

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Pine County Pine City, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than \$40 billion in annual financial activity by local governments and approximately \$20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice:** Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.
- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information:** Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.
- **Legal/Special Investigations:** Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.
- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.
- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.
- **Tax Increment Financing (TIF):** Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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www.osa.state.mn.us

**Pine County
Pine City, Minnesota**

Year Ended December 31, 2022



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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Pine City, Minnesota**

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Introductory Section

Pine County Pine City, Minnesota

Organization December 31, 2022

Office	Name	Term Expires
Commissioners		
1st District	Stephen Hallan*	2026
2nd District	Joshua Mohr	2026
3rd District	Terry Lovgren	2024
4th District	J.J. Waldhalm	2024
5th District	Matt Ludwig	2026
Officers		
Elected		
Attorney	Reese Frederickson	2026
Sheriff	Jeff Nelson	2026
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 2022		

Financial Section



Independent Auditor's Report

Board of County Commissioners
Pine County
Pine City, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine County as of December 31, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; the budgetary comparison schedules for the General Fund and Road and Bridge, Health and Human Services, and Land Management major special revenue funds; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary 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 Budgetary Comparison Schedule – General Obligation Courthouse Bond Debt Service Fund; combining nonmajor governmental fund financial statements; General Obligation Jail Bond and CIP Project Bond debt service funds budgetary comparison schedules; combining fiduciary fund financial

statements; Schedule of Intergovernmental Revenue; and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 Supplementary Information as identified above 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 September 14, 2023, on our consideration of the 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 the 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 the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

September 14, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Pine County

Pine City, Minnesota

Management's Discussion and Analysis

Year ended December 31, 2022

(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, 2022. 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, 2022, and the prior year, 2021, 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, 2022, by \$106,418,858 (net position). The County-wide net position increased 0.74 percent in 2022 over the prior year.
- Overall governmental fund-level revenues totaled \$54,654,397 and were \$1,739,067 less than expenditures in 2022. Expenditures include \$1,814,801 of principal paid.
- The General Fund's fund balance decreased \$657,285 from the prior year and of the total fund balance amount, \$4,639,923 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.
- The proprietary fund statements describe how health insurance premiums are accumulated and used to pay claims and administrative costs of employee health insurance coverage.
- 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 is an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the County, you need to consider additional non-financial factors such as changes in the County's property tax base and the condition of County buildings and other facilities.

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

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

Fund Financial Statements

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

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

The County has three 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.
- Proprietary Fund – The County's internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses the internal service fund to account for its employees' health insurance. These services have been included within governmental activities in the government-wide financial statement.

- **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 \$106,418,858 on December 31, 2022, an increase of \$778,437 from the prior year.

Table A-1
Statement of Net Position
Governmental Activities

	2022	2021
Assets		
Current and other assets	\$ 29,601,119	\$ 31,010,101
Capital assets	127,912,200	121,051,320
Total Assets	<u>\$ 157,513,319</u>	<u>\$ 152,061,421</u>
Deferred Outflows of Resources	\$ 16,969,882	\$ 11,368,999
Liabilities		
Current liabilities	\$ 7,879,780	\$ 6,468,280
Long-term liabilities	57,619,306	38,961,614
Total Liabilities	<u>\$ 65,499,086</u>	<u>\$ 45,429,894</u>
Deferred Inflows of Resources	\$ 2,565,257	\$ 12,360,105
Net Position		
Net investment in capital assets	\$ 106,017,683	\$ 97,751,149
Restricted	2,624,753	6,194,405
Unrestricted	(2,223,578)	1,694,867
Total Net Position	<u><u>\$ 106,418,858</u></u>	<u><u>\$ 105,640,421</u></u>

Change in Net Position

The government-wide total revenues were \$51,729,812 for the year ended December 31, 2022, (an increase of \$2,823,813). This is a 5.8 percent increase over the prior year. Property taxes and operating grants and contributions accounted for 74.8 percent of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position
Governmental Activities

	2022	2021	Total Percent Change (%)
Revenues			
Program fees			
Fees, charges, fines, and other	\$ 7,918,066	\$ 6,981,650	13.4
Operating grants and contributions	17,950,585	16,417,464	9.3
Capital grants and contributions	-	244,835	(100.0)
General revenues			
Property taxes	20,723,965	19,920,285	4.0
Other taxes	2,504,120	2,434,479	2.9
Grants and contributions not restricted to specific programs	2,688,031	2,634,563	2.0
Other	(54,955)	272,723	(120.2)
Total Revenues	<u>\$ 51,729,812</u>	<u>\$ 48,905,999</u>	5.8
Expenses			
General government	\$ 9,135,351	\$ 6,888,315	32.6
Public safety	14,613,890	11,102,162	31.6
Highways and streets	11,191,112	10,143,742	10.3
Sanitation	453,770	425,525	6.6
Human services	10,887,721	9,438,732	15.4
Health	1,643,728	1,546,908	6.3
Culture and recreation	378,503	364,130	3.9
Conservation of natural resources	1,904,913	1,559,273	22.2
Economic development	538,790	673,559	(20.0)
Interest	203,597	969,594	(79.0)
Total Expenses	<u>\$ 50,951,375</u>	<u>\$ 43,111,940</u>	18.2
Change in Net Position	<u>\$ 778,437</u>	<u>\$ 5,794,059</u>	(86.6)
Net Position – Beginning of Year	<u>\$ 105,640,421</u>	<u>\$ 99,846,362</u>	5.8
Net Position – End of Year	<u>\$ 106,418,858</u>	<u>\$ 105,640,421</u>	0.7

Total revenues surpassed expenses and, therefore, net position increased \$778,437 over last year due to revenues exceeding expenses.

The government-wide cost of all governmental activities this year was \$50,951,375.

- Some of the cost was paid by the users of the County's programs (\$7,918,066).
- The federal and state governments subsidized certain programs with grants and contributions (\$17,950,585).

- The remainder of the County's governmental activities' costs (\$25,082,724) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was covered by \$20,723,965 in property taxes, \$2,688,031 of state aid, \$2,449,165 of other general revenues, and resulted in an increase to net position.

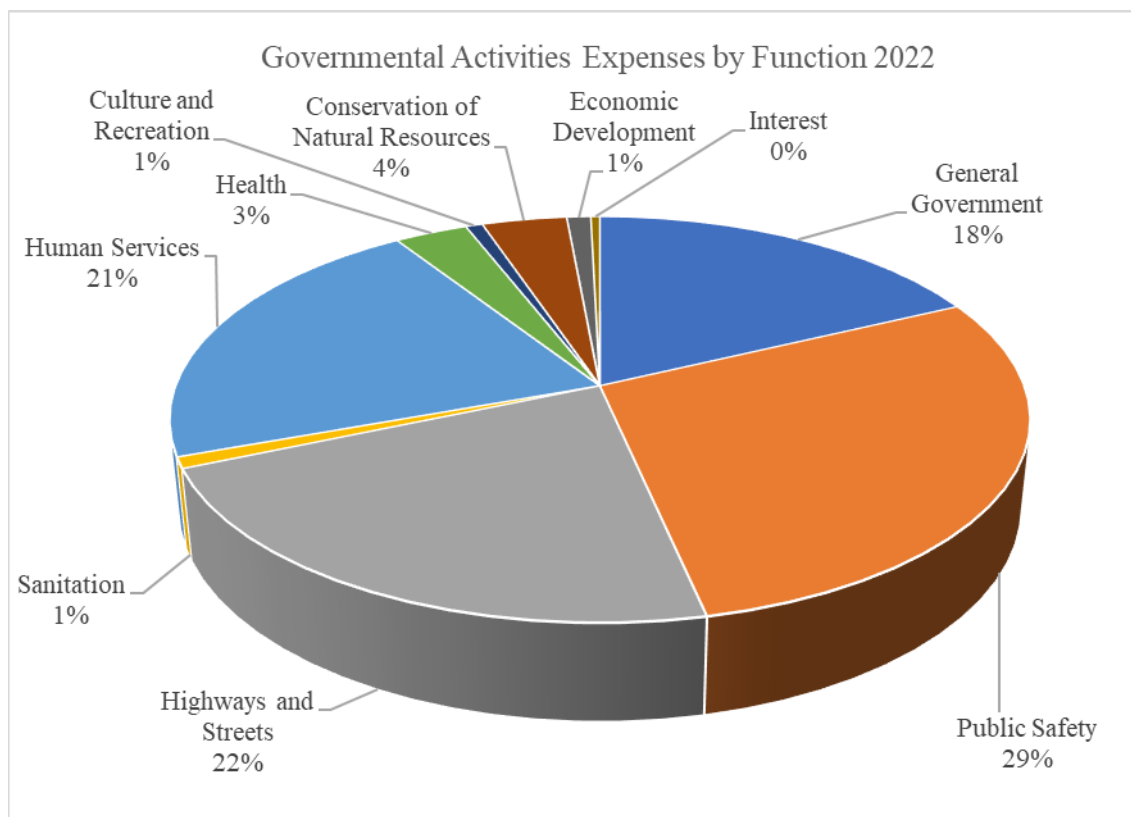
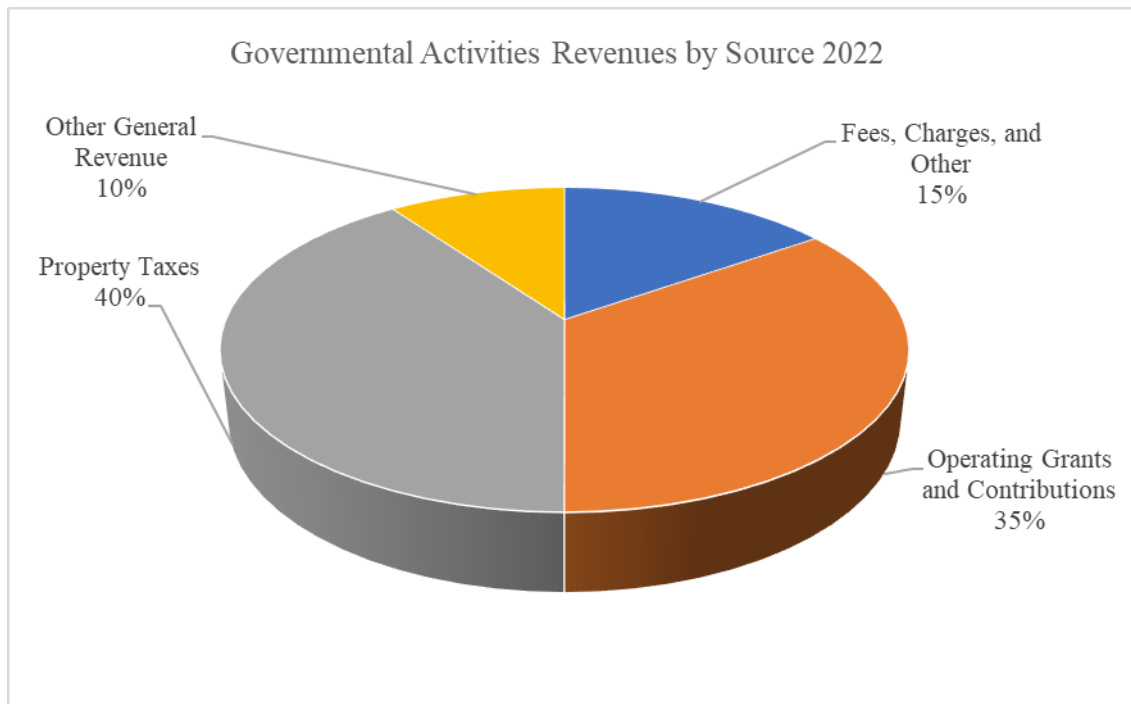


Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

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

	Total Cost of Services 2022	Total Cost of Services 2021	Percentage Change (%)	Net (Revenue) Cost of Services 2022	Net (Revenue) Cost of Services 2021	Percentage Change (%)
Governmental Activities						
General government	\$ 9,135,351	\$ 6,888,315	32.6	\$ 5,682,684	\$ 5,048,536	12.6
Public safety	14,613,890	11,102,162	31.6	12,325,474	8,789,168	40.2
Highways and streets	11,191,112	10,143,742	10.3	869,595	1,561,513	(44.3)
Sanitation	453,770	425,525	6.6	(137,567)	4,929	(2,891.0)
Human services	10,887,721	9,438,732	15.4	4,965,732	1,892,085	162.4
Health	1,643,728	1,546,908	6.3	470,283	340,200	38.2
Culture and recreation	378,503	364,130	3.9	378,503	364,130	3.9
Conservation of natural resources	1,904,913	1,559,273	22.2	(149,216)	(175,723)	(15.1)
Economic development	538,790	673,559	(20.0)	473,639	673,559	(29.7)
Interest	203,597	969,594	(79.0)	203,597	969,594	(79.0)
Total	\$ 50,951,375	\$ 43,111,940	18.2	\$ 25,082,724	\$19,467,991	28.8

Financial Analysis of the County at the Fund Level

The financial performance of the County, as a whole, is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of \$15,747,435. Revenues for the County's governmental funds were \$54,654,397 while total expenditures were \$56,393,464.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance decreased by \$657,285 during 2022 due to planned spending of reserves, increased utility costs and staff overtime.

The Road and Bridge Special Revenue Fund has a total fund balance of \$(524,456). Fund balance decreased \$1,462,224 from 2021 due to the completion of projects.

The Health and Human Services Special Revenue Fund has a total fund balance of \$3,742,539. Fund balance increased \$517,481 from 2021 due to increased reimbursements and grants.

The Land Management Special Revenue Fund has a total fund balance of \$2,041,194. Fund balance increased \$306,623 from 2021 due to the statutory set asides the County Board authorized from the land and timber sales.

The Clean Water Partnership Program Special Revenue Fund has a total fund balance of \$338,401. Fund balance decreased \$9,682 from 2021 due to the repayment of the 2016 loan.

The COVID-19 Relief Fund has a total fund balance of \$26,102. Fund balance increased \$11,948 from 2021 due to the receipt of the second tranche of funds.

The General Obligation Courthouse Bond Debt Service Fund has a total fund balance of \$1,424,585. Fund balance increased \$112,215 from 2021 due to increased revenues.

The following schedule presents a summary of General Fund revenues:

Table A-4
General Fund Revenues

	Year Ended December 31, 2022	Year Ended December 31, 2021	Change Increase (Decrease)	Change Percent (%)
Taxes	\$ 12,298,777	\$ 11,561,727	\$ 737,050	6.4
Special assessments	6,650	4,483	2,167	48.3
Licenses and permits	177,526	206,160	(28,634)	(13.9)
Intergovernmental	4,777,980	4,464,424	313,556	7.0
Charges for services	1,958,515	1,984,496	(25,981)	(1.3)
Fines and forfeits	41,755	68,882	(27,127)	(39.4)
Gifts and contributions	136,709	114,549	22,160	19.3
Investment earnings	(241,186)	41,245	(282,431)	(684.8)
Miscellaneous and other	737,304	799,613	(62,309)	(7.8)
Total General Fund Revenues	<u>\$19,894,030</u>	<u>\$ 19,245,579</u>	<u>\$ 648,451</u>	<u>3.4</u>

Total General Fund revenues increased by \$648,451, or 3.4 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, 2022	Year Ended December 31, 2021	Change Increase (Decrease)	Change Percent (%)
General government	\$ 7,163,207	\$ 6,455,028	\$ 708,179	11.0
Public safety	12,178,634	11,712,226	466,408	4.0
Sanitation	448,329	427,586	20,743	4.9
Culture and recreation	378,503	364,130	14,373	3.9
Conservation	439,516	388,889	50,627	13.0
Economic development	3,301	3,711	(410)	(11.0)
Capital outlay	155,277	-	155,277	100.0
Debt service	-	3,165	(3,165)	(100.0)
Total Expenditures	<u>\$ 20,766,767</u>	<u>\$ 19,354,735</u>	<u>\$ 1,412,032</u>	<u>7.3</u>

Total General Fund expenditures increased by \$1,412,032 or 7.3 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, public safety, and sanitation expenditures and planned spending of restricted fund balances. The licenses and permits and charges for services revenue budgets were revised for additional funding and the Intergovernmental Revenue was revised due to diminished 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 \$40,921 less than budgeted; this is due to several revenues coming in slightly less than expected.
- Overall, the actual expenditures were \$700,366 more than budgeted due to planned spending of reserves, higher than expected utility bills, and staff overtime.

Capital Assets

By the end of 2022, the County had invested \$127,912,200 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3 to the financial statements.) Total depreciation expense for the year was \$4,697,305.

Table A-6
The County's Capital Assets
Governmental Activities

	2022	2021	Percent Change (%)
Land	\$ 4,305,389	\$ 4,305,389	0.0
Construction-in-progress	225,505	334,979	(32.7)
Buildings and building improvements	30,842,155	30,147,863	2.3
Machinery, furniture, and equipment	13,290,173	12,782,399	4.0
Intangibles	874,088	874,088	0.0
Infrastructure	147,250,757	137,370,687	7.2
Less: accumulated depreciation	(68,875,867)	(64,764,085)	6.3
Total	<u>\$ 127,912,200</u>	<u>\$ 121,051,320</u>	5.7

Long-Term Liabilities

At year-end, the County had \$22,259,049 in long-term debt outstanding.

- The County's governmental activities' total debt decreased \$991,534 during the fiscal year, due to annual principal payments on the debt.
- Minnesota statutes limit the amount of debt a county may levy to three percent of its total market value of taxable property. At the end of 2022, Pine County's debt was 0.66 percent of its total market value of taxable property.

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

	2022	2021	Percent Change (%)
General obligation bonds	\$ 19,780,000	\$ 21,510,000	(8.0)
Minnesota Pollution Control Loans	2,301,683	1,740,583	32.2
Installment payable	177,366	-	100.0
Total	<u>\$ 22,259,049</u>	<u>\$ 23,250,583</u>	(4.3)

Economic Factors and Next Year's Budgets

By the end of 2022, Pine County approved its balanced 2023 revenue and expenditure budgets and approved a 3.0 percent tax levy increase for 2023.

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, 2022**

	Primary Government Governmental Activities
<u>Assets</u>	
Cash and pooled investments	\$ 21,596,734
Change funds	2,725
Cash with fiscal agent	50,002
Taxes receivable – delinquent	854,627
Special assessments receivable – noncurrent	2,037,684
Accounts receivable	1,475,595
Accrued interest receivable	28,988
Loans receivable	60,000
Due from other governments	2,408,290
Inventories	748,479
Prepaid items	337,995
Capital assets	
Non-depreciable	4,530,894
Depreciable – net of accumulated depreciation	<u>123,381,306</u>
Total Assets	<u>\$ 157,513,319</u>
<u>Deferred Outflows of Resources</u>	
Deferred pension outflows	\$ 14,930,821
Deferred other postemployment benefits outflows	1,106,890
Refunding deferred charge on bonds	<u>932,171</u>
Total Deferred Outflows of Resources	<u>\$ 16,969,882</u>

**Pine County
Pine City, Minnesota**

**Exhibit 1
(Continued)**

**Statement of Net Position
December 31, 2022**

	Primary Government Governmental Activities
<u>Liabilities</u>	
Accounts payable	\$ 886,502
Salaries payable	921,269
Claims payable	201,635
Contracts payable	963,492
Customer deposits	15,870
Due to other governments	404,941
Accrued interest payable	266,366
Unearned revenue	4,219,705
Long-term liabilities	
Due within one year	1,975,742
Due in more than one year	23,900,665
Other postemployment benefits liability	3,438,186
Net pension liability	28,304,713
Total Liabilities	\$ 65,499,086
<u>Deferred Inflows of Resources</u>	
Deferred pension inflows	\$ 441,376
Deferred other postemployment benefits inflows	362,923
Revenues deferred for highway allotments	1,760,958
Total Deferred Inflows of Resources	\$ 2,565,257
<u>Net Position</u>	
Net investment in capital assets	\$ 106,017,683
Restricted for	
General government	477,693
Public safety	592,844
Highways and streets	525,614
Human services	440,559
Conservation of natural resources	568,943
Economic development	19,100
Unrestricted	(2,223,578)
Total Net Position	\$ 106,418,858

**Pine County
Pine City, Minnesota**

Exhibit 2

**Statement of Activities
For the Year Ended December 31, 2022**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
	Expenses				Governmental Activities
Functions/Programs					
Primary Government					
Governmental activities					
General government	\$ 9,135,351	\$ 1,244,602	\$ 2,208,065	\$ -	\$ (5,682,684)
Public safety	14,613,890	1,219,600	1,068,816	-	(12,325,474)
Highways and streets	11,191,112	426,138	9,895,379	-	(869,595)
Sanitation	453,770	341,519	249,818	-	137,567
Human services	10,887,721	2,781,873	3,140,116	-	(4,965,732)
Health	1,643,728	116,782	1,056,663	-	(470,283)
Culture and recreation	378,503	-	-	-	(378,503)
Conservation of natural resources	1,904,913	1,787,552	266,577	-	149,216
Economic development	538,790	-	65,151	-	(473,639)
Interest	203,597	-	-	-	(203,597)
Total Primary Government	\$ 50,951,375	\$ 7,918,066	\$ 17,950,585	\$ -	\$ (25,082,724)
General Revenues					
Property taxes					\$ 20,723,965
Sales tax					1,802,623
Mortgage registry and deed tax					34,556
Payments in lieu of tax					666,941
Grants and contributions not restricted to specific programs					2,688,031
Investment earnings					(203,455)
Miscellaneous					148,500
Total general revenues					\$ 25,861,161
Change in net position					\$ 778,437
Net Position – Beginning					105,640,421
Net Position – Ending					\$ 106,418,858

Fund Financial Statements

Governmental Funds

**Pine County
Pine City, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 6,249,599	\$ 1,511,268	\$ 3,196,290
Change funds	2,575	150	-
Cash with fiscal agent	-	-	-
Taxes receivable			
Delinquent	491,410	86,579	166,275
Special assessments receivable			
Noncurrent	81,525	-	-
Accounts receivable	102,067	68	382,091
Accrued interest receivable	28,988	-	-
Due from other funds	382,086	17,584	101
Due from other governments	363,218	698,446	1,080,304
Loans receivable	-	-	-
Inventories	-	748,479	-
Prepaid items	254,632	-	26,548
Total Assets	<u>\$ 7,956,100</u>	<u>\$ 3,062,574</u>	<u>\$ 4,851,609</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 293,803	\$ 158,981	\$ 218,971
Salaries payable	538,847	96,604	275,167
Contracts payable	-	963,492	-
Due to other funds	17,008	2,512	34,558
Due to other governments	133,464	17,208	253,127
Unearned revenue	65,184	-	130,000
Customer deposits	15,870	-	-
Total Liabilities	<u>\$ 1,064,176</u>	<u>\$ 1,238,797</u>	<u>\$ 911,823</u>
Deferred Inflows of Resources			
Revenues deferred for highway allotments	\$ -	\$ 1,760,958	\$ -
Unavailable revenue	506,852	587,275	197,247
Total Deferred Inflows of Resources	<u>\$ 506,852</u>	<u>\$ 2,348,233</u>	<u>\$ 197,247</u>

Exhibit 3

Land Management	Clean Water Partnership Program	COVID-19 Relief	General Obligation Courthouse Bond	Other Governmental Funds	Total
\$ 2,348,078	\$ 196,769	\$ 4,124,476	\$ 1,412,423	\$ 2,286,616	\$ 21,325,519
-	-	-	-	-	2,725
-	-	-	-	50,002	50,002
-	-	-	43,337	67,026	854,627
2,400	1,953,759	-	-	-	2,037,684
981,277	-	-	-	-	1,465,503
-	-	-	-	-	28,988
-	-	-	-	-	399,771
-	225,582	14,470	-	26,270	2,408,290
-	-	-	-	60,000	60,000
-	-	-	-	-	748,479
898	-	55,917	-	-	337,995
\$ 3,332,653	\$ 2,376,110	\$ 4,194,863	\$ 1,455,760	\$ 2,489,914	\$ 29,719,583
\$ 5,399	\$ 83,950	\$ 125,398	\$ -	\$ -	\$ 886,502
6,002	-	4,649	-	-	921,269
-	-	-	-	-	963,492
295,691	-	-	-	50,002	399,771
690	-	452	-	-	404,941
-	-	4,024,521	-	-	4,219,705
-	-	-	-	-	15,870
\$ 307,782	\$ 83,950	\$ 4,155,020	\$ -	\$ 50,002	\$ 7,811,550
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,760,958
983,677	1,953,759	13,741	31,175	125,914	4,399,640
\$ 983,677	\$ 1,953,759	\$ 13,741	\$ 31,175	\$ 125,914	\$ 6,160,598

**Pine County
Pine City, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 748,479	\$ -
Missing heirs	39,344	-	-
Prepaid items	254,632	-	26,548
Restricted			
Veteran's outreach donations	9,590	-	-
Shop with a cop	70	-	-
ECDTF federal forfeitures	121,646	-	-
Sheriff's donation	6,616	-	-
Debt service	-	-	-
Law library	39,019	-	-
Recorder's equipment purchases	117,518	-	-
Recorder's compliance	299,733	-	-
Economic development	19,100	-	-
E-911	215,415	-	-
Aquatic invasive species	145,067	-	-
Permit to carry	119,384	-	-
Sheriff's backpack program	56	-	-
Equitable share program	239	-	-
Sheriff's contingency	3,398	-	-
Attorney's forfeitures	107,560	-	-
Sheriff's forfeitures	18,651	-	-
Septic system upgrade program	11,833	-	-
Road access	-	-	-
Septic loans	-	-	-
Ditches	-	-	-
MIECHV grant	-	-	185,865
Sandstone Training Center	1,233	-	-
DUI forfeitures	5,192	-	-
Opioid remediation	-	-	-
Committed			
Parks and recreation	-	-	-
Blight cleanup	-	-	-
Timber development	-	-	-
Sheriff drones	1,120	-	-
UHC Implementation	17,606	-	-
Assigned			
Human services	-	-	2,868,530
Health	-	-	661,596
Conservation of natural resources	-	-	-
Jail	191,127	-	-
Capital projects	-	-	-
Unassigned	4,639,923	(1,272,935)	-
Total Fund Balances	\$ 6,385,072	\$ (524,456)	\$ 3,742,539
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,956,100	\$ 3,062,574	\$ 4,851,609

Exhibit 3*(Continued)*

<u>Land Management</u>	<u>Clean Water Partnership Program</u>	<u>COVID-19 Relief</u>	<u>General Obligation Courthouse Bond</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 748,479
-	-	-	-	-	39,344
898	-	55,917	-	-	337,995
-	-	-	-	-	9,590
-	-	-	-	-	70
-	-	-	-	-	121,646
-	-	-	-	-	6,616
-	-	-	1,424,585	1,747,823	3,172,408
-	-	-	-	-	39,019
-	-	-	-	-	117,518
-	-	-	-	-	299,733
-	-	-	-	-	19,100
-	-	-	-	-	215,415
-	-	-	-	-	145,067
-	-	-	-	-	119,384
-	-	-	-	-	56
-	-	-	-	-	239
-	-	-	-	-	3,398
-	-	-	-	-	107,560
-	-	-	-	-	18,651
-	-	-	-	-	11,833
53,053	-	-	-	-	53,053
-	338,401	-	-	-	338,401
-	-	-	-	32,423	32,423
-	-	-	-	-	185,865
-	-	-	-	-	1,233
-	-	-	-	-	5,192
-	-	-	-	254,694	254,694
513,985	-	-	-	-	513,985
258,166	-	-	-	-	258,166
172,798	-	-	-	-	172,798
-	-	-	-	-	1,120
-	-	-	-	-	17,606
-	-	-	-	-	2,868,530
-	-	-	-	-	661,596
1,042,294	-	-	-	-	1,042,294
-	-	-	-	-	191,127
-	-	-	-	279,058	279,058
-	-	(29,815)	-	-	3,337,173
<u>\$ 2,041,194</u>	<u>\$ 338,401</u>	<u>\$ 26,102</u>	<u>\$ 1,424,585</u>	<u>\$ 2,313,998</u>	<u>\$ 15,747,435</u>
<u>\$ 3,332,653</u>	<u>\$ 2,376,110</u>	<u>\$ 4,194,863</u>	<u>\$ 1,455,760</u>	<u>\$ 2,489,914</u>	<u>\$ 29,719,583</u>

**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, 2022**

Fund balance – total governmental funds (Exhibit 3)	\$ 15,747,435
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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.	127,912,200
--	-------------

Unamortized deferred outflows of resources on refunding bonds are not available resources and, therefore, are not reported in governmental funds.	932,171
---	---------

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.	14,930,821
---	------------

Deferred outflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.	1,106,890
---	-----------

An internal service fund is used by Pine County to charge the costs of self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	79,672
---	--------

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.	4,399,640
---	-----------

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	\$	(19,780,000)	
Unamortized premiums on bonds		(1,151,025)	
G.O. MPCA loan payable		(2,301,683)	
Installment payable		(177,366)	
Compensated absences		(2,466,333)	
Other postemployment benefits liability		(3,438,186)	
Net pension liability		<u>(28,304,713)</u>	(57,619,306)

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.	(266,366)
--	-----------

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.	(441,376)
---	-----------

Deferred inflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.	<u>(362,923)</u>
--	------------------

Net Position of Governmental Activities (Exhibit 1)	<u>\$ 106,418,858</u>
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**Pine County
Pine City, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
Revenues			
Taxes	\$ 12,298,777	\$ 3,828,439	\$ 3,848,278
Special assessments	6,650	-	-
Licenses and permits	177,526	29,061	9,550
Intergovernmental	4,777,980	11,999,385	7,062,264
Charges for services	1,958,515	384,390	1,212,793
Fines and forfeits	41,755	-	-
Gifts and contributions	136,709	-	1,090
Investment earnings	(241,186)	-	1,513
Miscellaneous	737,304	12,687	57,009
Total Revenues	\$ 19,894,030	\$ 16,253,962	\$ 12,192,497
Expenditures			
Current			
General government	\$ 7,163,207	\$ -	\$ -
Public safety	12,178,634	-	-
Highways and streets	-	17,380,675	-
Sanitation	448,329	-	-
Human services	-	-	10,199,406
Health	-	-	1,475,610
Culture and recreation	378,503	-	-
Conservation of natural resources	439,516	-	-
Economic development	3,301	-	-
Intergovernmental			
Highways and streets	-	728,339	-
Capital outlay			
General government	155,277	-	-
Public safety	-	-	-
Sanitation	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 20,766,767	\$ 18,109,014	\$ 11,675,016
Excess of Revenues Over (Under) Expenditures	\$ (872,737)	\$ (1,855,052)	\$ 517,481

Exhibit 5

Land Management	Clean Water Partnership Program	COVID-19 Relief	General Obligation Courthouse Bond	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 989,115	\$ 1,540,828	\$ 22,505,437
-	162,723	-	-	-	169,373
-	-	-	-	-	216,137
42,204	-	1,658,476	16,351	185,899	25,742,559
-	3,456	-	-	112	3,559,266
-	-	-	-	-	41,755
-	-	58,938	-	-	196,737
-	-	32,506	-	3,712	(203,455)
1,338,618	-	7,179	-	273,791	2,426,588
\$ 1,380,822	\$ 166,179	\$ 1,757,099	\$ 1,005,466	\$ 2,004,342	\$ 54,654,397
\$ -	\$ -	\$ 624,256	\$ -	\$ -	\$ 7,787,463
-	-	190,044	-	14,057	12,382,735
-	-	-	-	-	17,380,675
-	-	-	-	180,227	628,556
-	-	41,499	-	-	10,240,905
-	-	60,070	-	-	1,535,680
-	-	-	-	-	378,503
688,933	720,843	-	-	-	1,849,292
-	-	529,282	-	-	532,583
-	-	-	-	-	728,339
-	-	-	-	173,708	328,985
-	-	-	-	-	-
-	-	-	-	178,276	178,276
-	84,801	-	710,000	1,020,000	1,814,801
-	16,118	-	199,790	404,038	619,946
-	-	-	3,275	3,450	6,725
\$ 688,933	\$ 821,762	\$ 1,445,151	\$ 913,065	\$ 1,973,756	\$ 56,393,464
\$ 691,889	\$ (655,583)	\$ 311,948	\$ 92,401	\$ 30,586	\$ (1,739,067)

**Pine County
Pine City, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2022**

	<u>General</u>	<u>Road and Bridge</u>	<u>Health and Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 385,266	\$ 100,000	\$ -
Transfers out	(169,814)	-	-
Proceeds from MPCA loan	-	-	-
Proceeds from sale of capital assets	-	99,282	-
	<u>-</u>	<u>99,282</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 215,452</u>	<u>\$ 199,282</u>	<u>\$ -</u>
Net Change in Fund Balances	\$ (657,285)	\$ (1,655,770)	\$ 517,481
Fund Balances – January 1	7,042,357	937,768	3,225,058
Increase (decrease) in inventories	<u>-</u>	<u>193,546</u>	<u>-</u>
Fund Balances – December 31	<u><u>\$ 6,385,072</u></u>	<u><u>\$ (524,456)</u></u>	<u><u>\$ 3,742,539</u></u>

Exhibit 5
(Continued)

Land Management	Clean Water Partnership Program	COVID-19 Relief	General Obligation Courthouse Bond	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 19,814	\$ 50,000	\$ 555,080
(385,266)	-	(300,000)	-	-	(855,080)
-	645,901	-	-	-	645,901
-	-	-	-	-	99,282
\$ (385,266)	\$ 645,901	\$ (300,000)	\$ 19,814	\$ 50,000	\$ 445,183
\$ 306,623	\$ (9,682)	\$ 11,948	\$ 112,215	\$ 80,586	\$ (1,293,884)
1,734,571	348,083	14,154	1,312,370	2,233,412	16,847,773
-	-	-	-	-	193,546
\$ 2,041,194	\$ 338,401	\$ 26,102	\$ 1,424,585	\$ 2,313,998	\$ 15,747,435

**Pine County
Pine City, Minnesota**

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Government-Wide Statement of Activities – Governmental Activities
For the Year Ended December 31, 2022**

Net change in fund balances – total governmental funds (Exhibit 5) **\$ (1,293,884)**

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	\$ 4,399,640	
Unavailable revenue – January 1	<u>(7,324,225)</u>	(2,924,585)

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	\$ 11,577,778	
Net book value of assets disposed of	(19,593)	
Current year depreciation	<u>(4,697,305)</u>	6,860,880

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	\$ (645,901)	
Installment payable issued	<u>(193,490)</u>	(839,391)

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	\$ 1,730,000	
Special assessments payable	84,801	
Installment payable	<u>16,124</u>	1,830,925

**Pine County
Pine City, Minnesota**

Exhibit 6
(Continued)

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of the Governmental Funds to the
Government-Wide Statement of Activities – Governmental Activities
For the Year Ended December 31, 2022**

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	\$ 26,112	
Change in compensated absences	(121,980)	
Current year amortization of premiums	500,535	
Current year amortization of refunding deferred charge	(103,575)	
Change in other postemployment benefits liability	(416,922)	
Change in deferred other postemployment benefits outflows of resources	441,697	
Change in deferred other postemployment benefits inflows of resources	(296,708)	
Change in net pension liability	(19,610,859)	
Change in net pension asset	(167,056)	
Change in deferred pension outflows of resources	5,262,761	
Change in deferred pension inflows of resources	11,852,514	
Change in inventories	<u>193,546</u>	(2,439,935)

An internal service fund is used by Pine County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statements of activities.

(415,573)

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 778,437

Proprietary Fund

**Pine County
Pine City, Minnesota**

Exhibit 7

**Statement of Net Position
Proprietary Fund
December 31, 2022**

	<u>Governmental Activities Internal Service Fund</u>
<u>Assets</u>	
Current assets	
Cash and pooled investments	\$ 271,215
Accounts receivable	<u>10,092</u>
Total Assets	<u>\$ 281,307</u>
<u>Liabilities</u>	
Current liabilities	
Claims payable	<u>\$ 201,635</u>
<u>Net Position</u>	
Unrestricted	<u><u>\$ 79,672</u></u>

**Pine County
Pine City, Minnesota**

Exhibit 8

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2022**

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 3,538,369
Operating Expenses	
Cost of service	<u>4,253,942</u>
Operating Income (Loss)	\$ (715,573)
Nonoperating Revenues (Expenses)	
Transfers in	<u>300,000</u>
Change in net position	\$ (415,573)
Net Position – January 1	<u>495,245</u>
Net Position – December 31	<u>\$ 79,672</u>

**Pine County
Pine City, Minnesota**

Exhibit 9

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities	
Receipts from internal services provided	\$ 3,528,277
Payments to suppliers	<u>(4,111,212)</u>
Net cash provided by (used in) operating activities	\$ (582,935)
Cash Flows from Noncapital Financing Activities	
Transfer from other funds	<u>\$ 300,000</u>
Net cash provided by (used in) noncapital financing activities	\$ 300,000
Net Increase (Decrease) in Cash and Cash Equivalents	(282,935)
Cash and Cash Equivalents at January 1	<u>554,150</u>
Cash and Cash Equivalents at December 31	<u>\$ 271,215</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ (715,573)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	(10,092)
Increase (decrease) in claims payable	<u>142,730</u>
Total adjustments	<u>\$ 132,638</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ (582,935)</u>

Fiduciary Funds

**Pine County
Pine City, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	<u>Social Welfare Private-Purpose Trust</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ 76,553	\$ 1,316,610
Taxes receivable – delinquent	-	1,013,942
Accounts receivable	-	728
Due from other governments	-	78,236
Total Assets	<u>\$ 76,553</u>	<u>\$ 2,409,516</u>
<u>Liabilities</u>		
Due to other governments	<u>\$ -</u>	<u>\$ 1,038,480</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u>\$ 76,553</u>	<u>\$ 1,371,036</u>

**Pine County
Pine City, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2022**

	<u>Social Welfare Private-Purpose Trust</u>	<u>Custodial Funds</u>
<u>Additions</u>		
Contributions from individuals	\$ 675,460	\$ 26,070,654
Interest earnings	-	1,513
Payments from other entities	-	789,459
Total Additions	<u>\$ 675,460</u>	<u>\$ 26,861,626</u>
<u>Deductions</u>		
Payments to the state	\$ -	\$ 374,124
Administrative expense	-	179,255
Payments to other entities	-	26,151,705
Beneficiary payments to individuals	705,383	-
Total Deductions	<u>\$ 705,383</u>	<u>\$ 26,705,084</u>
Change in Net Position	\$ (29,923)	\$ 156,542
Net Position – January 1	<u>\$ 106,476</u>	<u>\$ 1,214,494</u>
Net Position – December 31	<u><u>\$ 76,553</u></u>	<u><u>\$ 1,371,036</u></u>

Pine County Pine City, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2022

Note 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, 2022. 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.

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 6. The County also participates in a jointly-governed organization, which is described in Note 6. A related organization is described in Note 6.

Basic Financial Statements

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.

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

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

Pine County

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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, proprietary, and fiduciary—are presented. The emphasis of the governmental and proprietary 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.

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 COVID-19 Relief Special Revenue Fund accounts for the County's awards of Coronavirus State and Local Fiscal Recovery Funds (SLFRF) and the County Relief Fund Program. This funding provides support to the County in its response to and recovery from the COVID-19 public health emergency.

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:

Special revenue funds are used to account for restricted revenues collected to address the repair and maintenance of county managed ditches and to address the effects of the opioid crisis.

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

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

Internal service fund is used for health insurance premiums and payments.

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

Pine County

Pine City, Minnesota

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

Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as 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 leases are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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.

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

Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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 2022 were (\$203,455), due to a decrease in the market value of investments.

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

Pine County Pine City, Minnesota

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.

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 2022 and after.

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

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.

Capital Assets

The County’s capital assets consist of property, plant, equipment, and infrastructure (roads, bridges, sidewalks, and similar items). The government defines capital assets as assets with an initial, individual cost of more than \$10,000 and an estimated useful life in excess of five years. Infrastructure items are only recorded as capital assets if the initial cost of the item is at least \$50,000. Intangibles are only recorded as capital assets if the initial cost of the item is at least \$20,000. Buildings and building improvements are capitalized if the initial cost is over \$25,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

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

Pine County Pine City, Minnesota

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

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	20-40
Building Improvements	10-30
Public domain infrastructure	50-75
Furniture, Equipment, and vehicles	5-10
Intangibles	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.

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.

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.

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 assets 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.

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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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from delinquent taxes receivable, grants receivable, and long-term receivables and revenue deferred for highway allotments. Unavailable revenue arises only under the modified accrual basis of accounting, whereas revenue deferred for highway allotments arises under both the modified and full accrual basis of accounting. Unavailable revenue and revenue deferred for highway allotments are reported in the governmental funds balance sheet, while revenue deferred for highway allotments is also reported in the statement of net position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. 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.

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.

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.

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 – amounts that 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 – amounts for which 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 – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or

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changes the specified use by taking the same type of actions (resolution) it employed to previously commit these amounts.

Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Auditor/Treasurer, who has been delegated that authority by Board policy.

Unassigned – 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.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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.

Note 2 – Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following debt service fund had expenditures in excess of budget for the year ended December 31, 2022.

Excess of Expenditures Over Budget			
	Expenditures	Final Budget	Excess
CIP Project Bond Debt Service Fund	\$ 326,813	\$ 324,838	\$ 1,975

Pine County

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Note 3 – Detailed Notes

Assets

Deposits and Investments

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

**Reconciliation of the County's Total Cash and Investments to the Basic
Financial Statements as of December 31, 2022**

Government-Wide Statement of Net Position	
Cash and pooled investments	\$ 21,596,734
Cash with fiscal agent	50,002
Change funds	2,725
Statement of Fiduciary Net Position	
Cash and pooled investments	
Social Welfare Private-Purpose Trust Fund	76,553
Custodial funds	1,316,610
Total Cash and Investments	<u>\$ 23,042,624</u>
Deposits	\$ 2,813,219
Change funds	2,725
Investments	20,226,680
Total Cash and Investments	<u>\$ 23,042,624</u>

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 Statutes require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

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, 2022, the County's deposits were not subject to custodial credit risk.

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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
- (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.

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As of December 31, 2022, 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, 2022, and information relating to potential investment risks:

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Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
U.S. government agency securities					
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		1/26/2026	\$ 183,651
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		3/26/2026	240,894
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		4/28/2026	435,879
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		5/12/2026	453,775
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		6/30/2026	271,095
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		9/30/2026	178,366
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		10/28/2026	358,940
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		10/28/2026	536,904
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		11/24/2026	407,857
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P		9/10/2027	751,035
Total U.S. government agency securities			18.9%		\$ 3,818,396
Negotiable certificates of deposit					
EnerBank	NR	NR	<5%	5/25/23	\$ 243,961
JP Morgan	NR	NR	<5%	1/31/25	139,663
Ally Bank	NR	NR	<5%	3/3/25	232,530
Mountain American Credit Union	NR	NR	<5%	8/29/25	238,348
NelNet	NR	NR	<5%	2/17/26	222,085
BMO Harris	NR	NR	<5%	4/13/26	132,810
Bank United	NR	NR	<5%	5/19/26	217,327
Discover Bank	NR	NR	<5%	6/26/26	93,830
Beal Bank	NR	NR	<5%	3/30/27	224,861
Capital One NA	NR	NR	<5%	5/18/27	231,584
Capital One USA	NR	NR	<5%	5/18/27	231,584
Morgan Stanley Bank NA	NR	NR	<5%	5/19/27	232,057
Morgan Stanley Pvt Bank	NR	NR	<5%	5/19/27	232,057
Synchrony Bank	NR	NR	<5%	8/26/27	232,824
Medallion Bank	NR	NR	<5%	8/30/27	232,196
Discover Bank	NR	NR	<5%	10/4/27	143,475
1 st Financial Bank	NR	NR	<5%	11/1/27	241,308
LCA Bank Corp	NR	NR	<5%	12/9/27	239,637
BMO Harris	NR	NR	<5%	7/13/28	82,863
Total negotiable certificates of deposit					\$ 3,845,000
MAGIC Fund	N/A	N/A	62.1%	N/A	12,563,284
Total investments					\$ 20,226,680
Deposits					2,813,219
Change funds					2,725
Total Cash and Investments					\$ 23,042,624

NR – Not Rated

N/A – Not Applicable

<5% – Concentration is less than 5% of investments

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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 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, 2022, Pine County had the following recurring fair value measurements:

Recurring Fair Value Measurements as of December 31, 2022

	December 31, 2022	Fair Value Measurements Using		
		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				
Federal Home Loan Bank Bonds	\$ 3,818,396	\$ 536,904	\$ 3,281,492	\$ -
Negotiable certificates of deposit	3,845,000	2,241,793	1,603,207	-
 Total Investments by Fair Value Hierarchy	 \$ 7,663,396	 \$ 2,778,697	 \$ 4,884,699	 \$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 4,563,284			
MAGIC Term	8,000,000			
 Total Investments Measured at the NAV	 \$ 12,563,284			

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

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earnings accruing to each member. The County's investments in MAGIC 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.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

Receivables

The County had \$2,031,034 in noncurrent special assessments scheduled to be collected beyond one year.

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. Annual payments to the County for the contract for deed are as follows:

Loans Receivable at December 31, 2022			
Year Ending December 31	Contract for Deed		
	Principal	Interest	
2023	\$ 60,000	\$	-

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Capital Assets

Capital asset activity for the year ended December 31, 2022, was as follows:

Governmental Activities

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,305,389	\$ -	\$ -	\$ 4,305,389
Construction in progress	334,979	225,504	334,978	225,505
Total capital assets not depreciated	\$ 4,640,368	\$ 225,504	\$ 334,978	\$ 4,530,894
Capital assets depreciated				
Buildings	\$ 29,751,564	\$ 404,425	\$ -	\$ 30,155,989
Building improvements	396,299	289,867	-	686,166
Machinery and equipment	12,782,399	1,112,890	605,116	13,290,173
Intangibles	874,088	-	-	874,088
Infrastructure	137,370,687	9,880,070	-	147,250,757
Total capital assets depreciated	\$ 181,175,037	\$ 11,687,252	\$ 605,116	\$ 192,257,173
Less: accumulated depreciation for				
Buildings	\$ 9,830,542	\$ 743,821	\$ -	\$ 10,574,363
Building improvements	32,356	27,446	-	59,802
Machinery and equipment	10,256,445	989,889	585,523	10,660,811
Intangibles	738,152	98,522	-	836,674
Infrastructure	43,906,590	2,837,627	-	46,744,217
Total accumulated depreciation	\$ 64,764,085	\$ 4,697,305	\$ 585,523	\$ 68,875,867
Total capital assets depreciated, net	\$ 116,410,952	\$ 6,989,947	\$ 19,593	\$ 123,381,306
Capital Assets, Net	\$ 121,051,320	\$ 7,215,451	\$ 354,571	\$ 127,912,200

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	
General governments	\$ 686,548
Public safety	771,227
Highways and streets	3,181,344
Human services	34,177
Health	1,240
Conservation of natural resources	22,769
Total Depreciation and Expense – Governmental Activities	<u>\$ 4,697,305</u>

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Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2022, is as follows:

Interfund Balances as of December 31, 2022

Receivable Fund	Payable Fund	Amount	Description
General Fund	Road and Bridge Special Revenue Fund	\$ 2,512	Reimbursements
	Health and Human Services Special Revenue Fund	34,306	Reimbursements
	Land Management Special Revenue Fund	295,266	Forfeited tax distribution
	Other governmental funds	50,002	Eliminate negative cash
Total due to General Fund		\$ 382,086	
Road and Bridge Special Revenue Fund	General Fund	\$ 16,907	Fuel and reimbursements
	Health and Human Services Special Revenue Fund	252	Reimbursements
	Land Management Special Revenue Fund	425	Fuel
Total due to Road and Bridge Special Revenue Fund		\$ 17,584	
Health and Human Services Special Revenue Fund	General Fund	101	
Total Due To/From Other Funds		\$ 399,771	

Interfund transfers

Interfund transfers for the year ended December 31, 2022 consisted of the following:

Interfund Transfers for the Year Ended December 31, 2022

Transfer to General Fund from		
Land Management Special Revenue Fund	\$ 295,266	Forfeited tax distribution
Land Management Special Revenue Fund	90,000	Salary reimbursement
Total transfers to General Fund	385,266	
Transfer to Road and Bridge Fund from General Fund	100,000	Fleet budget transfer
Transfer to General Obligation Courthouse Bond Debt Service Fund from General Fund	19,814	Bond payment
Transfer to Technology Equipment Capital Improvement Fund from General Fund	50,000	MIS Surplus transfer
Transfer to the Internal Service fund from the COVID-19 Relief fund	300,000	Insurance claims support
Total Interfund Transfers	\$ 855,080	

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Liabilities

Construction Commitments

The County has active construction projects as of December 31, 2022. The projects include the following:

Active Construction Projects and Other Commitments as of December 31, 2022

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	\$ 31,801,932	\$ 963,492

Long-Term Debt

Information on individual debt instruments follows:

Long-Term Debt as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
2015A G.O. Crossover Refunding Bonds	2031	\$ 815,000- 1,595,000	3.00-4.00	13,430,000	9,130,000
2017A G.O. Capital Improvement Plan Bonds	2033	\$ 240,000- 315,000	4.00	3,905,000	3,050,000
2020A G.O. Refunding and Capital Improvement Bonds	2031	\$ 490,000- 785,000	1.00-3.00	8,310,000	7,600,000
2016 Minnesota Pollution Control Agency (MPCA) loans	2030	\$ 49,404- 98,451	2.00	910,564	700,824
2020 Minnesota Pollution Control Agency (MPCA) loans	2034	\$ 90,000- 180,000	N/A	1,800,000*	1,600,859
Installment Payable	2025	\$ 48,372- 64,497	N/A	\$ 193,490	\$ 177,366
Total General Obligation Bonds, Loans, and Installment Payable				\$ 28,549,054	\$ 22,259,049
Add: Unamortized premium					1,151,025
Total General Obligation Bonds, Loans, and Installment Payable, Net					\$ 24,410,074

*The total available for the County to draw down is \$1,800,000. As of December 31, 2022, the County had drawn \$1,600,859.

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Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Debt Service Requirements as of December 31, 2022

Year Ending December 31	General Obligation Bonds		MPCA Loan*	
	Principal	Interest	Principal	Interest
2023	\$ 1,840,000	\$ 542,278	\$ 87,370	\$ 13,548
2024	1,915,000	477,602	179,126	11,793
2025	1,985,000	410,377	270,918	10,000
2026	2,065,000	345,178	272,745	8,173
2027	2,135,000	283,528	274,610	6,309
2028-2032	9,525,000	550,796	1,146,055	7,368
2033-2034	315,000	4,725	270,000	-
Total	\$ 19,780,000	\$ 2,614,484	\$ 2,500,824	\$ 57,191

*The repayment schedule includes \$199,141 not drawn down at December 31, 2022.

Debt Service Requirements – Installment Payable As of December 31, 2022

Year Ending December 31	Principal	Interest
2023	\$ 48,372	\$ -
2024	64,497	-
2025	64,497	-
Total	\$ 177,366	\$ -

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Deductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 21,510,000	\$ -	\$ 1,730,000	\$ 19,780,000	\$ 1,840,000
Add: unamortized premium	1,651,560	-	500,535	1,151,025	-
MPCA loans	1,740,583	645,901	84,801	2,301,683	87,370
Installment payable	-	193,490	16,124	177,366	48,372
Compensated absences	2,344,353	2,048,747	1,926,767	2,466,333	-
Total Long-Term Liabilities	\$ 27,246,496	\$ 2,888,138	\$ 4,258,227	\$ 25,876,407	\$ 1,975,742

Debt is generally paid from the debt service funds. The MPCA loan is paid from the Clean Water Partnership Program Fund. The installment payable is 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

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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 program 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 \$1,800,000. When the loan has been fully disbursed, the project has been fully completed, or the project implementation period has expired, then a final repayment schedule will be set. The tentative repayment schedule requires semi-annual installments of \$90,000 beginning December 15, 2024. The County has drawn down \$1,600,859 of the loan as of December 31, 2022.

Aerial Photography Installment Payable

In May 2022, the County entered into a contract with a vendor to provide new aerial photography of real estate located within the county. The contract required an initial \$16,124 payment to be followed by a \$48,372 payment that becomes due upon shipment of the imagery to the County. Shipment of the imagery is expected to occur on or around June 1, 2023. Subsequent payments of \$64,497 are then required on the first and second anniversaries of the shipment of the imagery to the County.

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, 2022, is summarized by fund:

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Unavailable Revenue as of December 31, 2022

	Taxes	Grants	State Aid Highway Allotments	Loans	Other	Total
Major governmental funds						
General	\$ 344,324	\$ 81,003	\$ -	\$ 42,670	\$ 38,855	\$ 506,852
Special Revenue						
Road and Bridge	61,661	-	525,614	-	-	587,275
Health and Human Services	118,946	78,301	-	-	-	197,247
Land Management	-	-	-	-	983,677	983,677
Clean Water Partnership Program	-	-	-	1,953,759	-	1,953,759
COVID-19 Relief	-	13,741	-	-	-	13,741
General Obligation Courthouse Bond Debt Service	31,175	-	-	-	-	31,175
Debt Service						
General Obligation Jail Bond	36,754	-	-	-	-	36,754
CIP Project Bond	8,789	-	-	-	-	8,789
Capital Projects						
Governmental Buildings	1,197	17,828	-	-	60,000	79,025
Technology Equipment	1,346	-	-	-	-	1,346
Total	\$ 604,192	\$ 190,873	\$ 525,614	\$ 1,996,429	\$ 1,082,532	\$ 4,399,640

Other Postemployment Benefits (OPEB)

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.

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 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, 2022, actuarial valuation there are 240 active employees electing coverage, 38 active employees waiving coverage, 32 retirees electing coverage, and eight retirees with only non-medical 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.

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Total OPEB Liability

The County's OPEB liability was measured as of December 31, 2021, and the total OPEB liability was determined by an actuarial valuation as of that date. 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, 2022, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.25 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 3.70 percent in 2074

General Employees Retirement Plan employees' mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2020 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 Pub-2010 mortality tables with projected mortality improvements based on scale MP-2020 and other adjustments.

The discount rate used to measure the total OPEB liability was 1.84 percent. The discount rate is equal to the 20-year municipal bond yield using the Fidelity 20-Year Municipal GO AA Index.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2022

	Total OPEB Liability
Balance as of January 1, 2022	<u>\$ 3,021,264</u>
Changes for the year	
Service cost	\$ 198,232
Interest	63,467
Differences between expected and actual experience	604,731
Changes in assumptions	(357,213)
Employer contributions	<u>(92,295)</u>
Net Change in Total OPEB Liability	<u>\$ 416,922</u>
Balance as of December 31, 2022	<u>\$ 3,438,186</u>

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:

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Sensitivity of the Total OPEB Liability to Changes In the Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	0.84%	\$ 3,902,243
Current	1.84%	3,438,186
1% Increase	2.84%	3,044,362

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:

Sensitivity of the Total OPEB Liability to Changes In the Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.20%	\$ 2,999,961
Current	6.20%	3,438,186
1% Increase	7.20%	3,967,177

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

For the year ended December 31, 2022, the County recognized OPEB expense of \$271,933. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 655,014	\$ 5,465
Changes of assumptions	342,426	357,458
Employer contributions paid subsequent to the measurement date	109,450	-
Total	<u>\$ 1,106,890</u>	<u>\$ 362,923</u>

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The \$109,450 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Future Recognition of OPEB Expense at December 31, 2022		
Year Ended		Amount
2023	\$	119,684
2024		119,684
2025		113,624
2026		109,192
2027		98,788
Thereafter		73,545

Changes in Actuarial Methods and Assumptions

The following change in actuarial methods and assumptions occurred in 2022:

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the July 1, 2019, Public Employees Retirement Association of Minnesota (PERA) General Employees Plan, PERA Police and Fire Plan, and PERA Correctional Plan valuations to the rates used in the July 1, 2021, valuations.
- The percent of future non Medicare eligible retirees other than Teamsters Deputies electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 25 percent to 20 percent to reflect recent plan experience.

Pension Plans

Defined Benefit Pension Plans

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

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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 the 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.

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 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.

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. 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. 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.

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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 June 30 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.

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.

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. Rates did not change from 2021.

Member and Employer Required Contribution Rates

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

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Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	\$	925,475
Police and Fire Plan		567,160
Correctional Plan		198,371

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

[Pension Costs](#)

General Employees Plan

At December 31, 2022, the County reported a liability of \$13,258,135 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.1674 percent. It was 0.1604 percent measured as of June 30, 2021. The County recognized pension expense of \$2,078,123 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$58,076 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$	13,258,135
State of Minnesota's proportionate share of the net pension liability associated with the County.		<u>388,672</u>
Total	\$	<u>13,646,807</u>

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:

General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 110,742	\$ 135,502
Changes in actuarial assumptions	2,878,875	50,799
Difference between projected and actual investment earnings	412,366	-
Changes in proportion	378,393	-
Contributions paid to PERA subsequent to the measurement date	466,341	-
Total	<u>\$ 4,246,717</u>	<u>\$ 186,301</u>

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The \$466,341 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 1,348,173
2024	1,324,064
2025	(277,163)
2026	1,199,001

Police and Fire Plan

At December 31, 2022, the County reported a liability of \$11,440,370 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.2629 percent. It was 0.2389 percent measured as of June 30, 2021. The County recognized pension expense of \$1,203,698 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 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 requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$96,949 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2022

The County's proportionate share of the net pension liability	\$ 11,440,370
State of Minnesota's proportionate share of the net pension liability associated with the County	499,806
Total	<u>\$ 11,940,176</u>

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 \$23,661 as revenue, which results in a reduction of the net

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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:

Police and Fire Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 673,732	\$ -
Changes in actuarial assumptions	6,516,597	63,514
Difference between projected and actual investment earnings	422,846	-
Changes in proportion	227,274	63,268
Contributions paid to PERA subsequent to the measurement date	288,661	-
Total	<u>\$ 8,129,110</u>	<u>\$ 126,782</u>

The \$288,661 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 1,545,700
2024	1,513,853
2025	1,357,826
2026	2,313,549
2027	982,739

Correctional Plan

At December 31, 2022, the County reported a liability of \$3,606,208 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 1.0849 percent. It was 1.0169 percent measured as of June 30, 2021. The County recognized pension expense of \$1,250,511 for its proportionate share of the Correctional Plan's pension expense.

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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:

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 115,593
Changes in actuarial assumptions	2,288,863	5,035
Difference between projected and actual investment earnings	166,140	-
Changes in proportion	2,153	7,665
Contributions paid to PERA subsequent to the measurement date	97,838	-
Total	<u>\$ 2,554,994</u>	<u>\$ 128,293</u>

The \$97,838 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	\$ 1,040,823
2024	1,073,186
2025	(74,855)
2026	289,709

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was \$4,532,332.

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Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

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 Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight 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 per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations 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 July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all

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

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

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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.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	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	5.50%	\$20,941,919	4.40%	\$ 17,313,532	4.42%	\$ 6,352,155
Current	6.50%	13,258,135	5.40%	11,440,370	5.42%	3,606,208
1% Increase	7.50%	6,956,247	6.40%	6,692,269	6.42%	1,447,278

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.

Defined Contribution Plan

Five members of the Board of Commissioners 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 the Employer For the Year Ended December 31, 2022

	Employee	Employer
Contribution amount	\$ 7,990	\$ 7,990
Percentage of covered payroll	5.00%	5.00%

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Note 4 – Postemployment Health Care Plans

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) 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.

Minnesota Service Cooperative VEBA Plan

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

The 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

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- being a member of a bargaining unit that has approved the VEBA plan.

Note 5 – 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 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

In 2021, Pine County established a limited risk management program for health coverage. Premiums are paid into the Internal Service Fund by all other funds with payroll and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a \$200,000 stop-loss per claimant. The aggregate stop-loss limit was 115 percent of expected claims (\$4,268,220 for 2022) for the health plan. The County contracts with United Health Care to administer the County's health care benefit claims. United Health Care processes all benefit claims and charges the County an administrative fee. Liabilities of the Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

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The December 31, 2022, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through January 1, 2023. Changes in the balances of claims liabilities during 2022 are as follows:

Changes to Claims Liability at December 31, 2022

Unpaid claims, January 1	\$ 58,905
Incurred claims	3,781,916
Claim payments	<u>(3,639,186)</u>
Unpaid claims, December 31	<u>\$ 201,635</u>

Note 6 – Summary of Significant Contingencies and Other Items

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.

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 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, 2022, is \$326,326.

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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.

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 2022, 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.

The Board is funded through an annual budget, and participation in the administrative cost is in the following percentages:

Percentage of Funding by Member

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 2022. Upon dissolution, the personal property shall be returned to the member county contributing the same.

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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.

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.

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 2022.

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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.

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 2022, 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.

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St. Louis 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 \$457 in contributions in 2022.

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 2022.

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 2022 were \$352,603.

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

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.

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.

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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 \$3,076 for per diems and mileage in 2022.

Tax-Forfeited Land

The County manages approximately 38,970 acres of state-owned, tax-forfeited land with an estimated market value for 2022 of \$27,732,500. 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.

Opioid Settlement Funds

Pine County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributors, and pharmacy chains. The County is expected to receive \$2,124,043 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement* (MOA) identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of the MOA, the County created a separate fund. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 31, 2022, the County received \$254,694 as part of the settlement.

Required Supplementary Information

**Pine County
Pine City, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 12,726,804	\$ 12,726,804	\$ 12,298,777	\$ (428,027)
Special assessments	3,664	3,664	6,650	2,986
Licenses and permits	142,283	142,283	177,526	35,243
Intergovernmental	4,114,461	4,237,580	4,777,980	540,400
Charges for services	1,909,120	1,927,620	1,958,515	30,895
Fines and forfeits	15,000	15,000	41,755	26,755
Gifts and contributions	103,000	103,000	136,709	33,709
Investment earnings	100,000	130,000	(241,186)	(371,186)
Miscellaneous	599,500	649,000	737,304	88,304
Total Revenues	\$ 19,713,832	\$ 19,934,951	\$ 19,894,030	\$ (40,921)
Expenditures				
Current				
General government				
Commissioners	\$ 272,528	\$ 272,528	\$ 266,593	\$ 5,935
Courts	62,900	62,900	30,815	32,085
Law library	29,000	29,000	34,858	(5,858)
County auditor	807,504	807,504	815,835	(8,331)
County assessor	726,984	726,984	761,837	(34,853)
Elections	99,100	99,100	120,379	(21,279)
Data processing	935,530	935,530	856,967	78,563
Central services	34,000	34,000	35,444	(1,444)
Administrator	573,748	573,748	589,867	(16,119)
Attorney	1,241,247	1,241,247	1,181,526	59,721
Contracted legal services	10,000	10,000	2,476	7,524
Recorder	431,119	431,119	585,922	(154,803)
Planning and zoning	293,459	288,859	290,047	(1,188)
Buildings and plant	802,253	802,253	896,693	(94,440)
Veterans service officer	168,018	168,018	146,580	21,438
Victim services	84,346	84,346	86,956	(2,610)
Other general government	352,250	434,850	460,412	(25,562)
Total general government	\$ 6,923,986	\$ 7,001,986	\$ 7,163,207	\$ (161,221)

**Pine County
Pine City, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 5,738,468	\$ 5,924,709	\$ 6,281,272	\$ (356,563)
Federal forfeitures	-	-	22,141	(22,141)
Sandstone range training center	5,000	5,000	1,665	3,335
Federal boat and water safety enforcement	4,500	4,500	21,469	(16,969)
Court security	173,124	68,124	46,958	21,166
Boat and water safety	8,055	8,055	10,416	(2,361)
Coroner	63,500	69,500	67,601	1,899
E-911 system	106,641	190,641	199,056	(8,415)
County jail	4,423,415	4,347,415	4,246,762	100,653
Probation and parole	1,023,530	1,023,530	999,631	23,899
ERC federal grant	-	-	54,163	(54,163)
Civil defense	109,029	109,029	108,735	294
Other public safety	67,733	67,733	118,765	(51,032)
Total public safety	\$ 11,722,995	\$ 11,818,236	\$ 12,178,634	\$ (360,398)
Sanitation				
Solid waste	\$ -	\$ -	\$ 70	\$ (70)
Recycling	451,237	451,237	448,259	2,978
Total sanitation	\$ 451,237	\$ 451,237	\$ 448,329	\$ 2,908
Culture and recreation				
Historical society	\$ 25,000	\$ 25,000	\$ 25,000	\$ -
Regional library	354,403	354,403	353,503	900
Total culture and recreation	\$ 379,403	\$ 379,403	\$ 378,503	\$ 900
Conservation of natural resources				
County extension	\$ 156,294	\$ 156,294	\$ 145,890	\$ 10,404
Soil and water conservation	83,867	111,745	124,335	(12,590)
Agricultural society/County fair	10,000	10,000	10,000	-
Aquatic invasive species	123,032	123,032	149,323	(26,291)
Other	9,968	9,968	9,968	-
Total conservation of natural resources	\$ 383,161	\$ 411,039	\$ 439,516	\$ (28,477)
Economic development				
Economic development	\$ 4,500	\$ 4,500	\$ 3,301	\$ 1,199

**Pine County
Pine City, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Capital outlay				
General government	\$ -	\$ -	\$ 155,277	\$ (155,277)
Total Expenditures	<u>\$ 19,865,282</u>	<u>\$ 20,066,401</u>	<u>\$ 20,766,767</u>	<u>\$ (700,366)</u>
Excess of Revenues Over (Under) Expenditures	\$ (151,450)	\$ (131,450)	\$ (872,737)	\$ (741,287)
Other Financing Sources (Uses)				
Transfers in	110,000	90,000	385,266	295,266
Transfers out	<u>(119,814)</u>	<u>(119,814)</u>	<u>(169,814)</u>	<u>(50,000)</u>
Total Other Financing Sources (Uses)	<u>\$ (9,814)</u>	<u>\$ (29,814)</u>	<u>\$ 215,452</u>	<u>\$ 245,266</u>
Net Change in Fund Balance	\$ (161,264)	\$ (161,264)	\$ (657,285)	\$ (496,021)
Fund Balance – January 1	<u>7,042,357</u>	<u>7,042,357</u>	<u>7,042,357</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 6,881,093</u></u>	<u><u>\$ 6,881,093</u></u>	<u><u>\$ 6,385,072</u></u>	<u><u>\$ (496,021)</u></u>

**Pine County
Pine City, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,261,021	\$ 3,261,021	\$ 3,828,439	\$ 567,418
Licenses and permits	37,500	37,500	29,061	(8,439)
Intergovernmental	10,408,783	10,408,783	11,999,385	1,590,602
Charges for services	181,750	181,750	384,390	202,640
Miscellaneous	15,300	15,300	12,687	(2,613)
Total Revenues	\$ 13,904,354	\$ 13,904,354	\$ 16,253,962	\$ 2,349,608
Expenditures				
Current				
Highways and streets				
Administration	\$ 389,758	\$ 389,758	\$ 373,061	\$ 16,697
Engineering/construction	10,199,480	10,199,480	11,765,788	(1,566,308)
Maintenance/equipment	2,322,874	2,322,874	2,725,680	(402,806)
Equipment repair and shop	2,136,874	2,136,874	2,505,299	(368,425)
Unallocated – highways and streets	70,368	70,368	10,847	59,521
Total Expenditures	\$ 15,119,354	\$ 15,119,354	\$ 18,109,014	\$ (2,989,660)
Excess of Revenues Over (Under)				
Expenditures	\$ (1,215,000)	\$ (1,215,000)	\$ (1,855,052)	\$ (640,052)
Other Financing Sources (Uses)				
Transfers in	\$ 1,215,000	\$ 1,215,000	\$ 100,000	\$ (1,115,000)
Proceeds from sale of capital assets	-	-	99,282	99,282
Total Other Financing Sources (Uses)	\$ 1,215,000	\$ 1,215,000	\$ 199,282	\$ (1,015,718)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,655,770)	\$ (1,655,770)
Fund Balance – January 1	937,768	937,768	937,768	-
Increase (decrease) in inventories	-	-	193,546	193,546
Fund Balance – December 31	\$ 937,768	\$ 937,768	\$ (524,456)	\$ (1,462,224)

**Pine County
Pine City, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Health and Human Services Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,914,914	\$ 3,914,914	\$ 3,848,278	\$ (66,636)
Licenses and permits	10,500	10,500	9,550	(950)
Intergovernmental	6,729,457	6,729,457	7,062,264	332,807
Charges for services	1,126,323	1,126,323	1,212,793	86,470
Gifts and contributions	3,000	3,000	1,090	(1,910)
Investment earnings	700	700	1,513	813
Miscellaneous	98,450	98,450	57,009	(41,441)
Total Revenues	\$ 11,883,344	\$ 11,883,344	\$ 12,192,497	\$ 309,153
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,474,905	\$ 3,474,905	\$ 3,545,860	\$ (70,955)
Social services	7,111,173	7,111,173	6,653,546	457,627
Total human services	\$ 10,586,078	\$ 10,586,078	\$ 10,199,406	\$ 386,672
Health				
Nursing services	\$ 382,275	\$ 382,275	\$ 414,450	\$ (32,175)
Women, infants, and children	193,645	193,645	156,852	36,793
Maternal and child health	546,218	546,218	508,956	37,262
Environmental health	32,709	32,709	34,768	(2,059)
Health education	232,015	232,015	168,763	63,252
COVID relief	60,000	60,000	191,821	(131,821)
Total health	\$ 1,446,862	\$ 1,446,862	\$ 1,475,610	\$ (28,748)
Total Expenditures	\$ 12,032,940	\$ 12,032,940	\$ 11,675,016	\$ 357,924
Net Change in Fund Balance	\$ (149,596)	\$ (149,596)	\$ 517,481	\$ 667,077
Fund Balance – January 1	3,225,058	3,225,058	3,225,058	-
Fund Balance – December 31	\$ 3,075,462	\$ 3,075,462	\$ 3,742,539	\$ 667,077

**Pine County
Pine City, Minnesota**

Exhibit A-4

**Land Management Special Revenue Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	\$ 43,806	\$ 43,806	\$ 42,204	\$ (1,602)
Miscellaneous	913,733	913,733	1,338,618	424,885
Total Revenues	\$ 957,539	\$ 957,539	\$ 1,380,822	\$ 423,283
Expenditures				
Current				
Conservation of natural resources				
Land use	\$ 726,233	\$ 726,233	\$ 658,569	\$ 67,664
Other conservation	141,306	141,306	30,364	110,942
Total Expenditures	\$ 867,539	\$ 867,539	\$ 688,933	\$ 178,606
Excess of Revenues Over (Under) Expenditures	\$ 90,000	\$ 90,000	\$ 691,889	\$ 601,889
Other Financing Sources (Uses)				
Transfers out	(90,000)	(90,000)	(385,266)	(295,266)
Net Change in Fund Balance	\$ -	\$ -	\$ 306,623	\$ 306,623
Fund Balance – January 1	1,734,571	1,734,571	1,734,571	-
Fund Balance – December 31	\$ 1,734,571	\$ 1,734,571	\$ 2,041,194	\$ 306,623

**Pine County
Pine City, Minnesota**

Exhibit A-5

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability					
Service cost	\$ 198,232	\$ 166,022	\$ 132,139	\$ 132,612	\$ 115,403
Interest	63,467	76,200	81,403	72,140	74,194
Differences between expected and actual experience	604,731	(7,393)	212,077	-	-
Changes of assumption or other inputs	(357,213)	232,349	213,653	(98,690)	118,308
Benefit payments	<u>(92,295)</u>	<u>(101,607)</u>	<u>(91,173)</u>	<u>(90,633)</u>	<u>(95,376)</u>
Net change in total OPEB liability	\$ 416,922	\$ 365,571	\$ 548,099	\$ 15,429	\$ 212,529
Total OPEB Liability – Beginning	<u>3,021,264</u>	<u>2,655,693</u>	<u>2,107,594</u>	<u>2,092,165</u>	<u>1,879,636</u>
Total OPEB Liability – Ending	<u>\$ 3,438,186</u>	<u>\$ 3,021,264</u>	<u>\$ 2,655,693</u>	<u>\$ 2,107,594</u>	<u>\$ 2,092,165</u>
 Covered-employee payroll	 \$ 17,151,705	 \$ 17,318,336	 \$ 15,923,394	 \$ 15,092,758	 \$ 14,482,185
Total OPEB liability (asset) as a percentage of covered-employee payroll	20.05%	17.45%	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.

**Pine County
Pine City, Minnesota**

Exhibit A-6

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022**

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
2022	0.1674 %	\$ 13,258,135	\$ 388,672	\$ 13,646,807	\$ 12,541,597	105.71 %	76.67 %
2021	0.1604	6,849,799	209,181	7,058,980	11,547,877	59.32	87.00
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	79.53
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	78.19

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, 2022**

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)
2022	\$ 925,475	\$ 925,475	\$ -	\$ 12,339,667	7.50 %
2021	883,785	883,785	-	11,783,729	7.50
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, 2022**

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
2022	0.2629 %	\$ 11,440,370	\$ 499,806	\$ 11,940,176	\$ 3,193,826	358.20 %	70.53 %
2021	0.2389	1,844,055	82,923	1,926,978	2,823,697	65.31	93.66
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.

**Pine County
Pine City, Minnesota**

Exhibit A-9

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2022**

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)
2022	\$ 567,160	\$ 567,160	\$ -	\$ 3,204,294	17.70 %
2021	516,083	516,083	-	2,915,725	17.70
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, 2022**

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
2022	1.0849 %	\$ 3,606,208	\$ 2,383,261	151.31 %	74.58 %
2021	1.0169	(167,056)	2,248,434	(7.43)	101.61
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, 2022**

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)
2022	\$ 198,371	\$ 198,371	\$ -	\$ 2,267,097	8.75 %
2021	199,947	199,947	-	2,285,098	8.75
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.

**Pine County
Pine City, Minnesota**

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

Note 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, COVID-19 Relief, Ditch, and Opioid Settlement 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.

Note 2 – Excess of Expenditures Over Appropriations

The following major special revenue funds and departments of the General Fund had expenditures in excess of budget for the year ended December 31, 2022:

Pine County Pine City, Minnesota

Excess of Expenditures over Appropriations

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Law library	\$ 34,858	\$ 29,000	\$ 5,858
County auditor	815,835	807,504	8,331
County assessor	761,837	726,984	34,853
Elections	120,379	99,100	21,279
Central services	35,444	34,000	1,444
Administrator	589,867	573,748	16,119
Recorder	585,922	431,119	154,803
Planning and zoning	331,315	316,737	14,578
Buildings and plant	896,693	802,253	94,440
Victim services	86,956	84,346	2,610
Other general government	460,412	434,850	25,562
Public safety			
Sheriff	6,281,272	5,924,709	356,563
Federal forfeitures	22,141	-	22,141
Federal boat and water safety enforcement	21,469	4,500	16,969
Boat and water safety	10,416	8,055	2,361
E-911 system	199,056	190,641	8,415
ERC federal grant	54,163	-	54,163
Other public safety	118,765	67,733	51,032
Sanitation			
Solid waste	70	-	70
Conservation of natural resources			
Aquatic invasive species	149,323	123,032	26,291
Capital Outlay			
General government	155,277	-	155,277
Road and Bridge Special Revenue Fund	17,380,675	15,119,354	2,261,321

Note 3 – Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement No. 75 to pay related benefits.

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

The following changes in actuarial assumptions occurred in 2022:

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.

Pine County Pine City, Minnesota

- Medical per capita claims costs were updated to reflect recent experience and new plan offerings.
- Withdrawal, retirement, mortality, disability, and salary increase rates were updated from the rates used in the July 1, 2019, Public Employees Retirement Association of Minnesota (PERA) General Employees Plan, PERA Police and Fire Plan, and PERA Correctional Plan valuations to the rates used in the July 1, 2021, valuations.
- The percent of future non Medicare eligible retirees other than Teamsters Deputies electing each medical plan changed to reflect recent plan experience and new plan offerings.
- The inflation assumption was changed from 2.50 percent to 2.25 percent based on an updated historical analysis of inflation rates and forward-looking market expectations.
- The percent of future retirees not eligible for an explicit subsidy assumed to elect coverage at retirement changed from 25 percent to 20 percent to reflect recent plan experience.

The following changes in actuarial assumptions occurred in 2021:

- The discount rate was changed from 2.75 percent to 2.00 percent based on updated 20-year municipal bond rates.

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.
- 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.

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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.
- 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.

Note 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

2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

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

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- 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 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.
- 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 Scale MP-2017 to Scale MP-2018.

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale 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.

Pine County Pine City, Minnesota

- 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.
- 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.
- 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

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.

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- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale 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

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reaches 100 percent funding, or July 1, 2048, if earlier.

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

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- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

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2020

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

2019

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

Pine County Pine City, Minnesota

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 Fund

**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, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,006,033	\$ 1,006,033	\$ 989,115	\$ (16,918)
Intergovernmental	-	-	16,351	16,351
Total Revenues	\$ 1,006,033	\$ 1,006,033	\$ 1,005,466	\$ (567)
Expenditures				
Debt service				
Principal	\$ 710,000	\$ 710,000	\$ 710,000	\$ -
Interest	199,790	199,790	199,790	-
Administrative charges	1,679	1,679	3,275	(1,596)
Total Expenditures	\$ 911,469	\$ 911,469	\$ 913,065	\$ (1,596)
Excess of Revenues Over (Under)				
Expenditures	\$ 94,564	\$ 94,564	\$ 92,401	\$ (2,163)
Other Financing Sources (Uses)				
Transfers in	\$ 19,814	\$ 19,814	\$ 19,814	\$ -
Net Change in Fund Balance	\$ 114,378	\$ 114,378	\$ 112,215	\$ (2,163)
Fund Balance – January 1	1,312,370	1,312,370	1,312,370	-
Fund Balance – December 31	\$ 1,426,748	\$ 1,426,748	\$ 1,424,585	\$ (2,163)

**Pine County
Pine City, Minnesota**

Nonmajor Governmental Funds

Special Revenue Funds

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

The Opioid Settlement Fund accounts for funds to be received in a settlement with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation.

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, 2022**

	Special Revenue	
	Ditch	Opioid Settlement
<u>Assets</u>		
Cash and investments	\$ 32,423	\$ 246,252
Cash with fiscal agent	-	-
Taxes receivable		
Delinquent	-	-
Loans receivable	-	-
Due from other governments	-	8,442
Total Assets	\$ 32,423	\$ 254,694
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Due to other funds	\$ -	\$ -
Deferred Inflows of Resources		
Unavailable revenue	\$ -	\$ -
Fund Balances		
Restricted		
Debt service	\$ -	\$ -
Opioid remediation	-	254,694
Ditches	32,423	-
Assigned		
Capital projects	-	-
Total Fund Balances	\$ 32,423	\$ 254,694
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 32,423	\$ 254,694

Debt Service		Capital Projects			Total
General Obligation Jail Bond	CIP Project Bond	Governmental Buildings	Technology Equipment	G.O. Capital Improvement	
\$ 1,589,819	\$ 139,669	\$ 225,867	\$ 52,586	\$ -	\$ 2,286,616
-	-	-	-	50,002	50,002
50,943	12,935	1,499	1,649	-	67,026
-	-	60,000	-	-	60,000
-	-	17,828	-	-	26,270
<u>\$ 1,640,762</u>	<u>\$ 152,604</u>	<u>\$ 305,194</u>	<u>\$ 54,235</u>	<u>\$ 50,002</u>	<u>\$ 2,489,914</u>
\$ -	\$ -	\$ -	\$ -	\$ 50,002	\$ 50,002
<u>\$ 36,754</u>	<u>\$ 8,789</u>	<u>\$ 79,025</u>	<u>\$ 1,346</u>	<u>\$ -</u>	<u>\$ 125,914</u>
\$ 1,604,008	\$ 143,815	\$ -	\$ -	\$ -	\$ 1,747,823
-	-	-	-	-	254,694
-	-	-	-	-	32,423
-	-	226,169	52,889	-	279,058
<u>\$ 1,604,008</u>	<u>\$ 143,815</u>	<u>\$ 226,169</u>	<u>\$ 52,889</u>	<u>\$ -</u>	<u>\$ 2,313,998</u>
<u>\$ 1,640,762</u>	<u>\$ 152,604</u>	<u>\$ 305,194</u>	<u>\$ 54,235</u>	<u>\$ 50,002</u>	<u>\$ 2,489,914</u>

**Pine County
Pine City, Minnesota**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2022**

	Special Revenue	
	Ditch	Opioid Settlement
Revenues		
Taxes	\$ -	\$ -
Intergovernmental	-	-
Charges for services	112	-
Investment earnings	-	-
Miscellaneous	-	254,694
	<hr/>	<hr/>
Total Revenues	\$ 112	\$ 254,694
Expenditures		
Current		
Public safety	\$ -	\$ -
Sanitation	-	-
Capital outlay		
General government	-	-
Sanitation	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative charges	-	-
	<hr/>	<hr/>
Total Expenditures	\$ -	\$ -
Excess of Revenues Over (Under) Expenditures	\$ 112	\$ 254,694
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
	<hr/>	<hr/>
Net Change in Fund Balances	\$ 112	\$ 254,694
Fund Balances – January 1	32,311	-
	<hr/>	<hr/>
Fund Balances – December 31	\$ 32,423	\$ 254,694
	<hr/>	<hr/>

Debt Service		Capital Projects			Total
General Obligation Jail Bond	CIP Project Bond	Governmental Buildings	Technology Equipment	G.O. Capital Improvement	
\$ 1,154,402	\$ 336,731	\$ 24,803	\$ 24,892	\$ -	\$ 1,540,828
19,079	5,561	160,853	406	-	185,899
-	-	-	-	-	112
-	-	-	-	3,712	3,712
-	-	19,097	-	-	273,791
\$ 1,173,481	\$ 342,292	\$ 204,753	\$ 25,298	\$ 3,712	\$ 2,004,342
\$ -	\$ -	\$ -	\$ -	\$ 13,483	\$ 13,483
-	-	-	-	180,227	180,227
-	-	127,822	46,460	-	174,282
-	-	178,276	-	-	178,276
785,000	235,000	-	-	-	1,020,000
315,200	88,838	-	-	-	404,038
475	2,975	-	-	-	3,450
\$ 1,100,675	\$ 326,813	\$ 306,098	\$ 46,460	\$ 193,710	\$ 1,973,756
\$ 72,806	\$ 15,479	\$ (101,345)	\$ (21,162)	\$ (189,998)	\$ 30,586
\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
\$ 72,806	\$ 15,479	\$ (101,345)	\$ 28,838	\$ (189,998)	\$ 80,586
1,531,202	128,336	327,514	24,051	189,998	2,233,412
\$ 1,604,008	\$ 143,815	\$ 226,169	\$ 52,889	\$ -	\$ 2,313,998

**Pine County
Pine City, Minnesota**

Exhibit B-4

**Budgetary Comparison Schedule
General Obligation Jail Bond Debt Service Fund
For the Year Ended December 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 1,174,025	\$ 1,174,025	\$ 1,154,402	\$ (19,623)
Intergovernmental	-	-	19,079	19,079
Total Revenues	\$ 1,174,025	\$ 1,174,025	\$ 1,173,481	\$ (544)
Expenditures				
Debt service				
Principal	\$ 785,000	\$ 785,000	\$ 785,000	\$ -
Interest	315,200	315,200	315,200	-
Administrative charges	1,710	1,710	475	1,235
Total Expenditures	\$ 1,101,910	\$ 1,101,910	\$ 1,100,675	\$ 1,235
Net Change in Fund Balance	\$ 72,115	\$ 72,115	\$ 72,806	\$ 691
Fund Balance – January 1	1,531,202	1,531,202	1,531,202	-
Fund Balance – December 31	\$ 1,603,317	\$ 1,603,317	\$ 1,604,008	\$ 691

**Pine County
Pine City, Minnesota**

Exhibit B-5

**Budgetary Comparison Schedule
CIP Project Bond Debt Service Fund
For the Year Ended December 31, 2022**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 342,678	\$ 342,678	\$ 336,731	\$ (5,947)
Intergovernmental	-	-	5,561	5,561
Total Revenues	\$ 342,678	\$ 342,678	\$ 342,292	\$ (386)
Expenditures				
Debt service				
Principal	\$ 235,000	\$ 235,000	\$ 235,000	\$ -
Interest	88,838	88,838	88,838	-
Administrative charges	1,000	1,000	2,975	(1,975)
Total Expenditures	\$ 324,838	\$ 324,838	\$ 326,813	\$ (1,975)
Net Change in Fund Balance	\$ 17,840	\$ 17,840	\$ 15,479	\$ (2,361)
Fund Balance – January 1	128,336	128,336	128,336	-
Fund Balance – December 31	\$ 146,176	\$ 146,176	\$ 143,815	\$ (2,361)

Fiduciary Funds

Pine County Pine City, Minnesota

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.

Combining Statement of Fiduciary Net Position
Fiduciary Funds — Custodial Funds
December 31, 2022

Page 104

Taxes and Penalties	East Central Drug and Violent Offenders Task Force	Tax Forfeited Land	Total Custodial Funds
\$ 509,583	\$ 110,428	\$ 454,001	\$ 1,316,610
1,013,942	-	-	1,013,942
-	-	-	728
-	39,706	-	78,236
\$ 1,523,525	\$ 150,134	\$ 454,001	\$ 2,409,516
\$ 509,583	\$ 39,706	\$ 454,001	\$ 1,038,480
\$ 1,013,942	\$ 110,428	\$ -	\$ 1,371,036

**Pine County
Pine City, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds — Custodial Funds
For the Year Ended December 31, 2022**

	Pine County Children, Families, and Learning Services Collaborative	State Revenue
	<hr/>	<hr/>
<u>Additions</u>		
Contributions from individuals	\$ -	\$ 1,106,642
Interest earnings	1,513	-
Payments from other entities	147,458	-
	<hr/>	<hr/>
Total Additions	\$ 148,971	\$ 1,106,642
	<hr/>	<hr/>
<u>Deductions</u>		
Payments to the state	\$ 157	\$ 1,102,306
Administrative expense	179,255	-
Payments to other entities	-	-
	<hr/>	<hr/>
Total Deductions	\$ 179,412	\$ 1,102,306
	<hr/>	<hr/>
Change in Net Position	\$ (30,441)	\$ 4,336
	<hr/>	<hr/>
Net Position – January 1	\$ 262,549	\$ 10,222
	<hr/>	<hr/>
Net Position - December 31	\$ 232,108	\$ 14,558
	<hr/>	<hr/>

Exhibit C-2

Taxes and Penalties	East Central Drug and Violent Offenders Task Force	Tax Forfeited Land	Total Custodial Funds
\$ 25,692,351	\$ -	\$ -	\$ 26,798,993
-	-	-	1,513
-	188,000	454,001	789,459
\$ 25,692,351	\$ 188,000	\$ 454,001	\$ 27,589,965
\$ -	\$ -	\$ -	\$ 1,102,463
-	-	-	179,255
25,520,870	176,834	454,001	26,151,705
\$ 25,520,870	\$ 176,834	\$ 454,001	\$ 27,433,423
\$ 171,481	\$ 11,166	\$ -	\$ 156,542
\$ 842,461	\$ 99,262	\$ -	\$ 1,214,494
\$ 1,013,942	\$ 110,428	\$ -	\$ 1,371,036

Other Schedules

**Pine County
Pine City, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022**

Appropriations and Shared Revenue

State

Highway users tax	\$ 11,932,769
Road gas tax	6,775
Market value credit	338,136
Disparity reduction aid	1,057
County program aid	2,051,309
Police aid	338,889
Out-of-home placement aid	202,988
Casino aid/tribal tax agreement	94,541
Riparian protection aid	46,981
SCORE	84,929
E-911	208,354
Aquatic invasive species aid	123,032
	<hr/>

Total appropriations and shared revenue	<u>\$ 15,429,760</u>
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Reimbursement for Services

State

Minnesota Department of Human Services	<u>\$ 1,619,303</u>
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Payments

Local

Payments in lieu of taxes	<u>\$ 666,941</u>
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Grants

State

Minnesota Department of/Board of	
Corrections	\$ 242,236
Public Safety	8,648
Health	509,491
Natural Resources	17,069
Secretary of State	128,680
Human Services	1,304,167
Veterans Affairs	10,000
Water and Soil Resources	162,995
Peace Officer Standards and Training Board	35,519
Pollution Control Agency	164,889
	<hr/>

Total state	<u>\$ 2,583,694</u>
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**Pine County
Pine City, Minnesota**

Exhibit D-1
(Continued)

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 488,268
Justice	111,754
Transportation	11,240
Treasury	1,607,066
Education	1,179
Health and Human Services	3,088,943
Homeland Security	56,404
Housing and urban Development	51,410
Election Assistance Commission	26,597
	<hr/>
Total federal	\$ 5,442,861
	<hr/>
Total state and federal grants	\$ 8,026,555
	<hr/>
Total Intergovernmental Revenue	\$ 25,742,559

**Pine County
Pine City, Minnesota**

Exhibit D-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 152,461
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2514	335,807
Total U.S. Department of Agriculture			\$ 488,268
U.S. Department of Housing and Urban Development			
Passed Through Minnesota Department of Employment and Economic Development COVID-19 – Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	CARE-21-0002-O-FY21 Pine	\$ 65,151
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2022-PINECO	\$ 67,399
Edward Byrne Memorial Justice Assistance Grant Program	16.738	A-JAGRE-2022-PCAO	61,093
Total U.S. Department of Justice			\$ 128,492
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety E-911 Grant Program	20.615	A-DECN-NGGIS-2019- NEECB2-3	\$ 11,240
U.S. Department of Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 1,607,066
U.S. Department of Education			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	NGA: B04MC32551	\$ 1,179
U.S. Election Assistance Commission			
Passed Through Minnesota Secretary of State COVID-19 – 2018 HAVA Election Security Grants	90.404	G53HAVA2020	\$ 26,597

**Pine County
Pine City, Minnesota**

Exhibit D-2
(Continued)

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TP922026	\$ 37,445
Early Hearing Detection and Intervention	93.251	H61MC00035	1,125
COVID-19 – Immunization Cooperative Agreements	93.268	NH23IP922628	98,842
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	140,078
Temporary Assistance for Needy Families	93.558	2201MNTANF	46,441
(Total Temporary Assistance for Needy Families 93.558 \$377,152)			
Maternal and Child Health Services Block Grant to the States	93.994	NGA: BO4MC32551	45,600
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPS	2,846
Temporary Assistance for Needy Families	93.558	2201MNTANF	330,711
(Total Temporary Assistance for Needy Families 93.558 \$377,152)			
Child Support Enforcement	93.563	2201MNCSES	175,278
Child Support Enforcement	93.563	2201MNCES	692,142
(Total Child Support Enforcement 93.563 \$867,420)			
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2201MNRCA	479
Child Care and Development Block Grant	93.575	2201MNCCDF	9,748
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	14,131
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	3,315
Foster Care – Title IV-E	93.658	2201MNFOS	225,167
Social Services Block Grant	93.667	2201MNSOSR	199,541
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	4,041
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2201MNCILP	721
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	13,862
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$14,583)			
Children's Health Insurance Program	93.767	2205MN5021	1,581

**Pine County
Pine City, Minnesota**

Exhibit D-2
(Continued)

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	1,035,381
Medical Assistance Program	93.778	2205MN5MAP	18,659
(Total Medical Assistance Program 93.778 \$1,054,040)			<u>18,659</u>
Total U.S. Department of Health and Human Services			\$ 3,097,134
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	3319FAS190127	\$ 9,794
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-4666	24,843
Emergency Management Performance Grants	97.042	A-EMPG-2020-PINECO-060	26,569
			<u>26,569</u>
Total U.S. Department of Homeland Security			\$ 61,206
Total Federal Awards			\$ 5,486,333
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 335,807
Total expenditures for CCDF Cluster			9,748
Total expenditures for Medicaid Cluster			1,054,040

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Pine County
Pine City, Minnesota

Notes to the Schedule of Expenditure of Federal Awards
As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

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.

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, 2022. 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 cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 2 – De Minimis Cost Rate

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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,442,861
Grants received more than 90 days after year-end, unavailable in 2022	
COVID-19 – Community Development Block Grants/States's Program and Non-Entitlement Grants in Hawaii (AL No. 14.228)	13,741
Edward Byrne Memorial Justice Assistance Grant Program (AL No. 16.738)	16,738
Foster Care Title IV-E (AL No. 93.658)	1,848
Emergency Management Performance Grants (AL No. 97.042)	48,352
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (AL No. 93.323)	6,343
Unavailable in 2021, recognized as revenue in 2022	
Emergency Management Performance Grants (AL No. 97.042)	(43,550)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 5,486,333</u>

Management and Compliance Section



**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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 14, 2023.

Report on 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 opinion 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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. 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. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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, nothing came to our attention that caused us to believe that Pine County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public 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.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control 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

September 14, 2023

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

**Report on Compliance for Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance**Independent Auditor's Report

Board of County Commissioners
Pine County
Pine City, Minnesota

Report on Compliance for Each Major Federal Program***Opinion on Each Major Federal Program***

We have audited Pine County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Pine County's major federal programs for the year ended December 31, 2022. Pine County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Pine County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Pine County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Pine County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Pine County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Pine County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Pine County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Pine County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Pine County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 Pine County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

September 14, 2023

**Pine County
Pine City, Minnesota**

**Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major federal programs:

Assistance Listing	
Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Enforcement

The threshold used to distinguish between Type A and B programs was \$750,000.

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

Section II – Financial Statement Findings

None.

Section III – Federal Award Findings and Questioned Costs

None.



PINE COUNTY AUDITOR-TREASURER

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

Representation of Pine County

Pine City, Minnesota

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022**

Finding Number: 2021-001

Year of Finding Origination: 2021

Finding Title: Audit Adjustment

Program: N/A

Summary of Condition: An audit adjustment was identified that resulted in significant changes to the County's financial statements. This adjustment was reviewed and approved by the appropriate County staff and is properly reflected in the financial statements.

Summary of Corrective Action Previously Reported: All vendors which have received payments that may not have been fully expended will be contacted and an actual amount expended in that year will be requested (unless specific service dates are listed on the invoice).

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002

Year of Finding Origination: 2021

Finding Title: Eligibility

Program: Medical Assistance (Assistance Listing No. 93.778)

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In a sample of 40 case files tested, an application was missing for four participants.

Summary of Corrective Action Previously Reported: All Medical Assistance files will have complete applications and corresponding documentation. Effective October 2022, Supervisor Greuel and designated financial workers will review one MA file per month to ensure compliance with standard documentation.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-003

Year of Finding Origination: 2021

Finding Title: Suspension and Debarment

Program: COVID -19 Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing No. 21.027)

Summary of Condition: For two covered transactions tested, the verification for suspended or debarred vendors was not performed before entering into the covered transaction.

Summary of Corrective Action Previously Reported: Language will be added to all contracts requiring self-certification of federal funds eligibility.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was significantly different than the action previously reported.

Two additional contracts which were covered transactions were entered into during 2022; however, the self-certification of federal funds eligibility was not included in the contract. A search for excluded entities was performed on SAM.GOV for each of the entities (City of Sandstone and Regents of the University of Minnesota) and no exclusions were found.

Finding Number: 2021-004

Year of Finding Origination: 2021

Finding Title: Reporting

Program: COVID -19 Coronavirus State and Local Fiscal Recovery Funds (Assistance Listing No. 21.027)

Summary of Condition: The County overstated current year expenditures reported on the annual Project and Expenditure Report by \$173,120.

Summary of Corrective Action Previously Reported: All prepaid expenses will be categorized on the annual report as “obligated” not expended.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.