

PINE COUNTY, MINNESOTA
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018

**PINE COUNTY
PINE CITY, MINNESOTA
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DECEMBER 31, 2018**

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INTRODUCTORY SECTION

**PINE COUNTY
PINE CITY, MINNESOTA
PRINCIPAL COUNTY OFFICIALS
DECEMBER 31, 2018**

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 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



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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

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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, 2018, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

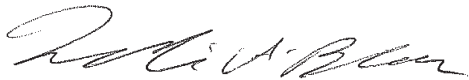
Supplementary Information

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 Supplementary Information and Other Supplementary 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 8, 2019, 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.



JULIE BLAHA
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 8, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018. 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, 2018, and the prior year, 2017, 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, 2018, by \$84,671,013 (net position). The County-wide net position increased 7.9% in 2018 over the prior year.
- Overall governmental fund-level revenues totaled \$45,983,391 and were \$1,113,013 less than expenditures in 2018. Expenditures include \$1,368,853 of principal paid.
- The General Fund's fund balance increased \$294,776 from the prior year and of the total fund balance amount, \$4,284,310 was unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

- The financial section of the annual report consists of four parts – required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, supplementary information, and other 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.

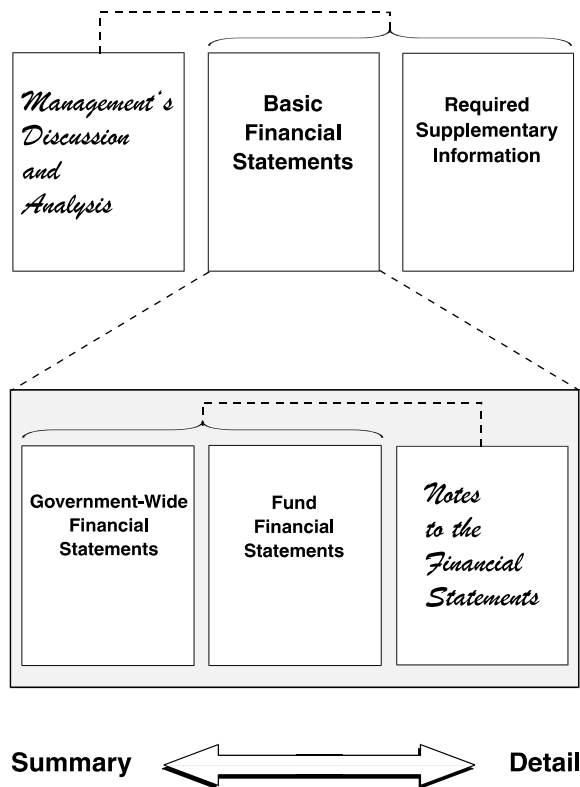
**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

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	Full accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Full 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 funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the 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 the 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, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Government-Wide Statements (Continued)

The two government-wide statements report the County's net position and how it has 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 on reconciliation 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, 2018**

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 \$84,671,013 on December 31, 2018, an increase of \$6,182,871, after the restatement, from the prior year.

Table A-1
The County's Net Position

	Governmental Activities	
	2018	2017
Current and Other Assets	\$ 21,142,712	\$ 21,100,313
Capital Assets	111,586,198	105,761,217
Total Assets	<u>132,728,910</u>	<u>126,861,530</u>
Deferred Outflows of Resources	8,204,658	10,316,357
Current Liabilities	6,203,039	4,804,052
Long-Term Liabilities	41,063,381	45,943,229
Total Liabilities	<u>47,266,420</u>	<u>50,747,281</u>
Deferred Inflows of Resources	8,996,135	7,840,586
Net Position		
Net Investment in		
Capital Assets	84,913,975	78,811,050
Restricted	6,253,626	3,489,804
Unrestricted	<u>(6,496,588)</u>	<u>(3,710,834)</u>
Total Net Position	<u><u>\$ 84,671,013</u></u>	<u><u>\$ 78,590,020</u></u>

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

CHANGE IN NET POSITION

The government-wide total revenues were \$46,253,457 for the year ended December 31, 2018 (an increase of \$2,372,541). This is a 5.4% 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
	2018	2017	
REVENUES			
<u>Program Revenues</u>			
Fees, Charges, Fines and Other	\$ 6,264,660	\$ 6,816,248	(8.1)%
Operating Grants and Contributions	11,910,583	10,977,997	8.5
Capital Grants and Contributions	5,657,364	5,019,689	12.7
<u>General Revenues</u>			
Property Taxes	17,852,586	16,983,199	5.1
Other	4,568,264	4,083,783	11.9
Total Revenues	<u>46,253,457</u>	<u>43,880,916</u>	5.4
EXPENSES			
General Government	6,119,595	6,530,813	(6.3)
Public Safety	9,899,512	11,477,195	(13.7)
Highways and Streets	8,117,411	8,404,018	(3.4)
Sanitation	306,513	282,173	8.6
Human Services	9,797,041	9,320,993	5.1
Health	1,560,324	1,557,398	0.2
Culture and Recreation	327,280	328,851	(0.5)
Conservation of Natural Resources	1,122,183	1,374,624	(18.4)
Economic Development	1,304	45,972	(97.2)
Interest	2,819,423	1,183,734	138.2
Total Expenses	<u>40,070,586</u>	<u>40,505,771</u>	(1.1)
CHANGE IN NET POSITION	6,182,871	3,375,145	83.2
Net Position - Beginning of Year	78,590,020	75,214,875	4.5
Change in Accounting Principle	(101,878)	-	(100.0)
Net Position - Beginning of Year, as Restated (See Note 1.E.)	<u>78,488,142</u>	<u>75,214,875</u>	4.4
NET POSITION - END OF YEAR	<u>\$ 84,671,013</u>	<u>\$ 78,590,020</u>	7.7

Total revenues surpassed expenses and therefore net position increased \$6,182,871 over last year due to increases in operating grants and contributions. This increase takes into account a decrease in net position of \$101,878 as a result of a restatement in beginning net position, see Note 1.E.

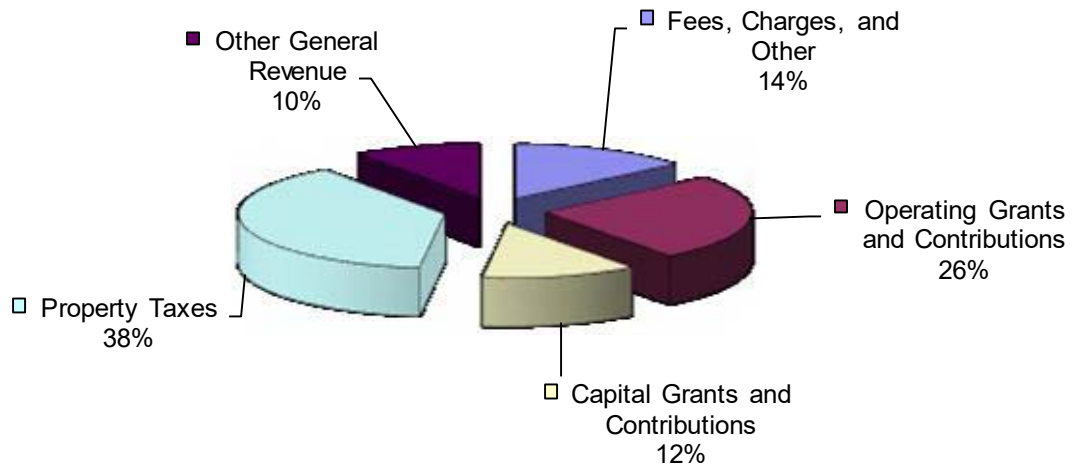
**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

CHANGE IN NET POSITION (CONTINUED)

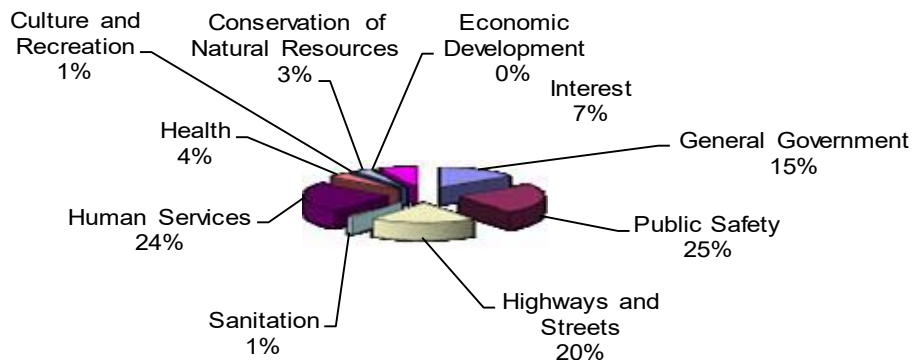
The government-wide cost of all governmental activities this year was \$40,070,586.

- Some of the cost was paid by the users of the County's programs (\$6,264,660).
- The federal and state governments subsidized certain programs with grants and contributions (\$18,175,243).
- The remainder of the County's governmental activities costs (\$16,237,979) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was covered by \$17,852,586 in property taxes, \$2,381,669 of state aid, \$2,186,595 of other general revenues, and resulted in an increase to net position.

Governmental Activities Revenues by Source 2018



Governmental Activities Expenses by Function 2018



**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

CHANGE IN NET POSITION (CONTINUED)

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

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

	Total Cost of Services		Percentage Change	Net (Revenue) Cost of Services		Percentage Change
	2018	2017		2018	2017	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 6,119,595	\$ 6,530,813	(6.3)%	\$ 4,380,035	\$ 5,059,913	(13.4)%
Public Safety	9,899,512	11,477,195	(13.7)	7,579,797	9,337,544	(18.8)
Highways and Streets	8,117,411	8,404,018	(3.4)	(2,430,871)	(774,679)	213.8
Sanitation	306,513	282,173	8.6	56,049	57,269	(2.1)
Human Services	9,797,041	9,320,993	5.1	3,276,306	2,897,188	13.1
Health	1,560,324	1,557,398	0.2	478,065	97,805	388.8
Culture and Recreation	327,280	328,851	(0.5)	327,280	328,851	(0.5)
Conservation of Natural Resources	1,122,183	1,374,624	(18.4)	(249,409)	(518,097)	51.9
Economic Development	1,304	45,972	(97.2)	1,304	22,309	(94.2)
Interest	2,819,423	1,183,734	138.2	2,819,423	1,183,734	138.2
Total	<u>\$ 40,070,586</u>	<u>\$ 40,505,771</u>	(1.1)	<u>\$ 16,237,979</u>	<u>\$ 17,691,837</u>	(8.2)

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 \$13,600,124. Revenues for the County's governmental funds were \$45,983,391, while total expenditures were \$47,096,404.

The General Fund includes the primary operations of the County in providing services to citizens. The fund balance increased by \$294,776 during 2018 due primarily to increases in intergovernmental revenue.

The Road and Bridge Fund has a total fund balance of \$145,568. Fund balance decreased from 2017 due to an increase in highways and streets expenditures.

The Health and Human Services Fund has a total fund balance of \$1,949,181. It increased \$231,065 from 2017 due to increases in intergovernmental revenue.

The Land Management Fund has a total fund balance of \$1,116,517. It increased \$124,544 from 2017 due to land sales.

The General Obligation Jail Bond Fund has a total fund balance of \$1,300,774. It increased \$61,429 from 2017 due to increased tax revenues.

The CIP Project Fund has a total fund balance of \$2,330,349. It decreased \$1,451,207 from 2017 due to construction costs of a major capital facility.

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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, 2018	December 31, 2017	Increase (Decrease)	Percent
Taxes	\$ 9,578,120	\$ 9,501,072	\$ 77,048	0.8 %
Special Assessments	2,603	3,517	(914)	(26.0)
Licenses and Permits	148,831	136,861	11,970	8.7
Intergovernmental	4,039,677	3,780,288	259,389	6.9
Charges for Services	2,060,820	1,901,572	159,248	8.4
Fines and Forfeits	19,796	23,739	(3,943)	(16.6)
Gifts and Contributions	126,903	124,873	2,030	1.6
Interest	91,348	86,473	4,875	(5.6)
Miscellaneous and Other	852,449	819,174	33,275	4.1
Total General Fund Revenues	<u>\$ 16,920,547</u>	<u>\$ 16,377,569</u>	<u>\$ 542,978</u>	3.3

Total General Fund revenues increased by \$542,978, or 3.3%, 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, 2018	December 31, 2017	Increase (Decrease)	Percent
General Government	\$ 5,712,073	\$ 5,223,440	\$ 488,633	9.4 %
Public Safety	10,260,316	9,531,330	728,986	7.6
Sanitation	302,589	281,452	21,137	7.5
Culture and Recreation	327,280	328,851	(1,571)	(0.5)
Conservation	325,394	378,114	(52,720)	(13.9)
Economic Development	1,295	45,819	(44,524)	(97.2)
Unallocated	-	165,737	(165,737)	(100.0)
Debt Service	86,830	103,480	(16,650)	(16.1)
Total Expenditures	<u>\$ 17,015,777</u>	<u>\$ 16,058,223</u>	<u>\$ 957,554</u>	6.0

Total General Fund expenditures increased by \$957,554, or 6.0% from the previous year.

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

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 \$65,069 more than budgeted; this is due to charges for services.
- Overall, the actual expenditures were \$241,390 more than budgeted due to public safety.

CAPITAL ASSETS

By the end of 2018, the County had invested \$111,586,198 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 \$3,732,778.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent Change
	2018	2017	
Land	\$ 4,413,866	\$ 4,413,866	0.0 %
Construction-in-Progress	1,967,984	1,964,587	0.2
Buildings and Building Improvements	26,935,330	26,655,110	1.1
Machinery, Furniture, and Equipment	10,464,684	10,030,717	4.3
Intangibles	769,292	381,477	101.7
Infrastructure	120,813,211	112,498,115	7.4
Less: Accumulated Depreciation	(53,778,169)	(50,182,655)	7.2
Total	<u>\$ 111,586,198</u>	<u>\$ 105,761,217</u>	5.5

**PINE COUNTY
PINE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2018**

LONG-TERM LIABILITIES

At year-end, the County had \$41,403,421 in long-term liabilities outstanding, including the current portion of long-term debt.

- The County's governmental activities total debt decreased \$4,509,756 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 2018, Pine County's debt was 1.1% of its total market value of taxable property.

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

GOVERNMENTAL ACTIVITIES	2018	2017	Percentage Change
General Obligation Administrative Building Bonds	\$ 3,905,000	\$ 3,905,000	0%
General Obligation Capital Improvement Bonds	10,060,000	10,670,000	(5.7)
General Obligation Crossover Refunding Bonds	12,095,000	12,775,000	(5.3)
Special Assessments	72,521	145,044	(50.0)
General Obligation MPCA Notes	395,566	246,805	60.3
Installment Payable	107,574	-	100.0
Compensated Absences	1,786,954	1,636,689	9.2
Other Postemployment Benefit Plan	2,092,165	1,879,636	11.3
Capital Lease	15,826	22,156	(28.6)
Net Pension Liability	10,872,815	14,830,101	(26.7)
Total	<u>\$ 41,403,421</u>	<u>\$ 46,110,431</u>	(10.2)

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

By the end of 2018, Pine County approved its balanced 2019 revenue and expenditure budgets and approved a 4.5% tax levy increase in 2019.

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 Kelly Schroeder, 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, 2018**

ASSETS		
Cash and Pooled Investments	\$	14,598,734
Petty Cash and Change Funds		2,550
Cash with Escrow Agent		785,168
Taxes Receivable - Delinquent		856,209
Special Assessments Receivable Noncurrent		418,606
Accounts Receivable		2,123,315
Accrued Interest Receivable		13,853
Due from Other Governments		1,750,790
Inventory		488,660
Prepaid Items		104,827
Non-Depreciable Capital Assets		
Land		4,413,866
Construction-in-Progress		1,967,984
Depreciable Capital Assets - Net of Accumulated Depreciation		
Buildings		18,108,326
Building Improvement		97,459
Machinery, Furniture, and Equipment		2,186,152
Intangibles		363,694
Infrastructure		84,448,717
		<hr/>
		132,728,910
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related		6,386,231
OPEB Related		102,762
Refunding Deferred Charge on Bonds		1,715,665
		<hr/>
		8,204,658
LIABILITIES		
Accounts Payable		1,388,206
Salaries Payable		1,236,029
Contracts Payable		618,898
Customer Deposits		11,445
Due to Other Governments		871,430
Unearned Revenue		39,675
Accrued Interest Payable		399,718
General Obligation Bonds Payable - Due Within One Year		1,505,000
Special Assessments - Due Within One Year		72,521
Capital Lease Payable - Due Within One Year		6,330
Installment Payable - Due Within One Year		53,787
General Obligation Bonds Payable - Due in More Than One Year		25,852,598
Capital Lease Payable - Due in More Than One Year		9,496
Installment Payable - Due in More Than One Year		53,787
Notes Payable - Due in More Than One Year		395,566
Other Postemployment Benefits Payable - Due in More Than One Year		2,092,165
Compensated Absences Payable - Due in More Than One Year		1,786,954
Net Pension Liability		10,872,815
		<hr/>
		47,266,420
DEFERRED INFLOWS OF RESOURCES		
Pension Related		8,996,135
		<hr/>
NET POSITION		
Net Investment in Capital Assets		84,913,975
Restricted For:		
General Government		469,562
Public Safety		351,822
Highways and Streets		269,213
Human Services		405,468
Conservation of Natural Resources		282,230
Economic Development		17,751
Debt Service		4,457,580
Unrestricted		(6,496,588)
		<hr/>
		\$ 84,671,013

The notes to the financial statements are an integral part of this statement.

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**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF ACTIVITIES
GOVERNMENTAL ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

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	\$ 6,119,595	\$ 1,376,918	\$ 362,642	\$ -	\$ (4,380,035)
Public Safety	9,899,512	1,567,371	752,344	-	(7,579,797)
Highways and Streets	8,117,411	494,491	4,396,427	5,657,364	2,430,871
Sanitation	306,513	163,091	87,373	-	(56,049)
Human Services	9,797,041	1,181,055	5,339,680	-	(3,276,306)
Health	1,560,324	252,903	829,356	-	(478,065)
Culture and Recreation	327,280	-	-	-	(327,280)
Conservation of Natural Resources	1,122,183	1,228,831	142,761	-	249,409
Economic Development	1,304	-	-	-	(1,304)
Interest	2,819,423	-	-	-	(2,819,423)
Total Governmental Activities	\$ 40,070,586	\$ 6,264,660	\$ 11,910,583	\$ 5,657,364	(16,237,979)
GENERAL REVENUES					
Property Taxes					17,852,586
Sales Tax					1,063,767
Mortgage Registry and Deed Tax					24,957
Payments in Lieu of Tax					666,082
Grants and Contributions not Restricted for a Particular Purpose					2,381,669
Investment Earnings					158,061
Miscellaneous					243,628
Gifts and Contributions					30,100
Total General Revenues					22,420,850
CHANGE IN NET POSITION					
Net Position - Beginning of Year					78,590,020
Restatement (See Note 1.E.)					(101,878)
Net Position - Beginning of Year, as Restated					78,488,142
NET POSITION - END OF YEAR					\$ 84,671,013

The notes to the financial statements are an integral part of this statement.

**PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
ASSETS			
Cash and Pooled Investments	\$ 5,671,556	\$ 375,598	\$ 1,615,099
Undistributed Cash in Agency Funds	290,009	48,742	99,095
Petty Cash and Change Funds	2,400	150	-
Cash with Escrow Agent	-	-	-
Taxes Receivable			
Delinquent	459,039	92,815	180,094
Special Assessments Receivable			
Noncurrent	39,473	-	-
Accounts Receivable	45,315	744	261,796
Accrued Interest Receivable	13,853	-	-
Due from Other Funds	371,214	16,147	-
Due from Other Governments	218,980	531,242	883,717
Prepaid Items	104,599	-	-
Inventories	-	488,660	-
	<u>\$ 7,216,438</u>	<u>\$ 1,554,098</u>	<u>\$ 3,039,801</u>
LIABILITIES			
Accounts Payable	\$ 383,131	\$ 142,012	\$ 316,129
Salaries Payable	710,906	135,326	380,964
Contracts Payable	-	618,898	-
Due to Other Funds	14,994	1,731	32,276
Due to Other Governments	176,073	19,749	214,826
Unearned Revenue	39,675	-	-
Customer Deposits	11,445	-	-
	<u>1,336,224</u>	<u>917,716</u>	<u>944,195</u>

The notes to the financial statements are an integral part of this statement.

**PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

Land Management	General Obligation Jail Bond	CIP Project Bond	Other Governmental Funds	Total Governmental Funds
\$ 1,886,423	\$ 1,260,043	\$ 2,059,146	\$ 1,223,693	\$ 14,091,558
-	30,521	8,302	30,507	507,176
-	-	-	-	2,550
-	-	785,168	-	785,168
-	58,691	9,083	56,487	856,209
-	-	-	379,133	418,606
1,815,460	-	-	-	2,123,315
-	-	-	-	13,853
-	-	-	-	387,361
-	-	-	116,851	1,750,790
228	-	-	-	104,827
-	-	-	-	488,660
<u>\$ 3,702,111</u>	<u>\$ 1,349,255</u>	<u>\$ 2,861,699</u>	<u>\$ 1,806,671</u>	<u>\$ 21,530,073</u>
\$ 260	\$ -	\$ 525,275	\$ 21,399	\$ 1,388,206
8,833	-	-	-	1,236,029
-	-	-	-	618,898
300,259	-	-	38,101	387,361
460,782	-	-	-	871,430
-	-	-	-	39,675
-	-	-	-	11,445
770,134	-	525,275	59,500	4,553,044

The notes to the financial statements are an integral part of this statement.

**PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge	Health and Human Services
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	\$ 376,172	\$ 76,393	\$ 146,425
Unavailable Grants	28,694	414,421	-
Unavailable Revenue	-	-	-
Unavailable Special Assessments	39,473	-	-
Total Deferred Inflows of Resources	444,339	490,814	146,425
FUND BALANCES			
Nonspendable for			
Prepaid Items	104,599	-	-
Inventories	-	488,660	-
Restricted for			
Debt Service	-	-	-
Aquatic Invasive Species	151,726	-	-
Law Library	43,543	-	-
Missing Heirs	53,705	-	-
E911	79,821	-	-
Septic System Upgrade Program	7,809	-	-
Recorder's Equipment Purchases	216,308	-	-
Recorder's Compliance	201,902	-	-
Attorney Forfeiture	86,553	-	-
Sheriff's Contingency	1,821	-	-
Drug Forfeitures	29,926	-	-
Economic Development	17,751	-	-
Gun Permits	141,916	-	-
Ditches	-	-	-
MIECHV Grant	-	-	405,468
Road Access	-	-	-
Sheriff's Backpack Program	41	-	-
Blight Clean Up	-	-	-
Equitable Share Agreement	3,205	-	-
Community Coach	8,029	-	-
Sheriff Donations	510	-	-
Septic Loans	-	-	-
Assigned for			
Capital Projects	-	-	-
Petty Cash	2,400	150	-
Fund Purposes	-	-	1,543,713
Unassigned	4,284,310	(343,242)	-
Total Fund Balances	5,435,875	145,568	1,949,181
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,216,438	\$ 1,554,098	\$ 3,039,801

The notes to the financial statements are an integral part of this statement.

**PINE COUNTY
PINE CITY, MINNESOTA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

Land Management	General Obligation Jail Bond	CIP Project Bond	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 48,481	\$ 6,075	\$ 46,178	\$ 699,724
-	-	-	-	443,115
1,815,460	-	-	-	1,815,460
-	-	-	379,133	418,606
1,815,460	48,481	6,075	425,311	3,376,905
228	-	-	-	104,827
-	-	-	-	488,660
-	1,300,774	2,330,349	1,137,090	4,768,213
-	-	-	-	151,726
-	-	-	-	43,543
-	-	-	-	53,705
-	-	-	-	79,821
-	-	-	-	7,809
-	-	-	-	216,308
-	-	-	-	201,902
-	-	-	-	86,553
-	-	-	-	1,821
-	-	-	-	29,926
-	-	-	-	17,751
-	-	-	-	141,916
-	-	-	23,918	23,918
-	-	-	-	405,468
47,718	-	-	-	47,718
-	-	-	-	41
42,735	-	-	-	42,735
-	-	-	-	3,205
-	-	-	-	8,029
-	-	-	-	510
-	-	-	16,133	16,133
-	-	-	173,522	173,522
-	-	-	-	2,550
1,025,836	-	-	-	2,569,549
-	-	-	(28,803)	3,912,265
1,116,517	1,300,774	2,330,349	1,321,860	13,600,124
<u>\$ 3,702,111</u>	<u>\$ 1,349,255</u>	<u>\$ 2,861,699</u>	<u>\$ 1,806,671</u>	<u>\$ 21,530,073</u>

The notes to the financial statements are an integral part of this statement.

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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, 2018**

TOTAL FUND BALANCES FOR GOVERNMENTAL FUNDS		\$ 13,600,124
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.		111,586,198
OPEB deferred outflows are reported only on the statement of net position.		102,762
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		3,376,905
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	\$ (10,872,815)	
Deferred Outflows of Resources - Pension Related	6,386,231	
Deferred Inflows of Resources - Pension Related	<u>(8,996,135)</u>	(13,482,719)
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	(26,060,000)	
Unamortized Bond Premium	(1,297,598)	
Unamortized Deferred Outflows of Resources on Refunding Bond	1,715,665	
Installment Payable	(107,574)	
Special Assessments Payable	(72,521)	
Capital Lease Payable	(15,826)	
G.O. MPCA Note Payable	(395,566)	
Compensated Absences	(1,786,954)	
Other Postemployment Benefit Plan Payable	(2,092,165)	
Accrued Interest Payable	<u>(399,718)</u>	<u>(30,512,257)</u>
TOTAL NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 84,671,013</u></u>

The notes to the financial statements are an integral part of this statement.

**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	General	Road and Bridge	Health and Human Services
REVENUES			
Taxes	\$ 9,578,120	\$ 2,911,146	\$ 3,783,388
Special Assessments	2,603	-	-
Licenses and Permits	148,831	-	11,200
Intergovernmental	4,039,677	10,123,555	6,541,798
Charges for Services	2,060,820	409,438	40,017
Fines and Forfeits	19,796	-	-
Gifts and Contributions	126,903	-	3,652
Investment Earnings	91,348	-	746
Miscellaneous	852,449	79,990	1,078,883
Total Revenues	16,920,547	13,524,129	11,459,684
EXPENDITURES			
CURRENT			
General Government	5,712,073	-	-
Public Safety	10,260,316	-	-
Highways and Streets	-	13,492,768	-
Sanitation	302,589	-	-
Human Services	-	-	9,456,206
Health	-	-	1,772,412
Culture and Recreation	327,280	-	-
Conservation of Natural Resources	325,394	-	-
Economic Development	1,295	-	-
CAPITAL OUTLAY			
General Government	-	-	-
INTERGOVERNMENTAL			
Highways and Streets	-	514,448	-
DEBT SERVICE			
Principal	78,853	-	-
Interest	7,977	-	-
Administrative - Fiscal Charges	-	-	-
Total Expenditures	17,015,777	14,007,216	11,228,618
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(95,230)	(483,087)	231,066
OTHER FINANCING SOURCES (USES)			
Transfers In	390,006	-	-
Transfers Out	-	-	-
Proceeds from MPCA Note	-	-	-
Proceeds from Sale of Assets	-	5,063	-
Total Other Financing Sources (Uses)	390,006	5,063	-
NET CHANGES IN FUND BALANCES	294,776	(478,024)	231,066
Fund Balances - Beginning of Year	5,141,099	621,570	1,718,115
INCREASE IN INVENTORIES	-	2,022	-
FUND BALANCES - END OF YEAR	<u>\$ 5,435,875</u>	<u>\$ 145,568</u>	<u>\$ 1,949,181</u>

The notes to the financial statements are an integral part of this statement.

Land Management	General Obligation Jail Bond	CIP Project Bond	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 1,149,928	\$ 334,021	\$ 1,160,873	\$ 18,917,476
-	-	-	21,213	23,816
-	-	-	-	160,031
47,572	20,277	5,971	20,495	20,799,345
-	-	-	8,599	2,518,874
-	-	-	-	19,796
-	-	-	-	130,555
-	-	65,786	-	157,880
1,127,445	-	-	116,851	3,255,618
<u>1,175,017</u>	<u>1,170,205</u>	<u>405,778</u>	<u>1,328,031</u>	<u>45,983,391</u>
-	-	-	-	5,712,073
-	-	-	-	10,260,316
-	-	-	-	13,492,768
-	-	-	-	302,589
-	-	-	-	9,456,206
-	-	-	-	1,772,412
-	-	-	-	327,280
660,467	-	-	172,026	1,157,887
-	-	-	9	1,304
-	-	1,752,082	99,730	1,851,812
-	-	-	-	514,448
-	680,000	-	610,000	1,368,853
-	428,300	97,400	334,000	867,677
-	476	7,503	2,800	10,779
<u>660,467</u>	<u>1,108,776</u>	<u>1,856,985</u>	<u>1,218,565</u>	<u>47,096,404</u>
514,550	61,429	(1,451,207)	109,466	(1,113,013)
-	-	-	-	390,006
(390,006)	-	-	-	(390,006)
-	-	-	148,461	148,461
-	-	-	-	5,063
<u>(390,006)</u>	<u>-</u>	<u>-</u>	<u>148,461</u>	<u>153,524</u>
124,544	61,429	(1,451,207)	257,927	(959,489)
991,973	1,239,345	3,781,556	1,063,933	14,557,591
-	-	-	-	2,022
<u>\$ 1,116,517</u>	<u>\$ 1,300,774</u>	<u>\$ 2,330,349</u>	<u>\$ 1,321,860</u>	<u>\$ 13,600,124</u>

The notes to the financial statements are an integral part of this statement.

**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, 2018**

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (959,489)

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	\$ 9,578,877	
Net Book Value of Disposed Assets	(21,118)	
Current Year Depreciation	<u>(3,732,778)</u>	5,824,981

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 249,638

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. 389,920

OPEB expenses reported in the statement of activities do not require the use of current financial resources and are therefore not reported as expenditures in the governmental funds. OPEB expenses on the statement of activities are measured by the change in total OPEB liability and the related deferred inflows and outflows of resources. (205,143)

The governmental funds report septic loan and capital lease proceeds as financing sources, while repayment of these payables are reported as expenditures. In the statement of net position, however, these payables increase long-term liabilities and do not affect the statement of activities, and repayment of these payables reduces the liabilities.

Proceeds from G.O. MPCA Note	(148,761)	
Proceeds from Installment Payable	<u>(161,361)</u>	(310,122)

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	1,290,000	
Special Assessments Payable	72,523	
Capital Lease Payable	6,330	
Installment Payable	<u>53,787</u>	1,422,640

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	(43,199)	
Amortization of Premiums/Discounts and Refunding Deferred Charge	(38,112)	
Change in Inventories	2,022	
Change in Compensated Absences	<u>(150,265)</u>	<u>(229,554)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,182,871

The notes to the financial statements are an integral part of this statement.

**PINE COUNTY
PINE CITY, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2018**

ASSETS

Cash and Pooled Investments	\$ 913,258
Accounts Receivable	522
Due from Other Governments	<u>33,282</u>
Total Assets	<u><u>\$ 947,062</u></u>

LIABILITIES

Due to Other Governments	<u><u>\$ 947,062</u></u>
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The notes to the financial statements are an integral part of this statement.

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**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018**

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 Capital Project Fund is used to account for financial resources to be used for construction of a major capital facility.

Additionally, the County reports the following fund types:

Capital Project Funds account for financial resources to be used for major capital projects.

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, 2018**

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 full 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 2018 were \$158,061.

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, 2018**

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, 2018**

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
Intangibles	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 three 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. The third type relates to OPEB related deferred outflows of resources which can be found in more detail in Note 6 of 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, 2018**

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, 2018**

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 which cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. 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. In the General Fund, assigned funds are established by the County Auditor/Treasurer as allowed based on the County's adopted policy. In governmental funds other than the general fund, assigned fund balance represents the remaining positive amount that is not restricted or committed. Unassigned fund balance is the residual classification for the County's General Fund and includes all spendable amounts not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

Net position represents the differences between assets, and deferred outflows of resources, and liabilities 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, 2018**

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

E. Change in Accounting Principle

During the year ended December 31, 2018, the County adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This pronouncement requires the restatement of the December 31, 2017 net position of the governmental activities as follows:

	Governmental Activities
Net Position, December 31, 2017, as Previously Reported	\$ 78,590,020
Affect of Application of GASB 75	(101,878)
Net Position, December 31, 2017, as Restated	\$ 78,488,142

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, 2018.

	Expenditures	Final Budget	Excess
General Fund	\$ 17,015,777	\$ 16,782,364	\$ 233,413
Road and Bridge Fund	14,007,216	12,799,837	1,207,379
Health and Human Services Fund	11,228,618	11,076,869	151,749

The General Fund, Road and Bridge Fund, and Health and Human Services Fund expenditures in excess of budget were funded by existing fund balance due to increased revenues.

B. Deficit Fund Balance

The Clean Water Partnership Program Special Revenue Fund had deficit fund balance as of December 31, 2018 of \$12,670. This deficit will be eliminated with future grant revenues.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 14,598,734
Petty Cash and Change Funds	2,550
Cash with Escrow Agent	785,168
Statement of Fiduciary Net Position	
Cash and Pooled Investments	913,258
Total Cash and Investments	\$ 16,299,710
Deposits	\$ 8,587,780
Change Funds	2,550
Cash with Escrow Agent	785,168
Investments	6,924,212
Total Deposits, Cash and Investments	\$ 16,299,710

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, 2018, the County's deposits were not subject to custodial credit risk.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018**

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 of 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, 2018, 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, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Investments (Continued)

The following table presents the County's cash and investment balances at December 31, 2018, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration	Interest	Carrying (Fair) Value
	Credit Rating	Rating Agency	Risk Over 5 Percent of Portfolio	Rate Risk Maturity Date	
Investment Pools					
MAGIC Fund	N/A	N/A	N/A	N/A	\$ 2,802,293
Negotiable Certificates of Deposit					
JP Morgan Chase	NR	NR	N/A	3/19/2020	242,667
Capital One Bk USA	NR	NR	N/A	11/12/2019	245,802
Worlds Foremost Bank	NR	NR	N/A	4/15/2020	197,308
HSBC Bank USA	NR	NR	N/A	10/7/2021	237,300
Goldman Sachs	NR	NR	N/A	10/13/2020	240,067
BMW Bank of NA	NR	NR	N/A	2/17/2022	235,154
American Express Fed Svgs Bk	NR	NR	N/A	8/29/2022	239,898
American Express Centurion	NR	NR	N/A	8/29/2022	47,980
American Express Centurion	NR	NR	N/A	12/5/2022	185,983
CIT Bk Sale Lake City UT	NR	NR	N/A	6/5/2020	246,270
Discover Bk Greenwood DEL	NR	NR	N/A	1/25/2022	143,807
Discover Bk Greenwood DEL	NR	NR	N/A	10/19/2020	99,399
Wells Fargo	NR	NR	N/A	1/20/2021	97,924
Wells Fargo	NR	NR	N/A	3/1/2022	144,394
Synchrony Bk Retail	NR	NR	N/A	10/13/2020	240,064
Sallie Mae Bank	NR	NR	N/A	6/21/2022	145,242
Toyota Financial	NR	NR	N/A	6/5/2023	229,861
Comenity Capital Bank	NR	NR	N/A	4/12/2021	170,353
Ally Bank	NR	NR	N/A	3/4/2019	249,637
RCB Bank	NR	NR	N/A	10/28/2022	143,507
EnerBank	NR	NR	N/A	5/25/2023	241,477
BankUnited NA	NR	NR	N/A	4/27/2023	97,825
Total Negotiable Certificates of Deposit					<u>4,121,919</u>
Total Investments					6,924,212
Deposits					8,587,780
Petty Cash and Change Funds					2,550
Cash with Escrow Agent					<u>785,168</u>
Total Cash and Investments					<u>\$ 16,299,710</u>

NR = Not Rated

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 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	\$ 1,392,382	\$ 2,729,537	\$ -	\$ 4,121,919
Investments Measured at Amortized Cost				
External Investment Pool				2,802,293
Total Investments				6,924,212
Deposits and Cash on Hand				8,590,330
Cash with Escrow Agent				785,168
				\$ 16,299,710

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018, are as follows:

	County Receivable	Amounts Scheduled to be Collected During the Subsequent Year
Taxes	\$ 856,209	\$ 856,209
Special Assessments	418,606	30,885
Accounts	2,123,315	2,123,315
Interest	13,853	13,853
Due from Other Governments	1,750,790	1,750,790
Total	<u>\$ 5,162,773</u>	<u>\$ 4,775,052</u>

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

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended December 31, 2018, 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	1,881,417	1,878,020	1,967,984
Total Capital Assets, Not Being Depreciated	6,378,453	1,881,417	1,878,020	6,381,850
Capital Assets, Being Depreciated				
Buildings	26,605,525	226,220	-	26,831,745
Building Improvement	49,585	54,000	-	103,585
Machinery and Equipment	10,030,717	592,349	158,382	10,464,684
Intangibles	381,477	387,815	-	769,292
Infrastructure	112,498,115	8,315,096	-	120,813,211
Total Capital Assets, Being Depreciated	149,565,419	9,575,480	158,382	158,982,517
Less Accumulated Depreciation for				
Buildings	8,088,159	635,260	-	8,723,419
Building Improvement	1,983	4,143	-	6,126
Machinery, Furniture, and Equipment	7,770,109	645,687	137,264	8,278,532
Intangibles	283,324	122,274	-	405,598
Infrastructure	34,039,080	2,325,414	-	36,364,494
Total Accumulated Depreciation	50,182,655	3,732,778	137,264	53,778,169
Total Capital Assets, Being Depreciated, Net	99,382,764	5,842,702	21,118	105,204,348
Governmental Activities Capital Assets, Net	\$ 105,761,217	\$ 7,724,119	\$ 1,899,138	\$ 111,586,198

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

Governmental Activities	
General Government	\$ 332,094
Conservation	5,809
Public Safety	709,059
Highways and Streets	2,685,816
Total Depreciation Expense - Governmental Activities	\$ 3,732,778

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Health and Human Services	\$ 31,376
	Road and Bridge	1,731
	Land Management	300,006
	Nonmajor Governmental Funds	38,101
		<u>371,214</u>
Road & Bridge Fund	Land Management	253
	Health and Human Services	900
	General	14,994
		<u>16,147</u>
	Total	<u>\$ 387,361</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, 2018, consisted of the following:

	Amount	Description
Transfers to General Fund from		
Land Management Fund	\$ 300,006	Forfeited Tax Distribution
Land Management Fund	90,000	Salary Reimbursement
Total Interfund Transfers	<u>\$ 390,006</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2018. The projects include the following:

Governmental Activities	Spent-to-Date	Remaining Commitment
Roads and Bridges	\$ 11,759,060	\$ 145,208

2. Long-Term Debt

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issues Amount	Outstanding Balance December 31, 2018
General Obligation Bonds					
2012A G.O. Capital Improvement Bonds	2031	\$ 480,000 - 965,000	3.000 - 4.000	\$ 13,410,000	\$ 10,060,000
2015A G.O. Crossover Refunding Bonds	2031	655,000 - 1,595,000	3.000 - 4.000	13,430,000	12,095,000
2016 G.O. MPCA Note	2029	28,339 - 34,237	2.000	624,000	395,566
2017A G.O. Capital Improvement Bonds	2033	175,000 - 315,000	4.000	3,905,000	3,905,000
Installment Payable	2020	53,787	N/A	161,361	107,574
Printer Server Capital Lease	2021	6,330	3.000	31,651	15,826
Special Assessments	2019	72,523	5.500		72,521
Total General Obligation Bonds, Loans, and Assessments				\$ 31,562,012	26,651,487
Add: Unamortized Premium					1,297,598
Total General Obligation Bonds, Net					\$ 27,949,085

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31,	Special Assessments		2012A G.O. Capital Improvement Bonds	
	Principal	Interest	Principal	Interest
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	-	-	755,000	208,575
2024-2028	-	-	4,200,000	680,250
2029-2033	-	-	2,375,000	93,375
Total	\$ 72,521	\$ 3,989	\$ 10,060,000	\$ 2,061,050

Year Ending December 31,	2015A G.O. Crossover Refunding Bonds		2016 G.O. MPCA Note	
	Principal	Interest	Principal	Interest
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	815,000	283,200	60,466	8,692
2024-2028	4,625,000	928,500	321,056	24,735
2029-2033	3,690,000	183,000	68,134	1,023
Total	\$ 12,095,000	\$ 2,836,000	\$ 624,000	\$ 67,583

* See note 3.C.4.

Year Ending December 31,	2017A G.O. CIP Bonds	
	Principal	Interest
2019	\$ 175,000	\$ 108,338
2020	220,000	102,413
2021	225,000	95,738
2022	235,000	88,838
2023	240,000	81,713
2024-2028	1,315,000	298,969
2029-2033	1,495,000	113,660
Total	\$ 3,905,000	\$ 889,669

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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
2019	\$ 6,330	\$ -
2020	6,330	-
2021	3,166	-
Total	<u>\$ 15,826</u>	<u>\$ -</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds Payable					
2012A G.O. Capital Bonds	\$ 10,670,000	\$ -	\$ 610,000	\$ 10,060,000	\$ 635,000
2015A G.O. Crossover Refunding Bonds	12,775,000	-	680,000	12,095,000	695,000
2017A G.O. CIP Bonds	3,905,000	-	-	3,905,000	175,000
Add: Premium on Bonds	1,398,905	-	101,307	1,297,598	-
2016 G.O. MPCA Note Payable	246,805	148,761	-	395,566	-
Special Assessments	145,044	-	72,523	72,521	72,521
Capital Lease Payable	22,156	-	6,330	15,826	6,330
Installment Payable	-	161,361	53,787	107,574	53,787
Compensated Absences	1,636,689	1,706,295	1,556,030	1,786,954	-
Total Long-Term Liabilities	<u>\$ 30,799,599</u>	<u>\$ 2,016,417</u>	<u>\$ 3,079,977</u>	<u>\$ 29,736,039</u>	<u>\$ 1,637,638</u>

Debt is generally paid from the debt service funds. The Minnesota Pollution Control Agency (MPCA) note is paid from the Clean Water Partnership Program Fund. 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. The net pension liability and other postemployment benefits are paid from the General Fund, Road and Bridge Fund, and Health and Human Service Fund.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities (Continued)

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. \$395,566 of the loan has been drawn down by the County as of December 31, 2018.

Installment Payable

In 2018, the County entered into an agreement with a vendor to acquire services in exchange of annual payments of \$53,787, with the last payment due on January 15, 2020. The County paid \$53,787 of expenses related to the installment payable during 2018. Revenues from the General Fund are used to pay for the installment payable.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 2018:

Type of Property	Amount
Copiers and Office Equipment	\$ 63,252
Microsoft Enterprise Agreement	49,000
Total Operating Lease Expense	\$ 112,252

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2018:

Year Ended	Amount
2019	\$ 110,827
2020	56,151
2021	29,129
2022	7,044
2023	912
Total Future Minimum Lease Payments	\$ 204,063

Capital Leases

The County entered into a lease agreement for use of a printer server. At December 31, 2018, the County had total assets under this lease of \$43,651 with the related accumulated depreciation of \$26,190. Future minimum lease payments under the lease are summarized in Note 3.C.3 on page 45.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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.

1. General Employees Retirement Plan

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

2. Public Employees Police and Fire Plan

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

3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

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

1. General Employees Plan Benefits

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits (Continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. The annuity accrual rate is 1.9 percent of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the Correctional Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Contributions

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

1. General Employees Plan Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2018 and the County was required to contribute 7.50 percent for Coordinated Plan members. The County's contributions to the General Employees Plan for the year ended December 31, 2018, were \$785,931. The County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Plan Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary and the County was required to contribute 16.20 percent of pay for members in fiscal year 2018. The County's contributions to the Police and Fire Plan for the year ended December 31, 2018, were \$409,362. The County's contributions were equal to the required contributions as set by state statute.

3. Correctional Plan Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary and the County was required to contribute 8.75 percent of pay for plan members in fiscal year 2018. The County's contributions to the Correctional Plan for the year ended December 31, 2018, were \$178,579. The County's contributions were equal to the required contributions as set by state statute.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Retirement Plan

At December 31, 2018, the County reported a liability of \$8,204,886 for its proportionate share of the General Employees Plan's net pension liability. The County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled \$269,044. The net pension liability was measured as of June 30, 2018, 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 proportionate share 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers.

At June 30, 2018, the County's proportionate share was 0.1479 percent which was an increase of 0.0043 percent from its proportionate share measured as of June 30, 2017.

County's Proportionate Share of the Net Pension Liability	\$	8,204,886
State's Proportionate Share of the Net Pension Liability		269,044
	\$	8,473,930

For the year ended December 31, 2018, the County recognized pension expense of \$928,817 for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional \$62,741 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Plan.

At December 31, 2018, 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	\$ 217,170	\$ 239,301
Changes in Actuarial Assumptions	783,775	921,907
Net Difference Between Projected and		
Actual Investment Earnings	-	838,409
Changes in Proportion	322,861	-
Contributions Paid to PERA Subsequent		
to the Measurement Date	400,463	-
Total	\$ 1,724,269	\$ 1,999,617

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Retirement Plan (Continued)

The \$400,463 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, 2019. 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
2019	\$ 426,721
2020	(331,349)
2021	(599,933)
2022	(171,250)

2. Police and Fire Fund Plan

At December 31, 2018, the County reported a liability of \$2,504,858 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportionate share was 0.235 percent which was an increase of 0.014 percent from its proportionate share measured as of June 30, 2017. The County also recognized \$21,150 for the year ended December 31, 2018, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014.

For the year ended December 31, 2018, the County recognized pension expense of \$340,666 for its proportionate share of the Police and Fire Plan's pension expense.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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	\$ 100,959	\$ 614,505
Changes in Actuarial Assumptions	3,114,161	3,687,479
Net Difference Between Projected and Actual Investment Earnings	-	524,650
Changes in Proportion	301,129	43,850
Contributions Paid to PERA Subsequent to the Measurement Date	207,081	-
Total	<u>\$ 3,723,330</u>	<u>\$ 4,870,484</u>

The \$207,081 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, 2019. 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
2019	\$ (2,244)
2020	(118,551)
2021	(299,126)
2022	(968,321)
2023	34,007

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Public Employees Correctional Plan

At December 31, 2018, the County reported a liability of \$163,072 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportionate share was .9915 percent which was an increase of .0515 percent from its proportionate share measured as of June 30, 2017.

For the year ended December 31, 2018, the County recognized pension expense of (\$184,808) for its proportionate share of the 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	\$ 8,517	\$ 17,431
Changes in Actuarial Assumptions	769,234	1,885,498
Net Difference Between Projected and Actual Investment Earnings	-	185,034
Changes in Proportion	72,547	38,071
Contributions Paid to PERA Subsequent to the Measurement Date	88,334	-
Total	<u>\$ 938,632</u>	<u>\$ 2,126,034</u>

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Public Employees Correctional Plan (Continued)

The \$88,334 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, 2019. 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
2019	\$ 83,474
2020	(719,503)
2021	(605,566)
2022	(34,141)

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$1,084,675.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, 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 for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048 if earlier.
- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80 percent to 11.30 percent and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Actuarial Assumptions (Continued)

Correctional Plan

- The Single Discount Rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

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	36 %	5.10 %
International Stocks	17	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	0.00
Totals	<u>100 %</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. 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%	\$ 13,333,990	6.50%	\$5,370,573	4.96%	\$ 1,395,616
Current	7.50%	8,204,885	7.50%	2,504,858	5.96%	163,072
1% Increase	8.50%	3,970,957	8.50%	135,031	6.96%	(822,925)

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. 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

Five 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.

Total contributions by dollar amount and percentage of covered payroll made by Pine County during the year ended December 31, 2018, were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 7,580	\$ 7,580	5%	5%	5%

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The County provides health and dental insurance benefits for certain retired employees under a single-employer fully-insured plan. 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. There are 229 active employees, 28 nonactive employees and no inactive employees entitled to but not yet receiving benefits.

B. Funding Policy

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.

C. Actuarial Methods and Assumptions

The County's OPEB liability was measured as of December 31, 2017, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2018.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions, applied to all periods including in the measurement, unless otherwise specified:

Inflation	2.8%
Salary	Based on age and years of service
Health Care Trend Rates	6.8% Decreasing to Ultimate Rate of 4.4%

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Actuarial Methods and Assumptions (Continued)

General employee's mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2015, and other adjustments. Police & Fire and Correctional mortality rates were based on the PR-2014 mortality tables with projected mortality improvements based on scale MP-2016, and other adjustments.

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial expense study for the period January 1, 2017 to December 31, 2018.

The discount rate used to measure the total OPEB liability was 3.31%. The discount rate is equal to the 20-Year Municipal Bond Yield.

Since the most recent GASB 45 valuation, the following assumption changes have been made:

- The discount rate was changed from 3.50% to 3.31% based on updated 20-year municipal bond rates.
- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent to pay cost method.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement and mortality rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan, 7/1/2015 PERA Police & Fire Plan and 7/1/2015 PERA Correctional Plan valuations to the rates used in the 7/1/2017 valuations.
- A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan, 7/1/2017 PERA Police & Fire Plan, and 7/1/2017 PERA Correctional Service Retirement Plan valuations.
- The percent of retirees electing spouse coverage changed from 40% to 30% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees other than Teamster Deputies electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The percent of future non-Medicare eligible Teamster Deputy retirees electing each medical plan changed to reflect recent plan experience and new plan offering.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. Changes in Total OPEB Liability

	<u>Total OPEB liability</u>
Balance as of January 1, 2018, as restated	\$ 1,879,636
Changes for the Year:	
Service Cost	115,403
Interest	74,194
Changes in Assumptions	118,308
Employer Contributions	(95,376)
Net Change in Total OPEB Liability	212,529
Balance as of December 31, 2018	\$ 2,092,165

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease (2.31%)</u>	<u>Discount Rate (3.31%)</u>	<u>1% Increase (4.31%)</u>
Total OPEB Liability	\$ 2,360,519	\$ 2,092,165	\$ 1,864,774

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that were 1% lower (5.8% decreasing to an ultimate rate of 3.4%) or 1% higher (7.8% decreasing to an ultimate rate of 5.4%) than the current healthcare cost trend rates:

	<u>1% Decrease (5.8% Decreasing to 3.4%)</u>	<u>Current Trend Rates (6.8% Decreasing to 4.4%)</u>	<u>1% Increase (7.8% Decreasing to 5.4%)</u>
Medical Trend Rate			
Total OPEB Liability	\$ 1,839,094	\$ 2,092,165	\$ 2,400,812

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

E. Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 102,762	\$ -

Amounts reported as deferred outflows of resources related to OPEB will be amortized over 6.61 years and will be recognized as follows:

Year Ending December 31,	Amount
2019	\$ 15,546
2020	15,546
2021	15,546
2022	15,546
2023	15,546
Thereafter	25,032

For the year ended December 31, 2018, the County recognized OPEB expense of \$205,143. At December 31, 2018, the County reported no deferred inflows of resources.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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, 2018**

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 2018 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, 2018**

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
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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 Industrial 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 \$491,876 in 2018. 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. The balance as of December 31, 2018 is \$491,875.

Audubon Center of the Northwoods

In 2018, the County issued \$80,000 of Revenue Notes to provide financial assistance to the Audubon Center of the Northwoods, a nonprofit corporation, located in Sandstone, MN. The proceeds will be used for constructing and equipping improvements to the facilities, including a new high ropes course, and paying certain costs of issuance in connection with the issuance of the Note. 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 loans. 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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

C. Joint Ventures (Continued)

East Central Solid Waste Commission (Continued)

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

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

During 2007, the Commission repaid the outstanding balance of its long-term bonds. Pine County was not required to contribute toward debt service. During 2018, 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 2018. Upon dissolution, the personal property shall be returned to the member county contributing the same.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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

C. Joint Ventures (Continued)

Snake River Watershed Management Board (Continued)

Complete financial information can be obtained from:

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

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, 2018**

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

C. Joint Ventures (Continued)

Workforce Investment/Workforce Center Systems Joint Powers Board

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

Rush Line Corridor Joint Powers Agreement

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

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

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

Funding, if needed for administrative costs, is provided to the Task Force based on corridor county population for the most recent census year or state demographer data available. Pine County made no contributions in 2018.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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 2018, Pine County elected not to pay a contribution and decided not to be a voting member of the Joint Powers Board effective for 2016, 2017, and 2018.

**PINE COUNTY
PINE CITY, MINNESOTA
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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 \$440 in contributions in 2018.

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 2018, Pine County contributed \$42,030 to the task force.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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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 \$3,299 by the County to the HRA Board members for per diem expenses in 2018.

F. Tax-Forfeited Land

The County manages approximately 41,970.36 acres of state-owned, tax-forfeited land with an estimated market value for 2018 of \$28,517,600. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

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

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 10,064,776	\$ 10,064,776	\$ 9,578,120	\$ (486,656)
Special Assessments	2,604	2,604	2,603	(1)
Licenses and Permits	107,400	107,400	148,831	41,431
Intergovernmental	3,761,809	3,870,580	4,039,677	169,097
Charges for Services	1,765,043	1,846,043	2,060,820	214,777
Fines and Forfeits	15,500	15,500	19,796	4,296
Gifts and Contributions	101,000	131,100	126,903	(4,197)
Investment Earnings	75,000	75,000	91,348	16,348
Miscellaneous	763,671	702,800	852,449	149,649
Total Revenues	16,656,803	16,815,803	16,920,547	104,744
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Commissioners	261,945	261,945	278,928	(16,983)
Courts	64,000	64,000	51,308	12,692
Law Library	22,450	22,450	33,125	(10,675)
County Auditor	706,465	706,465	694,571	11,894
County Assessor	598,727	598,727	598,540	187
Elections	72,450	72,450	69,405	3,045
Data Processing	746,628	740,328	688,393	51,935
Central Services	34,000	34,000	39,420	(5,420)
Administrator	429,012	429,012	424,234	4,778
Attorney	872,557	901,057	970,686	(69,629)
Contracted Legal Services	40,000	22,500	6,830	15,670
Recorder	371,163	371,163	411,135	(39,972)
Planning and Zoning	178,993	178,993	228,419	(49,426)
Buildings and Plant	730,553	730,553	750,211	(19,658)
Veterans Service Officer	123,493	128,593	105,951	22,642
Victim Services	-	-	42,860	(42,860)
Other General Government	364,850	364,850	318,057	46,793
Total General Government	5,617,286	5,627,086	5,712,073	(84,987)
PUBLIC SAFETY				
Sheriff	4,744,046	4,784,046	5,012,129	(228,083)
Court Security	166,295	166,295	167,330	(1,035)
Boat and Water Safety	6,925	12,325	18,643	(6,318)
Coroner	62,000	62,000	62,075	(75)
E-911 System	100,000	100,000	93,571	6,429
County Jail	3,829,381	3,899,381	3,870,064	29,317
Sentence to Serve	75,289	75,289	76,039	(750)
Probation and Parole	761,570	786,570	813,325	(26,755)
Civil Defense	99,011	99,011	100,424	(1,413)
Other Public Safety	51,201	53,701	46,716	6,985
Total Public Safety	9,895,718	10,038,618	10,260,316	(221,698)

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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES (CONTINUED)				
CURRENT (CONTINUED)				
SANITATION				
Solid Waste	\$ -	\$ -	\$ (1,972)	\$ 1,972
Recycling	305,526	305,526	304,561	965
Total Sanitation	305,526	305,526	302,589	2,937
CULTURE AND RECREATION				
Historical Society	20,000	20,000	20,000	-
Regional Library	307,680	307,680	307,280	400
Total Culture and Recreation	327,680	327,680	327,280	400
CONSERVATION OF NATURAL RESOURCES				
County Extension	102,103	102,103	100,273	1,830
Soil and Water Conservation	148,202	148,202	104,404	43,798
Agricultural Society/County Fair	10,000	10,000	10,000	-
Aquatic Invasive Species	124,981	124,981	100,749	24,232
Other	9,968	9,968	9,968	-
Total Conservation of Natural Resources	395,254	395,254	325,394	69,860
ECONOMIC DEVELOPMENT				
Economic Development	7,700	7,700	1,295	6,405
DEBT SERVICE				
Principal	72,523	72,523	78,853	(6,330)
Interest	7,977	7,977	7,977	-
Total Debt Service	80,500	80,500	86,830	(6,330)
Total Expenditures	16,629,664	16,782,364	17,015,777	(233,413)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,139	33,439	(95,230)	(128,669)
OTHER FINANCING SOURCES				
Transfers In	90,000	90,000	390,006	300,006
NET CHANGE IN FUND BALANCE	<u>\$ 117,139</u>	<u>\$ 123,439</u>	294,776	<u>\$ 171,337</u>
Fund Balance - Beginning of Year			5,141,099	
FUND BALANCE - END OF YEAR			<u>\$ 5,435,875</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,829,821	\$ 2,829,821	\$ 2,911,146	\$ 81,325
Intergovernmental	7,519,718	8,819,718	10,123,555	1,303,837
Charges for Services	167,300	167,300	409,438	242,138
Miscellaneous	43,550	43,550	79,990	36,440
Total Revenues	10,560,389	11,860,389	13,524,129	1,663,740
EXPENDITURES				
CURRENT				
HIGHWAY AND STREETS				
Administration	360,254	360,254	381,868	(21,614)
Maintenance	2,239,538	2,239,538	2,511,803	(272,265)
Construction	6,499,412	7,799,412	8,599,022	(799,610)
Equipment and Maintenance Shops	1,775,542	1,775,542	1,980,431	(204,889)
Unallocated - Highways and Streets	110,643	110,643	19,644	90,999
Total Highways and Streets	10,985,389	12,285,389	13,492,768	(1,207,379)
INTERGOVERNMENTAL				
Highways and Streets	514,448	514,448	514,448	-
Total Expenditures	11,499,837	12,799,837	14,007,216	(1,207,379)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(939,448)	(939,448)	(483,087)	456,361
OTHER FINANCING SOURCES (USES)				
Transfers In	425,000	425,000	-	(425,000)
Proceeds from Sale of Assets	-	-	5,063	5,063
Total Other Financing Sources (Uses)	425,000	425,000	5,063	(419,937)
NET CHANGE IN FUND BALANCE	<u>\$ (514,448)</u>	<u>\$ (514,448)</u>	(478,024)	<u>\$ 36,424</u>
Fund Balance - Beginning of Year			621,570	
Increase in Inventories			2,022	
FUND BALANCE - END OF YEAR			<u>\$ 145,568</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, 2018**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,854,162	\$ 3,854,162	\$ 3,783,388	\$ (70,774)
Licenses and Permits	11,500	11,500	11,200	(300)
Intergovernmental	6,278,781	6,278,781	6,541,798	263,017
Charges for Services	48,360	48,360	40,017	(8,343)
Gifts and Contributions	3,340	3,340	3,652	312
Investment Earnings	-	-	746	746
Miscellaneous	787,576	787,576	1,078,883	291,307
Total Revenues	10,983,719	10,983,719	11,459,684	475,965
EXPENDITURES				
CURRENT				
HUMAN SERVICES				
Income Maintenance	3,067,943	3,067,943	2,993,306	74,637
Social Services	6,188,754	6,188,754	6,462,900	(274,146)
Total Human Services	9,256,697	9,256,697	9,456,206	(199,509)
HEALTH				
Nursing Services	816,920	816,920	840,283	(23,363)
Women, Infants, and Children	183,753	183,753	139,691	44,062
Maternal and Child Health	415,130	415,130	418,983	(3,853)
Environmental Health	56,369	56,369	50,646	5,723
Health Education	130,094	130,094	98,555	31,539
Planning & Implementation	217,906	217,906	224,254	(6,348)
Total Health	1,820,172	1,820,172	1,772,412	47,760
Total Expenditures	11,076,869	11,076,869	11,228,618	(151,749)
NET CHANGE IN FUND BALANCE	\$ (93,150)	\$ (93,150)	231,066	\$ 324,216
Fund Balance - Beginning of Year			1,718,115	
FUND BALANCE - END OF YEAR			\$ 1,949,181	

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 47,600	\$ 47,600	\$ 47,572	\$ (28)
Miscellaneous	<u>825,000</u>	<u>944,000</u>	<u>1,127,445</u>	<u>183,445</u>
Total Revenues	872,600	991,600	1,175,017	183,417
EXPENDITURES				
CURRENT				
CONSERVATION OF NATURAL RESOURCES				
Land Use	737,468	856,468	632,964	223,504
Other Conservation	<u>27,500</u>	<u>27,500</u>	<u>27,503</u>	<u>(3)</u>
Total Expenditures	<u>764,968</u>	<u>883,968</u>	<u>660,467</u>	<u>223,501</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	107,632	107,632	514,550	406,918
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(90,000)</u>	<u>(90,000)</u>	<u>(390,006)</u>	<u>(300,006)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 17,632</u>	<u>\$ 17,632</u>	124,544	<u>\$ 106,912</u>
Fund Balance - Beginning of Year			<u>991,973</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,116,517</u>	

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

**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS, AND NOTES
OTHER POSTEMPLOYMENT BENEFITS PLAN
YEAR ENDED DECEMBER 31, 2018**

	Measurement Date December 31, 2018
Total OPEB Liability	
Service Cost	\$ 115,403
Interest	74,194
Changes in Assumptions	118,308
Benefit Payments	(95,376)
Net Change in Total OPEB Liability	212,529
Total OPEB Liability - Beginning, as Restated	1,879,636
Total OPEB Liability - Ending	\$ 2,092,165
Covered Employee Payroll	\$ 14,842,185
County's OPEB Liability as a Percentage of Covered Employee Payroll	14%

Note 1: The County implemented GASB Statement No. 75 in 2018, and the above table will be expanded to ten year of information as the information becomes available.

Note 2: No assets are accumulated in a trust.

Note 3: Since the most recent GASB 45 valuation, the following assumption changes have been made:

- The discount rate was changed from 3.50% to 3.31% based on updated 20-year municipal bond rates.
- The actuarial cost method changed from using the Projected Unit Credit cost method to the Entry Age Normal level percent to pay cost method.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement and mortality rates were updated from the rates used in the 7/1/2015 PERA General Employees Retirement Plan, 7/1/2015 PERA Police and Fire Plan and 7/1/2015 PERA Correctional Plan valuations to the rates used in the 7/1/2017 valuations.
- A salary scale assumption was added to reflect the cost method change. Rates are from the 7/1/2017 PERA General Employees Retirement Plan, 7/1/2017 PERA Police and Fire Plan and 7/1/2017 PERA Correctional Plan valuations.
- The percent of retirees electing spouse coverage changed from 40% to 30% to reflect recent plan experience.
- The percent of future non-Medicare eligible retirees other than Teamster Deputies electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The percent of future non-Medicare eligible. Teamster Deputy retirees electing each medical plan changed to reflect recent plan experience and new plan offering.

**PINE COUNTY
PINE CITY, MINNESOTA
GENERAL EMPLOYEES RETIREMENT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2018**

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
2018	0.148%	\$ 8,204,885	\$ 269,044	\$ 8,473,929	\$ 9,940,474	82.54%	79.50%
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, 2018**

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
2018	\$ 785,931	\$ 785,931	\$ -	\$ 10,479,062	7.50%
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.

**PINE COUNTY
PINE CITY, MINNESOTA
PUBLIC EMPLOYEES POLICE AND FIRE RETIREMENT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2018**

<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>
2018	0.235%	\$ 2,504,858	\$ 2,476,926	101.13%	88.80%
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, 2018**

<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>
2018	\$ 409,362	\$ 409,362	\$ -	\$ 2,526,921	16.20%
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.

**PINE COUNTY
PINE CITY, MINNESOTA
CORRECTIONAL RETIREMENT PLAN
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
DECEMBER 31, 2018**

<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>
2018	0.992%	\$ 163,072	\$ 2,021,912	8.07%	97.60%
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, 2018**

<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>
2018	\$ 178,579	\$ 178,579	-	\$ 2,040,902	8.75%
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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

II. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 2018, the following departments of the General Fund had expenditures that exceeded appropriations:

<u>General Fund by Department Level</u>	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Current			
General Government			
Commissioners	\$ 261,945	\$ 278,928	\$ 16,983
Law Library	22,450	33,125	10,675
Central Services	34,000	39,420	5,420
Attorney	901,057	970,686	69,629
Recorder	371,163	411,135	39,972
Planning and Zoning	178,993	228,419	49,426
Buildings and Plant	730,553	750,211	19,658
Victim Services	-	42,860	42,860
Public Safety			
Sheriff	4,784,046	5,012,129	228,083
Court Security	166,295	167,330	1,035
Boat and Water Safety	12,325	18,643	6,318
Coroner	62,000	62,075	75
Sentence to Serve	75,289	76,039	750
Probation and Parole	786,570	813,325	26,755
Civil Defense	99,011	100,424	1,413
Debt Service			
Principal	72,523	78,853	6,330
Total	<u>\$ 8,558,220</u>	<u>\$ 9,083,602</u>	<u>\$ 525,382</u>
Special Revenue Funds by Fund	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Road and Bridge Fund	\$ 12,799,837	\$ 14,007,216	\$ 1,207,379
Health and Human Services Fund	11,076,869	11,228,618	151,749

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

**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, 2018:

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase was changed from 1.0% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

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

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0% per year through 2064 and 2.5% per year, thereafter, to 1.0% for all years, with no trigger.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048 if earlier.
- Member contributions were changed effective January 1, 2019 and January 1, 2020 from 10.80 percent to 11.30 percent and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019 and January 1, 2020 from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

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%.
- 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.

**PINE COUNTY
PINE CITY, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

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

Public Employees Police and Fire Plan

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

2018

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50% per year to 2.00% per year.

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, 2018**

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 was used to provide funds to support housing and economic development within Pine County. This fund was closed during 2018.

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, 2018**

	Special Revenue	Debt Service General Obligation Courthouse Bonds	Capital Projects	Total Nonmajor Funds
ASSETS				
Cash and Pooled Investments	\$ 32,647	\$ 1,102,192	\$ 88,854	\$ 1,223,693
Undistributed Cash in Agency Funds	-	26,119	4,388	30,507
Taxes Receivable - Delinquent	-	49,383	7,104	56,487
Special Assessments Receivable				
Noncurrent	379,133	-	-	379,133
Due from Other Governments	-	-	116,851	116,851
Total Assets	<u>\$ 411,780</u>	<u>\$ 1,177,694</u>	<u>\$ 217,197</u>	<u>\$ 1,806,671</u>
LIABILITIES				
Accounts Payable	\$ 21,399	\$ -	\$ -	\$ 21,399
Due to Other Funds	-	-	38,101	38,101
Total Liabilities	21,399	-	38,101	59,500
DEFERRED INFLOWS OF RESOURCES				
Unavailable Taxes	-	40,604	5,574	46,178
Unavailable Special Assessments	379,133	-	-	379,133
Total Deferred Inflows of Resources	<u>379,133</u>	<u>40,604</u>	<u>5,574</u>	<u>425,311</u>
FUND BALANCES				
Restricted for				
Debt Service	-	1,137,090	-	1,137,090
Ditches	23,918	-	-	23,918
Septic Loans	16,133	-	-	16,133
Assigned for				
Capital Projects	-	-	173,522	173,522
Unassigned	<u>(28,803)</u>	<u>-</u>	<u>-</u>	<u>(28,803)</u>
Total Fund Balances	<u>11,248</u>	<u>1,137,090</u>	<u>173,522</u>	<u>1,321,860</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 411,780</u>	<u>\$ 1,177,694</u>	<u>\$ 217,197</u>	<u>\$ 1,806,671</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2018**

	Special Revenue	Debt Service General Obligation Courthouse Bonds	Capital Projects	Total Nonmajor Funds
REVENUES				
Taxes	\$ -	\$ 987,998	\$ 172,875	\$ 1,160,873
Special Assessments	21,213	-	-	21,213
Intergovernmental	-	17,447	3,048	20,495
Charges for Services	8,599	-	-	8,599
Miscellaneous	-	-	116,851	116,851
Total Revenues	29,812	1,005,445	292,774	1,328,031
EXPENDITURES				
CURRENT				
Conservation of Natural Resources	172,026	-	-	172,026
Economic Development	9	-	-	9
CAPITAL OUTLAY				
General Government	-	-	99,730	99,730
DEBT SERVICE				
Principal	-	610,000	-	610,000
Interest	-	334,000	-	334,000
Administrative Fiscal Charges	-	2,800	-	2,800
Total Expenditures	172,035	946,800	99,730	1,218,565
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(142,223)	58,645	193,044	109,466
OTHER FINANCING SOURCES (USES)				
Proceeds from MPCA Note	148,461	-	-	148,461
Total Other Financing Sources (Uses)	148,461	-	-	148,461
NET CHANGE IN FUND BALANCES	6,238	58,645	193,044	257,927
Fund Balances - Beginning of Year	5,010	1,078,445	(19,522)	1,063,933
FUND BALANCES - END OF YEAR	<u>\$ 11,248</u>	<u>\$ 1,137,090</u>	<u>\$ 173,522</u>	<u>\$ 1,321,860</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2018**

	Ditch	Clean Water Partnership Program	Total
ASSETS			
Cash and Pooled Investments	\$ 23,918	\$ 8,729	\$ 32,647
Special Assessments Receivable Noncurrent	-	379,133	379,133
Total Assets	\$ 23,918	\$ 387,862	\$ 411,780
LIABILITIES			
Accounts Payable	\$ -	\$ 21,399	\$ 21,399
DEFERRED INFLOWS OF RESOURCES			
Unavailable Special Assessments	-	379,133	379,133
FUND BALANCES			
Restricted for			
Ditches	23,918	-	23,918
Septic Loans	-	16,133	16,133
Unassigned	-	(28,803)	(28,803)
Total Fund Balances	23,918	(12,670)	11,248
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 23,918	\$ 387,862	\$ 411,780

**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, 2018**

	Ditch	Countywide Rehabilitation Program	Clean Water Partnership Program	Total
REVENUES				
Special Assessments	\$ -	\$ -	\$ 21,213	\$ 21,213
Charges for Services	6,821	-	1,778	8,599
Total Revenues	6,821	-	22,991	29,812
EXPENDITURES				
CURRENT				
Conservation of Natural Resources	-	-	172,026	172,026
Economic Development	-	9	-	9
Total Expenditures	-	9	172,026	172,035
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	6,821	(9)	(149,035)	(142,223)
OTHER FINANCING SOURCES (USES)				
Proceeds from MPCA Note	-	-	148,461	148,461
NET CHANGE IN FUND BALANCES	6,821	(9)	(574)	6,238
Fund Balances - Beginning of Year	17,097	9	(12,096)	5,010
FUND BALANCES - END OF YEAR	<u>\$ 23,918</u>	<u>\$ -</u>	<u>\$ (12,670)</u>	<u>\$ 11,248</u>

**PINE COUNTY
PINE CITY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2018**

	Governmental Buildings	Technology Equipment	Total
ASSETS			
Cash and Pooled Investments	\$ 88,854	\$ -	\$ 88,854
Undistributed Cash in Agency Funds	1,890	2,498	4,388
Taxes Receivable - Delinquent	3,159	3,945	7,104
Due from Other Governments	-	116,851	116,851
Total Assets	<u>\$ 93,903</u>	<u>\$ 123,294</u>	<u>\$ 217,197</u>
LIABILITIES			
Due to Other Funds	\$ -	\$ 38,101	\$ 38,101
DEFERRED INFLOWS OF RESOURCES			
Unavailable Taxes	2,504	3,070	5,574
FUND BALANCES			
Assigned			
Capital Projects	91,399	82,123	173,522
Unassigned	-	-	-
Total Fund Balances	<u>91,399</u>	<u>82,123</u>	<u>173,522</u>
Total Liabilities and Fund Balances	<u>\$ 93,903</u>	<u>\$ 123,294</u>	<u>\$ 217,197</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, 2018**

	Governmental Buildings	Technology Equipment	Total
REVENUES			
Taxes	\$ 73,498	\$ 99,377	\$ 172,875
Intergovernmental	1,306	1,742	3,048
Miscellaneous	-	116,851	116,851
Total Revenues	74,804	217,970	292,774
EXPENDITURES			
CAPITAL OUTLAY			
General Government	26,687	73,043	99,730
NET CHANGE IN FUND BALANCES	48,117	144,927	193,044
Fund Balance - Beginning of Year	43,282	(62,804)	(19,522)
FUND BALANCE - END OF YEAR	<u>\$ 91,399</u>	<u>\$ 82,123</u>	<u>\$ 173,522</u>

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION COURTHOUSE BONDS DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,004,640	\$ 1,004,640	\$ 987,998	\$ (16,642)
Intergovernmental	-	-	17,447	17,447
Total Revenues	<u>1,004,640</u>	<u>1,004,640</u>	<u>1,005,445</u>	<u>805</u>
EXPENDITURES				
DEBT SERVICE				
Principal	610,000	610,000	610,000	-
Interest	334,000	334,000	334,000	-
Administrative Fiscal Charges	<u>2,800</u>	<u>2,800</u>	<u>2,800</u>	<u>-</u>
Total Expenditures	<u>946,800</u>	<u>946,800</u>	<u>946,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 57,840</u>	<u>\$ 57,840</u>	58,645	<u>\$ 805</u>
Fund Balance - Beginning of Year			<u>1,078,445</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,137,090</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION JAIL BOND DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 1,168,755	\$ 1,168,755	\$ 1,149,928	\$ (18,827)
Intergovernmental	-	-	20,277	20,277
Total Revenues	<u>1,168,755</u>	<u>1,168,755</u>	<u>1,170,205</u>	<u>1,450</u>
EXPENDITURES				
DEBT SERVICE				
Principal	680,000	680,000	680,000	-
Interest	428,300	428,300	428,300	-
Administrative Fiscal Charges	2,800	2,800	476	2,324
Total Expenditures	<u>1,111,100</u>	<u>1,111,100</u>	<u>1,108,776</u>	<u>2,324</u>
NET CHANGE IN FUND BALANCE	<u>\$ 57,655</u>	<u>\$ 57,655</u>	61,429	<u>\$ 3,774</u>
Fund Balance - Beginning of Year			<u>1,239,345</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,300,774</u>	

**PINE COUNTY
PINE CITY, MINNESOTA
AGENCY FUNDS
YEAR ENDED DECEMBER 31, 2018**

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, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
PINE COUNTY CHILDREN, FAMILIES AND LEARNING SERVICES COLLABORATIVE				
ASSETS				
Cash and Pooled Investments	\$ 107,378	\$ 242,483	\$ 238,427	\$ 111,434
Due From Other Governments	32,064	65,346	64,128	33,282
Total Assets	<u>\$ 139,442</u>	<u>\$ 307,829</u>	<u>\$ 302,555</u>	<u>\$ 144,716</u>
LIABILITIES				
Due to Other Governments	<u>\$ 139,442</u>	<u>\$ 307,829</u>	<u>\$ 302,555</u>	<u>\$ 144,716</u>
STATE REVENUE				
ASSETS				
Cash and Pooled Investments	\$ 41,925	\$ 748,181	\$ 765,900	\$ 24,206
Accounts Receivable	-	522	-	522
Total Assets	<u>\$ 41,925</u>	<u>\$ 748,703</u>	<u>\$ 765,900</u>	<u>\$ 24,728</u>
LIABILITIES				
Due to Other Governments	<u>\$ 41,925</u>	<u>\$ 748,703</u>	<u>\$ 765,900</u>	<u>\$ 24,728</u>
TAXES AND PENALTIES				
ASSETS				
Cash and Pooled Investments	<u>\$ 734,135</u>	<u>\$ 40,603,093</u>	<u>\$ 40,767,603</u>	<u>\$ 569,625</u>
LIABILITIES				
Due to Other Governments	<u>\$ 734,135</u>	<u>\$ 40,603,093</u>	<u>\$ 40,767,603</u>	<u>\$ 569,625</u>
EAST CENTRAL DRUG TASK FORCE				
ASSETS				
Cash and Pooled Investments	<u>\$ 118,979</u>	<u>\$ 369,437</u>	<u>\$ 280,423</u>	<u>\$ 207,993</u>
LIABILITIES				
Due to Other Governments	<u>\$ 118,979</u>	<u>\$ 369,437</u>	<u>\$ 280,423</u>	<u>\$ 207,993</u>
TOTAL ALL AGENCY FUNDS				
ASSETS				
Cash and Pooled Investments	\$ 1,002,417	\$ 41,963,194	\$ 42,052,353	\$ 913,258
Accounts Receivable	-	522	-	522
Due From Other Governments	32,064	65,346	64,128	33,282
Total Assets	<u>\$ 1,034,481</u>	<u>\$ 42,029,062</u>	<u>\$ 42,116,481</u>	<u>\$ 947,062</u>
LIABILITIES				
Due to Other Governments	<u>\$ 1,034,481</u>	<u>\$ 42,029,062</u>	<u>\$ 42,116,481</u>	<u>\$ 947,062</u>

OTHER SUPPLEMENTARY INFORMATION

**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF INTERGOVERNMENTAL REVENUE
YEAR ENDED DECEMBER 31, 2018**

APPROPRIATIONS AND SHARED REVENUE

STATE

Highway Users Tax	\$	8,957,130
Road Gas Tax		7,277
County Program Aid		1,909,048
PERA Rate Reimbursement		81,359
Disparity Reduction Aid		1,057
Police Aid		248,208
Enhanced 911		106,641
Market Value Credit		311,002
Riparian Aid		60,871
Aquatic Invasive Species		124,012
Casino Aid/Tribal Tax Agreement		78,016
Select Committee on Recycling and the Environment (SCORE)		82,185
		11,966,806
Total Appropriations and Shared Revenue		11,966,806

REIMBURSEMENT FOR SERVICES

STATE

Minnesota Department of Human Services		1,161,396
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PAYMENTS IN LIEU OF TAX

666,082

GRANTS

STATE

Minnesota Department of		
Corrections		217,181
Public Safety		15,545
Health		433,316
Natural Resources		22,062
Human Services		1,366,068
Veteran Affairs		10,000
Water and Soil Resources Board		99,719
Pollution Control Agency		5,188
Peace Officer Standards and Training Board		31,581
		2,200,660
Total State		2,200,660

FEDERAL

Department of		
Agriculture		399,669
Interior		5,560
Justice		31,014
Transportation		1,118,935
Health and Human Services		3,241,004
Education		2,746
Homeland Security		5,473
		4,804,401
Total Federal		4,804,401

Total State and Federal Grants		7,005,061
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Total Intergovernmental Revenue	\$	20,799,345
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**PINE COUNTY
PINE CITY, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

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	2MN700004	\$	137,752
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental				
Nutrition Assistance Program	10.561	182MN101S2514	\$	254,634
Nutrition Assistance Program		182MN127Q7503	7,283	261,917
Total Department of Agriculture			<u>7,283</u>	<u>261,917</u>
				399,669
U.S. Department of Interior				
Direct				
Payments in Lieu of Taxes	15.226	N/A		5,560
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Missing Children's Assistance	16.543	131430		1,099
Crime Victim Assistance	16.575	A-CVSP-2018-PCAO-00029		29,915
Total Department of Justice				<u>31,014</u>
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1028052		1,118,935
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education-Grants for Infants and Families	84.181	H181A150029		2,746
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	NU90TP921911-0100		33,753
Universal Newborn Hearing Screening	93.251	H61MC00035		225
PPHF Capacity Building Assistance to Strengthen Public Health Immunization				
Infrastructure and Performance Financed in part by Prevention and Public				
Health Funds	93.539	H23IP000737		450
TANF Cluster				
Temporary Assistance for Needy Families (Total TANF 93.558 Cluster \$453,241)	93.558	1801MNTANF		55,070
Maternal and Child Health Services Block Grant to the States	93.994	B04MC320621		37,216
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1701MNFPS		15,690
TANF Cluster				
Temporary Assistance for Needy Families (Total TANF 93.558 Cluster \$453,241)	93.558	1801MNTANF		398,171
Child Support Enforcement	93.563	1804MNCSES	141,628	714,613
			<u>572,985</u>	<u>714,613</u>
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFPRG		12,908
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF		6,612
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS		11,852
Foster Care Title IV-E	93.658	1801MNFOST		327,070
Social Services Block Grant	93.667	G-1801MNSOSR		229,601
Chafee Foster Care Independence Program	93.674	G-1801MNCILP		987
Children's Health Insurance Program	93.767	05-1805MNSR21		231
Medicaid Cluster				
Medical Assistance Program	93.778	05-1805MNSADM	1,158,425	1,172,472
		05-1805MNSMAP	<u>14,047</u>	<u>1,172,472</u>
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010027-15		<u>222,235</u>
Total Department of Health and Human Services				<u>3,239,156</u>
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G40CGFFY17		5,473
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	EMPG-PINECO-060		<u>20,672</u>
Total Department of Homeland Security				<u>26,145</u>
Total Cash Type Federal Awards				<u>\$ 4,823,225</u>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

The Notes to the 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, 2018**

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, 2018. 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, or changes in net position of Pine County.
3. Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 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:	\$ 4,804,401
Grants Unavailable in 2017, Recognized as Revenue in 2018	
Chafee Foster Care Independence Program	(1,848)
Grants Unavailable in 2018, recognized as revenue in 2019	
Emergency Management Performance Grants	<u>20,672</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 4,823,225</u>