECF members first hired after June 30, 2010, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. The annuity accrual rate is 1.9% of average salary for each year of service in that plan. For PECF members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 4 PENSION PLANS (CONTINUED)**

C. Contributions

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

1. GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The County was required to contribute 11.78% of annual covered salary for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The County contributions to the GERF for the year ended December 31, 2015, were \$613,543. The County contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The County was required to contribute 16.20% of annual covered salary for PEPFF members in calendar year 2015. The County contributions to the PEPFF for the year ended December 31, 2015, were \$331,325. The County contributions were equal to the required contributions as set by state statute.

3. PECF Contributions

In calendar year 2015, plan members were required to contribute 5.83% of their annual covered salary. The County was required to contribute 8.75% of annual covered salary for PECF members in calendar year 2015. The County's contributions to the PECF for the year ended December 31, 2015, were \$163,274. The County's contributions were equal to the required contributions as set by state statute.

The GERF Coordinated Plan member and employer contribution rates each reflect a 0.25% increase from 2014. The PEPFF member and employer contribution rates increased 0.60% and 0.90%, respectively, from 2014.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the County reported a liability of \$7,136,329 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County proportion of the net pension liability was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County proportion was 0.138%, a change from 0.152% as of June 30, 2014.

**PINE COUNTY  
PINE CITY, MINNESOTA  
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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

1. GERF Pension Costs (Continued)

For the year ended December 31, 2015, the County recognized pension expense of \$163,078 for its proportionate share of the GERF's pension expense.

At December 31, 2015, the County reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 359,793
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	675,563	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	517,899
County Contributions Subsequent to the Measurement Date	306,686	-
Total	<u>\$ 982,249</u>	<u>\$ 877,692</u>

A total of \$306,686 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (123,673)
2017	(123,673)
2018	(123,673)
2019	168,890

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. PEPFF Pension Costs

At December 31, 2015, the County reported a liability of \$2,363,367 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County proportion of the net pension liability was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County proportion was 0.208%, a change from 0.211% as of June 30, 2014.

For the year ended December 31, 2015, the County recognized pension expense of \$51,884 for its proportionate share of the PEPFF's pension expense. The County also recognized \$18,720 for the year ended December 31, 2015, as pension expense (and revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014, until the plan is 90% funded.

At December 31, 2015, the County reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 383,261
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	411,778	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	27,001
County Contributions Subsequent to the Measurement Date	176,786	-
Total	<u>\$ 588,564</u>	<u>\$ 410,262</u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

2. PEPFF Pension Costs (Continued)

A total of \$176,786 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 20,892
2017	20,892
2018	20,892
2019	20,892
2020	(82,052)

3. PECF Pension Costs

At December 31, 2015, the County reported a liability of \$151,508 for its proportionate share of the PECF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County proportion was 0.980%, a change from 1.010% as of June 30, 2014.

For the year ended December 31, 2015, the County recognized pension expense of \$1,098 for its proportionate share of the PECF's pension expense.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

D. Pension Costs (Continued)

3. PECF Pension Costs (Continued)

At December 31, 2015, the County reported its proportionate share of the PECF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ -	\$ 58,006
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	126,293	-
Changes in Proportion and Differences Between County Contributions and Proportionate Share of Contributions	-	1,697
County Contributions Subsequent to the Measurement Date	86,638	-
Total	<u>\$ 212,931</u>	<u>\$ 59,703</u>

A total of \$86,638 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 11,672
2017	11,672
2018	11,672
2019	31,574

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 4 PENSION PLANS (CONTINUED)**

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

<u>Assumptions</u>	
Inflation	2.75% per Year
Salary Increases	3.50%, Average, Including Inflation
Investment Rate of Return	7.90%, Net of Pension Plan Investment Expense, Including Inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.0% effective every January 1<sup>st</sup> through 2035 for GERP and 2037 for PEPFF and 2.5% thereafter. Cost of living benefit increases for retirees are assumed to be 2.5% for all years for PECF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004 through June 30, 2009. Experience studies have not been prepared for the PECF, but assumptions are reviewed annually. There were no changes to actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.90%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	45 %	5.50 %
International Equity	15	6.00
Bonds	18	1.45
Alternative Assets	20	6.40
Cash	2	0.50
Totals	<u>100 %</u>	

**PINE COUNTY  
PINE CITY, MINNESOTA  
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**NOTE 4 PENSION PLANS (CONTINUED)**

F. Discount Rate

The discount rate used to measure the total pension liability was 7.90%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

Description	1% Decrease in Discount Rate 6.90%	Current Discount Rate 7.90%	1% Increase in Discount Rate 8.90%
County's Proportionate Share of the GERS Net Pension Liability	\$ 11,220,845	\$ 7,136,329	\$ 3,763,145
County's Proportionate Share of the PEPFF Net Pension Liability	4,606,227	2,363,367	510,374
County's Proportionate Share of the PECF Net Pension Liability	1,055,127	151,508	(571,752)

H. Pension Plan Fiduciary Net Position

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

**PINE COUNTY  
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**NOTE 5 DEFINED CONTRIBUTION PLAN**

Four Board members are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by 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 plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. Employees 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 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the County during fiscal year 2015 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 5,777	\$ 5,777	5%	5%	5%

**NOTE 6 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.

**PINE COUNTY  
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**NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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, 2015, approximately 32 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 2015, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 290,394
Interest on Net OPEB Obligation	52,095
Adjustment to ARC	<u>(75,317)</u>
Annual OPEB Cost	267,172
Contributions during the year	<u>(118,036)</u>
Increase in Net OPEB Obligation	149,136
Net OPEB - Beginning of the Year	<u>1,302,377</u>
Net OPEB - End of the Year	<u><u>\$ 1,451,513</u></u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
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**NOTE 6 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 2015, 2014, and 2013 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 267,172	\$ 118,036	44.2 %	\$ 1,451,513
December 31, 2014	261,833	102,897	39.3	1,302,377
December 31, 2013	340,448	141,217	41.5	1,143,441

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)
1/1/2014	\$ -	\$ 2,013,925	\$ 2,013,925	-	\$ 11,661,301	17.27 %

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, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% 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 7.5% initially, reduced incrementally to an ultimate rate of 5.00% after eight years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

**PINE COUNTY  
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**NOTE 7 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 7 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 8 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 \$490,000 per claim in 2015 and \$500,000 in 2016. 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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, 2015, the outstanding principal amount payable was \$703,405.

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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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 2015, 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

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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 2015. 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

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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 Independent School District (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

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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. Pine County made no contribution in 2015.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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 2014, Pine County elected not to pay a contribution and decided not to be a voting member of the Joint Powers Board effective for 2015.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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 2015.

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, Isanti County, Kanabec 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. During 2015, Pine County contributed \$30,926 to the task force.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015**

**NOTE 9 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 2015, Pine County expended \$120,137 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 \$3,300 by the County to the HRA Board members for per diem expenses.

F. Tax-Forfeited Land

The County manages approximately 44,157 acres of state-owned, tax-forfeited land with a taxable market value for 2015 of \$29,997,700. 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.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MD&A**

**PINE COUNTY  
PINE CITY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 8,442,219	\$ 8,442,219	\$ 8,190,930	\$ (251,289)
Licenses and Permits	68,000	92,000	108,415	16,415
Intergovernmental	3,586,823	3,663,074	3,853,454	190,380
Charges for Services	1,752,985	1,777,085	1,877,902	100,817
Fines and Forfeits	18,500	18,500	48,862	30,362
Gifts and Contributions	90,000	115,000	117,900	2,900
Investment Earnings	50,000	50,000	101,908	51,908
Miscellaneous	599,850	614,850	802,740	187,890
Total Revenues	14,608,377	14,772,728	15,102,111	329,383
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>GENERAL GOVERNMENT</b>				
Commissioners	235,027	235,027	253,818	(18,791)
Courts	64,000	64,000	38,412	25,588
Law Library	21,500	25,600	25,910	(310)
County Auditor	607,423	597,423	541,386	56,037
County Assessor	512,785	506,785	497,676	9,109
Elections	7,950	7,950	5,583	2,367
Data Processing	513,937	528,937	523,142	5,795
Central Services	33,000	33,000	35,490	(2,490)
Administrator	411,945	411,945	384,017	27,928
Attorney	779,674	779,674	750,738	28,936
Contracted Legal Services	50,000	50,000	31,450	18,550
Recorder	408,870	428,870	507,112	(78,242)
Planning and Zoning	47,695	124,025	126,560	(2,535)
Buildings and Plant	693,376	693,376	741,383	(48,007)
Veterans Service Officer	92,869	92,869	86,267	6,602
Other General Government	24,750	24,750	31,944	(7,194)
Total General Government	4,504,801	4,604,231	4,580,888	23,343
<b>PUBLIC SAFETY</b>				
Sheriff	4,081,948	4,136,948	4,375,439	(238,491)
Boat and Water Safety	-	1,850	8,700	(6,850)
Coroner	58,000	58,000	65,400	(7,400)
E-911 System	100,000	100,000	83,554	16,446
County Jail	3,614,963	3,614,963	3,665,533	(50,570)
Sentence to Serve	69,065	69,065	64,146	4,919
Probation and Parole	720,446	720,446	742,114	(21,668)
Civil Defense	23,200	23,200	21,592	1,608
Other Public Safety	17,000	25,400	15,971	9,429
Total Public Safety	8,684,622	8,749,872	9,042,449	(292,577)

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>EXPENDITURES (CONTINUED)</b>				
<b>CURRENT (CONTINUED)</b>				
<b>SANITATION</b>				
Solid Waste	\$ 61,653	\$ 48,824	\$ 48,925	\$ (101)
Recycling	121,900	121,900	121,731	169
Total Sanitation	183,553	170,724	170,656	68
<b>CULTURE AND RECREATION</b>				
Historical Society	15,000	15,000	15,000	-
Regional Library	304,111	304,111	303,211	900
Total Culture and Recreation	319,111	319,111	318,211	900
<b>CONSERVATION OF NATURAL RESOURCES</b>				
County Extension	95,218	95,218	85,604	9,614
Soil and Water Conservation	147,202	147,202	139,417	7,785
Agricultural Society/County Fair	10,000	10,000	10,000	-
Aquatic Invasive Species	63,100	73,100	73,503	(403)
Other	36,168	38,668	39,515	(847)
Total Conservation of Natural Resources	351,688	364,188	348,039	16,149
<b>UNALLOCATED</b>				
Insurance	174,600	174,600	162,430	12,170
<b>DEBT SERVICE</b>				
Principal	72,523	72,523	72,523	-
Interest	19,943	19,943	19,943	-
Total Debt Service	92,466	92,466	92,466	-
Total Expenditures	14,310,841	14,475,192	14,715,139	(239,947)
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	297,536	297,536	386,972	89,436
<b>OTHER FINANCING SOURCES</b>				
Transfers In	85,000	85,000	788,699	703,699
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 382,536</u>	<u>\$ 382,536</u>	1,175,671	<u>\$ 793,135</u>
Fund Balance - Beginning of Year			3,725,117	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 4,900,788</u>	

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,765,000	\$ 1,765,000	\$ 1,791,164	\$ 26,164
Intergovernmental	7,745,829	9,170,829	9,018,499	(152,330)
Charges for Services	247,500	247,500	409,343	161,843
Miscellaneous	99,500	99,500	164,593	65,093
Total Revenues	9,857,829	11,282,829	11,383,599	100,770
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HIGHWAY AND STREETS</b>				
Administration	329,533	329,533	326,662	2,871
Maintenance	2,029,801	2,029,801	1,912,032	117,769
Construction	5,011,443	6,436,443	7,639,492	(1,203,049)
Equipment and Maintenance Shops	1,698,782	1,698,782	1,331,081	367,701
Unallocated - Highways and Streets	27,881	27,881	24,660	3,221
Total Highways and Streets	9,097,440	10,522,440	11,233,927	(711,487)
<b>INTERGOVERNMENTAL</b>				
Highways and Streets	424,389	424,389	424,389	-
<b>DEBT SERVICE</b>				
Principal	96,000	96,000	96,000	-
Interest	-	-	5,850	(5,850)
Total Debt Service	96,000	96,000	101,850	(5,850)
Total Expenditures	9,617,829	11,042,829	11,760,166	(717,337)
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 240,000</b>	<b>\$ 240,000</b>	<b>(376,567)</b>	<b>\$ (616,567)</b>
Fund Balance - Beginning of Year			218,124	
Decrease in Inventories			(53,332)	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ (211,775)</b>	

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 3,252,129	\$ 3,252,129	\$ 3,193,937	\$ (58,192)
Intergovernmental	3,987,156	3,987,156	4,271,598	284,442
Charges for Services	54,700	54,700	62,416	7,716
Gifts and Contributions	-	-	8,793	8,793
Investment Earnings	-	-	325	325
Miscellaneous	494,650	1,241,215	1,285,978	44,763
Total Revenues	7,788,635	8,535,200	8,823,047	287,847
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>HUMAN SERVICES</b>				
Income Maintenance	2,650,551	2,650,551	2,688,946	(38,395)
Social Services	4,757,343	4,757,343	4,448,127	309,216
Total Human Services	7,407,894	7,407,894	7,137,073	270,821
<b>HEALTH</b>				
Nursing Services	353,435	1,100,000	1,151,839	(51,839)
Women, Infants, and Children	-	-	56,309	(56,309)
Maternal and Child Health	-	-	4,701	(4,701)
Environmental Health	-	-	173	(173)
Health Education	-	-	1,117	(1,117)
Total Health	353,435	1,100,000	1,214,139	(114,139)
Total Expenditures	7,761,329	8,507,894	8,351,212	156,682
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 27,306</b>	<b>\$ 27,306</b>	471,835	<b>\$ 444,529</b>
Fund Balance - Beginning of Year			570,289	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 1,042,124</b>	

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, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$ 37,600	\$ 37,600	\$ 35,810	\$ (1,790)
Miscellaneous	776,538	1,909,463	2,059,377	149,914
Total Revenues	814,138	1,947,063	2,095,187	148,124
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
<b>CONSERVATION OF NATURAL RESOURCES</b>				
Land Use	723,589	1,856,514	1,232,193	624,321
Other Conservation	10,000	10,000	5,351	4,649
Total Expenditures	733,589	1,866,514	1,237,544	628,970
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	80,549	80,549	857,643	777,094
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(85,000)	(85,000)	(788,699)	(703,699)
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (4,451)</u>	<u>\$ (4,451)</u>	68,944	<u>\$ 73,395</u>
Fund Balance - Beginning of Year			876,306	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 945,250</u>	

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

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED DECEMBER 31, 2015**

**I. 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 all five 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.

**PINE COUNTY  
PINE CITY, MINNESOTA  
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

**II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

For the year ended December 31, 2015, the following departments of the General Fund had expenditures that exceeded appropriations:

<u>General Fund by Department Level</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Current			
General Government			
Commissioners	\$ 235,027	\$ 253,818	\$ 18,791
Law Library	25,600	25,910	310
Central Services	33,000	35,490	2,490
Recorder	428,870	507,112	78,242
Planning and Zoning	124,025	126,560	2,535
Buildings and Plant	693,376	741,383	48,007
Other General Government	24,750	31,944	7,194
Public Safety			
Sheriff	4,136,948	4,375,439	238,491
Boat and Water Safety	1,850	8,700	6,850
Coroner	58,000	65,400	7,400
County Jail	3,614,963	3,665,533	50,570
Probation and Parole	720,446	742,114	21,668
Sanitation			
Solid Waste	48,824	48,925	101
Conservation of Natural Resources			
Aquatic Invasive Species	73,100	73,503	403
Other	38,668	39,515	847
Total	<u>\$ 10,257,447</u>	<u>\$ 10,741,346</u>	<u>\$ 483,899</u>
<u>Special Revenue Funds by Fund</u>	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Road and Bridge Fund	\$ 11,042,829	\$ 11,760,166	\$ 717,337

**PINE COUNTY  
PINE CITY, MINNESOTA  
SCHEDULE OF FUNDING PROGRESS  
OTHER POSTEMPLOYMENT BENEFIT PLAN  
YEAR ENDED DECEMBER 31, 2015**

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)
1/1/2014	\$ -	\$ 2,013,925	\$ 2,013,925	- %	\$ 11,661,301	17.27 %
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

**PINE COUNTY  
PINE CITY, MINNESOTA  
SCHEDULE OF THE COUNTY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
YEAR ENDED DECEMBER 31, 2015**

	Measurement Date June 30, 2015
<b>PERA General Employees Retirement Fund (GERF)</b>	
County's Proportion of the Net Pension Liability	0.138%
County's Proportionate Share of the Net Pension Liability	\$ 7,136,329
County's Covered-Employee Payroll	\$ 8,095,828
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	88.15%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%

	Measurement Date June 30, 2015
<b>PERA Public Employees Police and Fire Fund (PEPFF)</b>	
County's Proportion of the Net Pension Liability	0.208%
County's Proportionate Share of the Net Pension Liability	\$ 2,363,367
County's Covered-Employee Payroll	\$ 1,906,286
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	123.98%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.60%

	Measurement Date June 30, 2015
<b>PERA Public Employees Correctional Fund (PECF)</b>	
County's Proportion of the Net Pension Liability	0.980%
County's Proportionate Share of the Net Pension Liability	\$ 151,508
County's Covered-Employee Payroll	\$ 1,753,715
County's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	8.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	96.90%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**PINE COUNTY  
PINE CITY, MINNESOTA  
SCHEDULE OF COUNTY CONTRIBUTIONS  
DECEMBER 31, 2015**

	<u>2015</u>
<b>PERA General Employees Retirement Fund (GERF)</b>	
Statutorily Required Contributions	\$ 613,543
Actual Contributions in Relation to the Required Contributions	(613,543)
Contribution (Deficiency) Excess	<u>\$ -</u>
County's Covered Payroll	\$ 8,179,660
Contributions as a Percentage of Covered Payroll	7.50%
	<u>2015</u>
<b>PERA Public Employees Police and Fire Fund (PEPFF)</b>	
Statutorily Required Contributions	\$ 331,325
Actual Contributions in Relation to the Required Contributions	(331,325)
Contribution (Deficiency) Excess	<u>\$ -</u>
County's Covered Payroll	\$ 2,045,215
Contributions as a Percentage of Covered Payroll	16.20%
	<u>2015</u>
<b>PERA Public Employees Correctional Fund (PECF)</b>	
Statutorily Required Contributions	\$ 163,274
Actual Contributions in Relation to the Required Contributions	(163,274)
Contribution (Deficiency) Excess	<u>\$ -</u>
County's Covered Payroll	\$ 1,865,985
Contributions as a Percentage of Covered Payroll	8.75%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

## **SUPPLEMENTARY INFORMATION**



**PINE COUNTY  
PINE CITY, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

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



**PINE COUNTY  
PINE CITY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2015**

	Special Revenue	General Obligation Courthouse Bonds Debt Service	Governmental Buildings Capital Projects	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 10,959	\$ 906,029	\$ 86,750	\$ 1,003,738
Restricted Cash and Investments - CDBG Grant	5,017	-	-	5,017
Undistributed Cash in Agency Funds	-	20,893	1,871	22,764
Taxes Receivable - Delinquent	-	69,144	3,231	72,375
Total Assets	<u>\$ 15,976</u>	<u>\$ 996,066</u>	<u>\$ 91,852</u>	<u>\$ 1,103,894</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Taxes	\$ -	\$ 55,430	\$ 1,910	\$ 57,340
<b>FUND BALANCES</b>				
Restricted for				
Debt Service	-	940,636	-	940,636
Ditches	10,770	-	-	10,770
Rehabilitation Program	5,206	-	-	5,206
Assigned for				
Capital Projects	-	-	89,942	89,942
Total Fund Balances	<u>15,976</u>	<u>940,636</u>	<u>89,942</u>	<u>1,046,554</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,976</u>	<u>\$ 996,066</u>	<u>\$ 91,852</u>	<u>\$ 1,103,894</u>

**PINE COUNTY  
PINE CITY, MINNESOTA  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	Special Revenue	General Obligation Courthouse Bonds Debt Service	Governmental Buildings Capital Projects	Total Nonmajor Funds
<b>REVENUES</b>				
Taxes	\$ -	\$ 979,989	\$ 92,564	\$ 1,072,553
Intergovernmental	-	20,758	-	20,758
Charges for Services	88	-	-	88
Total Revenues	88	1,000,747	92,564	1,093,399
<b>EXPENDITURES</b>				
<b>CURRENT</b>				
General Government	-	-	9,926	9,926
Conservation of Natural Resources	1,350	-	-	1,350
Economic Development	21,097	-	-	21,097
<b>DEBT SERVICE</b>				
Principal	-	540,000	-	540,000
Interest	-	394,450	-	394,450
Administrative Fiscal Charges	-	2,551	-	2,551
Total Expenditures	22,447	937,001	9,926	969,374
<b>NET CHANGE IN FUND BALANCES</b>	(22,359)	63,746	82,638	124,025
Fund Balance - Beginning of Year	38,335	876,890	7,304	922,529
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 15,976</b>	<b>\$ 940,636</b>	<b>\$ 89,942</b>	<b>\$ 1,046,554</b>

**PINE COUNTY  
PINE CITY, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2015**

<b>ASSETS</b>	<u>Ditch</u>	<u>Countywide Rehabilitation Program</u>	<u>Total</u>
Cash and Pooled Investments	\$ 10,770	\$ 189	\$ 10,959
Restricted Cash and Investments - CDBG Grant	-	5,017	5,017
Total Assets	<u>\$ 10,770</u>	<u>\$ 5,206</u>	<u>\$ 15,976</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>FUND BALANCES</b>			
Restricted for			
Ditches	\$ 10,770	\$ -	\$ 10,770
Rehabilitation Program	-	5,206	5,206
Total Liabilities and Fund Balances	<u>\$ 10,770</u>	<u>\$ 5,206</u>	<u>\$ 15,976</u>

**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, 2015**

	Ditch	County-Wide Rehabilitation Program	Total
<b>REVENUES</b>			
Charges for Services	\$ 88	\$ -	\$ 88
<b>EXPENDITURES</b>			
<b>CURRENT</b>			
Conservation of Natural Resources	1,350	-	1,350
Economic Development	-	21,097	21,097
Total Expenditures	1,350	21,097	22,447
<b>NET CHANGE IN FUND BALANCES</b>	(1,262)	(21,097)	(22,359)
Fund Balance - Beginning of Year	12,032	26,303	38,335
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 10,770</b>	<b>\$ 5,206</b>	<b>\$ 15,976</b>

**PINE COUNTY  
PINE CITY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL OBLIGATION COURTHOUSE BONDS DEBT SERVICE FUND  
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 998,917	\$ 998,917	\$ 979,989	\$ (18,928)
Intergovernmental	-	-	20,758	20,758
Total Revenues	<u>998,917</u>	<u>998,917</u>	<u>1,000,747</u>	<u>1,830</u>
<b>EXPENDITURES</b>				
<b>DEBT SERVICE</b>				
Principal	540,000	540,000	540,000	-
Interest	394,450	394,450	394,450	-
Administrative Fiscal Charges	1,300	1,300	2,551	(1,251)
Total Expenditures	<u>935,750</u>	<u>935,750</u>	<u>937,001</u>	<u>(1,251)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 63,167</u>	<u>\$ 63,167</u>	63,746	<u>\$ 579</u>
Fund Balance - Beginning of Year			<u>876,890</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 940,636</u>	

**PINE COUNTY  
PINE CITY, MINNESOTA  
BUDGETARY COMPARISON SCHEDULE  
GENERAL OBLIGATION JAIL BOND DEBT SERVICE FUND  
YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 1,290,200	\$ 1,290,200	\$ 1,265,987	\$ (24,213)
Intergovernmental	-	-	26,824	26,824
Total Revenues	<u>1,290,200</u>	<u>1,290,200</u>	<u>1,292,811</u>	<u>2,611</u>
<b>EXPENDITURES</b>				
<b>DEBT SERVICE</b>				
Principal	580,000	580,000	580,000	-
Interest	635,361	635,361	884,798	(249,437)
Administrative Fiscal Charges	1,300	1,300	252,788	(251,488)
Total Expenditures	<u>1,216,661</u>	<u>1,216,661</u>	<u>1,717,586</u>	<u>(500,925)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	73,539	73,539	(424,775)	(498,314)
<b>OTHER FINANCING SOURCES</b>				
Refunding Bonds Issued	-	-	13,430,000	13,430,000
Premium on Bonds Issued	-	-	894,683	894,683
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>14,324,683</u>	<u>14,324,683</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 73,539</u>	<u>\$ 73,539</u>	13,899,908	<u>\$ 13,826,369</u>
Fund Balance - Beginning of Year			<u>1,045,743</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 14,945,651</u>	

**PINE COUNTY  
PINE CITY, MINNESOTA  
AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

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.

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**PINE COUNTY  
PINE CITY, MINNESOTA  
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<b>PINE COUNTY CHILDREN, FAMILIES AND LEARNING SERVICES COLLABORATIVE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 58,312	\$ 141,117	\$ 188,019	\$ 11,410
Due From Other Governments	26,128	15,470	26,128	15,470
Total Assets	<u>\$ 84,440</u>	<u>\$ 156,587</u>	<u>\$ 214,147</u>	<u>\$ 26,880</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 84,440</u>	<u>\$ 156,587</u>	<u>\$ 214,147</u>	<u>\$ 26,880</u>
<b>STATE REVENUE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 19,014	\$ 600,495	\$ 597,529	\$ 21,980
Accounts Receivable	610	381	610	381
Total Assets	<u>\$ 19,624</u>	<u>\$ 600,876</u>	<u>\$ 598,139</u>	<u>\$ 22,361</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 19,624</u>	<u>\$ 600,876</u>	<u>\$ 598,139</u>	<u>\$ 22,361</u>
<b>TAXES AND PENALTIES</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	<u>\$ 512,927</u>	<u>\$ 39,146,198</u>	<u>\$ 39,230,408</u>	<u>\$ 428,717</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 512,927</u>	<u>\$ 39,146,198</u>	<u>\$ 39,230,408</u>	<u>\$ 428,717</u>
<b>EAST CENTRAL DRUG TASK FORCE</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 103,203	\$ 264,981	\$ 269,986	\$ 98,198
Due From Other Governments	28,982	26,214	28,982	26,214
Total Assets	<u>\$ 132,185</u>	<u>\$ 291,195</u>	<u>\$ 298,968</u>	<u>\$ 124,412</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 132,185</u>	<u>\$ 291,195</u>	<u>\$ 298,968</u>	<u>\$ 124,412</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 693,456	\$ 40,152,791	\$ 40,285,942	\$ 560,305
Accounts Receivable	610	381	610	381
Due From Other Governments	55,110	41,684	55,110	41,684
Total Assets	<u>\$ 749,176</u>	<u>\$ 40,194,856</u>	<u>\$ 40,341,662</u>	<u>\$ 602,370</u>
<b>LIABILITIES</b>				
Due to Other Governments	<u>\$ 749,176</u>	<u>\$ 40,194,856</u>	<u>\$ 40,341,662</u>	<u>\$ 602,370</u>

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## **OTHER SUPPLEMENTARY INFORMATION**



**PINE COUNTY  
PINE CITY, MINNESOTA  
SCHEDULE OF INTERGOVERNMENTAL REVENUE  
YEAR ENDED DECEMBER 31, 2015**

**SHARED REVENUE**

**STATE**

Highway Users Tax	\$ 8,119,215
Road Gas Tax	3,388
County Program Aid	1,714,530
PERA Rate Reimbursement	36,546
Disparity Reduction Aid	1,057
Police Aid	216,909
Enhanced 911	106,641
Market Value Credit	315,952
Aquatic Invasive Species	131,156
Casino Aid/Tribal Tax Agreement	75,603
	<hr/>
Total Shared Revenue	10,720,997

**REIMBURSEMENT FOR SERVICES**

**STATE**

Minnesota Department of Human Services	512,652
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**PAYMENTS**

Local	7,500
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**PAYMENTS IN LIEU OF TAX**

704,589

**GRANTS**

**STATE**

Minnesota Department of Corrections	232,036
Natural Resources	13,567
Human Services	1,508,233
Veteran Affairs	10,000
Water and Soil Resources Board	106,225
Pollution Control Agency	98,671
Peace Officer Standards and Training Board	10,329
	<hr/>
Total State	1,979,061

**FEDERAL**

Department of Agriculture	309,984
Interior	5,233
Transportation	859,300
Health and Human Services	2,081,804
Homeland Security	45,823
	<hr/>
Total Federal	3,302,144

Total State and Federal Grants

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5,281,205

Total Intergovernmental Revenue

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\$ 17,226,943

**PINE COUNTY  
PINE CITY, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed Through Kanabec Pine Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	15152MN004W1003	\$ 29,946	\$ -
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN127Q7503	<u>280,038</u>	<u>-</u>
Total Department of Agriculture			309,984	-
<b>U.S. Department of Interior</b>				
Direct Payments in Lieu of Taxes	15.226	N/A	5,233	-
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00058	859,300	-
<b>U.S. Department of Health and Human Services</b>				
Passed Through Kanabec Pine Community Health Services Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.069	U90TP000418	5,125	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.283	U50CK000204	10,147	-
Temporary Assistance for Needy Families	93.505	D89MC23539	14,951	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$344,264)	93.558	1502MNTANF	5,778	-
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	1,526	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	1401MNFPSS	8,542	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$344,264)	93.558	1502MNTANF	338,486	263,103
Child Support Enforcement	93.563	1504MN4005	661,600	-
Refugee and Entrant Assistance - State Administered Programs	93.566	1501MNRCA	456	-
Child Care and Development Block Grant	93.575	G1501MNCCDF	7,458	-
Community-Based Child Abuse Prevention Grants	93.590	1302MNFRRPG	19,008	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCWSS	5,208	-
Foster Care Title IV-E	93.658	1501MNFOST	112,624	-
Social Services Block Grant	93.667	1501MNSOSR	176,340	-

**PINE COUNTY  
PINE CITY, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)  
YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services (Continued)				
Chafee Foster Care Independence Program	93.674	1401MN1420	\$ 585	\$ -
Children's Health Insurance Program	93.767	1405MN5021	109	-
Medical Assistance Program	93.778	1505MN5ADM	713,861	-
Total Department of Health and Human Services			2,081,804	263,103
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	A-HMGP-DR4131- PINECO-0009	1,852	-
Passed Through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	DR-4069.10 EMPG-2014-	654	-
Emergency Management Performance Grants	97.042	PINECO-0792	43,317	-
Total Department of Homeland Security			45,823	-
Total Cash Type Federal Awards			<u>\$ 3,302,144</u>	<u>\$ 263,103</u>

**Notes to the Schedule of Federal Awards**

- 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.
- 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, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Pine County, it is not intended to and does not present the financial position, changes in net position of Pine County.
- Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pine County has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

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