State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Pine County
Pine City, Minnesota

Year Ended December 31, 2020

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota's local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

Pine County
Pine City, Minnesota

Year Ended December 31, 2020

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

PINE COUNTY
PINE CITY, MINNESOTA

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Introductory Section

PINE COUNTY
PINE CITY, MINNESOTA

ORGANIZATION
DECEMBER 31, 2020

Office	Name	Term Expires
Commissioners		
1st District	Stephen Hallan*	2022
2nd District	Joshua Mohr	2022
3rd District	Steve Chaffee	2020
4th District	John Mikrot, Jr.	2020
5th District	Matt Ludwig	2022
Officers		
Elected		
Attorney	Reese Frederickson	2022
Sheriff	Jeff Nelson	2022
Appointed		
Administrator	David J. Minke	Indefinite
Assessor	Lorri Houtsma	Indefinite
Auditor-Treasurer	Kelly Schroeder	Indefinite
County Recorder	Lorri Houtsma	Indefinite
Registrar of Titles	Lorri Houtsma	Indefinite
Highway Engineer	Mark LeBrun	Indefinite
Health and Human Services Director	Rebecca Foss	Indefinite
Probation Director	Terry Fawcett	Indefinite

*Chair 2020

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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, 2020, 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.

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us

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, Minnesota, as of December 31, 2020, 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 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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

Supplementary 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, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 18, 2021, 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

August 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

PINE COUNTY
PINE CITY, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2020
(Unaudited)

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, 2020. The management's discussion and analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board (GASB) Statement 34. Certain comparative information between the current year, 2020, and the prior year, 2019, 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, 2020, by $99,846,362 (net position). The County-wide net position increased 11.6 percent in 2020 over the prior year.

- Overall governmental fund-level revenues totaled $52,027,277 and were $271,227 more than expenditures in 2020. Expenditures include $1,658,148 of principal paid.

- The General Fund's fund balance increased $1,090,767 from the prior year and of the total fund balance amount, $5,018,178 was unassigned fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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.

- Over time, increases or decreases in the County's net position are 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 and a statement of changes in fiduciary net position. We exclude these activities from the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS

Net Position

Over time, net position serves as a useful indicator of the County's financial position. Pine County's total net position was $99,846,362 on December 31, 2020, an increase of $10,394,008 from the prior year.

Table A-1
Change in Net Position

	Governmental Activities 2020	Governmental Activities 2019
Assets		
Current and other assets	$ 33,404,469	$ 22,635,561
Capital assets	120,537,470	114,386,949
Total Assets	$ 153,941,939	$ 137,022,510
Deferred Outflows of Resources	$ 5,114,257	$ 5,554,182
Liabilities		
Current liabilities	$ 3,875,625	$ 4,785,320
Long-term liabilities	52,227,454	41,734,089
Total Liabilities	$ 56,103,079	$ 46,519,409
Deferred Inflows of Resources	$ 3,106,755	$ 6,604,929
Net Position		
Net investment in capital assets	$ 95,893,437	$ 89,390,310
Restricted	13,190,973	5,041,132
Unrestricted	(9,238,048)	(4,979,088)
Total Net Position	$ 99,846,362	$ 89,452,354

CHANGE IN NET POSITION

The government-wide total revenues were $53,602,311 for the year ended December 31, 2020, (an increase of $6,688,915). This is a 14.3 percent increase over the prior year. Property taxes, operating grants and contributions, and capital grants and contributions accounted for 75.2 percent of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Total Percent Change (%)
Revenues			
Program fees			
Fees, charges, fines, and other	$ 7,986,881	$ 5,945,342	34.3
Operating grants and contributions	20,762,362	12,509,232	66.0
Capital grants and contributions	217,680	4,596,094	(95.3)
General revenues			
Property taxes	19,351,539	18,711,870	3.4
Other taxes	2,144,629	1,982,277	8.2
Grants and contributions not restricted to specific programs	2,694,957	2,470,953	9.1
Other	444,263	697,628	(36.3)
Total Revenues	$ 53,602,311	$ 46,913,396	14.3
Expenses			
General government	$ 7,658,918	$ 6,427,375	19.2
Public safety	11,135,602	11,748,279	(5.2)
Highways and streets	8,037,732	8,781,879	(8.5)
Sanitation	497,822	414,879	20.0
Human services	9,488,423	10,148,186	(6.5)
Health	1,545,288	1,853,575	(16.6)
Culture and recreation	363,736	350,222	3.9
Conservation of natural resources	1,953,909	1,569,869	24.5
Economic development	1,566,581	10,000	15,565.8
Interest	960,292	827,791	16.0
Total Expenses	$ 43,208,303	$ 42,132,055	2.6
Change in Net Position	$ 10,394,008	$ 4,781,341	117.4
Net Position – Beginning of Year	$ 89,452,354	$ 84,671,013	5.6
Net Position – End of Year	$ 99,846,362	$ 89,452,354	11.6

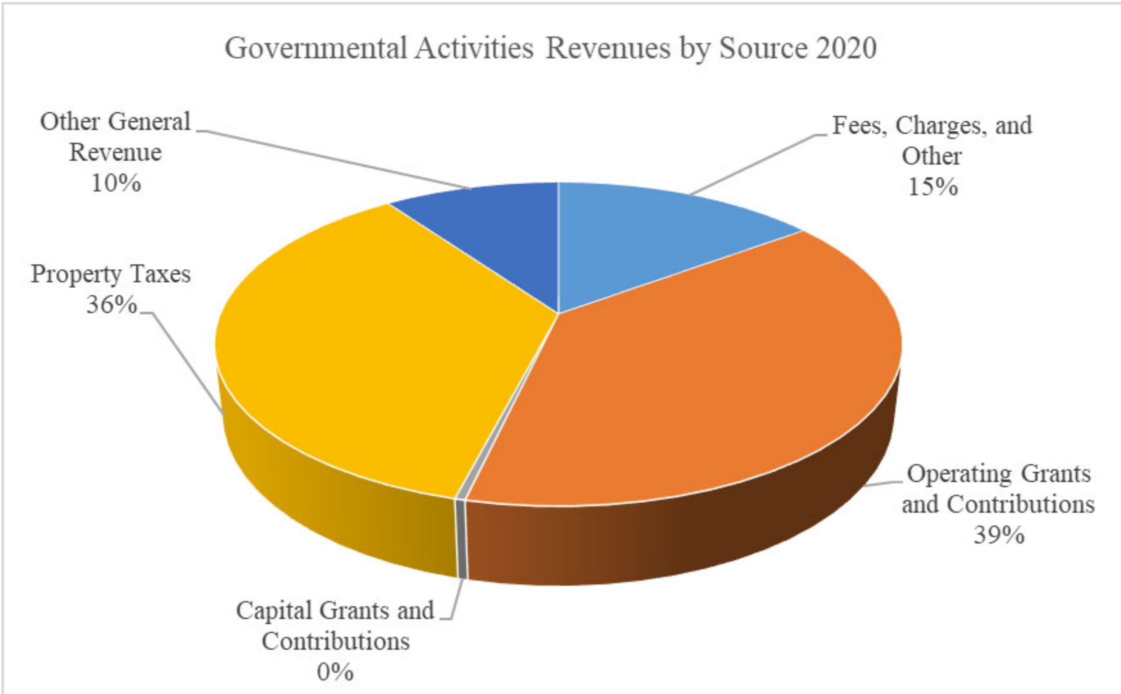
Total revenues surpassed expenses and, therefore, net position increased $10,394,008 over last year due to increases in operating grants and contributions.

The government-wide cost of all governmental activities this year was $43,208,303.

- Some of the cost was paid by the users of the County's programs ($7,990,178).

- The federal and state governments subsidized certain programs with grants and contributions ($20,980,042).

- The remainder of the County's governmental activities' costs ($14,238,083) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was covered by $19,351,539 in property taxes, $2,691,660 of state aid, $2,588,892 of other general revenues, and resulted in an increase to net position.



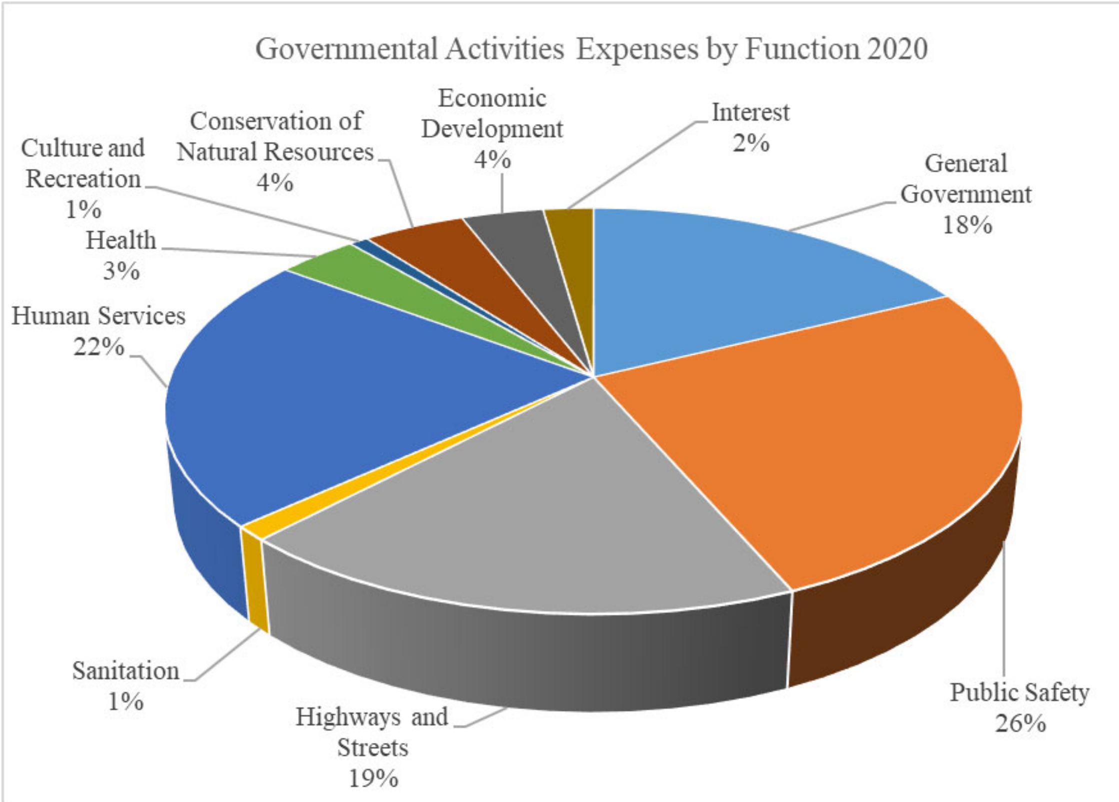


Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

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

	Total Cost of Services 2020	Total Cost of Services 2019	Percentage Change (%)	Net (Revenue) Cost of Services 2020	Net (Revenue) Cost of Services 2019	Percentage Change (%)
Governmental Activities						
General government	$ 7,658,918	$ 6,427,375	19.2	$ 2,333,456	$ 4,888,525	(52.3)
Public safety	11,135,602	11,748,279	(5.2)	8.783,491	9,287,613	(5.4)
Highways and streets	8,037,732	8,781,879	(8.5)	(2,327,139)	(453,959)	412.6
Sanitation	497,822	414,879	20.0	133,146	102,438	30.3
Human services	9,488,423	10,148,186	(6.5)	2,718,246	3,697,632	(26.5)
Health	1,545,288	1,853,575	(16.6)	553,701	656,760	(15.7)
Culture and recreation	363,736	350,222	3.9	363,736	350,222	3.9
Conservation of natural resources	1,953,909	1,569,869	24.5	(270,186)	(275,635)	(2.0)
Economic development	1,566,581	10,000	15,565.8	992,634	-	100.0
Interest	960,292	827,791	16.0	960,292	827,791	16.0
Total	$ 43,208,303	$ 42,132,055	2.6	$ 14,241,377	$ 19,081,387	(25.4)

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 $24,127,977. Revenues for the County's governmental funds were $52,027,277, while total expenditures were $51,756,050.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance increased by $1,090,767 during 2020 due to reduced spending during the pandemic including layoffs and furloughs and the ability to capture some salary costs for public safety under the CARES Act.

The Road and Bridge Special Revenue Fund has a total fund balance of $567,209. Fund balance decreased from 2019 due to the layover of 2019 projects being completed in 2020.

The Health and Human Services Special Revenue Fund has a total fund balance of $2,745,615. Fund balance increased $1,015,170 from 2019 due to reduced spending during the pandemic including layoffs, furloughs, and contract cancellations.

The Land Management Special Revenue Fund has a total fund balance of $1,401,114. Fund balance increased $235,839 from 2019 due to land and timber sales.

The Clean Water Partnership Program Special Revenue Fund has a total fund balance of $236,906. Fund balance increased $143,842 from 2019 due to the receipt of loan proceeds.

The General Obligation Courthouse Bond Debt Service Fund has a total fund balance of $9,312,600. Fund balance increased $8,108,228 from 2019 due to the receipt of refunding bond proceeds.

The following schedule presents a summary of General Fund revenues:

Table A-4
General Fund Revenues

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change Increase (Decrease)	Change Percent (%)
Taxes	$ 10,905,844	$ 10,415,437	$ 490,407	4.7
Special assessments	4,237	17,549	(13,312)	(75.9)
Licenses and permits	201,701	132,362	69,339	52.4
Intergovernmental	4,482,991	4,246,890	236,101	5.6
Charges for services	2,234,388	1,974,027	260,361	13.2
Fines and forfeits	44,557	22,493	22,064	98.1
Gifts and contributions	120,303	169,657	(49,354)	(29.1)
Investment earnings	196,269	434,714	(238,445)	(54.9)
Miscellaneous and other	836,270	762,384	73,886	9.7
Total General Fund Revenues	$ 19,026,560	$ 18,175,513	$ 851,047	4.7

Total General Fund revenues increased by $851,047, or 4.7 percent, from the previous year.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

	Year Ended December 31, 2020	Year Ended December 31, 2019	Change Increase (Decrease)	Change Percent (%)
General government	$ 6,350,453	$ 6,300,861	$ 49,592	0.8
Public safety	10,881,998	11,003,776	(121,778)	(1.1)
Sanitation	498,333	413,913	84,420	20.4
Culture and recreation	363,736	350,222	13,514	3.9
Conservation	315,516	265,333	50,183	18.9
Economic development	-	10,000	(10,000)	(100.0)
Debt service	6,330	82,841	(76,511)	(92.4)
Total Expenditures	$ 18,416,366	$ 18,426,946	$ (10,580)	(0.1)

Total General Fund expenditures decreased by $10,580, or 0.1 percent, from the previous year.

General Fund Budgetary Highlights

Over the course of the year, the County revised the annual operating budget for the General Fund primarily for additional general government expenditures and planned spending of restricted fund balances. The intergovernmental, charges for service, and miscellaneous revenue budgets were revised for additional funding. 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 $255,173 more than budgeted; this is due to increases in intergovernmental aid and charges for services.

- Overall, the actual expenditures were $408,917 less than budgeted due to reduced spending during the pandemic including layoffs and furloughs and the ability to capture some salary costs for public safety under the CARES Act.

CAPITAL ASSETS

By the end of 2020, the County had invested $120,537,470 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 2.A.3 to the financial statements.) Total depreciation expense for the year was $4,388,483.

Table A-6
The County's Capital Assets

	Governmental Activities		Percent
	2020	2019	Change (%)
Land	$ 4,305,389	$ 4,483,016	(4.0)
Construction-in-progress	374,158	1,884,506	(80.1)
Buildings and building improvements	29,907,448	30,955,303	(3.4)
Machinery, furniture, and equipment	12,477,333	11,313,131	10.3
Intangibles	874,088	791,822	10.4
Infrastructure	133,243,903	122,549,883	8.7
Less: accumulated depreciation	(60,644,849)	(57,590,712)	5.3
Total	$ 120,537,470	$ 114,386,949	5.4

LONG-TERM LIABILITIES

At year-end, the County had $32,529,710 in long-term debt outstanding.

- The County's governmental activities' total debt increased $7,204,283 during the fiscal year, due timing of the refunding of the 2012 bonds which were not called until early 2021.

- Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value of taxable property. At the end of 2020, Pine County's debt was 1.11 percent of its total market value of taxable property.

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

	Governmental Activities		Percent
	2020	2019	Change (%)
General obligation bonds	$ 31,255,000	$ 24,555,000	27.3
Minnesota Pollution Control Loans	1,271,544	707,144	79.8
Installment payable	-	53,787	(100.0)
Capital lease	3,166	9,496	(66.7)
Total	$ 32,529,710	$ 25,325,427	28.4

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

By the end of 2020, Pine County approved its balanced 2021 revenue and expenditure budgets and approved a three percent tax levy increase for 2021.

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 Northwest, Suite 240, Pine City, Minnesota 55063.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2020

		Primary Government
		Governmental Activities
Assets		
Cash and pooled investments	$	15,010,864
Change funds		2,425
Cash with escrow agent		8,844,082
Taxes receivable – delinquent		806,669
Special assessments receivable – noncurrent		1,146,305
Accounts receivable		1,817,727
Accrued interest receivable		12,041
Loans receivable		88,763
Due from other governments		4,833,492
Inventories		592,007
Prepaid items		250,094
Capital assets		
Non-depreciable		4,679,547
Depreciable – net of accumulated depreciation		115,857,923
Total Assets	**$**	**153,941,939**
Deferred Outflows of Resources		
Deferred pension outflows	$	3,133,927
Deferred other postemployment benefits outflows		543,501
Refunding deferred charge on bonds		1,436,829
Total Deferred Outflows of Resources	**$**	**5,114,257**
Liabilities		
Accounts payable	$	985,010
Salaries payable		808,412
Contracts payable		1,058,228
Customer deposits		16,957
Due to other governments		623,313
Accrued interest payable		348,416
Unearned revenue		35,289
Long-term liabilities		
Due within one year		1,772,127
Due in more than one year		34,824,577
Other postemployment benefits liability		2,655,693
Net pension liability		12,975,057
Total Liabilities	**$**	**56,103,079**

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

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2020

		Primary Government
		Governmental Activities
Deferred Inflows of Resources		
Deferred pension inflows	$	3,034,001
Deferred other postemployment benefits inflows		72,754
Total Deferred Inflows of Resources	**$**	**3,106,755**
Net Position		
Net investment in capital assets	$	95,893,437
Restricted for		
General government		1,141,639
Public safety		579,938
Human services		322,484
Conservation of natural resources		528,809
Economic development		10,058
Debt service		10,608,045
Unrestricted		(9,238,048)
Total Net Position	**$**	**99,846,362**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Functions/Programs					
Primary Government					
Governmental activities					
General government	$ 7,658,918	$ 1,569,763	$ 3,750,229	$ -	$ (2,338,926)
Public safety	11,135,602	1,436,292	915,819	-	(8,783,491)
Highways and streets	8,037,732	296,955	9,850,236	217,680	2,327,139
Sanitation	497,822	270,652	94,024	-	(133,146)
Human services	9,488,423	2,293,173	4,477,004	-	(2,718,246)
Health	1,545,288	58,344	933,243	-	(553,701)
Culture and recreation	363,736	-	-	-	(363,736)
Conservation of natural resources	1,953,909	2,064,999	159,096	-	270,186
Economic development	1,566,581	-	582,711	-	(983,870)
Interest	960,292	-	-	-	(960,292)
Total Primary Government	**$ 43,208,303**	**$ 7,990,178**	**$ 20,762,362**	**$ 217,680**	**$ (14,238,083)**

General Revenues	
Property taxes	$ 19,351,539
Sales tax	1,430,184
Mortgage registry and deed tax	46,228
Payments in lieu of tax	668,217
Grants and contributions not restricted to specific programs	2,691,660
Investment earnings	194,634
Miscellaneous	249,629
Total general revenues	**$ 24,632,091**
Change in net position	**$ 10,394,008**
Net Position – Beginning	**89,452,354**
Net Position – Ending	**$ 99,846,362**

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

PINE COUNTY
PINE CITY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Road and Bridge	Health and Human Services
Assets			
Cash and pooled investments	$ 6,599,661	$ 814,494	$ 2,419,318
Change funds	2,275	150	-
Cash with escrow agent	-	-	-
Taxes receivable			
Delinquent	442,987	83,554	166,173
Special assessments receivable			
Noncurrent	68,331	-	-
Accounts receivable	99,108	11,848	231,548
Accrued interest receivable	12,041	-	-
Due from other funds	576,740	12,727	443
Due from other governments	236,813	3,006,741	971,927
Loans receivable	8,763	-	-
Inventories	-	592,007	-
Prepaid items	244,429	-	4,772
Total Assets	**$ 8,291,148**	**$ 4,521,521**	**$ 3,794,181**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 241,096	$ 348,862	$ 267,450
Salaries payable	479,908	91,146	232,406
Contracts payable	-	1,058,228	-
Due to other funds	12,690	1,142	33,765
Due to other governments	230,364	12,548	379,096
Unearned revenue	35,289	-	-
Customer deposits	16,957	-	-
Total Liabilities	**$ 1,016,304**	**$ 1,511,926**	**$ 912,717**
Deferred Inflows of Resources			
Unavailable revenue	**$ 453,466**	**$ 2,442,386**	**$ 135,849**

Land Management	Clean Water Partnership Program	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ 1,798,585	$ 212,406	$ 1,268,850	$ 1,897,550	$ 15,010,864
-	-	-	-	2,425
-	-	8,032,642	811,440	8,844,082
-	-	44,050	69,905	806,669
-	1,077,974	-	-	1,146,305
1,475,223	-	-	-	1,817,727
-	-	-	-	12,041
-	-	-	-	589,910
-	35,300	-	582,711	4,833,492
-	-	-	80,000	88,763
-	-	-	-	592,007
893	-	-	-	250,094
$ 3,274,701	**$ 1,325,680**	**$ 9,345,542**	**$ 3,441,606**	**$ 33,994,379**
$ 1,200	$ 10,800	$ -	$ 115,602	$ 985,010
4,952	-	-	-	808,412
-	-	-	-	1,058,228
390,907	-	-	151,406	589,910
1,305	-	-	-	623,313
-	-	-	-	35,289
-	-	-	-	16,957
$ 398,364	**$ 10,800**	**$ -**	**$ 267,008**	**$ 4,117,119**
$ 1,475,223	**$ 1,077,974**	**$ 32,942**	**$ 131,443**	**$ 5,749,283**

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

PINE COUNTY
PINE CITY, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	General	Road and Bridge	Health and Human Services
Fund Balances			
Nonspendable			
Inventories	$ -	$ 592,007	$ -
Missing heirs	39,344	-	-
Prepaid items	244,429	-	4,772
Restricted			
Veteran's outreach donations	1,040	-	-
Shop with a cop	150	-	-
ECDTF federal forfeitures	146,202	-	-
Debt service	-	-	-
Law library	40,468	-	-
Recorder's equipment purchases	219,622	-	-
Recorder's compliance	330,412	-	-
Economic development	10,058	-	-
E-911	143,968	-	-
Aquatic invasive species	205,441	-	-
Permit to carry	167,867	-	-
Sheriff's backpack program	56	-	-
Equitable share program	239	-	-
Sheriff's contingency	368	-	-
Attorney's forfeitures	94,391	-	-
Sheriff's forfeitures	24,665	-	-
Septic system upgrade program	29,596	-	-
Road access	-	-	-
Septic loans	-	-	-
Ditches	-	-	-
MIECHV grant	-	-	322,010
Adult protection grant	-	-	474
Sandstone Training Center	1,503	-	-
DUI forfeitures	529	-	-
County relief funds	-	-	-
Committed			
Elections	6,525	-	-
Parks and recreation	-	-	-
Blight cleanup	-	-	-
Timber development	-	-	-
Assigned			
Human services	-	-	1,800,947
Health	-	-	617,412
Conservation of natural resources	-	-	-
Jail canteen	96,327	-	-
Capital projects	-	-	-
Unassigned	5,018,178	(24,798)	-
Total Fund Balances	**$ 6,821,378**	**$ 567,209**	**$ 2,745,615**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 8,291,148**	**$ 4,521,521**	**$ 3,794,181**

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

EXHIBIT 3
(Continued)

Land Management	Clean Water Partnership Program	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ -	$ -	$ -	$ -	$ 592,007
-	-	-	-	39,344
893	-	-	-	250,094
-	-	-	-	1,040
-	-	-	-	150
-	-	-	-	146,202
-	-	9,312,600	1,564,309	10,876,909
-	-	-	-	40,468
-	-	-	-	219,622
-	-	-	-	330,412
-	-	-	-	10,058
-	-	-	-	143,968
-	-	-	-	205,441
-	-	-	-	167,867
-	-	-	-	56
-	-	-	-	239
-	-	-	-	368
-	-	-	-	94,391
-	-	-	-	24,665
-	-	-	-	29,596
54,238	-	-	-	54,238
-	236,906	-	-	236,906
-	-	-	32,224	32,224
-	-	-	-	322,010
-	-	-	-	474
-	-	-	-	1,503
-	-	-	-	529
-	-	-	520,501	520,501
-	-	-	-	6,525
120,575	-	-	-	120,575
144,273	-	-	-	144,273
90,853	-	-	-	90,853
-	-	-	-	1,800,947
-	-	-	-	617,412
990,282	-	-	-	990,282
-	-	-	-	96,327
-	-	-	928,091	928,091
-	-	-	(1,970)	4,991,410
$ 1,401,114	**$ 236,906**	**$ 9,312,600**	**$ 3,043,155**	**$ 24,127,977**
$ 3,274,701	**$ 1,325,680**	**$ 9,345,542**	**$ 3,441,606**	**$ 33,994,379**

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

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Fund balance – total governmental funds (Exhibit 3)		**$ 24,127,977**
Amounts reported for governmental activities in the statement of net position are 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.		120,537,470
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		3,133,927
Deferred outflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.		543,501
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		5,749,283
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	$ (31,255,000)	
Unamortized premiums on bonds	(1,784,865)	
Unamortized deferred outflows of resources on refunding bonds	1,436,829	
G.O. MPCA loan payable	(1,271,544)	
Capital lease payable	(3,166)	
Compensated absences	(2,282,129)	
Other postemployment benefits liability	(2,655,693)	
Net pension liability	(12,975,057)	(50,790,625)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(348,416)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period, and, therefore, are not reported in the governmental funds.		(3,034,001)
Deferred inflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.		(72,754)
Net Position of Governmental Activities (Exhibit 1)		**$ 99,846,362**

PINE COUNTY
PINE CITY, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Road and Bridge	Health and Human Services
Revenues			
Taxes	$ 10,905,844	$ 3,345,414	$ 3,950,168
Special assessments	4,237	-	-
Licenses and permits	201,701	35,085	8,850
Intergovernmental	4,479,694	8,805,973	6,857,022
Charges for services	2,237,685	194,641	878,596
Fines and forfeits	44,557	-	-
Gifts and contributions	120,303	-	2,924
Investment earnings	196,269	-	1,129
Miscellaneous	836,270	67,229	268,684
Total Revenues	**$ 19,026,560**	**$ 12,448,342**	**$ 11,967,373**
Expenditures			
Current			
General government	$ 6,350,453	$ -	$ -
Public safety	10,881,998	-	-
Highways and streets	-	13,907,083	-
Sanitation	498,333	-	-
Human services	-	-	9,468,922
Health	-	-	1,483,281
Culture and recreation	363,736	-	-
Conservation of natural resources	315,516	-	-
Economic development	-	-	-
Intergovernmental			
Highways and streets	-	532,297	-
Capital outlay			
General government	-	-	-
Debt service			
Principal	6,330	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	**$ 18,416,366**	**$ 14,439,380**	**$ 10,952,203**
Excess of Revenues Over (Under) Expenditures	**$ 610,194**	**$ (1,991,038)**	**$ 1,015,170**

EXHIBIT 5

Land Management	Clean Water Partnership Program	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ -	$ -	$ 1,010,488	$ 1,678,575	$ 20,890,489
-	185,823	-	-	190,060
-	-	-	-	245,636
43,850	-	16,473	3,917,919	24,120,931
-	2,976	-	1,338	3,315,236
-	-	-	-	44,557
-	-	-	-	123,227
-	-	-	(2,764)	194,634
1,525,324	-	-	205,000	2,902,507
$ 1,569,174	**$ 188,799**	**$ 1,026,961**	**$ 5,800,068**	**$ 52,027,277**
$ -	$ -	$ -	$ 676,158	$ 7,026,611
-	-	-	984,348	11,866,346
-	-	-	-	13,907,083
-	-	-	-	498,333
-	-	-	-	9,468,922
-	-	-	146,037	1,629,318
-	-	-	-	363,736
852,762	600,716	-	-	1,768,994
-	-	-	1,563,472	1,563,472
-	-	-	-	532,297
-	-	-	528,425	528,425
-	41,818	665,000	945,000	1,658,148
-	8,641	283,100	478,213	769,954
-	-	155,917	18,494	174,411
$ 852,762	**$ 651,175**	**$ 1,104,017**	**$ 5,340,147**	**$ 51,756,050**
$ 716,412	**$ (462,376)**	**$ (77,056)**	**$ 459,921**	**$ 271,227**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	General	Road and Bridge	Health and Human Services
Other Financing Sources (Uses)			
Transfers in	$ 480,573	$ -	$ -
Transfers out	-	-	-
Proceeds from bonds	-	-	-
Premium on sale of bonds	-	-	-
Proceeds from MPCA loan	-	-	-
Proceeds from sale of capital assets	-	53,615	-
Total Other Financing Sources (Uses)	**$ 480,573**	**$ 53,615**	**$ -**
Net Change in Fund Balances	**$ 1,090,767**	**$ (1,937,423)**	**$ 1,015,170**
Fund Balances – January 1	**5,730,611**	**2,354,188**	**1,730,445**
Increase (decrease) in inventories	**-**	**150,444**	**-**
Fund Balances – December 31	**$ 6,821,378**	**$ 567,209**	**$ 2,745,615**

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

EXHIBIT 5
(Continued)

Land Management	Clean Water Partnership Program	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ -	$ -	$ -	$ -	$ 480,573
(480,573)	-	-	-	(480,573)
-	-	7,545,000	765,000	8,310,000
-	-	640,284	60,998	701,282
-	606,218	-	-	606,218
-	-	-	-	53,615
$ (480,573)	**$ 606,218**	**$ 8,185,284**	**$ 825,998**	**$ 9,671,115**
$ 235,839	**$ 143,842**	**$ 8,108,228**	**$ 1,285,919**	**$ 9,942,342**
1,165,275	**93,064**	**1,204,372**	**1,757,236**	**14,035,191**
-	**-**	**-**	**-**	**150,444**
$ 1,401,114	**$ 236,906**	**$ 9,312,600**	**$ 3,043,155**	**$ 24,127,977**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

Net change in fund balances – total governmental funds (Exhibit 5)		**$ 9,942,342**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment between the fund statements and the statement of activities is the increase or decrease in unavailable revenue.		
Unavailable revenue – December 31	$ 5,749,283	
Unavailable revenue – January 1	(4,174,249)	1,575,034
Governmental funds report capital outlay 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 fund statements, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$ 10,599,315	
Net book value of assets disposed of	(60,311)	
Current year depreciation	(4,388,483)	6,150,521
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
Proceeds of new debt		
Loan issued	$ (606,218)	
Bonds issued	(8,310,000)	(8,916,218)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments		
General obligation bonds	$ 1,610,000	
Special assessments payable	41,818	
Capital lease payable	6,330	
Installment payable	53,787	1,711,935

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

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2020

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 10,783	
Change in compensated absences	(343,880)	
Current year amortization of premiums	(588,573)	
Current year amortization of refunding deferred charge	(139,418)	
Change in other postemployment benefits liability	(548,099)	
Change in deferred other postemployment benefits outflows of resources	365,112	
Change in deferred other postemployment benefits inflows of resources	12,968	
Change in net pension liability	(1,808,530)	
Change in deferred pension outflows of resources	(665,619)	
Change in deferred pension inflows of resources	3,485,206	
Change in inventories	150,444	(69,606)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 10,394,008**

FIDUCIARY FUNDS

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust	Custodial Funds
Assets		
Cash and pooled investments	$ 208,592	$ 1,551,600
Taxes receivable – delinquent	-	951,113
Accounts receivable	-	606
Due from other governments	-	583,055
Total Assets	**$ 208,592**	**$ 3,086,374**
Liabilities		
Accounts payable	$ -	$ 13,616
Due to other governments	-	1,672,586
Total Liabilities	**$ -**	**$ 1,686,202**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 208,592**	**$ 1,400,172**

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

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	Social Welfare Private-Purpose Trust	Custodial Funds
Additions		
Contributions from individuals	$ 907,545	$ 24,390,806
Interest earnings	-	1,129
Payments from other entities	-	948,814
Total Additions	**$ 907,545**	**$ 25,340,749**
Deductions		
Payments to state	$ -	$ 769,952
Administrative expense	-	65,366
Payments to other entities	-	23,495,161
Beneficiary payments to individuals	802,862	-
Total Deductions	**$ 802,862**	**$ 24,330,479**
Change in Net Position	**$ 104,683**	**$ 1,010,270**
Net Position – January 1, as restated (Note 1.E.)	**$ 103,909**	**$ 389,902**
Net Position – December 31	**$ 208,592**	**$ 1,400,172**

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

1. Summary of Significant Accounting Policies

Pine County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2020. 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 Minn. Stat. 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 Organization, and Related Organization

The County participates in joint ventures, which are described in Note 5.C. The County also participates in a jointly-governed organization, which is described in Note 5.D. A related organization is described in Note 5.E.

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      1. Government-Wide Statements (Continued)

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

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

      2. Fund Financial Statements

         The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of the governmental fund financial statements is 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.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 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 is used to account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

Additionally, the County reports the following fund types:

Capital project funds are used to account for future capital acquisitions and construction of major capital facilities of the County.

Private-purpose trust funds are used to account for resources legally held in trust for the benefit of individuals.

Custodial funds are used to account for resources held by the County in a purely custodial capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 revenue 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.

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

D. Assets, Liabilities, Deferred Outflows/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 Minn. Stat. § 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 2020 were $194,634.

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 Minn. Stat. § 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.

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

Activities between funds 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 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.

Special assessments receivable consist of noncurrent special assessments payable in 2020 and after.

No allowance for uncollectible receivables have been provided because such amounts are not expected to be material.

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 (roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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.

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. Unearned Revenue

Government-wide financial statements and governmental funds report unearned revenue in connection with resources that have been received, but not yet earned.

6. Compensated Absences

The liability for compensated absences reported in the 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 are currently eligible to receive payments and other employees who are 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.

1. Summary of Significant Accounting Policies

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

      7. 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.

      8. Deferred Outflows/Inflows of Resources

         In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with deferred charges on refunding bonds, pension benefits, and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

         In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows. The governmental funds report unavailable revenue because governmental fund revenues are not recognized until available (collected not later than 90 days after the end of the

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

County's year). Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The County also reports deferred inflows of resources associated with pension benefits and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

9. 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.

10. Classification of Net Position

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, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Unrestricted net position is net position that does not meet the definition of restricted net position or net investment in capital assets.

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Pine County is bound to observe constraints imposed upon the use of the resources in the governmental funds.

Nonspendable fund balance amounts cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted fund balance amounts have constraints placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed funds can only be established, modified, or rescinded by formal resolution of the County Board.

Assigned funds are those the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. 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.

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, 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 Principles

During the year ended December 31, 2020, Pine County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private-Purpose Trust Fund that was not previously reported and including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	$ -	$ -
Change in accounting principles	103,909	389,902
Net Position, January 1, 2020, as restated	$ 103,909	$ 389,902

2. 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	$ 15,010,864
Change funds	2,425
Statement of Fiduciary Net Position	
Cash and pooled investments	
Social Welfare Private-Purpose Trust Fund	208,592
Custodial funds	1,551,600
Total Cash and Investments	$ 16,773,481

Deposits	$ 10,072,453
Change funds	2,425
Investments	6,698,603
Total Cash and Investments	$ 16,773,481

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minnesota Statute § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; state and local government general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statute 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.

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         a. Deposits (Continued)

         Custodial Credit Risk

         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 does not have a deposit policy for custodial credit risk. However, the County complies with Minnesota Statute in establishing collateral for its deposits. As of December 31, 2020, the County's deposits were not subject to custodial credit risk.

         b. Investments

         The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

         (1) 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 Minn. Stat. § 118A.04, subd. 6;

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

         (3) 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;

         (4) bankers' acceptances of United States banks;

         (5) 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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of the investment. The County's policy is to minimize its exposure to interest rate risk by: (1) structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity; (2) diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized; and (3) investing operating funds primarily in shorter-term securities, MAGIC Fund, money market mutual funds, or similar investment pools.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of failure by the counterparty to a transaction, a government will not be able to recover the value of investment 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 Securities Investor Protection Corporation (SIPC) and excess SIPC coverage available.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Custodial Credit Risk (Continued)

As of December 31, 2020, none of Pine County's investments were subject to custodial credit risk. A portion of these investments are covered by SIPC insurance.

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.

The following table presents the County's cash and pooled investment balances at December 31, 2020, and information relating to potential investment risks:

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	Carrying (Fair) Value
Negotiable certificates of deposit					
Wells Fargo	NR	NR	N/A	01/20/2021	$ 100,111
Keesler Federal Credit Union	NR	NR	N/A	02/26/2021	251,168
Comenity Capital Bank	NR	NR	N/A	04/12/2021	175,921
Valley National Bank	NR	NR	N/A	04/16/2021	245,796
Safra National Bank	NR	NR	N/A	07/01/2021	245,198
Beal Bank	NR	NR	N/A	09/23/2021	146,061
Discover Bank Greenwood, DE	NR	NR	N/A	01/25/2022	151,465
BMW Bank of North America	NR	NR	N/A	02/17/2022	248,745
Ally Bank	NR	NR	N/A	02/28/2022	257,822
Wells Fargo	NR	NR	N/A	03/01/2022	152,893
Bank 7	NR	NR	N/A	03/30/2022	247,193
Sallie Mae Bank	NR	NR	N/A	06/21/2022	155,033

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5% of Portfolio	Interest Rate Risk: Maturity Date		Carrying (Fair) Value
Negotiable certificates of deposit (Continued)						
American Express Federal Savings Bank	NR	NR	N/A	08/29/2022		259,223
American Express Centurion	NR	NR	N/A	08/29/2022		51,844
American Express Centurion	NR	NR	N/A	12/05/2022		203,116
EnerBank	NR	NR	N/A	05/25/2023		262,713
BMO Harris	NR	NR	N/A	12/12/2023		150,130
BMO Harris	NR	NR	N/A	01/15/2024		99,026
JP Morgan	NR	NR	N/A	07/30/2025		150,037
Discover Bank	NR	NR	N/A	06/26/2026		111,619
Total negotiable certificates of Deposit					$	3,665,114
Investment pools						
MAGIC Fund	N/A	N/A	N/A	N/A		3,033,489
Total investments					$	6,698,603
Deposits						10,072,453
Change funds						2,425
Total Cash and Investments					$	16,773,481

N/R – Not Rated

b. Investments

Fair Value Measurement

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

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments

            Fair Value Measurement (Continued)

            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 assets 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.

            At December 31, 2020, Pine County had the following recurring fair value measurements:

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

		Fair Value Measurements Using		
	December 31, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Negotiable certificates of deposit	$ 3,665,114	$ 972,396	$ 2,692,718	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 3,033,489			
Total Investments	$ 6,698,603			

MAGIC is a local government investment pool which is quoted at a NAV. The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio.

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 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 NAV not reasonably practical.

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

The County had $1,084,903 in noncurrent special assessments and $78,092 in loans receivable scheduled to be collected beyond one year as detailed below.

Loans Receivable

The County currently has outstanding a contract for deed with the City of Sandstone for the sale of the John Wright building. This receivable is reported in the Governmental Buildings Capital Projects Fund. In addition, the County has a loan participation certificate outstanding with a local business in order to encourage economic development in the County. This receivable is reported in the General Fund. Annual payments to the County for the loans are as follows:

Year Ending	Contract for Deed		Loan Participation Certificate	
December 31	Principal	Interest	Principal	Interest
2021	$ 10,000	$ -	$ 671	$ 1,229
2022	10,000	-	769	1,131
2023	60,000	-	882	1,018
2024	-	-	1,008	892
2025	-	-	1,159	742
2026 - 2029	-	-	4,274	1,105
Total	$ 80,000	$ -	$ 8,763	$ 6,117

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 4,483,016	$ -	$ 177,627	$ 4,305,389
Construction in progress	1,884,506	315,170	1,825,518	374,158
Total capital assets not depreciated	$ 6,367,522	$ 315,170	$ 2,003,145	$ 4,679,547
Capital assets depreciated				
Buildings	$ 30,851,718	$ -	$ 1,100,154	$ 29,751,564
Building improvements	103,585	52,299	-	155,884
Machinery and equipment	11,313,131	1,458,705	294,503	12,477,333
Intangibles	791,822	82,266	-	874,088
Infrastructure	122,549,883	10,694,020	-	133,243,903
Total capital assets depreciated	$ 165,610,139	$ 12,287,290	$ 1,394,657	$ 176,502,772
Less: accumulated depreciation for				
Buildings	$ 9,459,178	$ 735,759	$ 1,100,154	$ 9,094,783
Building improvements	10,269	6,235	-	16,504
Machinery and equipment	8,856,640	981,569	234,192	9,604,017
Intangibles	532,378	107,252	-	639,630
Infrastructure	38,732,247	2,557,668	-	41,289,915
Total accumulated depreciation	$ 57,590,712	$ 4,388,483	$ 1,334,346	$ 60,644,849
Total capital assets depreciated, net	$ 108,019,427	$ 7,898,807	$ 60,311	$ 115,857,923
Capital Assets, Net	$ 114,386,949	$ 8,213,977	$ 2,063,456	$ 120,537,470

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

Governmental Activities	
General government	$ 665,047
Public safety	800,592
Highways and streets	2,907,674
Human services	9,361
Conservation of natural resources	5,809
Total Depreciation Expense – Governmental Activities	$ 4,388,483

2. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2020, is as follows:

Receivable Fund	Payable Fund	Amount	Description
General Fund	Road and Bridge Special Revenue Fund	$ 1,142	Reimbursements
	Health and Human Services Special Revenue Fund	33,619	Reimbursements
	Land Management Special Revenue Fund	390,573	Forfeited tax distribution
	Other governmental funds	151,406	Eliminate negative cash
Total due to General Fund		$ 576,740	
Road and Bridge Special Revenue Fund	General Fund	$ 12,332	Fuel and reimbursements
	Health and Human Services Special Revenue Fund	146	Reimbursements
	Land Management Special Revenue Fund	249	Fuel and auto repairs
Total due to Road and Bridge Special Revenue Fund		$ 12,727	
Health and Human Services Special Revenue Fund	General Fund	$ 358	Reimbursements
	Land Management Special Revenue Fund	85	Reimbursements
Total due to Health and Human Services Special Revenue Fund		$ 443	
Total Due To/From Other Funds		$ 589,910	

2. Detailed Notes on All Funds

B. Interfund Receivables, Paybles, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

Transfer to General Fund from			
Land Management Special Revenue Fund	$	390,573	Forfeited tax distribution
Land Management Special Revenue Fund		90,000	Salary reimbursement
Total Interfund Transfers	$	480,573	

C. Liabilities

1. Construction Commitments

The County has active construction projects as of December 31, 2020. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	$ 21,728,713	$ 513,768

2. Leases

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 2020:

Type of Property	Amount
Copiers and office equipment	$ 57,882
Microsoft Enterprise Agreement	108,888
Total Operating Lease Expense	$ 166,770

2. Detailed Notes on All Funds

C. Liabilities

2. Leases

Operating Leases (Continued)

Future minimum payments under operating leases, which are not reflected in these financial statements, consist of the following at December 31, 2020:

Year Ended	Amount
2021	$ 150,516
2022	126,785
2023	11,765
2024	9,790
2025	3,695
Total Future Minimum Lease Payments	$ 302,551

Capital Leases

The County entered into a lease agreement for use of a printer server. At December 31, 2020, the County had total assets under this lease of $43,651 with the related accumulated depreciation of $43,651. Future minimum lease payments under the lease are summarized in Note 2.C.4.

2. Detailed Notes on All Funds

   C. Liabilities (Continued)

      3. Long-Term Debt

         Information on individual debt instruments follows:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2020
General obligation bonds					
2012A G.O. Capital Improvement Plan Bonds	2031	\$480,000 - \$965,000	3.00 - 4.00	\$ 13,410,000	\$ 8,760,000
2015A G.O. Crossover Refunding Bonds	2031	\$725,000 - \$1,595,000	3.00 - 4.00	13,430,000	10,675,000
2017A G.O. Capital Improvement Plan Bonds	2033	\$220,000 - \$315,000	4.00	3,905,000	3,510,000
General obligation bonds (Continued)					
2020A G.O. Refunding and Capital Improvement Bonds	2031	\$490,000 - \$995,000	1.00 - 3.00	8,310,000	8,310,000
2016 Minnesota Pollution Control Agency (MPCA) loans	2030	\$41,818 - \$49,898	2.00	910,564	868,745
2020 Minnesota Pollution Control Agency (MPCA) loans	2033	\$45,000	N/A	900,000*	402,799
Printer server capital lease	2021	\$6,330	3.00	31,651	3,166
Total General Obligation Bonds, Loans, and Capital Lease				\$ 40,897,215	\$ 32,529,710
Add: Unamortized premium					1,784,865
Total General Obligation Bonds, Loans, and Capital Lease, Net					\$ 34,314,575

*The total available for the County to draw down is \$900,000. At December 31, 2020, the County had drawn \$402,799.

2. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	MPCA Loan** Principal	MPCA Loan** Interest
2021	$ 1,685,000	$ 853,129	$ 83,961	$ 16,957
2022	2,460,000	834,678	85,649	15,270
2023	2,595,000	750,853	132,370	13,548
2024	2,695,000	663,153	179,126	14,968
2025	2,795,000	572,078	180,918	11,792
2026 - 2030	15,540,000	1,534,931	881,721	21,850
2031 - 2033	3,485,000	75,670	225,000	-
Total	$ 31,255,000	$ 5,284,492	$ 1,768,745	$ 94,385

**Repayment schedule includes $497,201 not drawn down at December 31, 2020.

Year Ending December 31	Capital Lease Principal	Capital Lease Interest
2021	$ 3,166	$ -

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	$ 24,555,000	$ 8,310,000	$ 1,610,000	$ 31,255,000	$ 1,685,000
Add: unamortized premium	1,196,292	701,282	112,709	1,784,865	-
MPCA loans	707,144	606,218	41,818	1,271,544	83,961
Installment payable	53,787	-	53,787	-	-
Capital lease	9,496	-	6,330	3,166	3,166
Compensated absences	1,938,249	1,967,562	1,623,682	2,282,129	-
Total Long-Term Liabilities	$ 28,459,968	$ 11,585,062	$ 3,448,326	$ 36,596,704	$ 1,772,127

2. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities

Governmental Activities (Continued)

During 2020, the County issued $8,310,000 in General Obligation Refunding and Capital Improvement Bonds, Series 2020A. The County will use the net proceeds to currently refund the Capital Improvement Plan Bonds, Series 2012A, maturing in 2031, and to finance construction and acquisition of various capital improvements in the County. The refunding bond proceeds were placed in an escrow account to be liquidated on the redemption date of February 1, 2021. The total cash flow savings to the County attributable to the refunding of these bonds was $866,578 with a net present value of approximately $831,977.

Debt is generally paid from the debt service funds. The MPCA loan is paid from the Clean Water Partnership Program Fund. The installment payable and capital lease are paid from the General Fund. Compensated absences are paid from the General Fund and the Road and Bridge, Health and Human Services, and Land Management Special Revenue Funds. The net pension liability and other postemployment benefits are paid from the General Fund and the Road and Bridge and Health and Human Services Special Revenue Funds.

MPCA Loans

The County participates in a revolving loan programs that resulted in entering into loan agreements 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 2016 loan bears interest at two percent. The County has drawn down $910,564 on this note and it is considered fully disbursed. The repayment schedule requires semi-annual installments of $50,459 beginning December 15, 2020.

The 2020 loan was effective August 1, 2020, and is a no interest loan, unless the repayment is late. If repayment is late, interest shall accrue at two percent on the principal balance owed commencing on the date repayment is due according to the final repayment schedule and continuing until the payment is received by the MPCA. The County can draw up to $900,000. When the loan has been fully

2. Detailed Notes on All Funds

C. Liabilities

5. Changes in Long-Term Liabilities

MPCA Loans (Continued)

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 $45,000 beginning December 15, 2023. The County has drawn down $402,799 of the loan as of December 31, 2020.

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 2020.

D. Deferred Inflows of Resources

Unavailable Revenue

Unavailable revenue consists of taxes and special assessments receivable, state and federal grants not collected soon enough after year-end to pay liabilities of the current period, money from state-aid highway allotments received but not yet earned, and other revenues. Unavailable revenue at December 31, 2020, is summarized by fund:

2. Detailed Notes on All Funds

D. Deferred Inflows of Resources

Unavailable Revenue (Continued)

	Taxes	Grants	State-Aid Highway Allotments	Loans	Other	Total
Major governmental funds						
General	$ 325,953	$ 50,419	$ -	$ 77,094	$ -	$ 453,466
Special Revenue						
Road and Bridge	62,508	-	2,379,878	-	-	2,442,386
Health and Human Services	122,728	-	-	-	13,121	135,849
Land Management	-	-	-		1,475,223	1,475,223
Clean Water Partnership Program	-	-	-	1,077,974	-	1,077,974
General Obligation Courthouse Bond Debt Service	32,942	-	-	-	-	32,942
Nonmajor governmental funds						
Debt Service						
General Obligation Jail Bond	38,901	-	-	-	-	38,901
CIP Project Bond	7,710	-	-	-	-	7,710
Capital Projects						
Governmental Buildings	2,134	-	-	-	80,000	82,134
Technology Equipment	2,698	-	-	-	-	2,698
Total	$ 595,574	$ 50,419	$ 2,379,878	$ 1,155,068	$ 1,568,344	$ 5,749,283

E. Other Postemployment Benefits (OPEB)

1. Plan Description

Pine County administers an OPEB plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents. OPEB are determined by the County Commissioners and can be amended by the County through its personnel manual and union contracts. Qualified employees first hired before March 1, 1996, are eligible, with exceptions, for employer contributions for retiree health care. Contributions vary depending on the employee's bargaining unit and the County contracts in effect.

The County also provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Active employees who retire from the County when eligible to receive a retirement benefit from PERA (or similar plan) and do not participate in any other health benefits program providing coverage will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's

2. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

health benefits program. Retirees are required to pay 100 percent of the total premium cost. Since the premium is a blended rate determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. As of the December 31, 2019, actuarial valuation there are 249 active employees electing coverage, 30 active employees waiving coverage, and 32 retirees electing coverage.

The cost of OPEB is funded on a "pay-as-you-go" method.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

2. Total OPEB Liability

The County's OPEB liability was measured as of December 31, 2019, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2019. The total OPEB liability is liquidated primarily by the General Fund and the Road and Bridge and Health and Human Services Special Revenue Funds.

The total OPEB liability in the fiscal-year end December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Based on the most recently disclosed assumption for the pension plan in which the employee participates.
Health care trend rate	6.20 percent, decreasing to an ultimate rate of 4.00 percent in 2075

General Employees Retirement Plan employees' mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018 and other adjustments. PERA Public Employees Police and Fire Plan and PERA Public Employees Local Government Correctional Service Retirement Plan employees' mortality rates were based on the RP-2014 mortality tables with projected mortality improvements based on scale MP-2018 and other adjustments.

2. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

The discount rate used to measure the total OPEB liability was 2.75 percent. The discount rate is equal to the 20-year municipal bond yield using the Fidelity 20-Year Municipal GO AA Index.

3. Changes in the Total OPEB Liability

		Total OPEB Liability
Balance as of January 1, 2020	$	2,107,594
Changes for the year		
Service cost	$	132,139
Interest		81,403
Differences between expected and actual experience		212,077
Changes in assumptions		213,653
Employer contributions		(91,173)
Net Change in Total OPEB Liability	$	548,099
Balance as of December 31, 2020	$	2,655,693

4. OPEB Liability Sensitivity

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

	Discount Rate		Total OPEB Liability
1% Decrease	1.75%	$	2,963,560
Current	2.75		2,655,693
1% Increase	3.75		2,389,184

2. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.20% decreasing to 3.00%	$ 2,347,593
Current	6.20% decreasing to 4.00%	2,655,693
1% Increase	7.20% decreasing to 5.00%	3,028,005

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

For the year ended December 31, 2020, the County recognized OPEB expense of $170,019. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 184,427	$ -
Changes of assumptions	257,467	72,754
Employer contributions paid subsequent to the measurement date	101,607	-
Total	$ 543,501	$ 72,754

The $101,607 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year Ending December 31	Amount
2021	$ 58,303
2022	58,303
2023	58,303
2024	58,303
2025	52,024
Thereafter	83,904

6. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The discount rate was changed from 3.71 percent to 2.75 percent based on updated 20-year municipal bond rates.

- The health care trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.

- Mortality and salary increase rates were updated from the rates used in the July 1, 2017, Public Employee Retirement Association (PERA) General Employees Plan, Police and Fire Plan, and Correctional Plan valuations to the rates used in the July 1, 2019, valuations.

- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

2. Detailed Notes on All Funds (Continued)

E. Other Postemployment Benefits (OPEB)

6. Changes in Actuarial Assumptions

- The inflation assumption was changed from 2.75 percent to 2.5 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

F. Pension Plans

1. 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 General Employees Plan), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the 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.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Pine County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

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

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June30 before the effective date of the increase will receive a reduced prorated increase.

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

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020.

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2020.

In 2020, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	17.70
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	$	893,010
Police and Fire Plan		517,276
Correctional Plan		204,115

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

d. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of $9,454,836 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.1577 percent. It was 0.1524 percent measured as of June 30, 2019. The County recognized pension expense of $695,660 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized $25,232 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	$	9,454,836
State of Minnesota's proportionate share of the net pension liability associated with the County		291,620
Total	$	9,746,456

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:

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 83,208	$ 35,773
Changes in actuarial assumptions	-	340,918
Difference between projected and actual investment earnings	222,826	-
Changes in proportion	413,216	-
Contributions paid to PERA subsequent to the measurement date	463,787	-
Total	$ 1,183,037	$ 376,691

The $463,787 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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
2021	$ (276,322)
2022	137,906
2023	252,543
2024	228,432

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2020, the County reported a liability of $3,243,861 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.2461 percent. It was 0.2450 percent measured as of June 30, 2019. The County recognized pension expense of $440,029 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of $4.5 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of $4.5 million on October 1, 2019, and to pay $9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $23,511 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	$	3,243,861
State of Minnesota's proportionate share of the net pension liability associated with the County		23,511
Total	$	3,267,372

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $22,149 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 138,900	$ 140,215
Changes in actuarial assumptions	989,464	1,828,109
Difference between projected and actual investment earnings	135,479	-
Changes in proportion	205,640	40,132
Contributions paid to PERA subsequent to the measurement date	270,519	-
Total	$ 1,740,002	$ 2,008,456

The $270,519 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2021	$ (126,367)
2022	(769,217)
2023	192,112
2024	160,263
2025	4,236

Correctional Plan

At December 31, 2020, the County reported a liability of $276,360 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 1.0185 percent. It was 0.9563 percent measured as of June 30, 2019. The County recognized pension expense of ($515,862) for its proportionate share of the Correctional Plan's pension expense.

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

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 2,522	$ 101,120
Changes in actuarial assumptions	-	544,840
Difference between projected and actual investment earnings	60,419	-
Changes in proportion	43,153	2,894
Contributions paid to PERA subsequent to the measurement date	104,794	-
Total	$ 210,888	$ 648,854

The $104,794 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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
2021	$ (582,331)
2022	(27,778)
2023	17,493
2024	49,856

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020, was $619,827.

e. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality Table for the General Employees Plan and the RP-2014 mortality tables for the Police and Fire and the Correctional Plans, with straight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan.

The long-term expected rate of return on pension plan investments is 7.50 percent. 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 geometric 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
U.S. equities	35.50%	5.10%
Broad International stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

f. Discount Rate (Continued)

employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

General Employees Plan

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

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

2. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Correctional Plan

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

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 15,152,822	6.50%	$ 6,465,483	6.50%	$ 1,717,547
Current	7.50	9,454,836	7.50	3,243,861	7.50	276,360
1% Increase	8.50	4,754,455	8.50	578,534	8.50	(877,259)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Detailed Notes on All Funds

F. Pension Plans (Continued)

2. Defined Contribution Plan

Five Board members of Pine County are covered by the Public Employees Defined Contribution Plan, 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 five percent 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 two percent of employer contributions and 0.25 percent 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, 2020, were:

	Employee	Employer
Contribution amount	$ 7,813	$ 7,813
Percentage of covered payroll	5.00%	5.00%

3. 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 Minn. Stat. § 352.98 and through an Internal Revenue Service (IRS)

3. Postemployment Health Care Plans

   A. MSRS Health Care Savings Plan (Continued)

   private letter ruling establishing the HCSP as a tax-exempt benefit as of July 29, 2002. The plan is open to any active public employees in Minnesota if they are covered under certain public service retirement plans.

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

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

   B. Minnesota Service Cooperative VEBA Plan

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

3. Postemployment Health Care Plans

B. Minnesota Service Cooperative VEBA Plan (Continued)

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.

4. 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 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

4. 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.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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

B. Conduit Debt

Camp Heartland Project, Inc.

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

5. Summary of Significant Contingencies and Other Items

B. Conduit Debt

Camp Heartland Project, Inc. (Continued)

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. 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, by issuing a Revenue Note, Series 2016 One Heartland, Inc., Project, formerly known as Camp Heartland Project, Inc. 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, 2020, is $425,690.

Osprey Wilds

In 2018, the County issued $80,000 of Revenue Notes to provide financial assistance to Osprey Wilds (formerly Audubon Center of the Northwoods), a nonprofit corporation, located in Sandstone, Minnesota. The proceeds were 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 notes. 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. The balance as of December 31, 2020, is $75,213.

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 Minn. Stat. § 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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 2020, 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 Minn. Stat. § 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Snake River Watershed Management Board (Continued)

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 2020. Upon dissolution, the personal property shall be returned to the member county contributing the same.

Complete financial information can be obtained from: Snake River Watershed Management Board, Kanabec County Courthouse, 18 North Vine Street, Mora, Minnesota 55051.

Central Minnesota Emergency Medical Services Region

The Central Minnesota Emergency Medical Services Region (the Region) was established in 2001, under Minn. Stat. § 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, 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Central Minnesota Jobs and Training Services, Inc. (WIA – Workforce Service Area 5)

Central Minnesota Jobs and Training Services, Inc. (CMJTS) is a nonprofit employment and training agency and a partner in the Minnesota WorkForce Center System. CMJTS is a joint venture established pursuant to Minnesota Statutes ch. 268 and §471.59, consisting of 11 counties in Central Minnesota, including Meeker, McLeod, Renville, Kandiyohi, Kanabec, Wright, Sherburne, Mille Lacs, Isanti, Chisago, and Pine Counties and is also a partner of Workforce Service Area 5.

CMJTS's mission is to match job seekers, youth, businesses, and those seeking training with the resources available to them. 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 Minn. Stat. 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rush Line Corridor Joint Powers Agreement (Continued)

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 2020.

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 Minn. Stat. §§ 471.59, 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.

5. Summary of Significant Contingencies and Other Items

   C. Joint Ventures

      Minneapolis-Duluth/Superior Passenger Rail Alliance Joint Powers Agreement (Continued)

      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 2020, Pine County elected not to pay a contribution and decided not to be a voting member of the Joint Powers Board.

      Northeast Minnesota Emergency Communications Board

      The Northeast Minnesota Emergency Communications Board (formerly Northeast Minnesota Regional Radio Board) was established through a joint powers agreement, pursuant to Minn. Stat. §§ 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.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northeast Minnesota Emergency Communications Board (Continued)

Itasca County is the fiscal agent for the Northeast Minnesota Emergency Communications Board. Funding is provided by grants and contributions from participating members. Pine County made $438 in contributions in 2020.

East Central Drug and Violent Offender Task Force

The East Central Drug and Violent Offender Task Force was established through a joint powers agreement, pursuant to Minn. Stat. § 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, Isanti, Kanabec, and Pine Counties. 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 a custodial fund. Funding is provided by grants and matching contributions from participating members. Pine County made no contributions in 2020.

East Central Regional Library

The East Central Regional Library was established by a joint powers agreement among Aikin, Chisago, Isanti, Kanabec, Mille Lacs, and Pine Counties to provide an efficient and improved regional public library service. The Library's Board comprises 18 members—one County Board member and two appointees from each county. Pine County's contributions for 2020 was $338,061.

Complete financial statements of the East Central Regional library can be obtained at 244 South Birch, Cambridge, Minnesota 55008.

5. Summary of Significant Contingencies and Other Items

   C. Joint Ventures (Continued)

   Pine County Children, Families, and Learning Services Collaborative

   The Pine County Children, Families, and Learning Services 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 a custodial fund.

   D. Jointly-Governed Organization

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

   Minnesota Counties Computer Consortium

   The Minnesota Counties Computer Consortium was formed in 1979 pursuant to Minn. Stat. § 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. Pine 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 totaled $3,750 for per diems and mileage in 2020.

5. Summary of Significant Contingencies and Other Items (Continued)

F. Tax-Forfeited Land

The County manages approximately 39,813 acres of state-owned, tax-forfeited land with an estimated market value for 2020 of $26,908,500. 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.

G. Subsequent Event

During 2021, Pine County was allocated $5.7 million from the American Rescue Plan Act. In May 2021, the County received $2.8 million of the $5.7 million. The balance of the funds will be distributed in 2022.

REQUIRED SUPPLEMENTARY INFORMATION

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 11,333,875	$ 11,333,875	$ 10,905,844	$ (428,031)
Special assessments	2,604	2,604	4,237	1,633
Licenses and permits	140,648	172,648	201,701	29,053
Intergovernmental	4,106,124	4,126,124	4,479,694	353,570
Charges for services	2,031,596	2,158,596	2,237,685	79,089
Fines and forfeits	15,500	15,500	44,557	29,057
Gifts and contributions	124,000	124,000	120,303	(3,697)
Investment earnings	180,700	80,700	196,269	115,569
Miscellaneous	747,340	757,340	836,270	78,930
Total Revenues	**$ 18,682,387**	**$ 18,771,387**	**$ 19,026,560**	**$ 255,173**
Expenditures				
Current				
General government				
Commissioners	$ 255,502	$ 255,502	$ 233,197	$ 22,305
Courts	64,000	64,000	47,298	16,702
Law Library	29,000	29,000	31,417	(2,417)
County auditor	766,464	766,464	804,757	(38,293)
County assessor	581,498	596,498	627,125	(30,627)
Elections	98,034	98,034	118,406	(20,372)
Data processing	777,483	777,483	714,995	62,488
Central services	34,000	34,000	47,270	(13,270)
Administrator	469,777	469,777	509,137	(39,360)
Attorney	1,077,959	1,077,959	1,072,372	5,587
Contracted legal services	30,000	30,000	12,208	17,792
Recorder	386,298	448,298	416,900	31,398
Planning and zoning	253,827	268,827	358,203	(89,376)
Buildings and plant	844,098	844,098	791,104	52,994
Veterans service officer	159,747	159,747	128,286	31,461
Victim services	70,000	70,000	72,557	(2,557)
Other general government	301,521	336,521	365,221	(28,700)
Total general government	**$ 6,199,208**	**$ 6,326,208**	**$ 6,350,453**	**$ (24,245)**

The notes to the required supplementary information are an integral part of this schedule.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 5,343,640	$ 5,363,640	$ 5,341,028	$ 22,612
Federal forfeitures	-	-	9,075	(9,075)
Sandstone range training center	2,000	2,000	8,932	(6,932)
Court security	229,962	127,462	118,920	8,542
Boat and water safety	6,425	6,425	33,591	(27,166)
Coroner	62,000	64,500	66,700	(2,200)
E-911 system	106,641	106,641	63,021	43,620
County jail	4,374,060	4,339,060	3,944,193	394,867
Sentencing to service	83,386	83,386	80,157	3,229
Probation and parole	973,980	973,980	972,832	1,148
ERC federal grant	-	-	57,955	(57,955)
Civil defense	105,912	105,912	100,438	5,474
Other public safety	67,964	84,964	85,156	(192)
Total public safety	**$ 11,355,970**	**$ 11,257,970**	**$ 10,881,998**	**$ 375,972**
Sanitation				
Solid waste	$ -	$ -	$ 462	$ (462)
Recycling	428,547	488,547	497,871	(9,324)
Total sanitation	**$ 428,547**	**$ 488,547**	**$ 498,333**	**$ (9,786)**
Culture and recreation				
Historical society	$ 25,000	$ 25,000	$ 25,000	$ -
Regional library	339,861	339,861	338,736	1,125
Total culture and recreation	**$ 364,861**	**$ 364,861**	**$ 363,736**	**$ 1,125**
Conservation of natural resources				
County extension	$ 158,411	$ 158,411	$ 127,372	$ 31,039
Soil and water conservation	78,388	78,388	78,388	-
Agricultural society/County fair	10,000	10,000	10,000	-
Aquatic invasive species	123,930	123,930	89,788	34,142
Other	9,968	9,968	9,968	-
Total conservation of natural resources	**$ 380,697**	**$ 380,697**	**$ 315,516**	**$ 65,181**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	$ 7,000	$ 7,000	$ 6,330	$ 670
Total Expenditures	**$ 18,736,283**	**$ 18,825,283**	**$ 18,416,366**	**$ 408,917**
Excess of Revenues Over (Under) Expenditures	**$ (53,896)**	**$ (53,896)**	**$ 610,194**	**$ 664,090**
Other Financing Sources (Uses)				
Transfers in	90,000	90,000	480,573	390,573
Net Change in Fund Balance	**$ 36,104**	**$ 36,104**	**$ 1,090,767**	**$ 1,054,663**
Fund Balance – January 1	**5,730,611**	**5,730,611**	**5,730,611**	**-**
Fund Balance – December 31	**$ 5,766,715**	**$ 5,766,715**	**$ 6,821,378**	**$ 1,054,663**

The notes to the required supplementary information are an integral part of this schedule.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,166,021	$ 3,166,021	$ 3,345,414	$ 179,393
Licenses and permits	-	-	35,085	35,085
Intergovernmental	6,906,373	8,016,373	8,805,973	789,600
Charges for services	176,700	176,700	194,641	17,941
Miscellaneous	35,050	35,050	67,229	32,179
Total Revenues	**$ 10,284,144**	**$ 11,394,144**	**$ 12,448,342**	**$ 1,054,198**
Expenditures				
Current				
Highways and streets				
Administration	$ 369,088	$ 369,088	$ 383,828	$ (14,740)
Engineering/construction	5,545,872	6,655,872	8,751,318	(2,095,446)
Maintenance/equipment	2,391,618	2,391,618	2,489,616	(97,998)
Equipment repair and shop	1,909,899	1,909,899	2,265,521	(355,622)
Unallocated – highways and streets	82,667	82,667	16,800	65,867
Total highways and streets	**$ 10,299,144**	**$ 11,409,144**	**$ 13,907,083**	**$ (2,497,939)**
Intergovernmental				
Highways and streets	532,297	532,297	532,297	-
Total Expenditures	**$ 10,831,441**	**$ 11,941,441**	**$ 14,439,380**	**$ (2,497,939)**
Excess of Revenues Over (Under) Expenditures	**$ (547,297)**	**$ (547,297)**	**$ (1,991,038)**	**$ (1,443,741)**
Other Financing Sources (Uses)				
Transfers in	$ 15,000	$ 15,000	$ -	$ (15,000)
Proceeds from sale of capital assets	-	-	53,615	53,615
Total Other Financing Sources (Uses)	**$ 15,000**	**$ 15,000**	**$ 53,615**	**$ 38,615**
Net Change in Fund Balance	**$ (532,297)**	**$ (532,297)**	**$ (1,937,423)**	**$ (1,405,126)**
Fund Balance – January 1	**2,354,188**	**2,354,188**	**2,354,188**	**-**
Increase (decrease) in inventories	**-**	**-**	**150,444**	**150,444**
Fund Balance – December 31	**$ 1,821,891**	**$ 1,821,891**	**$ 567,209**	**$ (1,254,682)**

The notes to the required supplementary information are an integral part of this schedule.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HEALTH AND HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 3,994,914	$ 3,994,914	$ 3,950,168	$ (44,746)
Licenses and permits	11,750	11,750	8,850	(2,900)
Intergovernmental	6,881,201	6,881,201	6,857,022	(24,179)
Charges for services	752,895	752,895	878,596	125,701
Gifts and contributions	3,200	3,200	2,924	(276)
Investment earnings	700	700	1,129	429
Miscellaneous	305,850	305,850	268,684	(37,166)
Total Revenues	**$ 11,950,510**	**$ 11,950,510**	**$ 11,967,373**	**$ 16,863**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,233,709	$ 3,233,709	$ 3,149,206	$ 84,503
Social services	7,294,337	7,294,337	6,319,716	974,621
Total human services	**$ 10,528,046**	**$ 10,528,046**	**$ 9,468,922**	**$ 1,059,124**
Health				
Nursing services	$ 332,387	$ 332,387	$ 186,125	$ 146,262
Women, infants, and children	196,054	196,054	129,591	66,463
Maternal and child health	504,949	504,949	428,974	75,975
Environmental health	34,469	34,469	40,319	(5,850)
Health education	135,763	135,763	70,408	65,355
COVID relief	-	-	427,398	(427,398)
Planning and implementation	218,842	218,842	200,466	18,376
Total health	**$ 1,422,464**	**$ 1,422,464**	**$ 1,483,281**	**$ (60,817)**
Total Expenditures	**$ 11,950,510**	**$ 11,950,510**	**$ 10,952,203**	**$ 998,307**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 1,015,170**	**$ 1,015,170**
Fund Balance – January 1	**1,730,445**	**1,730,445**	**1,730,445**	**-**
Fund Balance – December 31	**$ 1,730,445**	**$ 1,730,445**	**$ 2,745,615**	**$ 1,015,170**

The notes to the required supplementary information are an integral part of this schedule.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 34,700	$ 38,700	$ 43,850	$ 5,150
Miscellaneous	874,148	874,148	1,525,324	651,176
Total Revenues	**$ 908,848**	**$ 912,848**	**$ 1,569,174**	**$ 656,326**
Expenditures				
Current				
Conservation of natural resources				
Land use	$ 801,648	$ 801,648	$ 828,655	$ (27,007)
Other conservation	17,200	21,200	24,107	(2,907)
Total Expenditures	**$ 818,848**	**$ 822,848**	**$ 852,762**	**$ (29,914)**
Excess of Revenues Over (Under) Expenditures	**$ 90,000**	**$ 90,000**	**$ 716,412**	**$ 626,412**
Other Financing Sources (Uses)				
Transfers out	(90,000)	(90,000)	(480,573)	(390,573)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 235,839**	**$ 235,839**
Fund Balance – January 1	**1,165,275**	**1,165,275**	**1,165,275**	**-**
Fund Balance – December 31	**$ 1,165,275**	**$ 1,165,275**	**$ 1,401,114**	**$ 235,839**

The notes to the required supplementary information are an integral part of this schedule.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-5

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2020

	2020	2019	2018
Total OPEB Liability			
Service cost	$ 132,139	$ 132,612	$ 115,403
Interest	81,403	72,140	74,194
Differences between expected and actual experience	212,077		
Changes of assumption or other inputs	213,653	(98,690)	118,308
Benefit payments	(91,173)	(90,633)	(95,376)
Net change in total OPEB liability	**$ 548,099**	**$ 15,429**	**$ 212,529**
Total OPEB Liability – Beginning, as restated	**2,107,594**	**2,092,165**	**1,879,636**
Total OPEB Liability – Ending	**$ 2,655,693**	**$ 2,107,594**	**$ 2,092,165**
Covered-employee payroll	$ 15,923,394	$ 15,092,758	$ 14,482,185
Total OPEB liability (asset) as a percentage of covered-employee payroll	16.68%	13.96%	14.45%

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

The notes to the required supplementary information are an integral part of this schedule.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Pine County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.1577 %	$ 9,454,836	$ 291,620	$ 9,746,456	$ 11,166,981	84.67 %	79.06 %
2019	0.1524	8,425,855	261,822	8,687,677	10,783,529	78.14	80.23
2018	0.1479	8,204,885	269,044	8,473,929	9,940,474	82.54	79.50
2017	0.1440	9,167,329	115,248	9,282,577	9,254,922	99.05	75.90
2016	0.1400	11,391,664	148,746	11,540,410	8,656,402	131.60	68.91
2015	0.1380	7,136,329	N/A	7,136,329	8,095,828	88.15	78.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	$ 893,010	$ 893,010	$ -	$ 11,906,881	7.50 %
2019	822,567	822,567	-	10,967,515	7.50
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 intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Pine County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.2461 %	$ 3,243,861	$ 23,511	$ 3,267,372	$ 2,699,334	120.17 %	87.19 %
2019	0.2450	2,608,272	N/A	2,608,272	2,583,506	100.96	89.26
2018	0.2350	2,504,858	N/A	2,504,858	2,476,926	101.13	88.84
2017	0.2210	2,983,763	N/A	2,983,763	2,271,421	131.36	85.43
2016	0.2240	8,989,510	N/A	8,989,510	2,151,548	417.82	63.88
2015	0.2080	2,363,367	N/A	2,363,367	1,906,286	123.98	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

The notes to the required supplementary information are an integral part of this schedule.

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	$ 517,276	$ 517,276	$ -	$ 2,922,462	17.70 %
2019	455,688	455,688	-	2,688,427	16.95
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 intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	1.0185 %	$ 276,360	$ 2,165,423	12.76 %	96.67 %
2019	0.9563	132,400	2,039,858	6.49	98.17
2018	0.9915	163,072	2,021,912	8.07	97.64
2017	0.9400	2,679,009	1,892,287	141.58	67.89
2016	1.0200	3,726,203	1,926,761	193.39	58.16
2015	0.9800	151,508	1,753,715	8.64	96.95

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

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	$ 204,115	$ 204,115	$ -	$ 2,332,741	8.75 %
2019	184,756	184,756	-	2,111,492	8.75
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 intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Clean Water Partnership Program, Ditch, and COVID-19 Relief Special Revenue Funds; and the Governmental Buildings, Technology Equipment, and G.O. Capital Improvement Capital Projects Funds. All 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-Treasurer no later than the statutory deadline.

The appropriate 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 for the General Fund, which is at the department level.

2. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2020:

2. Excess of Expenditures Over Appropriations (Continued)

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Law library	$ 31,417	$ 29,000	$ 2,417
County auditor	804,757	766,464	38,293
County assessor	627,125	596,498	30,627
Elections	118,406	98,034	20,372
Central services	47,270	34,000	13,270
Administrator	509,137	469,777	39,360
Planning and zoning	358,203	268,827	89,376
Victim services	72,557	70,000	2,557
Other general government	365,221	336,521	28,700
Public safety			
Federal forfeitures	9,075	-	9,075
Sandstone range training center	8,932	2,000	6,932
Boat and water safety	33,591	6,425	27,166
Coroner	66,700	64,500	2,200
ERC federal grant	57,955	-	57,955
Other public safety	85,156	84,964	192
Sanitation			
Solid waste	462	-	462
Recycling	497,871	488,547	9,324
Road and Bridge Special Revenue Fund	14,439,380	11,941,441	2,497,939
Land Management Special Revenue Fund	852,762	822,848	29,914

3. Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The discount rate was changed from 3.71 percent to 2.75 percent based on updated 20-year municipal bond rates.

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

- The health care trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.

- Medical per capita claims costs were updated to reflect recent experience, including an adjustment to reflect age/gender based risk scores published by the Society of Actuaries.

- Mortality and salary increase rates were updated from the rates used in the July 1, 2017, Public Employee Retirement Association (PERA) General Employees Plan, Police and Fire Plan, and Correctional Plan valuations to the rates used in the July 1, 2019, valuations.

- The percent of future non Medicare eligible retirees electing each medical plan changed to reflect recent plan experience and new plan offerings.

- The inflation assumption was changed from 2.75 percent to 2.50 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.

The following changes in actuarial assumptions occurred in 2019:

- The discount rate changed from 3.31 percent to 3.71 percent.

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

The following changes in plan provisions occurred in 2018:

- The discount rate was changed from 3.50 percent to 3.31 percent 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.

- Health care 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.

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

- 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 July 1, 2015, PERA General Employees Retirement Plan, Police and Fire Plan, and Correctional Plan valuations to the rates used in the July 1, 2017, valuations.

- A salary scale assumption was added to reflect the cost method change. Rates are from the July 1, 2017, PERA General Employees Retirement Plan, Police and Fire Plan, and Correctional Plan valuations.

- The percent of retirees electing spouse coverage changed from 40 percent to 30 percent 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 offerings.

5. 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 fiscal year June 30:

General Employees Retirement Plan

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2020 (Continued)

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020 through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 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.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2018 (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2016 (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2020

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

2019

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

2018

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

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- 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.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan (Continued)

2018

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 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.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent 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 table assumed for healthy retirees.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The 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 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

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.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Local Government Correctional Service Retirement Plan

2020

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

2019

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

2018

- 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 augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 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.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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 Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 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 was 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.

SUPPLEMENTARY INFORMATION

GOVERNMENTAL FUNDS

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION COURTHOUSE BOND DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,021,590	$ 1,021,590	$ 1,010,488	$ (11,102)
Intergovernmental	-	-	16,473	16,473
Total Revenues	**$ 1,021,590**	**$ 1,021,590**	**$ 1,026,961**	**$ 5,371**
Expenditures				
Debt service				
Principal	$ 665,000	$ 665,000	$ 665,000	$ -
Interest	283,100	283,100	283,100	-
Administrative charges	1,679	1,679	155,917	(154,238)
Total Expenditures	**$ 949,779**	**$ 949,779**	**$ 1,104,017**	**$ (154,238)**
Excess of Revenues Over (Under) Expenditures	**$ 71,811**	**$ 71,811**	**$ (77,056)**	**$ (148,867)**
Other Financing Sources (Uses)				
Proceeds from bonds	$ -	$ -	$ 7,545,000	$ 7,545,000
Premium on sale of bonds	-	-	640,284	640,284
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 8,185,284**	**$ 8,185,284**
Net Change in Fund Balance	**$ 71,811**	**$ 71,811**	**$ 8,108,228**	**$ 8,036,417**
Fund Balance – January 1	**1,204,372**	**1,204,372**	**1,204,372**	**-**
Fund Balance – December 31	**$ 1,276,183**	**$ 1,276,183**	**$ 9,312,600**	**$ 8,036,417**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Ditch Fund accounts for funds used for public improvements and services for the ditch system.

The COVID-19 Relief Fund accounts for federal funds used for the public health emergency due to the Coronavirus pandemic.

DEBT SERVICE FUNDS

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

The CIP Project Bond Fund accounts for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

CAPITAL PROJECTS FUNDS

The Governmental Buildings Fund accounts for future capital acquisitions and construction.

The Technology Equipment Fund accounts for future equipment acquisitions.

The G.O. Capital Improvement Fund accounts for future capital improvements.

PINE COUNTY
PINE CITY, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue	
	Ditch	COVID-19 Relief
Assets		
Cash and investments	$ 32,224	$ -
Cash with escrow agent	-	-
Taxes receivable		
Delinquent	-	-
Due from other governments	-	582,711
Loans receivable	-	-
Total Assets	**$ 32,224**	**$ 582,711**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ -	$ 62,210
Due to other funds	-	-
Total Liabilities	**$ -**	**$ 62,210**
Deferred Inflows of Resources		
Unavailable revenue	**$ -**	**$ -**
Fund Balances		
Restricted		
Debt service	$ -	$ -
Ditches	32,224	-
County relief funds	-	520,501
Assigned		
Capital projects	-	-
Unassigned	-	-
Total Fund Balances	**$ 32,224**	**$ 520,501**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 32,224**	**$ 582,711**

EXHIBIT B-2

Debt Service		Capital Projects			
General Obligation Jail Bond	CIP Project Bond	Governmental Buildings	Technology Equipment	G.O. Capital Improvement	Total
$ 1,447,083	$ 100,675	$ 315,324	$ 2,244	$ -	$ 1,897,550
-	-	-	-	811,440	811,440
51,742	11,420	2,953	3,790	-	69,905
-	-	-	-	-	582,711
-	-	80,000	-	-	80,000
$ 1,498,825	**$ 112,095**	**$ 398,277**	**$ 6,034**	**$ 811,440**	**$ 3,441,606**
$ -	$ -	$ 2,200	$ -	$ 51,192	$ 115,602
-	-	-	5,306	146,100	151,406
$ -	**$ -**	**$ 2,200**	**$ 5,306**	**$ 197,292**	**$ 267,008**
$ 38,901	**$ 7,710**	**$ 82,134**	**$ 2,698**	**$ -**	**$ 131,443**
$ 1,459,924	$ 104,385	$ -	$ -	$ -	$ 1,564,309
-	-	-	-	-	32,224
-	-	-	-	-	520,501
-	-	313,943	-	614,148	928,091
-	-	-	(1,970)	-	(1,970)
$ 1,459,924	**$ 104,385**	**$ 313,943**	**$ (1,970)**	**$ 614,148**	**$ 3,043,155**
$ 1,498,825	**$ 112,095**	**$ 398,277**	**$ 6,034**	**$ 811,440**	**$ 3,441,606**

PINE COUNTY
PINE CITY, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	Special Revenue	
	Ditch	COVID-19 Relief
Revenues		
Taxes	$ -	$ -
Intergovernmental	-	3,890,516
Charges for services	1,338	-
Investment earnings	-	-
Miscellaneous	-	-
Total Revenues	**$ 1,338**	**$ 3,890,516**
Expenditures		
Current		
General government	$ -	$ 676,158
Public safety	-	984,348
Health	-	146,037
Economic development	-	1,563,472
Capital outlay		
General government	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative charges	-	-
Total Expenditures	**$ -**	**$ 3,370,015**
Excess of Revenues Over (Under) Expenditures	**$ 1,338**	**$ 520,501**
Other Financing Sources (Uses)		
Proceeds from bonds	$ -	$ -
Premium on sale of bonds	-	-
Total Other Financing Sources (Uses)	**$ -**	**$ -**
Net Change in Fund Balances	**$ 1,338**	**$ 520,501**
Fund Balances – January 1	**30,886**	**-**
Fund Balances – December 31	**$ 32,224**	**$ 520,501**

Debt Service		Capital Projects			
General Obligation Jail Bond	**CIP Project Bond**	**Governmental Buildings**	**Technology Equipment**	**G.O. Capital Improvement**	**Total**
$ 1,168,653	$ 336,315	$ 74,447	$ 99,160	$ -	$ 1,678,575
19,041	5,512	1,221	1,629	-	3,917,919
-	-	-	-	-	1,338
-	-	-	-	(2,764)	(2,764)
-	-	205,000	-	-	205,000
$ 1,187,694	**$ 341,827**	**$ 280,668**	**$ 100,789**	**$ (2,764)**	**$ 5,800,068**
$ -	$ -	$ -	$ -	$ -	$ 676,158
-	-	-	-	-	984,348
-	-	-	-	-	146,037
-	-	-	-	-	1,563,472
-	-	88,473	242,660	197,292	528,425
725,000	220,000	-	-	-	945,000
375,800	102,413	-	-	-	478,213
2,475	4,225	-	-	11,794	18,494
$ 1,103,275	**$ 326,638**	**$ 88,473**	**$ 242,660**	**$ 209,086**	**$ 5,340,147**
$ 84,419	**$ 15,189**	**$ 192,195**	**$ (141,871)**	**$ (211,850)**	**$ 459,921**
$ -	$ -	$ -	$ -	$ 765,000	$ 765,000
-	-	-	-	60,998	60,998
$ -	**$ -**	**$ -**	**$ -**	**$ 825,998**	**$ 825,998**
$ 84,419	**$ 15,189**	**$ 192,195**	**$ (141,871)**	**$ 614,148**	**$ 1,285,919**
1,375,505	**89,196**	**121,748**	**139,901**	**-**	**1,757,236**
$ 1,459,924	**$ 104,385**	**$ 313,943**	**$ (1,970)**	**$ 614,148**	**$ 3,043,155**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT B-4

BUDGETARY COMPARISON SCHEDULE
GENERAL OBLIGATION JAIL BOND DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,181,265	$ 1,181,265	$ 1,168,653	$ (12,612)
Intergovernmental	-	-	19,041	19,041
Total Revenues	**$ 1,181,265**	**$ 1,181,265**	**$ 1,187,694**	**$ 6,429**
Expenditures				
Debt service				
Principal	$ 725,000	$ 725,000	$ 725,000	$ -
Interest	375,800	375,800	375,800	-
Administrative charges	1,710	1,710	2,475	(765)
Total Expenditures	**$ 1,102,510**	**$ 1,102,510**	**$ 1,103,275**	**$ (765)**
Net Change in Fund Balance	**$ 78,755**	**$ 78,755**	**$ 84,419**	**$ 5,664**
Fund Balance – January 1	**1,375,505**	**1,375,505**	**1,375,505**	**-**
Fund Balance – December 31	**$ 1,454,260**	**$ 1,454,260**	**$ 1,459,924**	**$ 5,664**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT B-5

BUDGETARY COMPARISON SCHEDULE
CIP PROJECT BOND DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 341,409	$ 341,409	$ 336,315	$ (5,094)
Intergovernmental	-	-	5,512	5,512
Total Revenues	**$ 341,409**	**$ 341,409**	**$ 341,827**	**$ 418**
Expenditures				
Debt service				
Principal	$ 220,000	$ 220,000	$ 220,000	$ -
Interest	102,413	102,413	102,413	-
Administrative charges	839	839	4,225	(3,386)
Total Expenditures	**$ 323,252**	**$ 323,252**	**$ 326,638**	**$ (3,386)**
Net Change in Fund Balance	**$ 18,157**	**$ 18,157**	**$ 15,189**	**$ (2,968)**
Fund Balance – January 1	**89,196**	**89,196**	**89,196**	**-**
Fund Balance – December 31	**$ 107,353**	**$ 107,353**	**$ 104,385**	**$ (2,968)**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

The Pine County Children, Families, and Learning Services Collaborative Fund accounts for the collection and payment of funds of the Children, Family, and Learning Services Collaborative.

The State Revenue Fund accounts for the collection and distribution of funds for the State of Minnesota.

The Taxes and Penalties Fund accounts for the collection of taxes and penalties and their payment to the various taxing districts.

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

The Tax Forfeited Land Fund accounts for proceeds from the sale of tax forfeited land collected by the County to be distributed to local governments within the County.

PINE COUNTY
PINE CITY, MINNESOTA

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2020

	Pine County Children, Families, and Learning Services Collaborative	State Revenue
Assets		
Cash and pooled investments	$ 216,540	$ 27,320
Taxes receivable – delinquent	-	-
Accounts receivable	-	606
Due from other governments	35,384	501,966
Total Assets	**$ 251,924**	**$ 529,892**
Liabilities		
Accounts payable	$ -	$ 13,616
Due to other governments	-	505,904
Total Liabilities	**$ -**	**$ 519,520**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 251,924**	**$ 10,372**

EXHIBIT C-1

Taxes and Penalties	East Central Drug and Violent Offenders Task Force	Tax Forfeited Land	Total Custodial Funds
$ 591,357	$ 97,832	$ 618,551	$ 1,551,600
951,113	-	-	951,113
-	-	-	606
-	45,705	-	583,055
$ 1,542,470	**$ 143,537**	**$ 618,551**	**$ 3,086,374**
$ -	$ -	$ -	$ 13,616
496,979	51,152	618,551	1,672,586
$ 496,979	**$ 51,152**	**$ 618,551**	**$ 1,686,202**
$ 1,045,491	**$ 92,385**	**$ -**	**$ 1,400,172**

PINE COUNTY
PINE CITY, MINNESOTA

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	Pine County Children, Families, and Learning Services Collaborative	State Revenue
Additions		
Contributions from individuals	$ -	$ 769,464
Interest earnings	1,129	-
Payments from other entities	129,032	-
Total Additions	**$ 130,161**	**$ 769,464**
Deductions		
Payments to state	$ 50	$ 769,902
Administrative expense	65,366	-
Payments to other entities	-	-
Total Deductions	**$ 65,416**	**$ 769,902**
Change in Net Position	**$ 64,745**	**$ (438)**
Net Position - January 1, as restated (Note 1.E.)	**$ 187,179**	**$ 10,810**
Net Position - December 31	**$ 251,924**	**$ 10,372**

EXHIBIT C-2

Taxes and Penalties	East Central Drug and Violent Offenders Task Force	Tax Forfeited Land	Total Custodial Funds
$ 23,621,342	$ -	$ -	$ 24,390,806
-	-	-	1,129
-	201,231	618,551	948,814
$ 23,621,342	**$ 201,231**	**$ 618,551**	**$ 25,340,749**
$ -	$ -	$ -	$ 769,952
-	-	-	65,366
22,670,023	206,587	618,551	23,495,161
$ 22,670,023	**$ 206,587**	**$ 618,551**	**$ 24,330,479**
$ 951,319	**$ (5,356)**	**$ -**	**$ 1,010,270**
$ 94,172	**$ 97,741**	**$ -**	**$ 389,902**
$ 1,045,491	**$ 92,385**	**$ -**	**$ 1,400,172**

OTHER SCHEDULES

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Appropriations and Shared Revenue	
State	
Highway users tax	$ 8,768,600
Road gas tax	7,392
Market value credit	312,501
Disparity reduction aid	1,057
County program aid	2,090,562
Local performance aid	4,134
Police aid	311,884
Out-of-home placement aid	175,165
Casino aid/tribal tax agreement	108,241
Riparian protection aid	47,465
SCORE	84,237
E-911	106,641
Aquatic invasive species aid	123,549
Total appropriations and shared revenue	**$ 12,141,428**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 1,195,387**
Payments	
Local	
Payments in lieu of taxes	**$ 668,217**
Grants	
State	
Minnesota Department of/Board of	
Corrections	$ 219,261
Public Safety	28,261
Health	430,281
Natural Resources	17,710
Human Services	1,364,934
Veterans Affairs	10,000
Water and Soil Resources	128,164
Employment and Economic Development	582,711
Peace Officer Standards and Training Board	31,050
Pollution Control Agency	9,787
Total state	**$ 2,822,159**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Grants (Continued)		
Federal		
Department of		
Agriculture	$	416,416
Justice		121,999
Transportation		17,070
Treasury		3,630,594
Education		2,024
Health and Human Services		3,041,867
Homeland Security		34,162
Election Assistance Commission		29,608
Total federal	**$**	**7,293,740**
Total state and federal grants	**$**	**10,115,899**
Total Intergovernmental Revenue	**$**	**24,120,931**

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipient
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	202MN004W1003	$ 135,071	$ -
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	202MN101S2514	281,345	-
Total U.S. Department of Agriculture			**$ 416,416**	**$ -**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVSP-2020-PCAO-063	$ 66,866	$ -
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAG-2020-PCAO-058	55,133	-
Total U.S. Department of Justice			**$ 121,999**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Public Safety				
E-911 Grant Program	20.615	A-DECN-NGGIS-2019-NEECB2-3	**$ 8,029**	**$ -**
U.S. Department of Treasury				
Passed Through Minnesota Management and Budget				
COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	**$ 3,630,594**	**$ 1,594,152**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education – Grants for Infants and Families	84.181	H181X210029	**$ 2,024**	**$ -**
U.S. Election Assistance Commission				
Passed Through Minnesota Secretary of State				
COVID 19 – 2018 HAVA Election Security Grants	90.404	Not Provided	**$ 29,608**	**$ -**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	NU90TP922026	$ 34,097	$ -
Early Hearing Detection and Intervention	93.251	H61MC00035	600	-
Temporary Assistance for Needy Families	93.558	2001MNTANF	51,145	-
(Total Temporary Assistance for Needy Families 93.558 $374,692)				
Maternal and Child Health Services Block Grant to the States	93.994	NGA: BO4MC32551	30,215	-

PINE COUNTY
PINE CITY, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipient
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2001MNFPSS	11,709	-
Temporary Assistance for Needy Families	93.558	2001MNTANF	323,547	-
(Total Temporary Assistance for Needy Families 93.558 $374,692)				
Child Support Enforcement	93.563	2001MNCSES	161,512	-
Child Support Enforcement	93.563	2001MNCEST	673,038	-
(Total Child Support Enforcement CFDA 93.563 $834,550)				
Refugee and Entrant Assistance – State Administered Programs	93.566	2001MNRCMA	317	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2001MNCCDF	8,165	-
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	9,285	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	7,173	-
Foster Care – Title IV-E	93.658	2001MNFOST	196,163	-
Social Services Block Grant	93.667	2001MNSOSR	199,612	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	933	-
Children's Health Insurance Program	93.767	2005MN5021	560	-
Medicaid Cluster				
Medical Assistance Program	93.778	2005MN5ADM	1,130,870	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI010027/B08TI083047	205,988	-
Total U.S. Department of Health and Human Services			**$ 3,044,929**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	R29G70CGFFY18	$ 29,550	$ -
Passed Through Minnesota Department of Public Safety				
Emergency Management Performance Grants	97.042	A-EMPG-2020-PINECO-060	21,767	-
Total U.S. Department of Homeland Security			**$ 51,317**	**$ -**
Total Federal Awards			**$ 7,304,916**	**$ 1,594,152**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 281,345
Total expenditures for CCDF Cluster	8,165
Total expenditures for Medicaid Cluster	1,130,870

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

   A. Reporting Entity

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

   B. Basis of Presentation

      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, 2020. 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.

      Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

   Pine County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	7,293,740
Grants unavailable in 2019, recognized as revenue in 2020		
Minimum Penalties for Repeat Offenders for Driving While Intoxicated (CFDA No. 20.608)		(12,342)
National Priority Safety Programs (CFDA No. 20.616)		(4,728)
Promoting Safe and Stable Families (CFDA No. 93.556)		(3,019)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)		(3,516)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		(1,990)
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (CFDA No. 97.036)		(4,612)
Emergency Management Performance Grants (CFDA No. 97.042)		(20,623)
Grants unavailable in 2020, recognized as revenue in 2021		
E-911 Grant Program (CFDA No. 20.615)		8,029
Public Health Emergency Preparedness (CFDA No. 93.069)		7,439
Promoting Safe and Stable Families (CFDA No. 93.556)		3,068
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)		1,080
Emergency Management Performance Grants (CFDA No. 97.042)		42,390
Expenditures per Schedule of Expenditures of Federal Awards	$	7,304,916

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Pine County
Pine City, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 18, 2021.

Internal Control Over Financial Reporting

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

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

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Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Pine County failed to comply with the provisions of the contracting and bidding section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs at item 2020-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Pine County failed to comply with the provisions of the deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Pine County's Response to Findings

Pine County's responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal controls over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

August 18, 2021

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Pine County
Pine City, Minnesota

Report on Compliance for the Major Federal Program

We have audited Pine County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2020. Pine County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Pine County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pine County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

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Basis for Qualified Opinion on the COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)
As described in the accompanying Schedule of Findings and Questioned Costs, Pine County did not comply with requirements regarding CFDA No. 21.019 COVID-19 – Coronavirus Relief Fund as described in finding number 2020-002 for Subrecipient Monitoring. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Pine County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

Other Matters
Pine County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Pine County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002 that we consider to be a material weakness.

Pine County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

August 18, 2021

PINE COUNTY
PINE CITY, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major federal programs: **Qualified**

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

The major federal program is:

COVID-19 – Coronavirus Relief Fund CFDA No. 21.019

The threshold for distinguishing between Types A and B programs was $750,000.

Pine County qualified as a low-risk auditee? **No**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Highway Department Inventory

Criteria: Management is responsible for designing, implementing, establishing, and maintaining effective internal controls to provide reasonable assurance errors will be prevented, or detected and corrected in a timely manner. This includes internal controls over the valuation of inventory.

Condition: Three inventory items were selected for testing by verifying the price and quantity amounts reported as of December 31, 2020. The following were noted:

- An incorrect unit price was used for two items which caused inventory to be overstated by an estimated $61,466. In both instances, documentation had not been maintained to support the quantity on hand.

- Documentation had not been maintained to support the unit price used for the third item, and the item was calculated using a method not consistent with the County's inventory valuation policy.

Context: The County's policy is to use the weighted average cost method for all inventories.

Effect: The inventory system did not reflect an accurate value of the inventory on hand as of December 31, 2020.

Cause: The County implemented a new inventory system in 2017. The County's old system would automatically recalculate the weighted average unit price as new prices were input into the system. In 2020, it was discovered that the County's new system does not automatically perform this calculation.

Recommendation: We recommend the County strengthen internal controls over the valuation of its inventory, including implementing procedures to ensure valuation methods are consistently applied, unit prices are correctly calculated, and documentation is maintained to support inventory quantities.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, Title 2 U.S. *Code of Federal Regulations* § 200.331 requires entities passing-through federal funds to make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. Lastly, the County must comply with Title 2 U.S. *Code of Federal Regulations* § 200.332, which includes a list of award information required to be communicated to the subrecipient, evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award, and monitoring the activities of the subrecipient.

Condition: The following exceptions were noted in the sample of 19 subrecipients tested:

- The County did not have an agreement in place with one subrecipient.
- Two subrecipients were not provided sufficient award information.
- Two subrecipients did not have sufficient monitoring procedures performed over them.

The County also considered four pass-through entities as vendors when they should have been considered subrecipients. One of these four subrecipeints was selected for testing in addition to the 19 noted above, and the County did not have an agreement in place, nor did it perform risk assessment or monitoring procedures.

Questioned Costs: None.

Context: The County typically does not pass-through federal funds to subrecipients. If expenditures of subrecipients are found to be ineligible, it is the County's responsibility to recoup those costs and return any unspent funds to the Department of the Treasury.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The County is not meeting all federal regulations pertaining to subrecipient monitoring. Also, the County cannot be assured that its subrecipients are administering federal awards in compliance with all applicable federal requirements.

Cause: Pine County generally does not provide federal awards to subrecipients and, therefore, did not have policies and procedures in place for identifying potential subrecipients and over subrecipient monitoring activities.

Recommendation: We recommend that the County implement policies and procedures to ensure subrecipients of Federal grants are properly identified, sufficient grant information is communicated to subrecipients, and subrecipients are properly monitored for compliance with the Federal grant requirements.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Contracting and Bid Laws – Quotations

Criteria: Minnesota Statutes, Section 471.345, subd. 4, states that contracts estimated to exceed $25,000 but not to exceed $175,000, may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase when possible, without advertising for bids or otherwise complying with the requirements of competitive bidding. If the contract is made upon quotation it shall be based, so far as practicable, on at least two quotations.

Condition: During testing of compliance with the State of Minnesota contracting and bid laws, noncompliance was noted in both contracts tested over $25,000 but less than $175,000, because the County did not obtain two or more quotations.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and purchases, and for obtaining quotations.

Effect: Noncompliance with Minn. Stat. § 471.345.

Cause: Staff from the County's individual departments were not aware of all of the contract requirements.

Recommendation: We recommend the County develop contracting procedures to ensure that two or more quotations are obtained when required. All quotations obtained should be kept on file.

View of Responsible Official: Concur

PINE COUNTY AUDITOR-TREASURER

PINE COUNTY COURTHOUSE
635 Northridge Dr NW * Suite 240 * PINE CITY, MN 55063

Melissa Berg	**320-591-1669**	**Pam Lawrence**	**320-591-1667**
Alison Hall	**320-591-1666**	**Jacqueline Ness**	**320-591-1670**
Cassandra Johnson	**320-591-1624**	**Kathy Reiser**	**320-591-1664**
Janice Johnston	**320-591-1660**	**Kelly M. Schroeder**	**320-591-1668**
		Fax	**320-591-1671**

REPRESENTATION OF PINE COUNTY
PINE CITY, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001
Finding Title: Highway Department Inventory

Name of Contact Person Responsible for Corrective Action:

Kelly Schroeder, County Auditor-Treasurer

Corrective Action Planned:

On a monthly basis, Highway Office Manager, Sherri Anderson will prompt the system to recalculate the weighted average for inventory to ensure unit rates are updated. On a quarterly basis, Sherri will forward the County Auditor-Treasurer an updated inventory list and the County Auditor-Treasurer will manually calculate the per item cost for two items which were purchased during the prior quarter. At year end, Todd Booker, Highway Maintenance Supervisor, will take a photo of the bulk items such as salt and sand as visual documentation of the remaining amounts.

Anticipated Completion Date:

October 1, 2021

Finding Number: 2020-002
Finding Title: Subrecipient Monitoring
Program: Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Kelly Schroeder, County Auditor-Treasurer

Corrective Action Planned:

The County Auditor-Treasurer has been educated with identifying subrecipients and of the subrecipient monitoring requirements in Title 2 U.S. *Code of Federal Regulations.* The County Auditor-Treasurer will work with the County Attorney to ensure all future contracts with subrecipients are drafted according to the requirements sets forth therein.

Anticipated Completion Date:

July 1, 2021

Finding Number: 2020-003
Finding Title: Contracting and Bid Laws - Quotations

Name of Contact Person Responsible for Corrective Action:

Kelly Schroeder, County Auditor-Treasurer

Corrective Action Planned:

The County will provide training on its purchasing policy and state statutes regarding contracting and bid laws with all department heads. As part of the training, the County will emphasize the need to retain documentation as evidence of compliance with statutory requirements. Additionally, copies of all quotations will be requested when capital asset forms are completed.

Anticipated Completion Date:

December 1, 2021