

PINE COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017

**PINE COUNTY
PINE CITY, MINNESOTA
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DECEMBER 31, 2017**

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INTRODUCTORY SECTION

**PINE COUNTY
PINE CITY, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2017**

Office	Name	Term Expires
Commissioners		
1st District	Stephen Hallan	2018
2nd District	Joshua Mohr	2018
3rd District	Steve Chaffee	2020
4th District	John Mikrot Jr.	2020
5th District	Matt Ludwig *	2018
Officers		
Elected		
Attorney	Reese Frederickson	2018
Auditor - Treasurer	Cathy J. Clemmer	2018
Sheriff	Jeff Nelson	2018
Appointed		
Administrator	David J. Minke	Indefinite
Assessor	Kelly Schroeder	Indefinite
County Recorder	Kelly Schroeder	Indefinite
Registrar of Titles	Kelly Schroeder	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

SUITE 500
525 PARK STREET
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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, 2017, 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, 2017, 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.

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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pine County's 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 15, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017. 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, 2017, and the prior year, 2016, 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, 2017, by \$78,590,020 (net position). The County-wide net position increased 4.5% in 2017 over the prior year.
- Overall governmental fund-level revenues totaled \$43,462,065 and were \$1,230,610 more than expenditures in 2017. Expenditures include \$1,313,853 of principal paid.
- The General Fund's fund balance increased \$776,142 from the prior year and of the total fund balance amount, \$3,842,810 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.

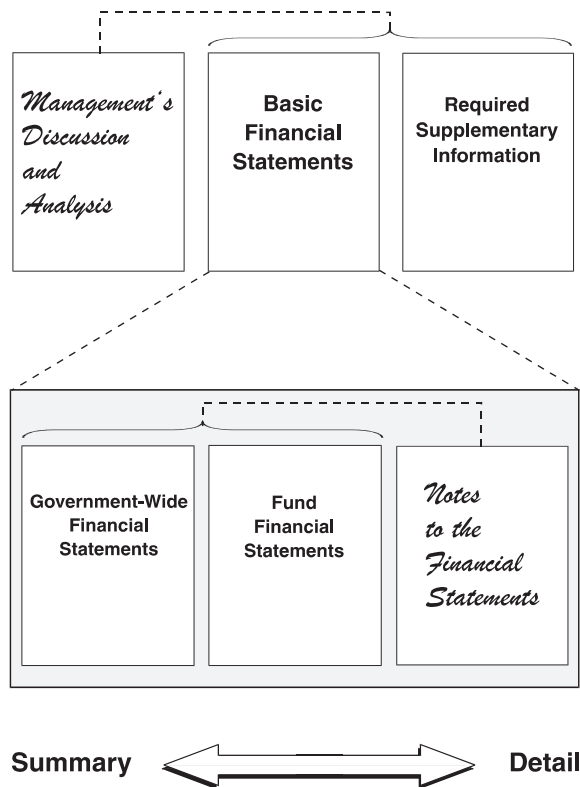
**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

Figure A-2. Major Features of the County's Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Fiduciary Funds
Scope	Entire County's government (except fiduciary funds).	The activities of the County that are not proprietary or fiduciary.	Instances in which the County is the trustee or agent for someone else's resources.
Required financial statements	Statement of net position.	Balance sheet.	Statement of fiduciary net position.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balance.	Statement of changes in fiduciary net position.
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset and deferred outflows of resources/liability and deferred inflows of resources information	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources both financial and capital, short-term and long-term.	Only assets and deferred outflows of resources expected to be used up and liabilities and deferred inflows of resources that come due during the year or soon thereafter, no capital assets included.	All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both short-term and long-term, Agency's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.

Government-Wide Statements

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

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017**

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 \$78,590,020 on December 31, 2017, an increase of \$3,375,145 from the prior year.

Table A-1
The County's Net Position

	Governmental Activities	
	2017	2016
Current and Other Assets	\$ 21,100,313	\$ 14,608,864
Capital Assets	105,761,217	103,234,259
Total Assets	<u>126,861,530</u>	<u>117,843,123</u>
Deferred Outflows of Resources	10,316,357	16,355,785
Current Liabilities	4,804,052	4,560,088
Long-Term Liabilities	45,943,229	52,059,026
Total Liabilities	<u>50,747,281</u>	<u>56,619,114</u>
Deferred Inflows of Resources	7,840,586	2,364,919
Net Position		
Net Investment in		
Capital Assets	78,811,050	78,797,236
Restricted	3,489,804	3,418,685
Unrestricted	(3,710,834)	(7,001,046)
Total Net Position	<u>\$ 78,590,020</u>	<u>\$ 75,214,875</u>

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CHANGE IN NET POSITION

The government-wide total revenues were \$43,880,916 for the year ended December 31, 2017 (an increase of \$3,722,068). This is a 9.3% increase over the prior year. Property taxes, operating grants and contributions, and capital grants and contributions accounted for 77% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities		Total % Change
	2017	2016	
REVENUES			
<u>Program Revenues</u>			
Charges for Services	\$ 6,816,248	\$ 6,156,284	10.7 %
Operating Grants and Contributions	10,977,997	9,796,348	12.1
Capital Grants and Contributions	5,019,689	4,693,426	7.0
<u>General Revenues</u>			
Property Taxes	16,983,199	15,976,870	6.3
Other	4,083,783	3,535,920	15.5
Total Revenues	<u>43,880,916</u>	<u>40,158,848</u>	9.3
EXPENSES			
General Government	6,530,813	5,881,734	11.0
Public Safety	11,477,195	12,287,669	(6.6)
Highways and Streets	8,404,018	9,186,158	(8.5)
Sanitation	282,173	272,689	3.5
Human Services	9,320,993	8,587,246	8.5
Health	1,557,398	1,561,974	(0.3)
Culture and Recreation	328,851	316,025	4.1
Conservation of Natural Resources	1,374,624	1,224,343	12.3
Economic Development	45,972	43,149	6.5
Interest	1,183,734	481,659	145.8
Total Expenses	<u>40,505,771</u>	<u>39,842,646</u>	1.7
CHANGE IN NET POSITION	3,375,145	316,202	967.4
Net Position - Beginning of Year	<u>75,214,875</u>	<u>74,898,673</u>	0.4
NET POSITION - END OF YEAR	<u><u>\$ 78,590,020</u></u>	<u><u>\$ 75,214,875</u></u>	4.5

Total revenues surpassed expenses and therefore net position increased \$3,375,145 over last year due to increases in property tax revenues.

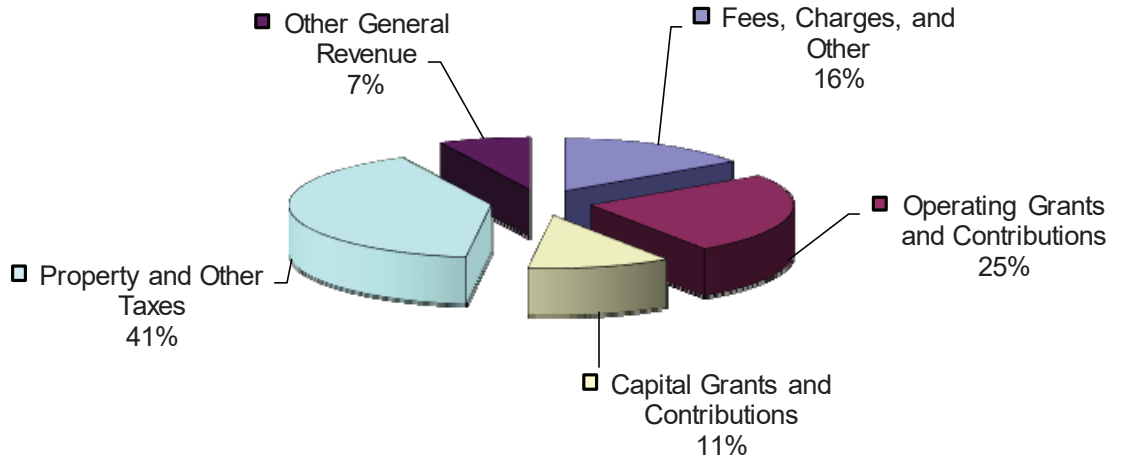
**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

CHANGE IN NET POSITION (CONTINUED)

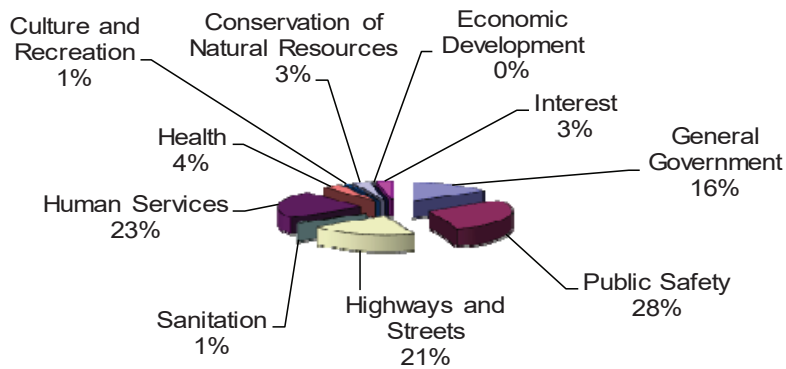
The government-wide cost of all governmental activities this year was \$40,505,771.

- Some of the cost was paid by the users of the County's programs (\$6,816,248).
- The federal and state governments subsidized certain programs with grants and contributions (\$15,997,686).
- The remainder of the County's governmental activities costs (\$17,691,837) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was covered by \$16,983,199 in property taxes, \$2,247,924 of state aid, \$1,835,859 of other general revenues, and resulted in an increase to net position.

Governmental Activities Revenues by Source 2017



Governmental Activities Expenses by Function 2017



**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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

	<u>Total Cost of Services</u>		Percentage Change	<u>Net (Revenue) Cost of Services</u>		Percentage Change
	2017	2016		2017	2016	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,530,813	\$ 5,881,734	11.0 %	\$ 5,059,913	\$ 4,464,950	13.3 %
Public Safety	11,477,195	12,287,669	(6.6)	9,337,544	10,280,358	(9.2)
Highways and Streets	8,404,018	9,186,158	(8.5)	(774,679)	196,613	(494.0)
Sanitation	282,173	272,689	3.5	57,269	78,879	(27.4)
Human Services	9,320,993	8,587,246	8.5	2,897,188	2,352,886	23.1
Health	1,557,398	1,561,974	(0.3)	97,805	1,520,103	(93.6)
Culture and Recreation	328,851	316,025	4.1	328,851	316,025	4.1
Conservation of Natural Resources	1,374,624	1,224,343	12.3	(518,097)	(536,534)	3.4
Economic Development	45,972	43,149	6.5	22,309	41,649	(46.4)
Interest	1,183,734	481,659	145.8	1,183,734	481,659	145.8
Total	<u>\$ 40,505,771</u>	<u>\$ 39,842,646</u>	1.7	<u>\$ 17,691,837</u>	<u>\$ 19,196,588</u>	(7.8)

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 \$14,557,591. Revenues for the County's governmental funds were \$43,462,065, while total expenditures were \$42,231,455.

The General Fund includes the primary operations of the County in providing services to citizens. The fund balance increased by \$776,142 during 2017 due primarily to transfers from other funds.

The Road and Bridge Fund has a total fund balance of \$621,570. Fund balance increased from 2016 due to an increase in grants received.

The Health and Human Services Fund has a total fund balance of \$1,718,115. It increased \$644,071 from 2016 due to increases in property tax and intergovernmental revenue sources.

The Land Management Fund has a total fund balance of \$991,973. It decreased \$31,652 from 2016 due to less sales in 2017.

The General Obligation Jail Bond Fund has a total fund balance of \$1,239,345. It increased \$83,720 from 2016 due to increased tax revenues.

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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, 2017	December 31, 2016	Increase (Decrease)	Percent
Taxes	\$ 9,501,072	\$ 8,519,354	\$ 981,718	11.5 %
Licenses and Permits	136,861	142,019	(5,158)	(3.6)
Intergovernmental	3,780,288	3,808,817	(28,529)	(0.7)
Charges for Services	1,901,572	1,663,244	238,328	14.3
Fines and Forfeits	23,739	32,253	(8,514)	(26.4)
Gifts and Contributions	124,873	111,082	13,791	12.4
Interest	86,473	(7,122)	93,595	1314.2
Miscellaneous and Other	822,691	967,443	(144,752)	(15.0)
Total General Fund Revenues	<u>\$ 16,377,569</u>	<u>\$ 15,237,090</u>	<u>\$ 1,140,479</u>	7.5

Total General Fund revenues increased by \$1,140,479, or 7.5%, from the previous year.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended		Change	
	December 31, 2017	December 31, 2016	Increase (Decrease)	Percent
General Government	\$ 5,223,440	\$ 5,161,280	\$ 62,160	1.2 %
Public Safety	9,531,330	9,437,237	94,093	1.0
Sanitation	281,452	269,236	12,216	4.5
Culture and Recreation	328,851	316,025	12,826	4.1
Conservation	378,114	371,607	6,507	1.8
Economic Development	45,819	38,350	7,469	19.5
Unallocated	165,737	151,033	14,704	9.7
Debt Service	103,480	91,643	11,837	12.9
Total Expenditures	<u>\$ 16,058,223</u>	<u>\$ 15,836,411</u>	<u>\$ 221,812</u>	1.4

Total General Fund expenditures increased by \$221,812, or 1.4% from the previous year.

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

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 primarily for additional public safety 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 \$364,199 more than budgeted; this is due to additional grants received.
- Overall, the actual expenditures were \$41,457 more than budgeted.

CAPITAL ASSETS

By the end of 2017, the County had invested \$155,943,872 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.4 to the financial statements). Total depreciation expense for the year was \$3,410,536.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2017	2016	
Land	\$ 4,413,866	\$ 4,413,866	-
Construction-in-Progress	1,964,587	-	100.0
Buildings and Building Improvements	26,655,110	26,855,219	(0.7)
Machinery, Furniture, and Equipment	10,030,717	9,528,741	5.3
Software	381,477	381,477	-
Infrastructure	112,498,115	108,965,655	3.2
Less: Accumulated Depreciation	(50,182,655)	(46,910,699)	7.0
Total	\$ 105,761,217	\$ 103,234,259	2.4

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2017**

LONG-TERM LIABILITIES

At year-end, the County had \$45,913,177 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$6,153,478 during the fiscal year, due primarily to the decrease in the net pension liability. The decrease in the net pension liability was a result of changes in actuarial studies.
- Minnesota Statutes limit the amount of debt a county may levy to 3% of its total market value of taxable property. At the end of 2017, Pine County's debt was 1.8% of its total market value of taxable property.

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

GOVERNMENTAL ACTIVITIES	2017	2016	Percentage Change
General Obligation Administrative Building Bonds	\$ 3,905,000	\$ -	100.0 %
General Obligation Capital Improvement Bonds	10,670,000	11,250,000	(5.2)
General Obligation Crossover Refunding Bonds	12,775,000	13,430,000	(4.9)
Special Assessments	145,044	217,566	(33.3)
General Obligation MPCA Notes	246,805	36,350	579.0
Compensated Absences	1,636,689	1,426,351	14.7
Other Postemployment Benefit Plan	1,682,382	1,570,525	7.1
Capital Lease	22,156	28,486	(22.2)
Net Pension Liability	14,830,101	24,107,377	(38.5)
Total	<u>\$ 45,913,177</u>	<u>\$ 52,066,655</u>	(11.8)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

By the end of 2017, Pine County approved its balanced 2018 revenue and expenditure budgets and approved a 5.2% tax levy increase in 2018.

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 Clemmer, Pine County Auditor-Treasurer, Pine County Courthouse, 635 Northridge Drive N.W., Suite 240, Pine City, Minnesota 55063.

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BASIC FINANCIAL STATEMENTS

**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

ASSETS		
Cash and Pooled Investments	\$	11,301,034
Petty Cash and Change Funds		2,550
Cash with Escrow Agent		4,004,767
Restricted Cash and Investments - CDBG Grant		9
Taxes Receivable - Delinquent		900,539
Special Assessments Receivable Noncurrent		265,148
Accounts Receivable		1,866,103
Accrued Interest Receivable		13,732
Due from Other Governments		1,957,271
Inventory		486,638
Prepaid Items		302,522
Non-Depreciable Capital Assets		
Land		4,413,866
Construction-in-Progress		1,964,587
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		18,517,366
Building Improvement		47,602
Machinery, Furniture, and Equipment		2,260,608
Software		98,153
Infrastructure		78,459,035
		<hr/>
Total Assets		126,861,530
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related		8,461,273
Refunding Deferred Charge on Bonds		1,855,084
		<hr/>
Total Deferred Outflows of Resources		10,316,357
LIABILITIES		
Accounts Payable		723,290
Salaries Payable		1,094,372
Contracts Payable		150,205
Customer Deposits		19,676
Due to Other Governments		1,047,842
Unearned Revenue		43,295
Accrued Interest Payable		356,519
General Obligation Bonds Payable - Due Within One Year		1,290,000
Special Assessments - Due Within One Year		72,523
Capital Lease Payable - Due Within One Year		6,330
General Obligation Bonds Payable - Due in More Than One Year		27,458,905
Special Assessments - Due in More Than One Year		72,521
Capital Lease Payable - Due in More Than One Year		15,826
Notes Payable - Due in More Than One Year		246,805
Other Postemployment Benefits Payable - Due in More Than One Year		1,682,382
Compensated Absences Payable - Due in More Than One Year		1,636,689
Net Pension Liability		14,830,101
		<hr/>
Total Liabilities		50,747,281
DEFERRED INFLOWS OF RESOURCES		
Pension Related		7,503,811
Property Taxes Received for Future Periods		336,775
		<hr/>
Total Deferred Inflows of Resources		7,840,586
NET POSITION		
Net Investment in Capital Assets		78,811,050
Restricted For:		
General Government		552,555
Public Safety		295,741
Highways and Streets		293,904
Human Services		417,365
Conservation of Natural Resources		128,425
Debt Service		1,801,814
Unrestricted		(3,710,834)
		<hr/>
Total Net Position	\$	<u>78,590,020</u>

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**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2017**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					Governmental Activities
General Government	\$ 6,530,813	\$ 1,272,670	\$ 198,230	\$ -	\$ (5,059,913)
Public Safety	11,477,195	1,432,619	707,032	-	(9,337,544)
Highways and Streets	8,404,018	252,789	3,906,219	5,019,689	774,679
Sanitation	282,173	135,745	89,159	-	(57,269)
Human Services	9,320,993	1,460,527	4,963,278	-	(2,897,188)
Health	1,557,398	591,357	868,236	-	(97,805)
Culture and Recreation	328,851	-	-	-	(328,851)
Conservation of Natural Resources	1,374,624	1,670,541	222,180	-	518,097
Economic Development	45,972	-	23,663	-	(22,309)
Interest	1,183,734	-	-	-	(1,183,734)
Total Governmental Activities	\$ 40,505,771	\$ 6,816,248	\$ 10,977,997	\$ 5,019,689	(17,691,837)
GENERAL REVENUES					
					16,983,199
Property Taxes					870,784
Wheelage Tax					22,684
Mortgage Registry and Deed Tax					608,952
Payments in Lieu of Tax					2,247,924
Grants and Contributions not Restricted for a Particular Purpose					86,943
Investment Earnings					246,496
Miscellaneous					246,496
Total General Revenues					21,066,982
CHANGE IN NET POSITION					
					3,375,145
Net Position - Beginning of Year					75,214,875
NET POSITION - END OF YEAR					
					\$ 78,590,020

**PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

ASSETS	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
Cash and Pooled Investments	\$ 4,694,287	\$ 292,823	\$ 1,274,405
Undistributed Cash in Agency Funds (Taxes and Other)	411,793	73,273	142,641
Petty Cash and Change Funds	2,400	150	-
Cash with Escrow Agent	-	-	-
Restricted Cash and Investments - CDBG Grant	-	-	-
Taxes Receivable			
Delinquent	489,495	100,186	184,337
Special Assessments Receivable			
Noncurrent	20,826	-	-
Accounts Receivable	15,701	1,691	101,025
Accrued Interest Receivable	13,732	-	-
Due from Other Funds	652,558	12,750	97
Due from Other Governments	282,887	520,186	1,153,898
Prepaid Items	302,522	-	-
Inventories	-	486,638	-
Total Assets	<u>\$ 6,886,201</u>	<u>\$ 1,487,697</u>	<u>\$ 2,856,403</u>
LIABILITIES			
Accounts Payable	\$ 308,586	\$ 36,828	\$ 273,765
Salaries Payable	638,364	117,020	335,015
Contracts Payable	-	150,205	-
Due to Other Funds	11,943	1,415	37,414
Due to Other Governments	145,747	14,912	282,263
Unearned Revenue	43,295	-	-
Customer Deposits	19,676	-	-
Total Liabilities	1,167,611	320,380	928,457

Land Management	General Obligation Jail Bond	CIP Project Bond	Other Governmental Funds	Total Governmental Funds
\$ 1,968,101	\$ 1,198,945	\$ -	\$ 1,153,063	\$ 10,581,624
-	45,828	-	45,875	719,410
-	-	-	-	2,550
-	-	4,004,767	-	4,004,767
-	-	-	9	9
-	65,277	-	61,244	900,539
-	-	-	-	-
-	-	-	244,322	265,148
1,747,686	-	-	-	1,866,103
-	-	-	-	13,732
-	-	-	-	665,405
-	-	-	300	1,957,271
-	-	-	-	302,522
-	-	-	-	486,638
<u>\$ 3,715,787</u>	<u>\$ 1,310,050</u>	<u>\$ 4,004,767</u>	<u>\$ 1,504,813</u>	<u>\$ 21,765,718</u>
\$ 270	\$ -	\$ 40,098	\$ 63,488	\$ 723,035
3,973	-	-	-	1,094,372
-	-	-	-	150,205
366,710	-	183,113	64,810	665,405
605,175	-	-	-	1,048,097
-	-	-	-	43,295
-	-	-	-	19,676
976,128	-	223,211	128,298	3,744,085

**PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge	Health and Human Services
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	\$ 374,824	\$ 73,015	\$ 134,102
Unavailable Grants	-	436,695	1,848
Taxes Received for Future Periods	181,841	36,037	73,881
Unavailable Revenue	-	-	-
Unavailable Special Assessments	20,826	-	-
Total Deferred Inflows of Resources	577,491	545,747	209,831
FUND BALANCES			
Nonspendable for			
Prepaid Items	302,522	-	-
Inventories	-	486,638	-
Restricted for			
Debt Service	-	-	-
Aquatic Invasive Species	128,425	-	-
Law Library	47,633	-	-
Missing Heirs	53,705	-	-
E911	64,060	-	-
Septic System Upgrade Program	5,206	-	-
Recorder's Equipment Purchases	219,171	-	-
Recorder's Compliance	221,069	-	-
Election Equipment	5,771	-	-
Attorney Forfeiture	84,127	-	-
Sheriff's Contingency	4,958	-	-
Sheriff Posse, Horse, Canine	329	-	-
Drug Forfeitures	18,846	-	-
Economic Development	19,046	-	-
Gun Permits	123,380	-	-
Ditches	-	-	-
Rehabilitation Program	-	-	-
MIECHV Grant	-	-	417,365
Road Access	-	-	-
Sheriff's Backpack Program	41	-	-
Assigned for			
Capital Projects	-	-	-
Petty Cash	-	150	-
Fund Purposes	-	134,782	1,300,750
Unassigned	3,842,810	-	-
Total Fund Balances	5,141,099	621,570	1,718,115
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,886,201	\$ 1,487,697	\$ 2,856,403

Land Management	General Obligation Jail Bond	CIP Project Bond	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 48,300	\$ -	\$ 45,649	\$ 675,890
-	-	-	-	438,543
-	22,405	-	22,611	336,775
1,747,686	-	-	-	1,747,686
-	-	-	244,322	265,148
1,747,686	70,705	-	312,582	3,464,042
-	-	-	-	302,522
-	-	-	-	486,638
-	1,239,345	3,781,556	1,078,445	6,099,346
-	-	-	-	128,425
-	-	-	-	47,633
-	-	-	-	53,705
-	-	-	-	64,060
-	-	-	-	5,206
-	-	-	-	219,171
-	-	-	-	221,069
-	-	-	-	5,771
-	-	-	-	84,127
-	-	-	-	4,958
-	-	-	-	329
-	-	-	-	18,846
-	-	-	-	19,046
-	-	-	-	123,380
-	-	-	17,097	17,097
-	-	-	9	9
-	-	-	-	417,365
46,777	-	-	-	46,777
-	-	-	-	41
-	-	-	43,282	43,282
-	-	-	-	150
945,196	-	-	-	2,380,728
-	-	-	(74,900)	3,767,910
991,973	1,239,345	3,781,556	1,063,933	14,557,591
\$ 3,715,787	\$ 1,310,050	\$ 4,004,767	\$ 1,504,813	\$ 21,765,718

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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, 2017**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS \$ 14,557,591

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. 105,761,217

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 3,127,267

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	\$ (14,830,101)	
Deferred Outflows of Resources - Pension Related	8,461,273	
Deferred Inflows of Resources - Pension Related	<u>(7,503,811)</u>	(13,872,639)

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	(27,350,000)	
Unamortized Bond Premium	(1,398,905)	
Unamortized Deferred Outflows of Resources on Refunding Bond	1,855,084	
Special Assessments Payable	(145,044)	
Capital Lease Payable	(22,156)	
G.O. MPCA Note Payable	(246,805)	
Compensated Absences	(1,636,689)	
Other Postemployment Benefit Plan Payable	(1,682,382)	
Accrued Interest Payable	<u>(356,519)</u>	<u>(30,983,416)</u>

TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 78,590,020

**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge	Health and Human Services
REVENUES			
Taxes	\$ 9,501,072	\$ 2,736,218	\$ 3,451,319
Special Assessments	3,517	-	-
Licenses and Permits	136,861	-	-
Intergovernmental	3,780,288	9,105,278	6,181,003
Charges for Services	1,901,572	191,088	55,390
Fines and Forfeits	23,739	-	-
Gifts and Contributions	124,873	-	3,240
Investment Earnings	86,473	-	470
Miscellaneous	819,174	61,701	1,704,472
Total Revenues	16,377,569	12,094,285	11,395,894
EXPENDITURES			
CURRENT			
General Government	5,223,440	-	-
Public Safety	9,531,330	-	-
Highways and Streets	-	11,253,012	-
Sanitation	281,452	-	-
Human Services	-	-	9,180,103
Health	-	-	1,571,720
Culture and Recreation	328,851	-	-
Conservation of Natural Resources	378,114	-	-
Economic Development	45,819	-	-
INTERGOVERNMENTAL			
Highways and Streets	-	440,445	-
UNALLOCATED			
Insurance	165,737	-	-
DEBT SERVICE			
Principal	78,853	-	-
Interest	24,627	-	-
Administrative - Fiscal Charges	-	-	-
Bond Issuance Costs	-	-	-
Total Expenditures	16,058,223	11,693,457	10,751,823
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	319,346	400,828	644,071
OTHER FINANCING SOURCES (USES)			
Transfers In	456,796	-	-
Transfers Out	-	-	-
Bonds Issued	-	-	-
Premium on Bonds	-	-	-
Discount on Bonds	-	-	-
Proceeds from MPCA Note	-	-	-
Total Other Financing Sources (Uses)	456,796	-	-
NET CHANGES IN FUND BALANCES	776,142	400,828	644,071
Fund Balances - Beginning of Year	4,364,957	200,189	1,074,044
INCREASE IN INVENTORIES	-	20,553	-
FUND BALANCES - END OF YEAR	<u>\$ 5,141,099</u>	<u>\$ 621,570</u>	<u>\$ 1,718,115</u>

Land Management	General Obligation Jail Bond	CIP Project Bond	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,170,460	\$ -	\$ 1,172,907	\$ 18,031,976
-	-	-	-	3,517
-	-	-	-	136,861
47,252	21,435	-	20,141	19,155,397
-	-	-	8,439	2,156,489
-	-	-	-	23,739
-	-	-	-	128,113
-	-	-	-	86,943
1,153,683	-	-	-	3,739,030
1,200,935	1,191,895	-	1,201,487	43,462,065
-	-	-	85,116	5,308,556
-	-	-	285,231	9,816,561
-	-	-	-	11,253,012
-	-	-	-	281,452
-	-	-	-	9,180,103
-	-	-	-	1,571,720
-	-	-	-	328,851
775,980	-	-	223,159	1,377,253
-	-	-	209	46,028
-	-	-	-	440,445
-	-	-	-	165,737
-	655,000	-	580,000	1,313,853
-	448,325	-	357,800	830,752
-	4,850	223,211	2,850	230,911
-	-	86,221	-	86,221
775,980	1,108,175	309,432	1,534,365	42,231,455
424,955	83,720	(309,432)	(332,878)	1,230,610
-	-	-	-	456,796
(456,607)	-	-	(189)	(456,796)
-	-	3,905,000	-	3,905,000
-	-	185,988	-	185,988
-	-	-	-	-
-	-	-	210,455	210,455
(456,607)	-	4,090,988	210,266	4,301,443
(31,652)	83,720	3,781,556	(122,612)	5,532,053
1,023,625	1,155,625	-	1,186,545	9,004,985
-	-	-	-	20,553
\$ 991,973	\$ 1,239,345	\$ 3,781,556	\$ 1,063,933	\$ 14,557,591

**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, 2017**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 5,532,053

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	\$ 6,076,159	
Net Book Value of Disposed Assets	(138,665)	
Current Year Depreciation	<u>(3,410,536)</u>	2,526,958

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		415,504
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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.		(1,761,626)
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The governmental funds report septic loan and capital lease proceeds as financing sources, while repayment of these payables are reported as expenditures. In the state of net position, however, these payables increases long-term liabilities and does not affect the statement of activities and repayment of these payables reduces the liabilities.

Proceeds from G.O. MPCA Note	(210,455)	
Proceeds from 2017A General Obligation Bond	(3,905,000)	
Premium from 2017A General Obligation Bond	<u>(185,988)</u>	(4,301,443)

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		
2012A & 2015A General Obligation Bonds	1,235,000	
Special Assessments Payable	72,522	
Capital Lease Payable	<u>6,330</u>	1,313,852

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	(2,400)	
Amortization of Premiums/Discounts and Refunding Deferred Charge	(46,111)	
Change in Inventories	20,553	
Change in Compensated Absences	(210,338)	
Change in Other Postemployment Benefits	<u>(111,857)</u>	<u>(350,153)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 3,375,145**

**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

ASSETS

Cash and Pooled Investments	\$ 1,002,417
Due from Other Governments	<u>32,064</u>
Total Assets	<u>\$ 1,034,481</u>

LIABILITIES

Due to Other Governments	<u>\$ 1,034,481</u>
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**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017**

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.

The CIP Project Bond 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.

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, 2017**

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 2017 were \$86,943.

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, 2017**

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 five years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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, 2017**

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	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 two types of items which occur relating to revenue recognition: Unavailable revenues and pension related.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 90 days after the end of the County's year) under the modified accrual basis of accounting. The second 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 except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2017**

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, deferred outflows of resources and liabilities and deferred inflows of resources 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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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. Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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, 2017.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 16,058,223	\$ 16,016,766	\$ 41,457
Health and Human Services Fund	10,751,823	10,499,906	251,917
Land Management Fund	775,980	771,100	4,880
General Obligation Jail Bond Debt Service Fund	1,108,175	1,104,625	3,550
General Obligation Courthouse Bonds Debt Service Fund	940,650	939,100	1,550

The General Fund and General Obligation Courthouse Bonds Debt Service Fund expenditures in excess of budget were funded by existing fund balance. The Health and Human Services Fund expenditures in excess of budget were funded by reimbursements from Kanabec-Pine Community Health Board. Expenditures in excess to budget were funded by existing fund balances.

B. Deficit Fund Balance

The Clean Water Partnership Program Special Revenue Fund had deficit fund balance as of December 31, 2017 of \$12,096. This deficit will be eliminated with future grant revenues.

The Technology Equipment Capital Project Fund had deficit fund balance as of December 31, 2017 of \$62,804. This deficit will be eliminated with future tax revenues.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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:

Government-Wide Statement of Net Position	
Cash and Pooled Investments	\$ 11,301,034
Petty Cash and Change Funds	2,550
Cash with Escrow Agent	4,004,767
Restricted Cash and Investments - CDBG Grant	9
Statement of Fiduciary Net Position	
Cash and Pooled Investments	1,002,417
Total Cash and Investments	\$ 16,310,777
Deposits	\$ 3,743,802
Change Funds	2,550
Cash with Escrow Agent	4,004,767
Investments	8,559,658
Total Deposits, Cash and Investments	\$ 16,310,777

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, 2017, the County's deposits were not subject to custodial credit risk.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2017**

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% 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, 2017, 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, 2017**

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, 2017, 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	
Investment Pools					
MAGIC Fund	N/A	N/A	N/A	N/A	\$ 4,701,478
Negotiable Certificates of Deposit					
JP Morgan Chase					244,730
Capital One Bk USA					247,551
Worlds Foremost Bank					198,646
HSBC Bank USA					242,619
Goldman Sachs					243,921
BMW Bank of NA					241,535
American Express Fed Svgs Bk					248,730
American Express Centurion					243,726
CIT Bk Sale Lake City UT					248,298
Discover Bk Greenwood DEL					249,130
Wells Fargo					246,957
Synchrony Bk Retail					243,921
Sallie Mae Bank					149,772
Toyota Financial					238,118
Comenity Capital Bank					173,276
Ally Bank					249,110
RCB Bank					148,140
Total Negotiable Certificates of Deposit					<u>3,858,180</u>
Total Investments					8,559,658
Deposits					3,743,802
Petty Cash					2,550
Cash with Escrow Agent					<u>4,004,767</u>
Total Cash and Investments					<u>\$ 16,310,777</u>

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Fair Value Measurements

The County uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures.

The County follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements. In accordance with this standard, the County has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the combined statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial asset and liabilities are valued using inputs that are adjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants and would use in pricing the asset.

Assets measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
Investments by Fair Value Level				
Negotiable Certificates of Deposit	\$ 1,172,467	\$ 2,685,713	\$ -	\$ 3,858,180
Investments Measured at Amortized Cost				
External Investment Pool				4,701,478
Total Investments				<u>8,559,658</u>
Deposits and Cash on Hand				3,746,352
Cash with Escrow Agent				<u>4,004,767</u>
				<u>\$ 16,310,777</u>

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Fair Value Measurements (Continued)

The County invests in the MAGIC Fund external local government investment pool. The County invests in this pool for the purpose of the joint investment of the County's money with those other counties to enhance the investment earnings accruing to each member. The MAGIC portfolio is valued using amortized cost. Shares of the MAGIC portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a portfolio's securities or determination of its net asset value not reasonably practical.

3. Receivables

Receivables as of December 31, 2017, are as follows:

	County Receivable	Amounts Scheduled to be Collected During the Subsequent Year
Taxes	\$ 900,539	\$ 900,538
Special Assessments	265,148	5,138
Accounts	1,866,103	1,866,103
Interest	13,732	13,732
Due from Other Governments	1,957,271	1,298,605
Total	\$ 5,002,793	\$ 4,084,116

No applicable allowance for uncollectible accounts is recorded relating to the above receivables.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets, Not Being Depreciated				
Land	\$ 4,413,866	\$ -	\$ -	\$ 4,413,866
Construction in Progress	-	1,964,587	-	1,964,587
Total Capital Assets, Not Being Depreciated	4,413,866	1,964,587	-	6,378,453
Capital Assets, Being Depreciated				
Buildings	26,855,219	-	249,694	26,605,525
Building Improvement	-	49,585	-	49,585
Machinery and Equipment	9,528,741	529,527	27,551	10,030,717
Software	381,477	-	-	381,477
Infrastructure	108,965,655	3,532,460	-	112,498,115
Total Capital Assets, Being Depreciated	145,731,092	4,111,572	277,245	149,565,419
Less Accumulated Depreciation for				
Buildings	7,575,095	629,604	116,540	8,088,159
Building Improvement	-	1,983	-	1,983
Machinery, Furniture, and Equipment	7,217,023	575,126	22,040	7,770,109
Software	238,613	44,711	-	283,324
Infrastructure	31,879,968	2,159,112	-	34,039,080
Total Accumulated Depreciation	46,910,699	3,410,536	138,580	50,182,655
Total Capital Assets, Being Depreciated, Net	98,820,393	701,036	138,665	99,382,764
Governmental Activities Capital Assets, Net	<u>\$ 103,234,259</u>	<u>\$ 2,665,623</u>	<u>\$ 138,665</u>	<u>\$ 105,761,217</u>

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

Governmental Activities	
General Government	\$ 329,934
Public Safety	607,880
Highways and Streets	2,472,722
Total Depreciation Expense - Governmental Activities	<u>\$ 3,410,536</u>

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Human Services	\$ 36,595
	Road & Bridge	1,415
	Land Management	366,625
	Debt Service Funds	183,113
	Capital Project Funds	64,810
		<u>652,558</u>
Road & Bridge Fund	Health & Human Services	819
	General	11,931
		<u>12,750</u>
Health & Human Services Fund	General	12
	Land Management	85
		<u>97</u>
	Total	<u><u>\$ 665,405</u></u>

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, 2017, consisted of the following:

	Amount	Description
Transfers to General Fund from		
County-Wide Rehabilitation Program Fund	\$ 189	To eliminate Program Fund
Land Management Fund	456,607	Forfeited Tax Distribution and Salary Reimbursement
Total Interfund Transfers	<u><u>\$ 456,796</u></u>	

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2017. The projects include the following:

Governmental Activities	Spent-to-Date	Remaining Commitment
Roads and Bridges	\$ 11,290,248	\$ 4,570,394

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2017
General Obligation Bonds					
2012A G.O. Capital Improvement Bonds	2031	\$ 480,000 - 965,000	3.000 - 4.000	\$ 13,410,000	\$ 10,670,000
2015A G.O. Crossover Refunding Bonds	2031	655,000 - 1,595,000	3.000 - 4.000	13,430,000	12,775,000
2016 G.O. MPCA Note	2029	28,339 - 34,237	2.000	624,000	246,805
2017A G.O. Capital Improvement Bonds	2033	175,000 - 315,000	4.000	3,905,000	3,905,000
Printer Server Capital Lease	2021	31,651	3.000	31,651	22,156
Special Assessments	2019	72,523	5.500		145,044
Total General Obligation Bonds, Loans, and Assessments				\$ 31,400,651	27,764,005
Add: Unamortized Premium					1,398,905
Total General Obligation Bonds, Net					\$ 29,162,910

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31,	Special Assessments		2012A G.O. Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 72,523	\$ 7,977	\$ 610,000	\$ 334,000
2019	72,521	3,989	635,000	309,100
2020	-	-	665,000	283,100
2021	-	-	700,000	255,800
2022	-	-	730,000	230,850
2023-2027	-	-	4,055,000	804,075
2028-2033	-	-	3,275,000	178,125
Total	\$ 145,044	\$ 11,966	\$ 10,670,000	\$ 2,395,050

Year Ending December 31,	2015A G.O. Crossover Refunding Bonds		2016 G.O. MPCA Note	
	Principal	Interest	Principal	Interest
2018	\$ 680,000	\$ 428,300	\$ -	\$ -
2019	695,000	404,200	-	-
2020	725,000	375,800	56,962	12,197
2021	760,000	346,100	58,107	11,052
2022	785,000	315,200	59,275	9,884
2023-2027	4,445,000	1,086,075	314,730	31,061
2028-2033	4,685,000	308,625	134,926	3,389
Total	\$ 12,775,000	\$ 3,264,300	\$ 624,000	\$ 67,583

* See note 3.C.4.

Year Ending December 31,	2017A G.O. CIP Bonds	
	Principal	Interest
2018	\$ -	\$ 97,400
2019	175,000	108,338
2020	220,000	102,413
2021	225,000	95,738
2022	235,000	88,838
2023-2027	1,280,000	334,163
2028-2033	1,770,000	160,179
Total	\$ 3,905,000	\$ 987,069

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements (Continued)

Year Ending December 31,	Printer Server Capital Lease	
	Principal	Interest
2018	\$ 6,330	\$ -
2019	6,330	-
2020	6,330	-
2021	3,166	-
2022	-	-
Total	<u>\$ 22,156</u>	<u>\$ -</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
2012A G.O. Capital Bonds	\$ 11,250,000	\$ -	\$ 580,000	\$ 10,670,000	\$ 610,000
2015A G.O. Crossover Refunding Bonds	13,430,000	-	655,000	12,775,000	680,000
2017A G.O. CIP Bonds	-	3,905,000	-	3,905,000	-
Add: Premium on Bonds	1,306,224	185,988	93,307	1,398,905	-
2016 G.O. MPCA Note Payable	36,350	210,455	-	246,805	-
Special Assessments	217,566	-	72,522	145,044	72,523
Capital Lease Payable	28,486	-	6,330	22,156	6,330
Net Pension Liability	24,107,377		9,277,276	14,830,101	-
Compensated Absences	1,426,351	1,579,626	1,369,288	1,636,689	-
Other Postemployment Benefits	1,570,525	202,961	91,104	1,682,382	-
Total Long-Term Liabilities	<u>\$ 53,372,879</u>	<u>\$ 6,084,030</u>	<u>\$ 12,144,827</u>	<u>\$ 47,312,082</u>	<u>\$ 1,368,853</u>

Debt is generally paid from the Debt Service Funds. The Minnesota Pollution Control notes are paid from the Clean Water Partnership Program 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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities (Continued)

In 2017, the County issued \$3,905,000 in General Obligation Capital Improvement Bonds to finance the construction of a new county administrative building in Sandstone, Minnesota.

General Obligation MPCA Note

The County participates in a revolving loan program that resulted in entering into a loan agreement with the Minnesota Pollution Control Agency for financing septic systems. The loans are secured by special assessments placed on the individual parcels requesting repair of septic systems. The loans bear interest at 2%. The County can draw up to \$600,000 on this note. When the loan has been fully disbursed, the project has been fully completed, or the project implementation period has expired, then a final repayment schedule will be set. The tentative repayment schedule requires semi-annual installments of \$34,579 beginning June 15, 2020. \$246,805 of the loan has been drawn down by the County as of December 31, 2017.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Lease Obligations

Operating Leases

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 2017:

<u>Type of Property</u>	<u>Amount</u>
Copiers and Office Equipment	\$ 56,476
Microsoft Enterprise Agreement	49,000
Total Operating Lease Expense	<u>\$ 105,476</u>

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2017:

<u>Year Ended</u>	<u>Amount</u>
2018	\$ 108,009
2019	109,004
2020	54,328
2021	27,305
2022	<u>5,220</u>
Total Future Minimum Lease Payments	<u>\$ 303,866</u>

Capital Leases

The County entered into a lease agreement for use of a printer server. At December 31, 2017, the County had total assets under this lease of \$43,651 with the related accumulated depreciation of \$17,460. Future minimum lease payments under the lease are summarized in Note 3.C.5 on page 45.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

All full-time and certain part-time employees of Pine County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to 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, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50% after five years and increasing 10% for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years and increasing 5% for each year of service until fully vested after twenty years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50% after five years and increasing 10% for each year of service until fully vested after ten years.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employee Retirement Plan and Public Employee Police and Fire Plan benefit recipients receive a future annual 1.0% postretirement benefit increase while Public Employees Correctional Plan benefits receive 2.5%. For the General Employee Retirement Plan and the Public Employee Police and Fire Plan, If the funding ratio reaches 90% for two consecutive years, the benefit increase will revert to 2.5%. If, after reverting to a 2.5% benefit increase, the funding ratio declines to less than 80% for one year or less than 85% for two consecutive years, the benefit increase will decrease to 1.0%.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

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 General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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% of average salary for each of the first ten years of service 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. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0% of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9% of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan and Public Employees Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members and Coordinated members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80% of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83% of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$	686,247
Public Employees Police and Fire Plan		367,587
Public Employees Correctional Plan		164,397

The contributions are equal to the contractually required contributions as set by state statute.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$9,167,329 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.1436%. It was 0.1400% measured as of June 30, 2016. The County recognized pension expense of \$1,283,053 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$3,328 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031. The State of Minnesota's proportionate share of the net pension liability associated with Pine County is \$115,248.

At December 31, 2017, the County reported its proportionate share of the General Employees Plan'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	\$ 302,128	\$ 589,757
Changes in Actuarial Assumptions	1,521,975	919,026
Net Difference Between Projected and Actual Investment Earnings	59,209	-
Changes in Proportion	204,183	172,633
Contributions Paid to PERA Subsequent to the Measurement Date	360,070	-
Total	<u>\$ 2,447,565</u>	<u>\$ 1,681,416</u>

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Retirement Plan (Continued)

The \$360,070 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, 2018. 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
2018	\$ 312,259
2019	609,961
2020	(127,005)
2021	(389,136)

2. Police and Fire Fund Plan

At December 31, 2017, the County reported a liability of \$2,983,763 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County proportion was 0.221%. It was 0.224% measured as of June 30, 2016. The County recognized pension expense of \$754,860 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$19,890 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90% funded.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Plan (Continued)

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 68,679	\$ 797,676
Changes in Actuarial Assumptions	3,904,849	4,236,204
Net Difference Between Projected and Actual Investment Earnings	40,979	-
Changes in Proportion	119,736	57,513
Contributions Paid to PERA Subsequent to the Measurement Date	198,982	-
Total	<u>\$ 4,333,225</u>	<u>\$ 5,091,393</u>

The \$198,982 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, 2018. 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
2018	\$ 68,217
2019	68,217
2020	(41,161)
2021	(210,656)
2022	(841,767)

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$2,679,009 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.94%. It was 1.02% as of June 30, 2016. For the year ended December 31, 2017, the County recognized pension expense of \$1,011,172 for its proportionate share of the Public Employees Correctional Plan's pension expense.

The County reported its proportionate share of the Public Employees Correctional Plan'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	\$ 1,948	\$ 44,912
Changes in Actuarial Assumptions	1,582,693	466,336
Net Difference Between Projected and Actual Investment Earnings	7,472	-
Changes in Proportion	1,698	219,754
Contributions Paid to PERA Subsequent to the Measurement Date	86,672	-
Total	<u>\$ 1,680,483</u>	<u>\$ 731,002</u>

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Public Employees Correctional Plan (Continued)

The \$86,672 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, 2018. 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
2018	\$ 574,012
2019	594,703
2020	(231,330)
2021	(74,576)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Assumptions	
Inflation	2.50% per Year
Salary Increases	3.25% per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in all Plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0% for General Employees through 2044 and Police and Fire Plan through 2064 and then 2.5% thereafter for both plans. Cost of living benefit increases for retirees are assumed to be 2.5% for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for the Public Employees Police and Fire Plan was completed in 2016. The experience study for the Public Employees Correctional Plan was for the period 2006 through 2011.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.5%. 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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39 %	5.10 %
International Stocks	19	5.30
Bonds	20	0.75
Alternative Assets	20	5.90
Cash	2	0.00
Totals	<u>100 %</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50% in 2017 and 2016. 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, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were 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. In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062 when projected benefit payments exceed the Plans' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96% for the Public Employees Correctional Plan was determined that produced approximately the same present value of the projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 3.56% thereafter.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

1. General Employees Retirement Plan

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

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

G. Changes in Actuarial Assumptions (Continued)

2. Public Employees Police and Fire Plan

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The single discount rate was changed from 5.6% per annum to 7.5% per annum.

3. Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.
- The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability 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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 14,219,209	6.50%	\$ 5,619,296	4.96%	\$ 4,414,672
Current	7.50%	9,167,329	7.50%	2,983,763	5.96%	2,679,009
1% Increase	8.50%	5,031,448	8.50%	807,985	6.96%	1,324,300

I. Pension Plan Fiduciary Net Position

Detailed information about the 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; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

NOTE 5 DEFINED CONTRIBUTION PLAN

Four Board members of Pine County are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00% of salary, which is matched by the employer. Employee and employer 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 2.00% of employer contributions and 0.25% of the assets in each member account annually.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 5 DEFINED CONTRIBUTION PLAN (CONTINUED)

Total contributions by dollar amount and percentage of covered payroll made by Pine County during the year ended December 31, 2017, were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 6,036	\$ 6,036	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% of the single coverage premium plus 50% of dependent coverage if that coverage option is selected. Employees hired before January 1, 1986, will receive benefits that can vary depending on their bargaining unit and County contract in effect.

The County provides benefits for retirees as required by Minnesota Statutes §471.61 subdivision 2b. Active employees who retire from the County when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100% 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, 2017, approximately 30 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 2017, the amount actually contributed to the plan, and changes in the County's net OPEB obligation:

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Annual Required Contribution (ARC):	\$ 233,385
Interest on Net OPEB Obligation	54,968
Adjustment to ARC	<u>(85,392)</u>
Annual OPEB Cost	202,961
Contributions during the year	<u>(91,104)</u>
Increase in Net OPEB Obligation	111,857
Net OPEB - Beginning of the Year	<u>1,570,525</u>
Net OPEB - End of the Year	<u><u>\$ 1,682,382</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2017, 2016, and 2015 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2017	\$ 202,961	\$ 91,104	44.9 %	\$ 1,682,382
December 31, 2016	199,205	80,193	40.3	1,570,525
December 31, 2015	267,172	118,036	44.2	1,451,513

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)
1/1/2016	\$ -	\$ 1,767,082	\$ 1,767,082	- %	\$ 12,545,858	14.08 %

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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

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, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 3.5% discount rate, which is based on the estimated long-term investment yield on the general assets of the County. The annual healthcare cost trend rate is 6.60% initially, reduced incrementally to an ultimate rate of 5.30%. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open thirty-year period.

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 2% 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 1% 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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 7 POSTEMPLOYMENT HEALTH CARE PLANS (CONTINUED)

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.

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 \$500,000 per claim in 2017 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 8 RISK MANAGEMENT (CONTINUED)

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

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

NOTE 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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

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. In 2016, Pine County refinanced the outstanding amount of the \$1,175,000 Economic Development Revenue Note, Series 2000, in which the outstanding principal amount payable was \$703,405, and by issuing a Revenue Note, Series 2016 (One Heartland, Inc. Project) with a balance of \$503,676 in 2017. Pine County entered into a Loan Agreement with One Heartland, Inc. for refinancing the cost of acquiring, constructing, equipping, and rehabilitating the existing facilities located in Willow River, and paying certain costs of issuance in connection with the issuance of the Note. 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.

C. Joint Ventures

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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

NOTE 9 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS (CONTINUED)

C. Joint Ventures (Continued)

East Central Solid Waste Commission (Continued)

During 2007, the Commission repaid the outstanding balance of its long-term bonds. Pine County was not required to contribute toward debt service. During 2017, 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

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 2017. 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, 2017**

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, 2017**

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 \$13.35 in contributions in 2017.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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, 2016, and 2017.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 \$454.25 in contributions in 2017.

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 2017, Pine County contributed \$16,306 to the task force.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017**

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 Consortium

The Minnesota Counties Computer Consortium was formed in 1979 pursuant to Minnesota Statutes §471.59 and includes 24 counties. Control of the Consortium is vested in the Joint Data Processing Board which is composed of one representative and one alternate appointed by each member county. The County's responsibility does not extend beyond making this appointment.

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 \$2,550 by the County to the HRA Board members for per diem expenses in 2017.

F. Tax-Forfeited Land

The County manages approximately 42,212.20 acres of state-owned, tax-forfeited land with a taxable market value for 2017 of \$28,591,800. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

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

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,850,161	\$ 9,850,161	\$ 9,501,072	\$ (349,089)
Special Assessments	2,600	2,600	3,517	917
Licenses and Permits	93,000	93,000	136,861	43,861
Intergovernmental	3,590,474	3,595,474	3,780,288	184,814
Charges for Services	1,582,385	1,591,885	1,901,572	309,687
Fines and Forfeits	15,500	15,500	23,739	8,239
Gifts and Contributions	101,000	101,000	124,873	23,873
Investment Earnings	75,000	75,000	86,473	11,473
Miscellaneous	688,750	688,750	819,174	130,424
Total Revenues	15,998,870	16,013,370	16,377,569	364,199
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	255,975	255,975	250,655	5,320
Courts	64,000	64,000	79,992	(15,992)
Court Security	136,128	136,128	158,117	(21,989)
Law Library	22,450	22,450	29,296	(6,846)
County Auditor	673,203	673,203	664,555	8,648
County Assessor	564,241	564,241	562,081	2,160
Elections	8,000	8,000	10,622	(2,622)
Data Processing	652,373	652,373	559,357	93,016
Central Services	34,000	34,000	35,945	(1,945)
Administrator	387,930	387,930	390,317	(2,387)
Attorney	906,567	906,567	917,284	(10,717)
Contracted Legal Services	40,000	40,000	25,575	14,425
Recorder	362,307	362,307	371,914	(9,607)
Planning and Zoning	139,644	139,644	123,235	16,409
Buildings and Plant	719,046	719,046	745,927	(26,881)
Veterans Service Officer	105,468	105,468	105,053	415
Other General Government	182,207	182,207	193,515	(11,308)
Total General Government	5,253,539	5,253,539	5,223,440	30,099
PUBLIC SAFETY				
Sheriff	4,429,724	4,429,724	4,669,823	(240,099)
Boat and Water Safety	7,951	7,951	3,677	4,274
Coroner	60,000	60,000	63,000	(3,000)
E-911 System	100,000	100,000	108,674	(8,674)
County Jail	3,970,124	3,970,124	3,723,284	246,840
Sentence to Serve	71,381	71,381	68,768	2,613
Probation and Parole	794,248	794,248	750,253	43,995
Civil Defense	21,026	21,026	94,641	(73,615)
Other Public Safety	46,956	46,956	49,210	(2,254)
Total Public Safety	9,501,410	9,501,410	9,531,330	(29,920)

Notes to 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, 2017**

**EXPENDITURES (CONTINUED)
CURRENT (CONTINUED)**

SANITATION				
Solid Waste	\$ 48,522	\$ 58,022	\$ 61,571	\$ (3,549)
Recycling	218,858	218,858	219,881	(1,023)
Total Sanitation	<u>267,380</u>	<u>276,880</u>	<u>281,452</u>	<u>(4,572)</u>
CULTURE AND RECREATION				
Historical Society	20,000	20,000	20,000	-
Regional Library	310,051	310,051	308,851	1,200
Total Culture and Recreation	<u>330,051</u>	<u>330,051</u>	<u>328,851</u>	<u>1,200</u>
CONSERVATION OF NATURAL RESOURCES				
County Extension	99,486	99,486	80,136	19,350
Soil and Water Conservation	145,702	145,702	151,203	(5,501)
Agricultural Society/County Fair	10,000	10,000	10,000	-
Aquatic Invasive Species	98,773	98,773	126,807	(28,034)
Other	9,968	9,968	9,968	-
Total Conservation of Natural Resources	<u>363,929</u>	<u>363,929</u>	<u>378,114</u>	<u>(14,185)</u>
ECONOMIC DEVELOPMENT				
Economic Development	41,868	46,868	45,819	1,049
UNALLOCATED				
Insurance	159,600	159,600	165,737	(6,137)
DEBT SERVICE				
Principal	59,862	59,862	78,853	(18,991)
Interest	24,627	24,627	24,627	-
Total Debt Service	<u>84,489</u>	<u>84,489</u>	<u>103,480</u>	<u>(18,991)</u>
Total Expenditures	<u>16,002,266</u>	<u>16,016,766</u>	<u>16,058,223</u>	<u>(41,457)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(3,396)	(3,396)	319,346	322,742
OTHER FINANCING SOURCES				
Transfers In	90,000	90,000	456,796	366,796
NET CHANGE IN FUND BALANCE				
	<u>\$ 86,604</u>	<u>\$ 86,604</u>	776,142	<u>\$ 689,538</u>
Fund Balance - Beginning of Year			4,364,957	
FUND BALANCE - END OF YEAR				
			<u>\$ 5,141,099</u>	

Notes to 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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,404,821	\$ 3,404,821	\$ 2,736,218	\$ (668,603)
Intergovernmental	10,687,601	10,687,601	9,105,278	(1,582,323)
Charges for Services	132,300	132,300	191,088	58,788
Miscellaneous	14,000	14,000	61,701	47,701
Total Revenues	14,238,722	14,238,722	12,094,285	(2,144,437)
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	345,192	345,192	339,309	5,883
Maintenance	2,045,020	2,045,020	2,520,564	(475,544)
Construction	9,512,115	9,512,115	6,591,220	2,920,895
Equipment and Maintenance Shops	1,760,986	1,760,986	1,693,662	67,324
Unallocated - Highways and Streets	102,909	102,909	108,257	(5,348)
Total Highways and Streets	13,766,222	13,766,222	11,253,012	2,513,210
INTERGOVERNMENTAL				
Highways and Streets	440,445	440,445	440,445	-
Total Expenditures	14,206,667	14,206,667	11,693,457	2,513,210
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	32,055	32,055	400,828	368,773
OTHER FINANCING SOURCES (USES)				
Transfers In	2,500	2,500	-	(2,500)
Transfers Out	475,000	475,000	-	(475,000)
Total Other Financing Sources (Uses)	477,500	477,500	-	(477,500)
NET CHANGE IN FUND BALANCE	<u>\$ 509,555</u>	<u>\$ 509,555</u>	400,828	<u>\$ (108,727)</u>
Fund Balance - Beginning of Year			200,189	
Increase in Inventories			20,553	
FUND BALANCE - END OF YEAR			<u>\$ 621,570</u>	

Notes to 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, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,475,664	\$ 3,475,664	\$ 3,451,319	\$ (24,345)
Intergovernmental	5,846,934	6,082,658	6,181,003	98,345
Charges for Services	66,505	66,505	55,390	(11,115)
Gifts and Contributions	-	-	3,240	3,240
Investment Earnings	-	-	470	470
Miscellaneous	810,079	875,079	1,704,472	829,393
Total Revenues	10,199,182	10,499,906	11,395,894	895,988
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	2,936,955	2,936,955	2,792,409	144,546
Social Services	5,414,116	5,714,840	6,387,694	(672,854)
Total Human Services	8,351,071	8,651,795	9,180,103	(528,308)
HEALTH				
Nursing Services	1,207,561	1,207,561	912,631	294,930
Women, Infants, and Children	194,425	194,425	233,435	(39,010)
Maternal and Child Health	59,390	59,390	52,991	6,399
Environmental Health	110,899	110,899	101,589	9,310
Health Education	58,937	58,937	41,827	17,110
Planning & Implementation	216,899	216,899	229,247	(12,348)
Total Health	1,848,111	1,848,111	1,571,720	276,391
Total Expenditures	10,199,182	10,499,906	10,751,823	(251,917)
NET CHANGE IN FUND BALANCE	\$ -	\$ -	644,071	\$ 644,071
Fund Balance - Beginning of Year			1,074,044	
FUND BALANCE - END OF YEAR			\$ 1,718,115	

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

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 36,100	\$ 36,100	\$ 47,252	\$ 11,152
Miscellaneous	825,000	825,000	1,153,683	328,683
Total Revenues	861,100	861,100	1,200,935	339,835
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Land Use	755,100	755,100	764,008	(8,908)
Other Conservation	16,000	16,000	11,972	4,028
Total Expenditures	771,100	771,100	775,980	(4,880)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	90,000	90,000	424,955	334,955
OTHER FINANCING SOURCES (USES)				
Transfers Out	(90,000)	(90,000)	(456,607)	(366,607)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(31,652)	<u>\$ (31,652)</u>
Fund Balance - Beginning of Year			1,023,625	
FUND BALANCE - END OF YEAR			<u>\$ 991,973</u>	

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

**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFIT PLAN
YEAR ENDED DECEMBER 31, 2017**

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)		
1/1/2016	\$	-	\$ 1,767,082	\$ 1,767,082	-	%	\$ 12,545,858	14.08 %
1/1/2014		-	2,013,925	2,013,925	-		11,611,301	17.34
1/1/2012		-	3,264,717	3,264,717	-		10,986,726	29.72

**PINE COUNTY
PINE CITY, MINNESOTA
GENERAL EMPLOYEES RETIREMENT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2017**

Measurement Date	Employer's Portion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	State's Proportionate Share of the Net Pension Liability Associated with Pine County	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability	Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.144%	\$ 9,167,329	\$ 115,248	\$ 9,282,577	\$ 9,254,922	99.05%	75.90%
2016	0.140%	11,391,664	148,746	11,540,410	8,656,402	131.60%	68.91%
2015	0.138%	7,136,329	N/A	7,136,329	8,095,828	88.15%	78.20%

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. GASB 68 requires ten years of information to be presented in this table. Additional years will included as they become available.

**GENERAL EMPLOYEES RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions	Actual Contributions in Relation to Statutorily Required Contributions	Contribution (Deficiency) Excess	Covered Payroll	Actual Contributions as a Percentage of Covered Payroll
2017	\$ 711,725	\$ 711,725	\$ -	\$ 9,489,637	7.50%
2016	684,966	684,966	-	9,134,718	7.50%
2015	613,543	613,543	-	8,179,660	7.50%

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. GASB 68 requires ten years of information to be presented in this table. Additional years will included as they become available.

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

**PINE COUNTY
PINE CITY, MINNESOTA
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2017**

<u>Measurement Date</u>	<u>Employer's Portion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.221%	\$ 2,983,763	\$ 2,271,421	131.36%	85.40%
2016	0.224%	8,989,510	2,151,548	417.82%	63.90%
2015	0.208%	2,363,367	1,906,286	123.98%	86.60%

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. GASB 68 requires ten years of information to be presented in this table. Additional years will included as they become available.

**PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2017**

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions</u>	<u>Contribution (Deficiency) Excess</u>	<u>Covered Payroll</u>	<u>Actual Contributions as a Percentage of Covered Payroll</u>
2017	\$ 384,748	\$ 384,748	\$ -	\$ 2,374,989	16.20%
2016	353,971	353,971	-	2,185,007	16.20%
2015	331,325	331,325	-	2,045,215	16.20%

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. GASB 68 requires ten years of information to be presented in this table. Additional years will included as they become available.

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

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**PINE COUNTY
PINE CITY, MINNESOTA
CORRECTIONAL RETIREMENT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2017**

<u>Measurement Date</u>	<u>Employer's Portion of the Net Pension Liability</u>	<u>Employer's Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2017	0.940%	\$ 2,679,009	\$ 1,892,287	141.58%	67.90%
2016	1.020%	3,726,203	1,926,761	193.39%	58.20%
2015	0.980%	151,508	1,753,715	8.64%	96.90%

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. GASB 68 requires ten years of information to be presented in this table. Additional years will included as they become available.

**CORRECTIONAL RETIREMENT PLAN
SCHEDULE OF CONTRIBUTIONS
DECEMBER 31, 2017**

<u>Year Ending</u>	<u>Statutorily Required Contributions</u>	<u>Actual Contributions in Relation to Statutorily Required Contributions</u>	<u>Contribution (Deficiency) Excess</u>	<u>Covered Payroll</u>	<u>Actual Contributions as a Percentage of Covered Payroll</u>
2017	\$ 171,842	\$ 171,842	-	\$ 1,963,907	8.75%
2016	162,295	162,295	-	1,855,532	8.75%
2015	163,274	163,274	-	1,865,985	8.75%

This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015. GASB 68 requires ten years of information to be presented in this table. Additional years will included as they become available.

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

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2017**

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 and the County Auditor-Treasurer. 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 the statutory deadline.

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 REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2017, 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			
Courts	\$ 64,000	\$ 79,992	\$ 15,992
Court Security	136,128	158,117	21,989
Law Library	22,450	29,296	6,846
Elections	8,000	10,622	2,622
Central Services	34,000	35,945	1,945
Administrator	387,930	390,317	2,387
Attorney	906,567	917,284	10,717
Recorder	362,307	371,914	9,607
Buildings and Plant	719,046	745,927	26,881
Other General Government	182,207	193,515	11,308
Public Safety			
Sheriff	4,429,724	4,669,823	240,099
Coroner	60,000	63,000	3,000
E-911 System	100,000	108,674	8,674
Civil Defense	21,026	94,641	73,615
Other Public Safety	46,956	49,210	2,254
Sanitation			
Solid Waste	58,022	61,571	3,549
Recycling	218,858	219,881	1,023
Conservation of Natural Resources			
Soil and Water Conservation	145,702	151,203	5,501
Aquatic Invasive Species	98,773	126,807	28,034
Unallocated			
Insurance	159,600	165,737	6,137
Debt Service			
Principal	59,862	78,853	18,991
Total	<u>\$ 8,221,158</u>	<u>\$ 8,722,329</u>	<u>\$ 501,171</u>
Special Revenue Funds by Fund	<u>Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Health and Human Services Fund	\$ 10,499,906	\$ 10,751,823	\$ 251,917
Land Management Fund	771,100	775,980	4,880

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

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2017:

General Employees Retirement Plan

2017

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.5 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2017

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and non-vested, deferred members. The CSA has been changed to 33% for vested members and 2% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

III. DEFINED BENEFIT PENSION PLANS – CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1 percent for non-vested members.
- The Single Discount Rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

**PINE COUNTY
PINE CITY, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

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 Clean Water Partnership Program Special Revenue Fund is used to account for the septic loan program through the Minnesota Pollution Control Agency.

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.

The Technology Equipment Capital Projects Fund is used to account for future equipment acquisitions.

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue	Debt Service General Obligation Courthouse Bonds	Capital Projects	Total Nonmajor Funds
ASSETS				
Cash and Pooled Investments	\$ 18,604	\$ 1,044,006	\$ 90,453	\$ 1,153,063
Restricted Cash and Investments - CDBG Grant	9	-	-	9
Undistributed Cash in Agency Funds	-	39,188	6,687	45,875
Taxes Receivable - Delinquent	-	54,177	7,067	61,244
Special Assessments Receivable Noncurrent	244,322	-	-	244,322
Due from Other Governments	300	-	-	300
Total Assets	<u>\$ 263,235</u>	<u>\$ 1,137,371</u>	<u>\$ 104,207</u>	<u>\$ 1,504,813</u>
LIABILITIES				
Accounts Payable	\$ 13,903	\$ -	\$ 49,585	\$ 63,488
Due to Other Funds	-	-	64,810	64,810
Total Liabilities	13,903	-	114,395	128,298
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	-	39,666	5,983	45,649
Property Taxes Received for Future Periods	-	19,260	3,351	22,611
Unavailable Special Assessments	244,322	-	-	244,322
Total Deferred Inflows of Resources	<u>244,322</u>	<u>58,926</u>	<u>9,334</u>	<u>312,582</u>
FUND BALANCES				
Restricted for				
Debt Service	-	1,078,445	-	1,078,445
Ditches	17,097	-	-	17,097
Rehabilitation Program	9	-	-	9
Assigned for				
Capital Projects	-	-	43,282	43,282
Unassigned	(12,096)	-	(62,804)	(74,900)
Total Fund Balances	<u>5,010</u>	<u>1,078,445</u>	<u>(19,522)</u>	<u>1,063,933</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 263,235</u>	<u>\$ 1,137,371</u>	<u>\$ 104,207</u>	<u>\$ 1,504,813</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Special Revenue	Debt Service General Obligation Courthouse Bonds	Capital Projects	Total Nonmajor Funds
REVENUES				
Taxes	\$ -	\$ 999,070	\$ 173,837	\$ 1,172,907
Intergovernmental	-	18,315	1,826	20,141
Charges for Services	8,439	-	-	8,439
Total Revenues	8,439	1,017,385	175,663	1,201,487
EXPENDITURES				
CURRENT				
General Government	-	-	85,116	85,116
Public Safety	-	-	285,231	285,231
Conservation of Natural Resources	223,159	-	-	223,159
Economic Development	209	-	-	209
DEBT SERVICE				
Principal	-	580,000	-	580,000
Interest	-	357,800	-	357,800
Administrative Fiscal Charges	-	2,850	-	2,850
Total Expenditures	223,368	940,650	370,347	1,534,365
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(214,929)	76,735	(194,684)	(332,878)
OTHER FINANCING SOURCES (USES)				
Transfers Out	(189)	-	-	(189)
Proceeds from MPCA Note	210,455	-	-	210,455
Total Other Financing Sources (Uses)	210,266	-	-	210,266
NET CHANGE IN FUND BALANCES	(4,663)	76,735	(194,684)	(122,612)
Fund Balance - Beginning of Year	9,673	1,001,710	175,162	1,186,545
FUND BALANCE - END OF YEAR	<u>\$ 5,010</u>	<u>\$ 1,078,445</u>	<u>\$ (19,522)</u>	<u>\$ 1,063,933</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2017**

ASSETS	<u>Ditch</u>	<u>Countywide Rehabilitation Program</u>	<u>Clean Water Partnership Program</u>	<u>Total</u>
Cash and Pooled Investments	\$ 17,097	\$ -	\$ 1,507	\$ 18,604
Restricted Cash and Investments - CDBG Grant	-	9	-	9
Special Assessments Receivable				
Noncurrent	-	-	244,322	244,322
Due from Other Governments	-	-	300	300
Total Assets	<u>\$ 17,097</u>	<u>\$ 9</u>	<u>\$ 246,129</u>	<u>\$ 263,235</u>
 LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 13,903	\$ 13,903
 DEFERRED INFLOWS OF RESOURCES				
Unavailable Special Assessments	-	-	244,322	244,322
 FUND BALANCES				
Restricted for				
Ditches	17,097	-	-	17,097
Rehabilitation Program	-	9	-	9
Unassigned	-	-	(12,096)	(12,096)
Total Fund Balances	<u>17,097</u>	<u>9</u>	<u>(12,096)</u>	<u>5,010</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 17,097</u>	<u>\$ 9</u>	<u>\$ 246,129</u>	<u>\$ 263,235</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, 2017**

	Ditch	County-Wide Rehabilitation Program	Clean Water Partnership Program	Total
REVENUES				
Charges for Services	\$ 6,327	\$ -	\$ 2,112	\$ 8,439
EXPENDITURES				
CURRENT				
Conservation of Natural Resources	-	-	223,159	223,159
Economic Development	-	209	-	209
Total Expenditures	-	209	223,159	223,368
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,327	(209)	(221,047)	(214,929)
OTHER FINANCING SOURCES (USES)				
Proceeds from MPCA Note	-	-	210,455	210,455
Transfers Out	-	(189)	-	(189)
Total Other Financing Sources (Uses)	-	(189)	210,455	210,266
NET CHANGE IN FUND BALANCES	6,327	(398)	(10,592)	(4,663)
Fund Balance - Beginning of Year	10,770	407	(1,504)	9,673
FUND BALANCE - END OF YEAR	<u>\$ 17,097</u>	<u>\$ 9</u>	<u>\$ (12,096)</u>	<u>\$ 5,010</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Buildings</u>	<u>Technology Equipment</u>	<u>Total</u>
ASSETS			
Cash and Pooled Investments	\$ 90,348	\$ 105	\$ 90,453
Undistributed Cash in Agency Funds	4,786	1,901	6,687
Taxes Receivable - Delinquent	3,228	3,839	7,067
Total Assets	<u>\$ 98,362</u>	<u>\$ 5,845</u>	<u>\$ 104,207</u>
LIABILITIES			
Accounts Payable	\$ 49,585	\$ -	\$ 49,585
Due to Other Funds	-	64,810	64,810
Total Liabilities	49,585	64,810	114,395
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	2,144	3,839	5,983
Property Taxes Received for Future Periods	3,351	-	3,351
Total Deferred Inflows of Resources	5,495	3,839	9,334
FUND BALANCES			
Assigned			
Capital Projects	43,282	-	43,282
Unassigned	-	(62,804)	(62,804)
Total Fund Balances (Deficits)	<u>43,282</u>	<u>(62,804)</u>	<u>(19,522)</u>
Total Liabilities and Fund Balances	<u>\$ 98,362</u>	<u>\$ 5,845</u>	<u>\$ 104,207</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Governmental Buildings	Technology Equipment	Total
REVENUES			
Taxes	\$ 75,331	\$ 98,506	\$ 173,837
Intergovernmental	-	1,826	1,826
Total Revenues	75,331	100,332	175,663
EXPENDITURES			
CURRENT			
General Government	85,116	-	85,116
Public Safety	-	285,231	285,231
Total Expenditures	85,116	285,231	370,347
NET CHANGE IN FUND BALANCES	(9,785)	(184,899)	(194,684)
Fund Balance - Beginning of Year	53,067	122,095	175,162
FUND BALANCE - END OF YEAR	<u>\$ 43,282</u>	<u>\$ (62,804)</u>	<u>\$ (19,522)</u>

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION COURTHOUSE BONDS DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,004,010	\$ 1,004,010	\$ 999,070	\$ (4,940)
Intergovernmental	-	-	18,315	18,315
Total Revenues	1,004,010	1,004,010	1,017,385	13,375
EXPENDITURES				
DEBT SERVICE				
Principal	580,000	580,000	580,000	-
Interest	357,800	357,800	357,800	-
Administrative Fiscal Charges	1,300	1,300	2,850	(1,550)
Total Expenditures	939,100	939,100	940,650	(1,550)
NET CHANGE IN FUND BALANCE	<u>\$ 64,910</u>	<u>\$ 64,910</u>	76,735	<u>\$ 11,825</u>
Fund Balance - Beginning of Year			<u>1,001,710</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,078,445</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION JAIL BOND DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,174,425	\$ 1,174,425	\$ 1,170,460	\$ (3,965)
Intergovernmental	-	-	21,435	21,435
Total Revenues	<u>1,174,425</u>	<u>1,174,425</u>	<u>1,191,895</u>	<u>17,470</u>
EXPENDITURES				
DEBT SERVICE				
Principal	655,000	655,000	655,000	-
Interest	448,325	448,325	448,325	-
Administrative Fiscal Charges	1,300	1,300	4,850	(3,550)
Total Expenditures	<u>1,104,625</u>	<u>1,104,625</u>	<u>1,108,175</u>	<u>(3,550)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 69,800</u>	<u>\$ 69,800</u>	83,720	<u>\$ 13,920</u>
Fund Balance - Beginning of Year			<u>1,155,625</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,239,345</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

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

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

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

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

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

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
PINE COUNTY CHILDREN, FAMILIES AND LEARNING SERVICES COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 17,189	\$ 161,671	\$ 71,482	\$ 107,378
Due From Other Governments	40,730	72,794	81,460	32,064
Total Assets	\$ 57,919	\$ 234,465	\$ 152,942	\$ 139,442
LIABILITIES				
Due to Other Governments	\$ 57,919	\$ 234,465	\$ 152,942	\$ 139,442
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 21,888	\$ 661,591	\$ 641,554	\$ 41,925
Accounts Receivable	837	837	1,674	-
Total Assets	\$ 22,725	\$ 662,428	\$ 643,228	\$ 41,925
LIABILITIES				
Due to Other Governments	\$ 22,725	\$ 662,428	\$ 643,228	\$ 41,925
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	\$ 471,956	\$ 41,047,269	\$ 40,785,090	\$ 734,135
LIABILITIES				
Due to Other Governments	\$ 471,956	\$ 41,047,269	\$ 40,785,090	\$ 734,135
EAST CENTRAL DRUG TASK FORCE				
ASSETS				
Cash and Pooled Investments	\$ 88,130	\$ 377,033	\$ 346,184	\$ 118,979
Due From Other Governments	41,834	41,834	83,668	-
Total Assets	\$ 129,964	\$ 418,867	\$ 429,852	\$ 118,979
LIABILITIES				
Due to Other Governments	\$ 129,964	\$ 418,867	\$ 429,852	\$ 118,979
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 599,163	\$ 42,247,564	\$ 41,844,310	\$ 1,002,417
Accounts Receivable	837	837	1,674	-
Due From Other Governments	82,564	114,628	165,128	32,064
Total Assets	\$ 682,564	\$ 42,363,029	\$ 42,011,112	\$ 1,034,481
LIABILITIES				
Due to Other Governments	\$ 682,564	\$ 42,363,029	\$ 42,011,112	\$ 1,034,481

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OTHER SUPPLEMENTARY INFORMATION

**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2017**

APPROPRIATIONS AND SHARED REVENUE

STATE

Highway Users Tax	\$	8,627,455
Road Gas Tax		7,242
County Program Aid		1,798,282
PERA Rate Reimbursement		36,545
Disparity Reduction Aid		1,057
Police Aid		231,992
Enhanced 911		106,641
Market Value Credit		309,819
Riparian Aid		48,697
Aquatic Invasive Species		125,002
Disaster Credit		7,799
Casino Aid/Tribal Tax Agreement		88,666
Select Committee on Recycling and the Environment (SCORE)		84,058
		84,058
Total Appropriations and Shared Revenue		11,473,255

REIMBURSEMENT FOR SERVICES

STATE

Minnesota Department of Human Services		871,805
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PAYMENTS

Local		7,500
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PAYMENTS IN LIEU OF TAX

614,397

GRANTS

STATE

Minnesota Department of Corrections		218,282
Public Safety		1,689
Health		136,083
Natural Resources		9,355
Human Services		1,898,210
Veteran Affairs		10,000
Water and Soil Resources Board		68,882
Pollution Control Agency		5,101
Peace Officer Standards and Training Board		9,703
		9,703

Total State		2,357,305
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FEDERAL

Department of Agriculture		380,826
Education		1,450
Interior		5,445
Transportation		436,227
Health and Human Services		2,968,574
Homeland Security		38,613

Total Federal		3,831,135
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Total State and Federal Grants		6,188,440
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Total Intergovernmental Revenue	\$	19,155,397
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**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass Through Agency Program or Cluster Title	Federal CFDA Number	Pass-through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	172MN004W1003	\$ 153,325
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	227,501
Total Department of Agriculture			<u>380,826</u>
U.S. Department of Interior			
Direct			
Payments in Lieu of Taxes	15.226	N/A	5,445
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	7714208	436,227
U.S. Department of Education			
Passed Through Minnesota Department of Health			
Special Education-Grants for Infants and Families	84.181	H181A160029	1,450
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TP921843	43,933
Universal Newborn Hearing Screening	93.251	H61MC00035	375
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	X02MC27454	85,014
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in part by Prevention and Public Health Funds	93.539	H23IP000737	1,600
TANF Cluster			
Temporary Assistance for Needy Families (Total TANF 93.558 Cluster \$435,125)	93.558	1601MNTANF	47,945
Maternal and Child Health Services Block Grant to the States	93.994	B04MC29349	37,216
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	23,381
TANF Cluster			
Temporary Assistance for Needy Families (Total TANF 93.558 Cluster \$435,125)	93.558	1601MNTANF	387,180
Child Support Enforcement	93.563	1704MNCSES	703,846
Refugee and Entrant Assistance State Administered Programs	93.566	1701MNRCA	472
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCDF	6,652
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPRPG	13,543
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	12,100
Foster Care Title IV-E	93.658	1701MNFOST	194,188
Social Services Block Grant	93.667	G-1701MNSOSR	218,959
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	4,126
Children's Health Insurance Program	93.767	05-1705MN0301	233
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	940,962
		05-1705MN5MAP	14,596
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-16	<u>232,963</u>
Total Department of Health and Human Services			2,969,284
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	EMPG-PINECO-2569	19,317
Total Cash Type Federal Awards			<u>\$ 3,812,549</u>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

The notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2017**

Notes to the Schedule of Federal Awards

1. The schedule of expenditures of federal awards presents the federal award programs expended by Pine County. The County's reporting entity is defined in Note 1 to the financial statements.
2. The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pine County under programs of the federal government for the year ended December 31, 2017. 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, or cash flows of Pine County.
3. 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 not elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4.	Reconciliation to the Schedule of Intergovernmental Revenue:	
	Federal Grant Revenue per Schedule of Intergovernmental Revenue:	\$ 3,831,135
	Grants Unavailable in 2016, Recognized as Revenue in 2017	
	93.558 Temporary Assistance for Needy Families (TANF)	(1,138)
	97.042 Emergency Management Performance Grants	(19,296)
	Grants Unavailable in 2017, recognized as revenue in 2018	1,848
	Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,812,549</u>

The notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.