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Pine County
Pine City, Minnesota

Annual Financial Report and Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
State Auditor Julie Blaha

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Pine County
Pine City, Minnesota

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Pine County
Pine City, Minnesota

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Introductory Section

Pine County
Pine City, Minnesota

Organization

December 31, 2025

Office	Name	Term Expires
Commissioners		
1st District	Stephen Hallan	2026
2nd District	Joshua Mohr*	2026
3rd District	Roger Nelson	2028
4th District	J.J. Waldhalm	2028
5th District	Matt Ludwig	2026
Officers		
Elected		
Attorney	Reese Frederickson	2026
Sheriff	Jeff Nelson	2026
Appointed		
Administrator	Kelly Schroeder	Indefinite
Assessor	Lorri Houtsma	Indefinite
Auditor-Treasurer	Mary J. Lindala	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

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Pine County
Pine City, Minnesota

Report on the 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, 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 the 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.

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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 each major special revenue fund, 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, budgetary comparison schedules for General Obligation Jail Bond and CIP Project Bond debt service funds, 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 Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, on our consideration of Pine County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Pine County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pine County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 15, 2026

Management's Discussion and Analysis

Pine County
Pine City, Minnesota

Management's Discussion and Analysis
Year Ended December 31, 2025
(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, 2025. The Management's Discussion and Analysis (MD&A) is required supplementary information specified in the Governmental Accounting Standard Board (GASB) Statement Number 34. Certain comparative information between the current year, 2025, and the prior year, 2024, 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, 2025, by $144,430,202 (net position). The County-wide net position increased 14.2 percent in 2025 over the prior year.

- Overall governmental fund-level revenues totaled $65,453,645 and were $9,548,461 more than expenditures in 2025. Expenditures include $2,563,547 of principal paid.

- The General Fund's fund balance increased $404,845 from the prior year and, of the total fund balance amount, $7,617,918 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 may be 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 statements.

- 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 $144,430,202 on December 31, 2025, an increase of $17,956,278 from the prior year.

Table A-1
Statement of Net Position – Governmental Activities

Condensed Statement of Net Position	2025	2024
Assets		
Current and other assets	$ 43,730,874	$ 32,959,738
Capital assets, net	141,540,740	140,418,317
Total Assets	$ 185,271,614	$ 173,378,055
Deferred Outflows of Resources	$ 6,973,505	$ 8,623,316
Liabilities		
Current liabilities	$ 4,925,422	$ 7,084,553
Long-term liabilities	32,286,216	35,300,309
Total Liabilities	$ 37,211,638	$ 42,384,862
Deferred Inflows of Resources	$ 10,603,279	$ 13,142,585
Net Position		
Net investment in capital assets	$ 126,543,685	$ 123,765,604
Restricted	8,549,437	6,711,941
Unrestricted	9,337,080	(4,003,621)
Total Net Position	$ 144,430,202	$ 126,473,924

Change in Net Position

The government-wide total revenues were $67,032,913 for the year ended December 31, 2025 (an increase of $3,089,940). This is a 4.8 percent increase over the prior year. Property taxes and operating grants and contributions accounted for 76.6 percent of total revenue for the year (see Table A-2).

Table A-2
Change in Net Position – Governmental Activities

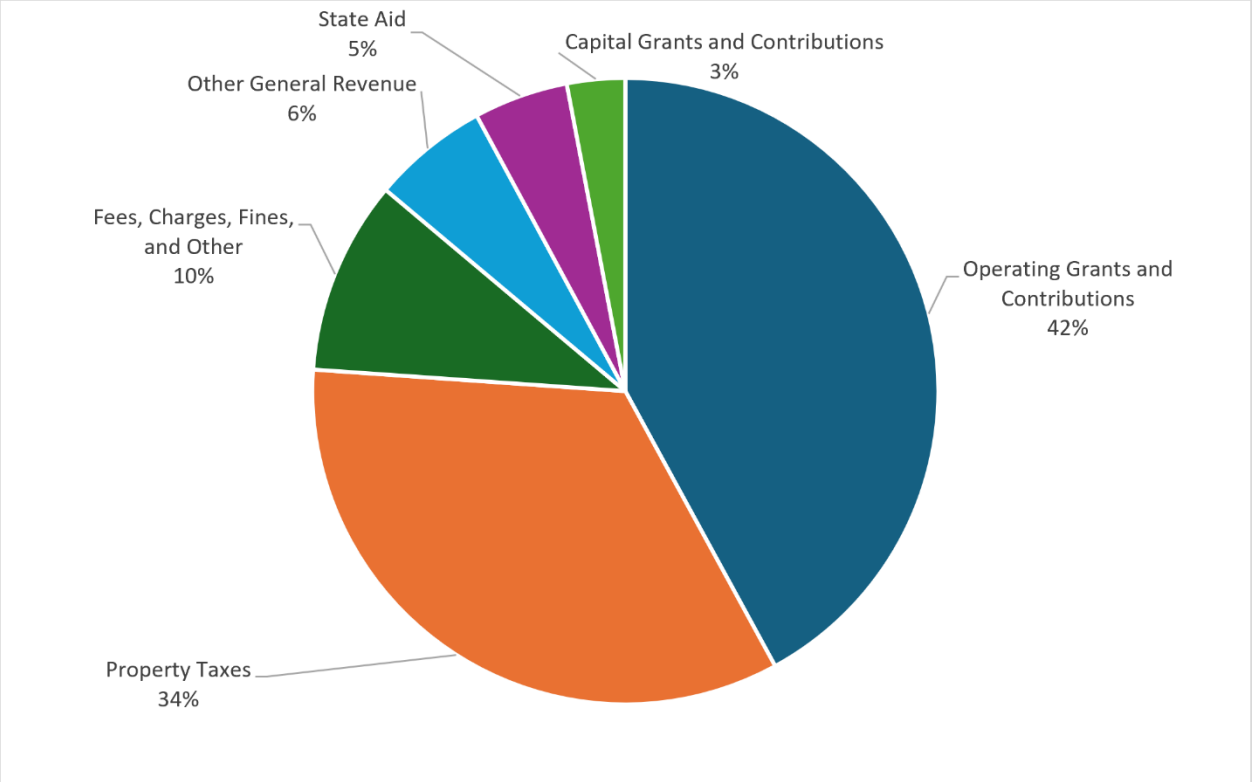
Condensed Statement of Activities	2025	2024	Total Percent Change (%)
Revenues			
Program revenues			
Fees, charges, fines, and other	$ 6,740,674	$ 9,092,173	(25.9)
Operating grants and contributions	28,489,866	21,180,536	34.5
Capital grants and contributions	1,752,366	4,094,224	(57.2)
General revenues			
Property taxes	22,887,159	22,122,065	3.5
Other taxes	3,059,486	2,931,620	4.4
Grants and contributions not restricted to specific programs	3,108,548	3,113,138	(0.1)
Other	994,814	1,409,217	(29.4)
Total Revenues	$ 67,032,913	$ 63,942,973	4.8
Expenses			
General government	$ 8,827,330	$ 8,661,142	1.9
Public safety	12,716,904	13,443,734	(5.4)
Highways and streets	11,034,646	11,489,675	(4.0)
Sanitation	529,839	500,092	5.9
Human services	10,583,479	10,964,578	(3.5)
Health	1,875,323	1,779,873	5.4
Culture and recreation	423,322	400,575	5.7
Conservation of natural resources	2,120,450	1,994,297	6.3
Economic development	585,380	2,969,974	(80.3)
Interest	379,962	459,105	(17.2)
Total Expenses	$ 49,076,635	$ 52,663,045	(6.8)
Change in Net Position	$ 17,956,278	$ 11,279,928	59.2
Net Position – Beginning of Year	126,473,924	115,193,996	9.8
Net Position – End of Year	$ 144,430,202	$ 126,473,924	14.2

Total revenues surpassed expenses and, therefore, net position increased $17,956,278 over last year due to revenues exceeding expenses.

The government-wide cost of all governmental activities this year was $49,076,635.

- Some of the cost was paid by the users of the County's programs ($6,740,674).
- The federal and state governments subsidized certain programs with grants and contributions ($30,242,232).
- The remainder of the County's governmental activities' costs ($12,093,729) was paid for by County taxpayers and the taxpayers of our state. This portion of governmental activities was covered by $22,887,159 in property taxes, $3,108,548 of state aid, $4,054,300 of other general revenues, and resulted in an increase to net position.

Governmental Activities Revenues by Source 2025



Governmental Activities by Function 2025

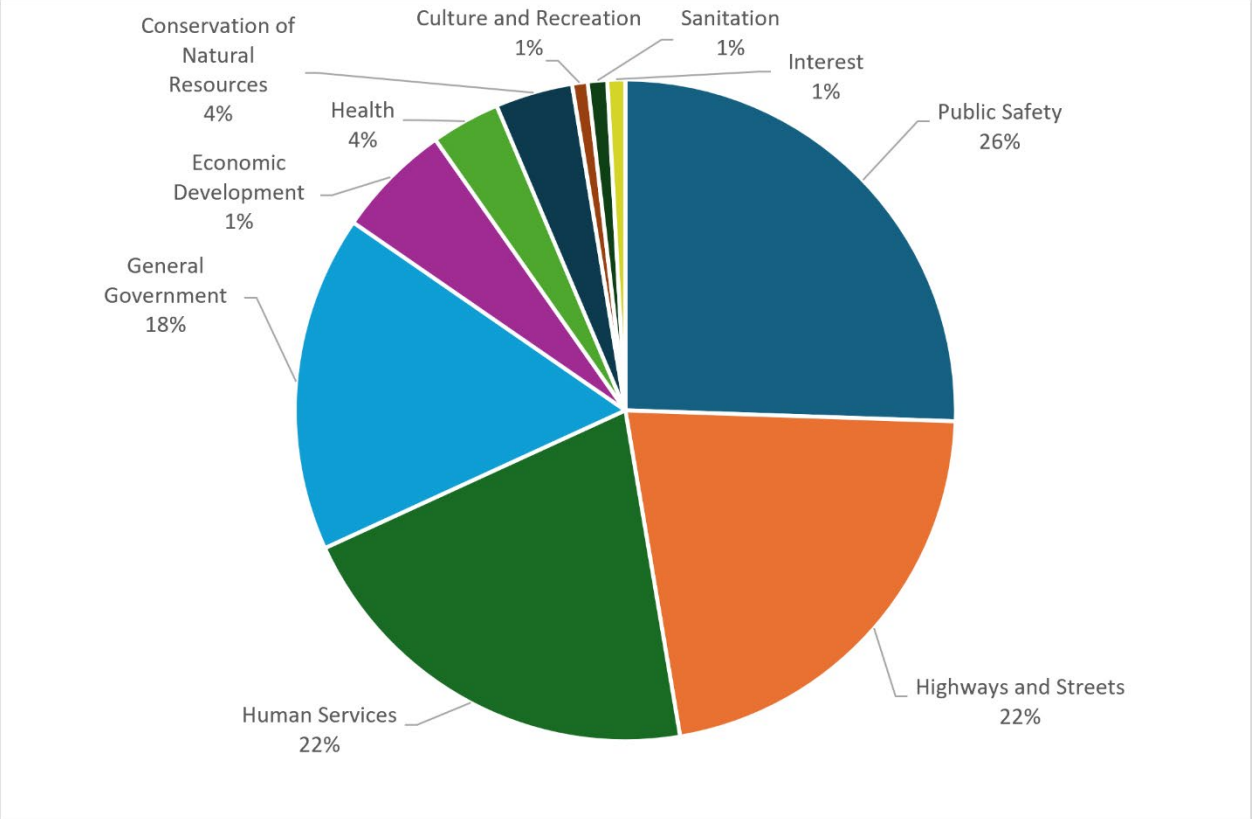


Table A-3 presents the cost of each of the County's program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden that was placed on the County's taxpayers by each of these functions.

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

Governmental Activities Function/Program	Total Cost of Services 2025	Total Cost of Services 2024	Percentage Change (%)	Net (Revenue) Cost of Services 2025	Net (Revenue) Cost of Services 2024	Percentage Change (%)
General government	$ 8,827,330	$ 8,661,142	1.9	$ 6,048,323	$ 6,551,806	(7.7)
Public safety	12,716,904	13,443,734	(5.4)	9,805,333	10,650,193	(7.9)
Highways and streets	11,034,646	11,489,675	(4.0)	(7,702,637)	(3,057,651)	151.9
Sanitation	529,839	500,092	5.9	44,960	22,504	99.8
Human services	10,583,479	10,964,578	(3.5)	3,546,263	3,392,112	4.5
Health	1,875,323	1,779,873	5.4	136,082	468,408	(70.9)
Culture and recreation	423,322	400,575	5.7	423,322	400,575	5.7
Conservation of natural resources	2,120,450	1,994,297	6.3	(817,919)	(822,081)	(0.5)
Economic development	585,380	2,969,974	(80.3)	230,040	231,141	(0.5)
Interest	379,962	459,105	(17.2)	379,962	459,105	(17.2)
Total	$ 49,076,635	$ 52,663,045	(6.8)	$ 12,093,729	$ 18,296,112	(33.9)

Financial Analysis of the County at the Fund Level

The financial performance of the County, as a whole, is reflected in its governmental funds as well. As the County completed the year, its governmental funds reported a combined fund balance of $28,746,880. Revenues for the County's governmental funds were $65,453,645, while total expenditures were $55,905,184.

The General Fund includes the primary operations of the County in providing services to citizens. Fund balance increased by $404,845 during 2025 due to increased revenues.

The Road and Bridge Special Revenue Fund has a total fund balance of $7,601,673. Fund balance increased $9,590,310 from 2024 due to an increase in revenues and less construction projects.

The Health and Human Services Special Revenue Fund has a total fund balance of $4,086,480. Fund balance decreased $294,217 from 2024 due to the planned spending of reserves.

The Land Management Special Revenue Fund has a total fund balance of $2,580,234. Fund balance increased $167,018 from 2024 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 $542,243. Fund balance decreased $22,073 from 2024 due to the repayment on the loans.

The COVID-19 Relief Special Revenue Fund has a total fund balance of $39,841. There was no change in fund balance from 2024.

The General Obligation Courthouse Bond Debt Service Fund has a total fund balance of $1,625,571. Fund balance increased $64,771 from 2024 due to revenues exceeding bond payments made.

The following schedule presents a summary of General Fund revenues:

Table A-4
General Fund Revenues

Revenues	Year Ended December 31, 2025	Year Ended December 31, 2024	Change Increase (Decrease)	Change Percent (%)
Taxes	$ 13,964,314	$ 13,312,091	$ 652,223	4.9
Special assessments	7,120	6,181	939	15.2
Licenses and permits	163,200	170,435	(7,235)	(4.2)
Intergovernmental	6,585,819	6,235,340	350,479	5.6
Charges for services	2,220,446	1,944,721	275,725	14.2
Fines and forfeits	5,532	10,931	(5,399)	(49.4)
Gifts and contributions	110,672	138,289	(27,617)	(20.0)
Investment earnings	837,005	1,250,664	(413,659)	(33.1)
Miscellaneous	510,058	738,425	(228,367)	(30.9)
Total General Fund Revenues	$ 24,404,166	$ 23,807,077	$ 597,089	2.5

Total General Fund revenues increased by $597,089, or 2.5 percent, from the previous year.

The following schedule presents a summary of General Fund expenditures:

Table A-5
General Fund Expenditures

Expenditures	Year Ended December 31, 2025	Year Ended December 31, 2024	Change Increase (Decrease)	Change Percent (%)
General government	$ 8,456,630	$ 7,926,876	$ 529,754	6.7
Public safety	14,545,124	13,546,281	998,843	7.4
Sanitation	540,484	506,223	34,261	6.8
Culture and recreation	30,000	30,000	-	-
Conservation of natural resources	464,931	531,458	(66,527)	(12.5)
Economic development	467,151	160,107	307,044	191.8
Intergovernmental	393,322	370,575	22,747	6.1
Capital outlay	628,178	4,365	623,813	14,291.2
Debt service	293,684	260,404	33,280	12.8
Total Expenditures	$ 25,819,504	$ 23,336,289	$ 2,483,215	10.6

Total General Fund expenditures increased by $2,483,215, or 10.6 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 court administration and public safety expenditures and planned spending of restricted fund balances. The intergovernmental revenue budgets were revised for additional funding. In general, the County does not make a significant amount of budget amendments during the year.

- Actual revenues were $719,086 more than budgeted; this is due to additional intergovernmental revenue.
- Overall, the actual expenditures were $1,075,427 more than budgeted, primarily due to unbudgeted capital outlays being made during 2025.

Capital Assets

By the end of 2025, the County had invested $141,540,740 in a broad range of capital assets, including buildings, computers, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 2 to the financial statements.) Total depreciation and amortization expense for the year was $5,527,338.

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

Capital Assets	2025	2024	Percent Change (%)
Land	$ 4,331,891	$ 4,305,389	0.6
Construction-in-progress	-	2,163,483	(100.0)
Buildings and building improvements	30,842,155	30,842,155	0.0
Machinery and equipment	15,603,163	14,300,438	9.1
Intangibles	1,067,578	1,067,578	0.0
Infrastructure	171,699,308	164,911,922	4.1
Software subscriptions	1,516,638	1,038,084	46.1
Less: accumulated depreciation and amortization	(83,519,993)	(78,210,732)	6.8
Total	$ 141,540,740	$ 140,418,317	0.8

Long-Term Liabilities

At year-end, the County had $17,475,979 in long-term debt outstanding.

- The County's governmental activities' total debt decreased $1,842,389 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 2025, Pine County's debt was 0.33 percent of its total market value of taxable property.

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

Long-Term Liabilities	2025	2024	Percent Change (%)
General obligation bonds	$ 14,040,000	$ 16,025,000	(12.4)
Minnesota Pollution Control Agency loans	2,883,993	2,966,626	(2.8)
Installment payable	-	64,497	(100.0)
Financed purchases	121,806	-	100.0
Software subscriptions liability	430,180	262,245	64.0
Total	$ 17,475,979	$ 19,318,368	(9.5)

Economic Factors and Next Year's Budgets

By the end of 2025, Pine County approved its balanced 2026 revenue and expenditure budgets and approved a 2.6 percent tax levy increase for 2026.

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 the Pine County Auditor-Treasurer, Pine County Courthouse, 635 Northridge Drive Northwest, Suite 240, Pine City, Minnesota 55063.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

Pine County
Pine City, Minnesota

Statement of Net Position
Governmental Activities
December 31, 2025

Assets		
Cash and pooled investments	$	31,465,759
Change funds		2,575
Taxes receivable – delinquent		973,370
Special assessments receivable – noncurrent		2,545,913
Accounts receivable		1,987,580
Accrued interest receivable		41,540
Loans receivable		30,000
Due from other governments		5,137,978
Inventories		627,072
Prepaid items		324,356
Capital assets		
Non-depreciable		4,331,891
Depreciable or amortizable – net of accumulated depreciation and amortization		137,208,849
Net pension asset		594,731
Total Assets	**$**	**185,271,614**
Deferred Outflows of Resources		
Deferred pension outflows	$	5,622,361
Deferred other postemployment benefits outflows		729,696
Refunding deferred charge on bonds		621,448
Total Deferred Outflows of Resources	**$**	**6,973,505**
Liabilities		
Accounts payable	$	700,037
Salaries payable		1,367,095
Claims payable		69,254
Contracts payable		275,407
Customer deposits		19,994
Due to other governments		1,330,752
Accrued interest payable		170,479
Unearned revenue		992,404
Long-term liabilities		
Due within one year		3,884,371
Other postemployment benefits liability due within one year		124,419
Due in more than one year		17,399,513
Other postemployment benefits liability due in more than one year		2,560,452
Net pension liability		8,317,461
Total Liabilities	**$**	**37,211,638**
Deferred Inflows of Resources		
Deferred pension inflows	$	9,522,255
Deferred other postemployment benefits inflows		1,081,024
Total Deferred Inflows of Resources	**$**	**10,603,279**

Exhibit 1
(Continued)

Pine County
Pine City, Minnesota

Statement of Net Position
Governmental Activities
December 31, 2025

Net Position

Net investment in capital assets	$	126,543,685
Restricted for		
General government		123,608
Public safety		1,295,681
Highways and streets		2,038,631
Human services		797,084
Conservation of natural resources		712,486
Debt service		3,581,947
Unrestricted		9,337,080
Total Net Position	**$**	**144,430,202**

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

Exhibit 2

Pine County
Pine City, Minnesota

Statement of Activities
For the Year Ended December 31, 2025

Functions/Programs	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Primary Government					
Governmental activities					
General government	$ 8,827,330	$ 957,902	$ 1,821,105	$ -	$ (6,048,323)
Public safety	12,716,904	1,380,776	1,530,795	-	(9,805,333)
Highways and streets	11,034,646	261,621	16,723,296	1,752,366	7,702,637
Sanitation	529,839	373,522	111,357	-	(44,960)
Human services	10,583,479	2,170,880	4,866,336	-	(3,546,263)
Health	1,875,323	163,668	1,575,573	-	(136,082)
Culture and recreation	423,322	-	-	-	(423,322)
Conservation of natural resources	2,120,450	1,417,684	1,520,685	-	817,919
Economic development	585,380	14,621	340,719	-	(230,040)
Interest	379,962	-	-	-	(379,962)
Total Primary Government	**$ 49,076,635**	**$ 6,740,674**	**$ 28,489,866**	**$ 1,752,366**	**$ (12,093,729)**
General Revenues					
Property taxes					$ 22,887,159
Sales tax					2,070,858
Mortgage registry and deed tax					39,453
Payments in lieu of tax					949,175
Grants and contributions not restricted to specific programs					3,108,548
Investment earnings					839,374
Miscellaneous					155,440
Total general revenues					**$ 30,050,007**
Change in net position					**$ 17,956,278**
Net Position – Beginning					**126,473,924**
Net Position – Ending					**$ 144,430,202**

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

Fund Financial Statements

Governmental Funds

Exhibit 3

Pine County
Pine City, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Road and Bridge	Health and Human Services
Assets			
Cash and pooled investments	$ 9,546,667	$ 6,958,670	$ 3,432,435
Change funds	2,575	-	-
Taxes receivable			
Delinquent	581,579	96,863	181,588
Special assessments receivable			
Noncurrent	37,612	-	-
Accounts receivable	117,180	230	66,430
Accrued interest receivable	41,540	-	-
Due from other funds	304,785	11,991	75
Due from other governments	325,050	3,211,433	1,384,618
Loans receivable	-	-	-
Inventories	-	627,072	-
Prepaid items	312,024	-	11,574
Total Assets	**$ 11,269,012**	**$ 10,906,259**	**$ 5,076,720**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 392,417	$ 102,734	$ 177,874
Salaries payable	809,215	133,431	408,911
Contracts payable	-	275,407	-
Due to other funds	11,428	2,554	43,440
Due to other governments	225,789	659,653	215,914
Unearned revenue	40,019	-	-
Customer deposits	19,994	-	-
Total Liabilities	**$ 1,498,862**	**$ 1,173,779**	**$ 846,139**
Deferred Inflows of Resources			
Unavailable revenue	**$ 492,594**	**$ 2,130,807**	**$ 144,101**

Land Management	Clean Water Partnership Program	COVID-19 Relief	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ 2,841,644	$ 337,263	$ 831,106	$ 1,616,300	$ 3,396,917	$ 28,961,002
-	-	-	-	-	2,575
-	-	-	44,157	69,183	973,370
2,400	2,505,901	-	-	-	2,545,913
1,802,657	-	-	-	-	1,986,497
-	-	-	-	-	41,540
-	-	-	-	-	316,851
-	215,680	1,197	-	-	5,137,978
-	-	-	-	30,000	30,000
-	-	-	-	-	627,072
758	-	-	-	-	324,356
$ 4,647,459	**$ 3,058,844**	**$ 832,303**	**$ 1,660,457**	**$ 3,496,100**	**$ 40,947,154**
$ 1,352	$ 10,700	$ 95	$ -	$ 14,865	$ 700,037
9,303	-	6,235	-	-	1,367,095
-	-	-	-	-	275,407
248,454	-	-	-	10,975	316,851
3,060	-	648	-	225,688	1,330,752
-	-	785,484	-	166,901	992,404
-	-	-	-	-	19,994
$ 262,169	**$ 10,700**	**$ 792,462**	**$ -**	**$ 418,429**	**$ 5,002,540**
$ 1,805,056	**$ 2,505,901**	**$ -**	**$ 34,886**	**$ 84,389**	**$ 7,197,734**

Exhibit 3
(Continued)

Pine County
Pine City, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Road and Bridge	Health and Human Services
Fund Balances			
Nonspendable			
Inventories	$ -	$ 627,072	$ -
Missing heirs	37,129	-	-
Prepaid items	312,024	-	11,574
Restricted			
Veteran's outreach	15,395	-	-
Shop with a cop	152	-	-
ECDTF federal forfeitures	147,577	-	-
Sheriff's donation	45,782	-	-
Debt service	-	-	-
Law library	40,360	-	-
E-911	326,343	-	-
Aquatic invasive species	66,798	-	-
Permit to carry	85,478	-	-
Sheriff's backpack program	56	-	-
Sheriff's contingency	2,408	-	-
Attorney's forfeitures	66,436	-	-
Sheriff's forfeitures	18,651	-	-
Septic system upgrade program	28,012	-	-
Road access	-	-	-
Septic loans	-	-	-
Ditches	-	-	-
MIECHV grant	-	-	24,418
Sandstone training center	7,272	-	-
DUI forfeitures	595	-	-
County relief funds	-	-	-
Opioid remediation	-	-	-
Family resource center	-	-	122,972
Project lifesaver	200	-	-
Statewide affordable housing	143,999	-	-
Committed			
Parks and recreation	-	-	-
Blight cleanup	-	-	-
Timber development	-	-	-
Assigned			
Sheriff's chaplain corps	2,500	-	-
UHC implementation	6,622	-	-
Human services	-	-	3,435,327
Health	-	-	492,189
Highways and streets	-	6,974,601	-
Conservation of natural resources	-	-	-
Jail	305,849	-	-
Capital projects	-	-	-
Unassigned	7,617,918	-	-
Total Fund Balances	**$ 9,277,556**	**$ 7,601,673**	**$ 4,086,480**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 11,269,012**	**$ 10,906,259**	**$ 5,076,720**

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

Land Management	Clean Water Partnership Program	COVID-19 Relief	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ -	$ -	$ -	$ -	$ -	$ 627,072
-	-	-	-	-	37,129
758	-	-	-	-	324,356
-	-	-	-	-	15,395
-	-	-	-	-	152
-	-	-	-	-	147,577
-	-	-	-	-	45,782
-	-	-	1,625,571	2,040,461	3,666,032
-	-	-	-	-	40,360
-	-	-	-	-	326,343
-	-	-	-	-	66,798
-	-	-	-	-	85,478
-	-	-	-	-	56
-	-	-	-	-	2,408
-	-	-	-	-	66,436
-	-	-	-	-	18,651
-	-	-	-	-	28,012
71,022	-	-	-	-	71,022
-	542,243	-	-	-	542,243
-	-	-	-	32,423	32,423
-	-	-	-	-	24,418
-	-	-	-	-	7,272
-	-	-	-	-	595
-	-	39,841	-	-	39,841
-	-	-	-	505,695	505,695
-	-	-	-	-	122,972
-	-	-	-	-	200
-	-	-	-	-	143,999
834,545	-	-	-	-	834,545
327,529	-	-	-	-	327,529
230,964	-	-	-	-	230,964
-	-	-	-	-	2,500
-	-	-	-	-	6,622
-	-	-	-	-	3,435,327
-	-	-	-	-	492,189
-	-	-	-	-	6,974,601
1,115,416	-	-	-	-	1,115,416
-	-	-	-	-	305,849
-	-	-	-	414,703	414,703
-	-	-	-	-	7,617,918
$ 2,580,234	**$ 542,243**	**$ 39,841**	**$ 1,625,571**	**$ 2,993,282**	**$ 28,746,880**
$ 4,647,459	**$ 3,058,844**	**$ 832,303**	**$ 1,660,457**	**$ 3,496,100**	**$ 40,947,154**

Exhibit 4

Pine County
Pine City, Minnesota

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position—Governmental Activities
December 31, 2025

Fund balance – total governmental funds (Exhibit 3)		**$ 28,746,880**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		**$ 141,540,740**
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.		**$ 594,731**
Unamortized deferred outflows of resources on refunding bonds are not available resources and, therefore, are not reported in the governmental funds.		**$ 621,448**
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		**$ 5,622,361**
Deferred outflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.		**$ 729,696**
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.		**$ 2,436,586**
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		**$ 7,197,734**
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	$	(14,040,000)
Unamortized premiums on bonds		(751,110)
Minnesota Pollution Control Agency loan payable		(2,883,993)
Software subscriptions liability		(430,180)
Financed purchase payable		(121,806)
Compensated absences		(3,056,795)
Other postemployment benefits liability		(2,684,871)
Net pension liability		(8,317,461)
Long-term liabilities not reported in the governmental funds		**$ (32,286,216)**
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		**$ (170,479)**
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.		**$ (9,522,255)**
Deferred inflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.		**$ (1,081,024)**
Net Position of Governmental Activities (Exhibit 1)		**$ 144,430,202**

Exhibit 5

Pine County
Pine City, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2025

	General	Road and Bridge	Health and Human Services
Revenues			
Taxes	$ 13,964,314	$ 4,224,791	$ 4,017,327
Special assessments	7,120	-	-
Licenses and permits	163,200	34,943	10,500
Intergovernmental	6,585,819	17,683,455	7,789,034
Charges for services	2,220,446	183,296	715,477
Fines and forfeits	5,532	-	-
Gifts and contributions	110,672	-	119,416
Investment earnings	837,005	-	2,369
Miscellaneous	510,058	43,382	89,704
Total Revenues	**$ 24,404,166**	**$ 22,169,867**	**$ 12,743,827**
Expenditures			
Current			
General government	$ 8,456,630	$ -	$ -
Public safety	14,545,124	-	-
Highways and streets	-	11,799,641	-
Sanitation	540,484	-	-
Human services	-	-	11,060,083
Health	-	-	1,977,961
Culture and recreation	30,000	-	-
Conservation of natural resources	464,931	-	-
Economic development	467,151	-	-
Intergovernmental			
Highways and streets	-	641,199	-
Culture and recreation	393,322	-	-
Capital outlay			
Public safety	628,178	-	-
Debt service			
Principal	280,234	-	-
Interest	13,450	-	-
Administrative charges	-	-	-
Total Expenditures	**$ 25,819,504**	**$ 12,440,840**	**$ 13,038,044**
Excess of Revenues Over (Under) Expenditures	**$ (1,415,338)**	**$ 9,729,027**	**$ (294,217)**
Other Financing Sources (Uses)			
Transfers in	$ 1,338,351	$ -	$ -
Transfers out	(23,646)	-	-
Proceeds from Minnesota Pollution Control Agency loan	-	-	-
Issuance of software subscriptions	355,854	-	-
Financed purchase issued	149,624	-	-
Proceeds from sale of capital assets	-	29,663	-
Total Other Financing Sources (Uses)	**$ 1,820,183**	**$ 29,663**	**$ -**
Net Change in Fund Balances	**$ 404,845**	**$ 9,758,690**	**$ (294,217)**
Fund Balances – January 1	**8,872,711**	**(1,988,637)**	**4,380,697**
Increase (decrease) in inventories	**-**	**(168,380)**	**-**
Fund Balances – December 31	**$ 9,277,556**	**$ 7,601,673**	**$ 4,086,480**

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

Land Management	Clean Water Partnership Program	COVID-19 Relief	General Obligation Courthouse Bond	Other Governmental Funds	Total
$ -	$ -	$ -	$ 996,418	$ 1,589,702	$ 24,792,552
-	306,502	-	-	-	313,622
-	-	-	-	-	208,643
41,383	-	1,116,691	17,022	703,579	33,936,983
-	150	-	-	-	3,119,369
-	-	-	-	-	5,532
-	-	6,785	-	-	236,873
-	-	-	-	-	839,374
1,206,996	-	14,887	-	135,670	2,000,697
$ 1,248,379	**$ 306,652**	**$ 1,138,363**	**$ 1,013,440**	**$ 2,428,951**	**$ 65,453,645**
$ -	$ -	$ -	$ -	$ 37,156	$ 8,493,786
-	-	1,751	-	-	14,546,875
-	-	-	-	-	11,799,641
-	-	-	-	-	540,484
-	-	6,785	-	57,491	11,124,359
-	-	-	-	-	1,977,961
-	-	-	-	-	30,000
743,010	235,191	-	-	676,420	2,119,552
-	-	129,827	-	-	596,978
-	-	-	-	-	641,199
-	-	-	-	-	393,322
-	-	-	-	-	628,178
-	298,313	-	840,000	1,145,000	2,563,547
-	10,901	-	128,690	281,688	434,729
-	-	-	3,625	10,948	14,573
$ 743,010	**$ 544,405**	**$ 138,363**	**$ 972,315**	**$ 2,208,703**	**$ 55,905,184**
$ 505,369	**$ (237,753)**	**$ 1,000,000**	**$ 41,125**	**$ 220,248**	**$ 9,548,461**
$ -	$ -	$ -	$ 23,646	$ -	$ 1,361,997
(338,351)	-	(1,000,000)	-	-	(1,361,997)
-	215,680	-	-	-	215,680
-	-	-	-	-	355,854
-	-	-	-	-	149,624
-	-	-	-	-	29,663
$ (338,351)	**$ 215,680**	**$ (1,000,000)**	**$ 23,646**	**$ -**	**$ 750,821**
$ 167,018	**$ (22,073)**	**$ -**	**$ 64,771**	**$ 220,248**	**$ 10,299,282**
2,413,216	**564,316**	**39,841**	**1,560,800**	**2,773,034**	**18,615,978**
-	**-**	**-**	**-**	**-**	**(168,380)**
$ 2,580,234	**$ 542,243**	**$ 39,841**	**$ 1,625,571**	**$ 2,993,282**	**$ 28,746,880**

Exhibit 6

Pine County
Pine City, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

Net change in fund balances – total governmental funds (Exhibit 5)	**$**	**10,299,282**
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.		
Deferred inflows of resources – unavailable revenues – December 31	$	7,197,734
Deferred inflows of resources – unavailable revenues – January 1		(5,664,614)
Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	**$**	**1,533,120**
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 and amortization 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	$	6,649,761
Current year depreciation and amortization		(5,527,338)
Total adjustment to the government-wide statements for current year capital asset activity	**$**	**1,122,423**
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.		
Proceeds of new debt		
Loan issued	**$**	**(215,680)**
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	$	1,985,000
Loans payable		298,313
Installment payable		64,497
Total adjustment to the government-wide statements for payments made on long-term liabilities	**$**	**2,347,810**

Pine County
Pine City, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Principal payments on software subscriptions	$	187,919
Software subscriptions issued		(355,854)
Principal payments on financed purchases		27,818
Financed purchases issued		(149,624)
Total adjustment to the government-wide statements for additions and principal payments on financing sources	**$**	**(289,741)**

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	$	39,609
Change in compensated absences		(29,567)
Current year amortization of premiums		133,305
Current year amortization of refunding deferred charge		(103,575)
Change in other postemployment benefits liability		(56,658)
Change in deferred other postemployment benefits outflows of resources		(187,819)
Change in deferred other postemployment benefits inflows of resources		150,985
Change in net pension liability		1,124,624
Change in net pension asset		594,731
Change in deferred pension outflows of resources		(1,358,417)
Change in deferred pension inflows of resources		2,388,321
Change in inventories		(168,380)
Total adjustment to the government-wide statements for other activities not reported in governmental funds	**$**	**2,527,159**
An internal service fund is used by Pine County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statements of activities.	**$**	**631,905**
Change in Net Position of Governmental Activities (Exhibit 2)	**$**	**17,956,278**

Proprietary Funds

Exhibit 7

Pine County
Pine City, Minnesota

Statement of Net Position
Proprietary Fund
December 31, 2025

	Governmental Activities Internal Service Fund
Assets	
Current assets	
Cash and pooled investments	$ 2,504,757
Accounts receivable	1,083
Total Assets	**$ 2,505,840**
Liabilities	
Current liabilities	
Claims payable	**$ 69,254**
Net Position	
Unrestricted	**$ 2,436,586**

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

Exhibit 8

Pine County
Pine City, Minnesota

Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2025

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges for services	$ 4,329,036
Operating Expenses	
Cost of service	3,697,131
Operating Income (Loss)	**$ 631,905**
Net Position – January 1	**1,804,681**
Net Position – December 31	**$ 2,436,586**

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

Exhibit 9

Pine County
Pine City, Minnesota

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2025

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Receipts from internal services provided	$ 4,329,007
Payments to suppliers	(3,833,581)
Net cash provided by (used in) operating activities	**$ 495,426**
Cash and Cash Equivalents at January 1	**2,009,331**
Cash and Cash Equivalents at December 31	**$ 2,504,757**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	**$ 631,905**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	$ (29)
Increase (decrease) in claims payable	(136,450)
Total adjustments	**$ (136,479)**
Net Cash Provided by (Used in) Operating Activities	**$ 495,426**

Fiduciary Funds

Exhibit 10

Pine County
Pine City, Minnesota

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2025

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 87,241	$ 1,702,249
Taxes receivable – delinquent	-	1,118,026
Accounts receivable	-	467
Due from other governments	-	99,407
Total Assets	**$ 87,241**	**$ 2,920,149**
Liabilities		
Accounts payable	$ -	$ 27,112
Due to other governments	-	1,001,192
Total Liabilities	**$ -**	**$ 1,028,304**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 87,241**	**$ 1,891,845**

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

Exhibit 11

Pine County
Pine City, Minnesota

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
December 31, 2025

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions from individuals	$ 900,928	$ 49,731,944
Interest earnings	-	2,369
Payments from the state	-	1,338,016
Payments from other entities	-	1,159,320
Total Additions	**$ 900,928**	**$ 52,231,649**
Deductions		
Payments to the state	$ -	$ 2,243,001
Payments to individuals	-	227,860
Administrative expense	-	154,493
Payments to other entities	-	49,148,836
Beneficiary payments to individuals	873,837	-
Total Deductions	**$ 873,837**	**$ 51,774,190**
Change in Net Position	**$ 27,091**	**$ 457,459**
Net Position – January 1	**60,150**	**1,434,386**
Net Position – December 31	**$ 87,241**	**$ 1,891,845**

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

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, 2025. 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, a jointly-governed organization, and a related organization described in Note 5 – Summary of Significant Deficiencies and Other Items.

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 accounting basis with an economic resource focus, 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. The County does not allocate indirect expenses to functions within the financial statements.

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), the Community Development Block Grant Program (CDBG), 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, collection and distribution of grant funds related to comprehensive watershed management plans, 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.

The 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.

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, except for taxes, which have a 60-day accrual 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 software subscriptions 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 2025 were $837,005.

Pine County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission. The investment in the pool is measured at the net asset value per share provided by the pool.

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 2026 and after.

No allowance for uncollectible receivables has 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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Capital Assets

The County's capital assets consist of property; plant; equipment; infrastructure (roads, bridges, sidewalks, and similar items); and right-to-use assets acquired under software subscription arrangements. 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.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Property, plant, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying asset's estimated useful life or subscription term:

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
Software subscriptions	3-5
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 is reported in the government-wide financial statements. The leave consists of vacation leave, sick leave, compensatory time, and paid time off (PTO) that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. 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.

The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation, compensatory time, sick leave, and PTO. The noncurrent portion consists of the remaining amount of vacation, compensatory time, sick leave, and PTO.

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 that time. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with deferred charges on refunding bonds, pension benefits, and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net 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 associated with revenue received after the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The County also reports deferred inflows of resources associated with pension benefits and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plan

For purposes of measuring the net pension asset, 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. Net pension liability is liquidated through the General Fund and other governmental funds that have personnel services.

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 and amortization, 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 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 – 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, 2025

Basic Financial Statement Accounts	Governmental Activities	Fiduciary Funds	Total
Cash and pooled investments	$ 31,465,759	$ 1,789,490	$ 33,255,249
Change funds	2,575	-	2,575
Total	$ 31,468,334	$ 1,789,490	$ 33,257,824

Cash and Investments	Amount
Deposits	$ 1,310,741
Change funds	2,575
Investments	31,944,508
Total	$ 33,257,824

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 Minn. Stat. § 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 statutes in establishing collateral for its deposits. As of December 31, 2025, the County's deposits were not subject to custodial credit risk.

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) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or 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.

Pine County
Pine City, Minnesota

Interest Rate Risk of Investments as of December 31, 2025

Investment Type	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Federal Home Loan Bank Bonds	01/26/26	$ 199,782
Federal Home Loan Bank Bonds	03/26/26	268,550
Federal Home Loan Bank Bonds	04/28/26	472,369
Federal Home Loan Bank Bonds	05/12/26	497,780
Federal Home Loan Bank Bonds	06/30/26	297,957
Federal Home Loan Bank Bonds	09/30/26	198,126
Federal Home Loan Bank Bonds	10/28/26	397,716
Federal Home Loan Bank Bonds	10/28/26	590,988
Federal Home Loan Bank Bonds	09/10/27	757,680
Total Federal Home Loan Bank Bonds		$ 3,680,948
Federal Home Loan Mortgage Corporation Notes	07/01/30	$ 444,816
Negotiable certificates of deposit		
NelNet	02/17/26	$ 242,290
Bank United	03/19/26	243,390
BMO Harris	04/13/26	147,820
Discover Bank	06/26/26	99,509
Beal Bank	03/31/27	242,922
Capital One NA	05/18/27	243,577
Capital One USA	05/18/27	243,577
Morgan Stanley Bank NA	05/19/27	243,736
Morgan Stanley Private Bank	05/19/27	243,736
Synchrony Bank	08/26/27	243,888
Medallion Bank	08/30/27	243,800
Discover Bank	10/04/27	146,621
1st Financial Bank	11/01/27	247,445
LCA Bank Corporation	12/09/27	246,793
UBS Bank	01/31/28	246,928
Banker's Bank	05/24/28	247,320
BMO Harris	07/13/28	93,841
Forbright	03/07/29	248,719
Instant Savings Bank	09/25/29	243,126
Goldman Sachs Bank USA	11/26/29	224,845
American Express National Bank	02/05/30	248,697
BNY Mellon New York	11/29/30	223,792
Total negotiable certificates of deposit		$ 4,856,372
MAGIC Portfolio	N/A	$ 22,962,372
Total investments		$ 31,944,508

N/A – Not Applicable

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.

Credit Risk of Investments as of December 31, 2025

Investment Type	Credit Rating	Rating Agency	Fair Value
Federal Home Loan Bank Bonds	Aaa/AA+	Moody's/S&P	$ 3,680,948
Federal Home Loan Mortgage Corporation Notes	Aaa/AA+	Moody's/S&P	444,816
Negotiable certificates of deposit	NR	NR	4,856,372
MAGIC Portfolio	N/A	N/A	22,962,372
Total investments			$ 31,944,508

NR – Not Rated
N/A – Not Applicable

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.

As of December 31, 2025, none of Pine County's investments were subject to custodial credit risk.

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. Investments, other than external investment pools, in any one issuer that represent five percent or more of the County's remaining investments are as follows:

Concentration of Credit Risk of Investments as of December 31, 2025

Issuer	Fair Value
Federal Home Loan Bank Bonds	$ 3,680,948

Fair Value Measurement

The County uses fair value measurements to record fair value investments 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.

Investments are categorized based on the inputs to the valuation techniques as follows:

- *Level 1:* Investments are valued using inputs that are based on quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.
- *Level 2:* Investments 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:* Investments are valued using pricing inputs which are unobservable for the asset.

At December 31, 2025, Pine County had the following recurring fair value measurements:

Recurring Fair Value Measurements as of December 31, 2025

Debt Securities Investments by Fair Value Type	December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Federal Home Loan Bank Bonds	$ 3,680,948	$ -	$ 3,680,948	$ -
Federal Home Loan Mortgage Corporation Notes	444,816	-	444,816	-
Negotiable certificates of deposit	4,856,372	-	4,856,372	-
Total Investments Included in the Fair Value Hierarchy	$ 8,982,136	$ -	$ 8,982,136	$ -

Investments Measured at the Net Asset Value (NAV)	December 31, 2025
MAGIC Portfolio	$ 22,962,372

Debt securities classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at NAV. The County invests in this pool for the purpose of the joint investment with other counties to enhance the investment earnings accruing to each member. The County's investments in MAGIC currently consist 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 the redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

Receivables

The County had $2,394,525 in noncurrent special assessments scheduled to be collected beyond one year.

Loans Receivable

The County currently has a contract for deed outstanding with the City of Sandstone for the sale of the John Wright building. On April 18, 2023, the County and the City entered into a new contract for deed to finance the original contract's $50,000 balloon payment due at the end of 2023 into five annual $10,000 payments due on July 1 of each year starting with 2024. 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 – Contract for Deed at December 31, 2025

Year Ending December 31	Principal	Interest
2026	$ 10,000	$ -
2027	10,000	-
2028	10,000	-
Total	$ 30,000	$ -

Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2025

Capital Assets – Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 4,305,389	$ 26,502	$ -	$ 4,331,891
Construction in progress	2,163,483	2,168,302	(4,331,785)	-
Total capital assets not depreciated	$ 6,468,872	$ 2,194,804	$ (4,331,785)	$ 4,331,891
Capital assets depreciated and amortized				
Buildings	$ 30,155,989	$ -	$ -	$ 30,155,989
Building improvements	686,166	-	-	686,166
Machinery and equipment	14,300,438	1,520,802	(218,077)	15,603,163
Intangibles	1,067,578	-	-	1,067,578
Infrastructure	164,911,922	6,787,386	-	171,699,308
Software subscriptions	1,038,084	478,554	-	1,516,638
Total capital assets depreciated and amortized	$ 212,160,177	$ 8,786,742	$ (218,077)	$ 220,728,842
Less: accumulated depreciation and amortization for				
Buildings	$ 12,061,973	$ 743,806	$ -	$ 12,805,779
Building improvements	114,694	27,447	-	142,141
Machinery and equipment	11,635,149	1,047,661	(218,077)	12,464,733
Intangibles	951,482	38,699	-	990,181
Infrastructure	52,935,668	3,326,599	-	56,262,267
Software subscriptions	511,766	343,126	-	854,892
Total accumulated depreciation and amortization	$ 78,210,732	$ 5,527,338	$ (218,077)	$ 83,519,993
Total capital assets depreciated and amortized, net	$ 133,949,445	$ 3,259,404	$ -	$ 137,208,849
Capital Assets, Net	$ 140,418,317	$ 5,454,208	$ (4,331,785)	$ 141,540,740

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities – Depreciation and Amortization	Amount
General government	$ 792,056
Public safety	956,533
Highways and streets	3,705,805
Human services	21,816
Health	24,816
Conservation of natural resources	26,312
Total Depreciation and Amortization Expense – Governmental Activities	$ 5,527,338

Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2025, is as follows:

Interfund Balances as of December 31, 2025

Receivable Fund	Payable Fund	Amount	Description
General Fund	Road and Bridge Special Revenue Fund	$ 2,554	Reimbursements
General Fund	Health and Human Services Special Revenue Fund	42,905	Reimbursements
General Fund	Land Management Special Revenue Fund	248,351	Forfeited tax distribution
General Fund	One Watershed One Plan Special Revenue Fund	10,975	Reimbursements
Total due to General Fund		$ 304,785	
Road and Bridge Special Revenue Fund	General Fund	$ 11,353	Fuel and reimbursements
Road and Bridge Special Revenue Fund	Health and Human Services Special Revenue Fund	535	Reimbursements
Road and Bridge Special Revenue Fund	Land Management Special Revenue Fund	103	Fuel
Total due to Road and Bridge Special Revenue Fund		$ 11,991	
Health and Human Services Special Revenue Fund	General Fund	$ 75	Reimbursements
Total Due To/From Other Funds		$ 316,851	

Interfund Transfers

Interfund transfers for the year ended December 31, 2025, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2025

Fund Transferred From/To	Amount	Transfer Reason
Transfers to General Fund from		
Land Management Special Revenue Fund	$ 248,351	Forfeited tax distribution
Land Management Special Revenue Fund	90,000	Salary reimbursement
COVID-19 Relief Special Revenue Fund	1,000,000	ARPA proceeds
Total transfers to General Fund	$ 1,338,351	
Transfer to General Obligation Courthouse Bond Debt Service Fund from General Fund	23,646	Bond payment
Total Interfund Transfers	$ 1,361,997	

Liabilities

Construction Commitments

The County has active construction projects as of December 31, 2025. The projects include the following:

Active Construction Projects and Other Commitments
As of December 31, 2025

Project Description	Spent-to-Date	Remaining Commitment
Governmental Activities		
Roads and bridges	$ 6,662,359	$ 275,407

Long-Term Debt

Information on individual debt instruments was as follows:

Long-Term Debt as of December 31, 2025

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2025
2015A G.O. Crossover Refunding Bonds	2031	$815,000-$1,595,000	3.00-4.00	$ 13,430,000	$ 6,570,000
2017A G.O. Capital Improvement Plan Bonds	2033	$240,000-$315,000	4.00	3,905,000	2,305,000
2020A G.O. Refunding and Capital Improvement Bonds	2031	$490,000-$785,000	1.00-3.00	8,310,000	5,165,000
2016 Minnesota Pollution Control Agency (MPCA) loans	2030	$49,404-$98,451	2.00	910,564	436,057
2020 Minnesota Pollution Control Agency (MPCA) loans	2034	$104,148	N/A	2,082,950	1,770,508
2024 Minnesota Pollution Control Agency (MPCA) loans	2034	$52,539-$57,898	1.5	772,500*	677,428
Total General Obligation Bonds and Loans Payable				$ 29,411,014	$ 16,923,993
Add: Unamortized premium					751,110
Total General Obligation Bonds and Loans Payable, Net					$ 17,675,103

*The total available for the County to draw down is $750,000. Original issue amount includes $22,500 of interest estimated to be accrued during the project implementation period. As of December 31, 2025, the County had drawn $677,428.

Debt Service Requirements

Debt service requirements at December 31, 2025, were as follows:

Debt Service Requirements as of December 31, 2025

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest	MPCA Loan* Principal	MPCA Loan* Interest
2026	$ 2,065,000	$ 345,178	$ 301,040	$ 8,173
2027	2,135,000	283,528	302,905	6,309
2028	2,205,000	220,809	410,278	15,601
2029	2,280,000	160,103	413,806	12,073
2030	2,350,000	106,140	370,706	8,488
2031-2034	3,005,000	68,470	1,180,329	15,364
Total	$ 14,040,000	$ 1,184,228	$ 2,979,064	$ 66,008

*The repayment schedule includes $72,571 not drawn down at December 31, 2025, and $22,500 of interest estimated to be accrued during the project implementation period.

Software Subscription Liability

The County has entered into several subscription-based information technology arrangements for financing the acquisition of cloud-based licensing for users, cloud-based software to store and manage body cam footage, cloud-based software for automatic license plate readers, and a cloud-based tax billing and collections system. These arrangements are for three to five years. These arrangements have been recorded at the present value of their future minimum software subscription payments as of the inception date.

The future minimum software subscription liabilities and the present value of these minimum payments as of December 31, 2025, were as follows:

Minimum Future Payments Software Subscription Liabilities as of December 31, 2025

Year Ending December 31	Principal	Interest
2026	$ 178,802	$ 15,680
2027	80,800	9,200
2028	83,757	6,243
2029	86,821	3,178
Total	$ 430,180	$ 34,301

Financed Purchases

The County has entered into a finance-purchase arrangement for the acquisition of tasers for the Sheriff's Department that transfers ownership of the underlying asset to the County by the end of the contract. This arrangement is for five years.

The future minimum payments for the financed purchase and the present value of these minimum payments as of December 31, 2025, were as follows:

Minimum Future Payments Financed Purchases Liabilities as of December 31, 2025

Year Ending December 31	Principal	Interest
2026	$ 28,834	$ 4,446
2027	29,886	3,393
2028	30,977	2,303
2029	32,109	1,172
Total	$ 121,806	$ 11,314

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

Governmental Activities

Changes in Long-Term Liabilities for the Year Ended December 31, 2025

Long-Term Liabilities	Beginning Balance	Additions	Deductions/ Adjustments	Ending Balance	Due Within One Year
General obligation bonds	$ 16,025,000	$ -	$ (1,985,000)	$ 14,040,000	$ 2,065,000
Add: unamortized premium	884,415	-	(133,305)	751,110	-
MPCA loans	2,966,626	215,680	(298,313)	2,883,993	301,040
Installment payable	64,497	-	(64,497)	-	-
Software subscription liability	262,245	355,854	(187,919)	430,180	178,802
Financed purchases	-	149,624	(27,818)	121,806	28,834
Compensated absences	3,027,228	29,567*	-	3,056,795	1,310,695
Total Long-Term Liabilities	$ 23,230,011	$ 750,725	$ (2,696,852)	$ 21,283,884	$ 3,884,371

*The change in the compensated absences liability is presented as a net change.

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 has drawn down $2,082,950 on this loan and it is considered fully disbursed. The repayment schedule requires semi-annual installments of $104,148 beginning December 15, 2024.

The Pine County Subsurface Sewage Treatment Systems Project, Series 2024, loan for replacement of non-compliant septic systems was effective through Resolution 2024-44, with an interest rate of 1.5 percent per year. The loans are secured by the general obligation promissory note. The County is authorized to borrow money and issue its general obligation note in an aggregate principal amount not exceeding $750,000. The principal balance of the promissory note, plus the interest, shall be payable in semiannual installments of $58,333, payable on June 15 and December 15 in each year, commencing June 15, 2028. If the full amount of the MPCA loan has not been advanced under the MPCA agreement by June 15, 2028, the MPCA shall, under the provisions of the MPCA agreement, reduce the principal amount of the MPCA loan to an amount equal to the total loan amount. The County has drawn down $677,428 of the loan as of December 31, 2025.

Deferred Inflows of Resources

Unavailable Revenue

Unavailable revenue consists of taxes, loans, special assessments, state-aid highway allotments, state and federal grants, and other revenues not collected soon enough after year-end to pay liabilities of the current period. Unavailable revenue at December 31, 2025, is summarized by fund:

Unavailable Revenue as of December 31, 2025

Governmental Fund	Taxes	Grants	State Aid Highway Allotments	Loans	Other	Total
General Fund	$ 454,302	$ 684	$ -	$ 7,193	$ 30,415	$ 492,594
Special Revenue Funds						
Road and Bridge	76,748	15,427	2,038,632	-	-	2,130,807
Health and Human Services	144,101	-	-	-	-	144,101
Land Management	-	-	-	-	1,805,056	1,805,056
Clean Water Partnership Program	-	-	-	2,505,901	-	2,505,901
Debt Service Funds						
General Obligation Courthouse Bond	34,886	-	-	-	-	34,886
General Obligation Jail Bond	40,774	-	-	-	-	40,774
CIP Project Bond	10,733	-	-	-	-	10,733
Capital Projects Funds						
Governmental Buildings	863	-	-	-	30,000	30,863
Technology Equipment	2,019	-	-	-	-	2,019
Total	$ 764,426	$ 16,111	$ 2,038,632	$ 2,513,094	$ 1,865,471	$ 7,197,734

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, 2023, actuarial valuation, there are 234 active employees electing coverage, 47 active employees waiving coverage, 34 retirees electing coverage, and zero 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.

Total OPEB Liability

The County's OPEB liability was measured as of December 31, 2024, and the total OPEB liability was determined by an actuarial valuation as of December 31, 2023. 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 (FY) ending December 31, 2025, was determined using the following actuarial assumptions and other inputs and applied to all periods included in the measurement, unless otherwise specified:

- The current year inflation rate is 2.50 percent.
- The salary increases are based on the most recently disclosed assumptions for the pension plan in which the employee participates.
- The health care cost trend rate for non-Medicare eligible retirees is 6.90 percent for FY 2024, gradually decreasing over several decades to an ultimate rate of 3.90 percent in FY 2075 and later years. The health care cost trend rate for Medicare eligible retirees is 4.50 percent for medical and 6.10 percent for prescription drug for FY 2024, gradually decreasing over several decades to an ultimate rate of 3.90 percent in FY 2075 and later years.
- The current year discount rate is 4.08 percent. The discount rate is equal to the 20-year municipal bond yield using the Fidelity 20-Year Municipal GO AA Index.

- Mortality rates are based on those used by Public Employees Retirement Association of Minnesota (PERA). General Employees Retirement Plan employees' mortality rates were based on the Pub-2010 mortality tables with projected mortality improvements based on scale MP-2021 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 Public Safety mortality tables with projected mortality improvements based on scale MP-2021 and other adjustments.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2025

OPEB Liability Changes	Amount
Balance as of January 1, 2025	$ 2,628,213
Service cost	$ 138,497
Interest	102,108
Differences between expected and actual experience	13,443
Changes in assumptions	(80,830)
Benefit payments	(116,560)
Net Change in Total OPEB Liability	$ 56,658
Balance as of December 31, 2025	$ 2,684,871

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:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2025

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	3.08%	$ 2,956,842
Current	4.08%	2,684,871
1% Increase	5.08%	2,443,821

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, 2025

Change in Health Care Trend Rate	Non-Medicare Eligible	Medicare Eligible	Total OPEB Liability
1% Decrease	5.90%	3.50%	$ 2,374,319
Current	6.90%	4.50%	2,684,871
1% Increase	7.90%	5.50%	3,053,319

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

For the year ended December 31, 2025, the County recognized OPEB expense of ($19,824). 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, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 355,362	$ 338,655
Changes of assumptions	258,120	742,369
Employer contributions paid subsequent to the measurement date	116,214	-
Total	$ 729,696	$ 1,081,024

The $116,214 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB December 31, 2025

Year Ended December 31	OPEB Expense Amount
2026	$ (36,120)
2027	(46,524)
2028	(93,388)
2029	(123,691)
2030	(125,096)
Thereafter	(42,723)

Changes in Actuarial Methods and Assumptions

The following change in actuarial methods and assumptions occurred in 2025:

- The discount rate was changed from 3.77 percent to 4.08 percent based on updated 20-year municipal bond rates.

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 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 covered. 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 three 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, 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.

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 a maximum of 1.50 percent. The 2025 annual increase was 1.25 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.

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.

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 a maximum of 2.50 percent. The 2025 annual increase was 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. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 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 earned before July 1, 2025, and 2.20 percent of average salary for years of service earned on or after July 1, 2025.

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 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 and disability qualification requirements vary by plan.

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. Correctional Plan member and employer contribution rates increased 1.00 percent and 1.50 percent, respectively, on July 1, 2025.

Member and Employer Required Contribution Rates

Pension Plan	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	6.83%	10.25%

Employer Contributions for the Year Ended December 31, 2025

Pension Plan	Contribution
General Employees Plan	$ 1,155,635
Police and Fire Plan	654,731
Correctional Plan	246,053

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

Pension Costs

General Employees Plan

At December 31, 2025, the County reported a liability of $5,466,106 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.1649 percent. It was 0.1608 percent measured as of June 30, 2024. The County recognized pension expense of ($205,536) 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. This contribution meets the definition of a special funding situation. The County recognized an additional ($20,225) 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, 2025

Total General Employees Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	$ 5,466,106
State of Minnesota's proportionate share of the net pension liability associated with the County.	131,860
Total	$ 5,597,966

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, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 520,800	$ -
Changes in actuarial assumptions	131,701	1,257,732
Difference between projected and actual investment earnings	-	2,175,016
Changes in proportion	235,469	128,003
Contributions paid to PERA subsequent to the measurement date	578,722	-
Total	$ 1,466,692	$ 3,560,751

The $578,722 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, 2026. 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, 2025

Year Ended December 31	Pension Expense Amount
2026	$ (653,489)
2027	(940,815)
2028	(689,897)
2029	(388,580)

Police and Fire Plan

At December 31, 2025, the County reported a liability of $2,851,355 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.2434 percent. It was 0.2443 percent measured as of June 30, 2024. The County recognized pension expense of $738,539 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2025. 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. The direct state aid payment will increase by $17.7 million, which began on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110 percent funded for a minimum of three consecutive years. The County recognized an additional $25,923 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 100 percent funded for three consecutive years. The County recognized $21,902 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total Police and Fire Plan Net Pension Liability Associated with the County		Amount
The County's proportionate share of the net pension liability	$	2,851,355
State of Minnesota's proportionate share of the net pension liability associated with the County		98,842
Total	$	2,950,197

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, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,317,417	$ -
Changes in actuarial assumptions	2,162,241	3,572,629
Difference between projected and actual investment earnings	-	1,272,599
Changes in proportion	110,678	189,597
Contributions paid to PERA subsequent to the measurement date	328,494	-
Total	$ 3,918,830	$ 5,034,825

The $328,494 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, 2026. 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, 2025

Year Ended December 31	Pension Expense Amount
2026	$ 652,027
2027	(629,345)
2028	(1,446,596)
2029	(92,463)
2030	71,888

Correctional Plan

At December 31, 2025, the County reported an asset of $594,731 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.8991 percent. It was 0.9249 percent measured as of June 30, 2024. The County recognized pension expense of ($1,161,398) for its proportionate share of the Correctional Plan's pension expense.

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

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 102,892	$ -
Changes in actuarial assumptions	-	389,990
Difference between projected and actual investment earnings	-	497,674
Changes in proportion	-	39,015
Contributions paid to PERA subsequent to the measurement date	133,947	-
Total	$ 236,839	$ 926,679

The $133,947 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, 2026. 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, 2025

Year Ended December 31	Pension Expense Amount
2026	$ (131,717)
2027	(417,288)
2028	(188,601)
2029	(86,181)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2025, was ($628,395).

Actuarial Assumptions

The total pension liability in the June 30, 2025, 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, 2025

Actuarial Assumptions	General Employees Plan	Police and Fire Plan	Correctional Plan
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	7.00%	7.00%	7.00%

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 1.50 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2025, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 29, 2023. The experience study for the Police and Fire Plan and Correctional Plan was dated July 31, 2024. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 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 equity	33.50%	5.10%
International equity	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 7.00 percent in 2025, which remains consistent with 2024. 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, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive 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.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2025:

General Employees Plan

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

Police and Fire Plan

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.

- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

Correctional Plan

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.

- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.

- Actuarial equivalent factors were updated to reflect changes in assumptions

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, 2025

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability (Asset)	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	$ 13,276,314	6.00%	$ 7,471,154	6.00%	$ 1,408,201
Current	7.00%	5,466,106	7.00%	2,851,355	7.00%	(594,731)
1% Increase	8.00%	(869,730)	8.00%	(942,229)	8.00%	(2,189,457)

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. For the year ended December 31, 2025, the total employee and employer contributions were each $7,668, which represents five percent of covered payroll.

Note 3 – 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
- being a member of a bargaining unit that has approved the VEBA plan.

Note 4 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of the MCIT Workers' Compensation, Property and Casualty, and Employee Benefits (for health insurance) Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $1,000,000 per claim in 2025 and 2026. 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 ($3,911,598 for 2025) for the health plan. The County contracts with United Health Care to administer the County's health care benefit claims. Blue Cross and Blue Shield of Minnesota 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.

The December 31, 2025, 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, 2026. Changes in the balances of claims liabilities during 2025 are as follows:

Changes in Claims Liability
For the Years Ended December 31, 2024, and 2025

Claims Liabilities	2025	2024
Unpaid claims, January 1	$ 205,704	$ 186,781
Incurred claims	3,491,457	3,467,105
Claim payments	(3,627,907)	(3,448,182)
Unpaid claims, December 31	$ 69,254	$ 205,704

Note 5 – 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.

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.

Complete financial information can be obtained from East Central Solid Waste Commission, 1756 – 180th Avenue, Mora, Minnesota 55051.

Snake River Watershed Plan Partnership

The Snake Comprehensive Watershed Plan Partnership was established in September 2023, pursuant to Minn. Stat. § 471.59, as a joint powers entity. The parties to this agreement have the responsibility and authority to separately or cooperatively, by joint agreement pursuant to Minn. Stat. § 471.59, to prepare, develop, adopt, implement, and administer a comprehensive local water management plan, or substitute thereof, and carry out implementation actions, programs, and projects toward achievement of goals and objectives of such plans.

The Board consists of one member from the Counties of Aitkin, Kanabec, Mille Lacs and Pine, and the Soil and Water Conservation Districts of Aitkin, Kanabec, Mille Lacs, and Pine. Pine County is the fiscal agent.

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, Crow Wing, 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, Saint 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 Minn. Stat. ch. 268 and § 471.59, consisting of 11 counties in Central Minnesota, including Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, and Wright 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 Saint Paul in Ramsey County and extends north from Ramsey County through Washington, Chisago, Pine, and Carlton Counties to Duluth in Saint Louis County. The Rush Line Corridor consists of the cities, counties, and towns from Saint 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 2025.

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 Saint 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 2025, Pine County elected not to pay a contribution and decided not to be a voting member of the 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 Saint Louis and the Cities of Duluth, Hibbing, International Falls, and Virginia, along with three tribes including the Grand Portage Band of Chippewa, Leech Lake Band of Ojibwe, and Mille Lacs Band of Ojibwe. Control of the Northeast Minnesota Emergency Communications Board is vested in a Board of Directors composed of one County Commissioner from each of the member counties, one City Councilor from each of the member cities, and one tribal member. 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.

Saint 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 $458 in contributions in 2025.

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 2025.

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 2025 were $392,122.

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.

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. There were no related party transactions for per diems and mileage in 2025.

Tax-Forfeited Land

The County manages approximately 38,031 acres of state-owned, tax-forfeited land with an estimated market value for 2025 of $46,805,600. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

Required Supplementary Information

Exhibit A-1

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 14,293,761	$ 14,293,761	$ 13,964,314	$ (329,447)
Special assessments	6,650	6,650	7,120	470
Licenses and permits	182,816	182,816	163,200	(19,616)
Intergovernmental	5,594,127	5,935,914	6,585,819	649,905
Charges for services	2,033,889	2,139,889	2,220,446	80,557
Fines and forfeits	18,000	18,000	5,532	(12,468)
Gifts and contributions	106,500	106,500	110,672	4,172
Investment earnings	450,000	450,000	837,005	387,005
Miscellaneous	542,800	551,550	510,058	(41,492)
Total Revenues	**$ 23,228,543**	**$ 23,685,080**	**$ 24,404,166**	**$ 719,086**
Expenditures				
Current				
General government				
Commissioners	$ 294,703	$ 294,703	$ 284,729	$ 9,974
Courts	70,600	120,600	160,786	(40,186)
Law library	29,000	29,000	35,122	(6,122)
County auditor	959,583	854,583	913,666	(59,083)
County assessor	1,090,526	1,090,526	1,076,485	14,041
Elections	60,485	60,485	32,792	27,693
Data processing	1,166,854	1,166,854	898,346	268,508
Central services	34,000	34,000	41,601	(7,601)
Administrator	625,355	680,355	684,702	(4,347)
Attorney	1,712,258	1,712,258	1,713,823	(1,565)
Contracted legal services	20,000	20,000	17,600	2,400
Recorder	416,583	416,583	403,656	12,927
Planning and zoning	396,330	396,330	531,170	(134,840)
Buildings and plant	830,577	830,577	828,145	2,432
Veterans service officer	163,433	163,433	173,339	(9,906)
Victim services	108,484	108,484	108,961	(477)
Other general government	516,652	516,652	551,707	(35,055)
Total general government	**$ 8,495,423**	**$ 8,495,423**	**$ 8,456,630**	**$ 38,793**
Public safety				
Sheriff	$ 7,249,463	$ 7,353,213	$ 7,264,529	$ 88,684
Federal forfeitures	-	-	3,000	(3,000)
Sandstone range training center	1,500	1,500	361	1,139
Federal boat and water safety enforcement	9,000	9,000	3,094	5,906
Court security	162,768	162,768	143,266	19,502
Boat and water safety	4,423	4,423	5,518	(1,095)
Coroner	65,500	65,500	64,500	1,000
E-911 system	204,000	204,000	286,583	(82,583)
County jail	5,072,054	5,072,054	5,198,560	(126,506)
Probation and parole	1,363,842	1,363,842	1,365,619	(1,777)
Civil defense	126,609	126,609	125,178	1,431
Other public safety	108,185	108,185	84,916	23,269
Total public safety	**$ 14,367,344**	**$ 14,471,094**	**$ 14,545,124**	**$ (74,030)**

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

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	$ -	$ -	$ 204	$ (204)
Recycling	539,101	551,101	540,280	10,821
Total sanitation	**$ 539,101**	**$ 551,101**	**$ 540,484**	**$ 10,617**
Culture and recreation				
Historical society	**$ 30,000**	**$ 30,000**	**$ 30,000**	**$ -**
Conservation of natural resources				
County extension	$ 241,372	$ 241,372	$ 237,529	$ 3,843
Soil and water conservation	91,649	91,649	91,649	-
Agricultural society/County fair	10,000	10,000	10,000	-
Aquatic invasive species	117,729	117,729	125,753	(8,024)
Total conservation of natural resources	**$ 460,750**	**$ 460,750**	**$ 464,931**	**$ (4,181)**
Economic development				
Economic development	**$ -**	**$ 341,787**	**$ 467,151**	**$ (125,364)**
Intergovernmental				
Culture and recreation				
Regional Library	**$ 393,922**	**$ 393,922**	**$ 393,322**	**$ 600**
Capital outlay				
Public safety	**$ -**	**$ -**	**$ 628,178**	**$ (628,178)**
Debt service				
Principal	$ -	$ -	$ 280,234	$ (280,234)
Interest	-	-	13,450	(13,450)
Total debt service	**$ -**	**$ -**	**$ 293,684**	**$ (293,684)**
Total Expenditures	**$ 24,286,540**	**$ 24,744,077**	**$ 25,819,504**	**$ (1,075,427)**
Excess of Revenues Over (Under) Expenditures	**$ (1,057,997)**	**$ (1,058,997)**	**$ (1,415,338)**	**$ (356,341)**

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

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Other Financing Sources (Uses)				
Transfers in	$ 1,090,000	$ 1,090,000	$ 1,338,351	$ 248,351
Transfers out	(23,646)	(23,646)	(23,646)	-
Issuance of software subscriptions	-	-	355,854	355,854
Financed purchase issued	-	-	149,624	149,624
Total Other Financing Sources (Uses)	**$ 1,066,354**	**$ 1,066,354**	**$ 1,820,183**	**$ 753,829**
Net Change in Fund Balance	**$ 8,357**	**$ 7,357**	**$ 404,845**	**$ 397,488**
Fund Balance – January 1	**8,872,711**	**8,872,711**	**8,872,711**	**-**
Fund Balance – December 31	**$ 8,881,068**	**$ 8,880,068**	**$ 9,277,556**	**$ 397,488**

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

Exhibit A-2

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 3,989,021	$ 3,989,021	$ 4,224,791	$ 235,770
Licenses and permits	40,000	40,000	34,943	(5,057)
Intergovernmental	7,325,738	7,325,738	17,683,455	10,357,717
Charges for services	252,250	252,250	183,296	(68,954)
Miscellaneous	90,300	90,300	43,382	(46,918)
Total Revenues	**$ 11,697,309**	**$ 11,697,309**	**$ 22,169,867**	**$ 10,472,558**
Expenditures				
Current				
Highways and streets				
Administration	$ 430,965	$ 430,965	$ 446,355	$ (15,390)
Engineering/construction	6,088,014	6,088,014	6,326,517	(238,503)
Maintenance/equipment	2,854,292	2,854,292	2,804,380	49,912
Equipment repair and shop	2,379,354	2,379,354	2,214,979	164,375
Unallocated – highways and streets	9,684	9,684	7,410	2,274
Total highways and streets	**$ 11,762,309**	**$ 11,762,309**	**$ 11,799,641**	**$ (37,332)**
Intergovernmental				
Highways and streets	-	-	641,199	(641,199)
Total Expenditures	**$ 11,762,309**	**$ 11,762,309**	**$ 12,440,840**	**$ (678,531)**
Excess of Revenues Over (Under) Expenditures	**$ (65,000)**	**$ (65,000)**	**$ 9,729,027**	**$ 9,794,027**
Other Financing Sources (Uses)				
Transfers in	$ 65,000	$ 65,000	$ -	$ (65,000)
Proceeds from sale of capital assets	-	-	29,663	29,663
Total Other Financing Sources (Uses)	**$ 65,000**	**$ 65,000**	**$ 29,663**	**$ (35,337)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 9,758,690**	**$ 9,758,690**
Fund Balance – January 1	**(1,988,637)**	**(1,988,637)**	**(1,988,637)**	**-**
Increase (decrease) in inventories	**-**	**-**	**(168,380)**	**(168,380)**
Fund Balance – December 31	**$ (1,988,637)**	**$ (1,988,637)**	**$ 7,601,673**	**$ 9,590,310**

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

Exhibit A-3

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
Health and Human Services Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 4,112,993	$ 4,112,993	$ 4,017,327	$ (95,666)
Licenses and permits	13,000	13,000	10,500	(2,500)
Intergovernmental	7,693,389	7,712,889	7,789,034	76,145
Charges for services	1,171,500	1,171,500	715,477	(456,023)
Gifts and contributions	4,200	4,200	119,416	115,216
Investment earnings	700	700	2,369	1,669
Miscellaneous	96,450	96,450	89,704	(6,746)
Total Revenues	**$ 13,092,232**	**$ 13,111,732**	**$ 12,743,827**	**$ (367,905)**
Expenditures				
Current				
Human services				
Income maintenance	$ 3,929,226	$ 3,929,226	$ 3,714,129	$ 215,097
Social services	7,450,783	7,470,283	7,345,954	124,329
Total human services	**$ 11,380,009**	**$ 11,399,509**	**$ 11,060,083**	**$ 339,426**
Health				
Nursing services	$ 781,063	$ 781,063	$ 789,141	$ (8,078)
Women, infants, and children	213,961	213,961	220,939	(6,978)
Maternal and child health	514,982	514,982	497,286	17,696
Environmental health	32,372	32,372	46,293	(13,921)
Health education	360,126	360,126	415,140	(55,014)
COVID relief	59,755	59,755	9,162	50,593
Total health	**$ 1,962,259**	**$ 1,962,259**	**$ 1,977,961**	**$ (15,702)**
Total Expenditures	**$ 13,342,268**	**$ 13,361,768**	**$ 13,038,044**	**$ 323,724**
Net Change in Fund Balance	**$ (250,036)**	**$ (250,036)**	**$ (294,217)**	**$ (44,181)**
Fund Balance – January 1	**4,380,697**	**4,380,697**	**4,380,697**	**-**
Fund Balance – December 31	**$ 4,130,661**	**$ 4,130,661**	**$ 4,086,480**	**$ (44,181)**

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

Exhibit A-4

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
Land Management Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental	$ 43,406	$ 43,406	$ 41,383	$ (2,023)
Miscellaneous	721,842	721,842	1,206,996	485,154
Total Revenues	**$ 765,248**	**$ 765,248**	**$ 1,248,379**	**$ 483,131**
Expenditures				
Current				
Conservation of natural resources				
Land use	$ 553,737	$ 553,737	$ 617,245	$ (63,508)
Other conservation	121,511	121,511	125,765	(4,254)
Total Expenditures	**$ 675,248**	**$ 675,248**	**$ 743,010**	**$ (67,762)**
Excess of Revenues Over (Under) Expenditures	**$ 90,000**	**$ 90,000**	**$ 505,369**	**$ 415,369**
Other Financing Sources (Uses)				
Transfers out	90,000	(90,000)	(338,351)	(248,351)
Net Change in Fund Balance	**$ 180,000**	**$ -**	**$ 167,018**	**$ 167,018**
Fund Balance – January 1	**2,413,216**	**2,413,216**	**2,413,216**	**-**
Fund Balance – December 31	**$ 2,593,216**	**$ 2,413,216**	**$ 2,580,234**	**$ 167,018**

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

Exhibit A-5

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
Clean Water Partnership Program Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Special assessments	$ -	$ 280,250	$ 306,502	$ 26,252
Charges for services	-	-	150	150
Total Revenues	**$ -**	**$ 280,250**	**$ 306,652**	**$ 26,402**
Expenditures				
Current				
Conservation of natural resources				
Septic system upgrades	**$ -**	**$ 244,455**	**$ 235,191**	**$ 9,264**
Debt service				
Principal	$ -	$ 239,740	$ 298,313	$ (58,573)
Interest	-	40,510	10,901	29,609
Total debt service	**$ -**	**$ 280,250**	**$ 309,214**	**$ (28,964)**
Total Expenditures	**$ -**	**$ 524,705**	**$ 544,405**	**$ (19,700)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ (244,455)**	**$ (237,753)**	**$ 6,702**
Other Financing Sources (Uses)				
Proceeds from Minnesota Pollution Control Agency loan	-	244,455	215,680	(28,775)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (22,073)**	**$ (22,073)**
Fund Balance – January 1	**564,316**	**564,316**	**564,316**	**-**
Fund Balance – December 31	**$ 564,316**	**$ 564,316**	**$ 542,243**	**$ (22,073)**

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

Exhibit A-6

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
COVID-19 Relief Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Intergovernmental	$ 135,715	$ 135,715	$ 1,116,691	$ 980,976
Gifts and contributions	-	-	6,785	6,785
Miscellaneous	-	-	14,887	14,887
Total Revenues	**$ 135,715**	**$ 135,715**	**$ 1,138,363**	**$ 1,002,648**
Expenditures				
Current				
Public safety				
Sheriff's office	**$ -**	**$ -**	**$ 1,751**	**$ (1,751)**
Human services				
Social services	**$ -**	**$ -**	**$ 6,785**	**$ (6,785)**
Economic development				
Personal services	$ 135,715	$ 135,715	$ 127,829	$ 7,886
Other economic development	-	-	1,998	(1,998)
Total economic development	**$ 135,715**	**$ 135,715**	**$ 129,827**	**$ 5,888**
Total Expenditures	**$ 135,715**	**$ 135,715**	**$ 138,363**	**$ (2,648)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 1,000,000**	**$ 1,000,000**
Other Financing Sources (Uses)				
Transfers out	-	-	(1,000,000)	(1,000,000)
Net Change in Fund Balance	**$ -**	**$ -**	**$ -**	**$ -**
Fund Balance – January 1	**39,841**	**39,841**	**39,841**	**-**
Fund Balance – December 31	**$ 39,841**	**$ 39,841**	**$ 39,841**	**$ -**

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

Exhibit A-7

Pine County
Pine City, Minnesota

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 138,497	$ 128,295	$ 177,068	$ 198,232
Interest	102,108	115,429	65,514	63,467
Differences between expected and actual experience	13,443	(451,972)	13,243	604,731
Changes of assumption or other inputs	(80,830)	175,795	(801,611)	(357,213)
Benefit payments	(116,560)	(122,284)	(109,450)	(92,295)
Net change in total OPEB liability	**$ 56,658**	**$ (154,737)**	**$ (655,236)**	**$ 416,922**
Total OPEB Liability – Beginning	**2,628,213**	**2,782,950**	**3,438,186**	**3,021,264**
Total OPEB Liability – Ending	**$ 2,684,871**	**$ 2,628,213**	**$ 2,782,950**	**$ 3,438,186**
Covered-employee payroll	$ 20,460,710	$ 18,596,769	$ 17,970,792	$ 17,151,705
Total OPEB liability (asset) as a percentage of covered-employee payroll	13.12%	14.13%	15.49%	20.05%

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

Exhibit A-8

Pine County
Pine City, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2025

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 (%)
2025	0.1649	$ 5,466,106	$ 131,860	$ 5,597,966	$ 14,938,933	36.59	90.78
2024	0.1608	5,945,860	153,748	6,099,608	13,601,677	43.71	89.08
2023	0.1590	8,891,102	245,122	9,136,224	12,642,520	70.33	83.10
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

The measurement date for each year is June 30.

Exhibit A-9

Pine County
Pine City, Minnesota

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2025

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) (%)
2025	$ 1,155,635	$ 1,155,635	$ -	$ 15,411,770	7.50
2024	1,072,483	1,072,483	-	14,299,943	7.50
2023	972,988	972,988	-	12,973,173	7.50
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

The County's year-end is December 31.

Exhibit A-10

Pine County
Pine City, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2025

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 (%)
2025	0.2434	$ 2,851,355	$ 98,842	$ 2,950,197	$ 3,693,403	77.20	91.78
2024	0.2443	3,214,345	122,530	3,336,875	3,383,249	95.01	90.17
2023	0.2482	4,286,091	172,648	4,458,739	3,259,921	131.48	86.47
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

The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-11

Pine County
Pine City, Minnesota

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2025

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) (%)
2025	$ 654,731	$ 654,731	$ -	$ 3,699,471	17.70
2024	639,046	639,046	-	3,610,429	17.70
2023	575,630	575,630	-	3,252,147	17.70
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

The County's year-end is December 31.

Exhibit A-12

Pine County
Pine City, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025

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 (%)
2025	0.8991	$ (594,731)	$ 2,457,290	(24.20)	105.18
2024	0.9249	281,880	2,306,753	12.22	97.54
2023	0.9524	430,532	2,233,280	19.28	95.94
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

The measurement date for each year is June 30.

Exhibit A-13

Pine County
Pine City, Minnesota

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025

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) (%)
2025	$ 246,053	$ 246,053	$ -	$ 2,588,018	9.51
2024	208,873	208,873	-	2,387,120	8.75
2023	193,449	193,449	-	2,210,846	8.75
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

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, 2025

Note 1 – Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except for the Ditch, Opioid Settlement, and One Watershed One Plan Special Revenue Funds, and the Governmental Buildings and Technology Equipment 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, 2025:

Excess of Expenditures Over Appropriations

Fund	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Courts	$ 160,786	$ 120,600	$ 40,186
Law library	35,122	29,000	6,122
County auditor	913,666	854,583	59,083
Central services	41,601	34,000	7,601
Administrator	684,702	680,355	4,347
Attorney	1,713,823	1,712,258	1,565
Planning and zoning	531,170	396,330	134,840
Veterans service officer	173,339	163,433	9,906
Victim services	108,961	108,484	477
Other general government	551,707	516,652	35,055
Public safety			
Federal forfeitures	3,000	-	3,000
Boat and water safety	5,518	4,423	1,095
E-911 system	286,583	204,000	82,583
County jail	5,198,560	5,072,054	126,506
Probation and parole	1,365,619	1,363,842	1,777
Sanitation			
Solid waste	204	-	204
Conservation of natural resources			
Aquatic invasive species	125,753	117,729	8,024
Economic development			
Economic development	467,151	341,787	125,364
Capital outlay			
Public safety	628,178	-	628,178
Debt service			
Principal	280,234	-	280,234
Interest	13,450	-	13,450
Road and Bridge Special Revenue Fund	12,440,840	11,762,309	678,531
Land Management Special Revenue Fund	743,010	675,248	67,762
Clean Water Partnership Program Special Revenue Fund	544,405	524,705	19,700
COVID-19 Relief Special Revenue Fund	138,363	135,715	2,648

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 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 for fiscal year December 31:

2025

- The discount rate was changed from 3.77 percent to 4.08 percent based on updated 20-year municipal bond rates.

2024

- The discount rate was changed from 4.05 percent to 3.77 percent based on updated 20-year municipal bond rates.
- Medical per capital claims costs were updated to reflect recent experience.
- Withdrawal, retirement, mortality, and salary increase rates were updated from the rates used in the July 1, 2021, PERA General Employees Plan valuation to the rates used in the 2023 experience study.
- Mortality rates were updated from the rates used in the July 1, 2021, PERA Police and Fire Plan and July 1, 2021, PERA Correctional Plan valuations to the rates used in the July 1, 2023, valuations.
- The percent of future non-Medicare eligible retirees other than Teamsters deputies electing each medical plan changed to reflect recent plan experience. The following table provides the changes for the assumed percent electing each plan:

Assumed Percent Electing Each Medical Plan

Medical Plan	Fiscal 2024 Valuation	Fiscal 2023 Valuation
CMM $1500	25%	45%
HAS	70%	50%
VEBA	5%	5%

- The general inflation assumption was changed from 2.25 percent to 2.50 percent based on an updated analysis of historical inflation rates and forward-looking market expectations.
- The wage inflation and payroll growth assumption was changed from 3.00 percent to 3.25 percent based on an updated analysis of historical rates and forward-looking market expectations and the July 1, 2023, PERA valuations, adjusted for inflation.

2023

- The discount rate was changed from 1.84 percent to 4.05 percent based on updated 20-year municipal bond rates.

2022

- The discount rate was changed from 2.00 percent to 1.84 percent based on updated 20-year municipal bond rates.
- Health care 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.

2021

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

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 Employees 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.

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.

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

2025

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.

- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.

- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.

- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.

- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.

- Assumed rates of withdrawal were increased for both males and females.

- Assumed rates of disability were decreased.

- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.

- Minor changes to form of payment assumptions were applied for male and female retirees.

- Minor changes to assumptions were made with respect to missing participant data.

- The workers' compensation offset for disability benefits was eliminated.

- The actuarial equivalent factors were updated to reflect changes in assumptions.

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.

- A one-time direct state aid contribution of $170.1 million occurred on October 1, 2023.

- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.
- 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.
- 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

2025

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).

- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).

- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.

- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024

- The state contribution of $9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.

- The additional $9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.40 percent to 7.00 percent.

- A one-time direct state aid contribution of $19.4 million occurred on October 1, 2023.

- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.

- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.

- A total and permanent duty disability benefit was added effective July 1, 2023.

2022

- 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.

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 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.

- 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

2025

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.
- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions.

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of $5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

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.

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.

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

Combining and Individual Fund Financial Statements

Exhibit B-1

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
General Obligation Courthouse Bond Debt Service Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 1,020,499	$ 1,020,499	$ 996,418	$ (24,081)
Intergovernmental	-	-	17,022	17,022
Total Revenues	**$ 1,020,499**	**$ 1,020,499**	**$ 1,013,440**	**$ (7,059)**
Expenditures				
Debt service				
Principal	$ 840,000	$ 840,000	$ 840,000	$ -
Interest	128,690	128,690	128,690	-
Administrative charges	4,000	4,000	3,625	375
Total Expenditures	**$ 972,690**	**$ 972,690**	**$ 972,315**	**$ 375**
Excess of Revenues Over (Under) Expenditures	**$ 47,809**	**$ 47,809**	**$ 41,125**	**$ (6,684)**
Other Financing Sources (Uses)				
Transfers in	23,646	23,646	23,646	-
Net Change in Fund Balance	**$ 71,455**	**$ 71,455**	**$ 64,771**	**$ (6,684)**
Fund Balance – January 1	**1,560,800**	**1,560,800**	**1,560,800**	**-**
Fund Balance – December 31	**$ 1,632,255**	**$ 1,632,255**	**$ 1,625,571**	**$ (6,684)**

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.

The One Watershed One Plan Fund accounts for the collection and distribution of grant funds related to comprehensive watershed management plans for the Kettle River/Upper Saint Croix and Snake River watersheds.

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.

Exhibit B-2

Pine County
Pine City, Minnesota

Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2025

	Ditch Special Revenue	Opioid Settlement Special Revenue	One Watershed One Plan Special Revenue
Assets			
Cash and investments	$ 32,423	$ 505,820	$ 403,564
Taxes receivable			
Delinquent	-	-	-
Loans receivable	-	-	-
Total Assets	**$ 32,423**	**$ 505,820**	**$ 403,564**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ -	$ 125	$ -
Due to other funds	-	-	10,975
Due to other governments	-	-	225,688
Unearned revenue	-	-	166,901
Total Liabilities	**$ -**	**$ 125**	**$ 403,564**
Deferred Inflows of Resources			
Unavailable revenue	**$ -**	**$ -**	**$ -**
Fund Balances			
Restricted			
Debt service	$ -	$ -	$ -
Ditches	32,423	-	-
Opioid remediation	-	505,695	-
Assigned			
Capital projects	-	-	-
Total Fund Balances	**$ 32,423**	**$ 505,695**	**$ -**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 32,423**	**$ 505,820**	**$ 403,564**

General Obligation Jail Bond Debt Service	CIP Project Bond Debt Service	Governmental Buildings Capital Projects	Technology Equipment Capital Projects	Total
$ 1,826,696	$ 204,884	$ 196,227	$ 227,303	$ 3,396,917
51,517	13,871	1,093	2,702	69,183
-	-	30,000	-	30,000
$ 1,878,213	**$ 218,755**	**$ 227,320**	**$ 230,005**	**$ 3,496,100**
$ -	$ 5,000	$ 9,740	$ -	$ 14,865
-	-	-	-	10,975
-	-	-	-	225,688
-	-	-	-	166,901
$ -	**$ 5,000**	**$ 9,740**	**$ -**	**$ 418,429**
$ 40,774	**$ 10,733**	**$ 30,863**	**$ 2,019**	**$ 84,389**
$ 1,837,439	$ 203,022	$ -	$ -	$ 2,040,461
-	-	-	-	32,423
-	-	-	-	505,695
-	-	186,717	227,986	414,703
$ 1,837,439	**$ 203,022**	**$ 186,717**	**$ 227,986**	**$ 2,993,282**
$ 1,878,213	**$ 218,755**	**$ 227,320**	**$ 230,005**	**$ 3,496,100**

Exhibit B-3

Pine County
Pine City, Minnesota

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
December 31, 2025

	Ditch Special Revenue	Opioid Settlement Special Revenue	One Watershed One Plan Special Revenue
Revenues			
Taxes	$ -	$ -	$ -
Intergovernmental	-	-	676,420
Miscellaneous	-	125,670	-
Total Revenues	**$ -**	**$ 125,670**	**$ 676,420**
Expenditures			
Current			
General government	$ -	$ -	$ -
Human services	-	57,491	-
Conservation of natural resources	-	-	676,420
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	**$ -**	**$ 57,491**	**$ 676,420**
Net Change in Fund Balances	**$ -**	**$ 68,179**	**$ -**
Fund Balances – January 1	**32,423**	**437,516**	**-**
Fund Balances – December 31	**$ 32,423**	**$ 505,695**	**$ -**

General Obligation Jail Bond Debt Service	CIP Project Bond Debt Service	Governmental Buildings Capital Projects	Technology Equipment Capital Projects	Total
$ 1,154,454	$ 337,240	$ 24,699	$ 73,309	$ 1,589,702
19,722	5,762	420	1,255	703,579
-	-	10,000	-	135,670
$ 1,174,176	**$ 343,002**	**$ 35,119**	**$ 74,564**	**$ 2,428,951**
$ -	$ -	$ 37,156	$ -	$ 37,156
-	-	-	-	57,491
-	-	-	-	676,420
890,000	255,000	-	-	1,145,000
214,900	66,788	-	-	281,688
5,475	5,473	-	-	10,948
$ 1,110,375	**$ 327,261**	**$ 37,156**	**$ -**	**$ 2,208,703**
$ 63,801	**$ 15,741**	**$ (2,037)**	**$ 74,564**	**$ 220,248**
1,773,638	**187,281**	**188,754**	**153,422**	**2,773,034**
$ 1,837,439	**$ 203,022**	**$ 186,717**	**$ 227,986**	**$ 2,993,282**

Exhibit B-4

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
General Obligation Jail Bond Debt Service Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 1,181,705	$ 1,181,705	$ 1,154,454	$ (27,251)
Intergovernmental	-	-	19,722	19,722
Total Revenues	**$ 1,181,705**	**$ 1,181,705**	**$ 1,174,176**	**$ (7,529)**
Expenditures				
Debt service				
Principal	$ 890,000	$ 890,000	$ 890,000	$ -
Interest	214,900	214,900	214,900	-
Administrative charges	2,600	2,600	5,475	(2,875)
Total Expenditures	**$ 1,107,500**	**$ 1,107,500**	**$ 1,110,375**	**$ (2,875)**
Net Change in Fund Balance	**$ 74,205**	**$ 74,205**	**$ 63,801**	**$ (10,404)**
Fund Balance – January 1	**1,773,638**	**1,773,638**	**1,773,638**	**-**
Fund Balance – December 31	**$ 1,847,843**	**$ 1,847,843**	**$ 1,837,439**	**$ (10,404)**

Exhibit B-5

Pine County
Pine City, Minnesota

Budgetary Comparison Schedule
CIP Project Bond Debt Service Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 345,560	$ 345,560	$ 337,240	$ (8,320)
Intergovernmental	-	-	5,762	5,762
Total Revenues	**$ 345,560**	**$ 345,560**	**$ 343,002**	**$ (2,558)**
Expenditures				
Debt service				
Principal	$ 255,000	$ 255,000	$ 255,000	$ -
Interest	66,788	66,788	66,788	-
Administrative charges	2,600	2,600	5,473	(2,873)
Total Expenditures	**$ 324,388**	**$ 324,388**	**$ 327,261**	**$ (2,873)**
Net Change in Fund Balance	**$ 21,172**	**$ 21,172**	**$ 15,741**	**$ (5,431)**
Fund Balance – January 1	**187,281**	**187,281**	**187,281**	**-**
Fund Balance – December 31	**$ 208,453**	**$ 208,453**	**$ 203,022**	**$ (5,431)**

Pine County
Pine City, Minnesota

Fiduciary Funds

Custodial Funds

The Pine County Children, Families, and Learning Services Collaborative Fund accounts for the collection and payment of funds of the Children, Families, 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 EDA/HRA Fund accounts for the collection and distribution of funds for the Pine County Housing and Redevelopment Authority/Economic Development Authority.

The Tax-Forfeited Land Fund accounts for surplus proceeds held for six months after the sale of tax-forfeited land and proceeds from the sale of tax-forfeited land collected by the County to be distributed to local governments within the County.

Exhibit C-1

Pine County
Pine City, Minnesota

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2025

	Pine County Children, Families, and Learning Services Collaborative	State Revenue
Assets		
Cash and pooled investments	$ 150,385	$ 45,455
Taxes receivable – delinquent	-	-
Accounts receivable	-	467
Due from other governments	53,377	-
Total Assets	**$ 203,762**	**$ 45,922**
Liabilities		
Accounts payable	$ -	$ 9,706
Due to other governments	17,684	22,650
Total Liabilities	**$ 17,684**	**$ 32,356**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 186,078**	**$ 13,566**

Taxes and Penalties	East Central Drug and Violent Offenders Task Force	EDA/HRA	Tax-Forfeited Land	Total Custodial Funds
$ 536,500	$ 158,756	$ 110,925	$ 700,228	$ 1,702,249
1,118,026	-	-	-	1,118,026
-	-	-	-	467
-	44,530	1,500	-	99,407
$ 1,654,526	**$ 203,286**	**$ 112,425**	**$ 700,228**	**$ 2,920,149**
$ 16,359	$ -	$ 1,047	$ -	$ 27,112
532,519	52,871	-	375,468	1,001,192
$ 548,878	**$ 52,871**	**$ 1,047**	**$ 375,468**	**$ 1,028,304**
$ 1,105,648	**$ 150,415**	**$ 111,378**	**$ 324,760**	**$ 1,891,845**

Exhibit C-2

Pine County
Pine City, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2025

	Pine County Children, Families, and Learning Services Collaborative	State Revenue
Additions		
Contributions from individuals	$ -	$ 254,432
Interest earnings	2,369	-
Payments from the state	-	48,243
Payments from other entities	175,037	-
Total Additions	**$ 177,406**	**$ 302,675**
Deductions		
Payments to the state	$ 529	$ 262,626
Payments to individuals	-	-
Administrative expense	154,493	-
Payments to other entities	57,757	41,080
Total Deductions	**$ 212,779**	**$ 303,706**
Change in Net Position	**$ (35,373)**	**$ (1,031)**
Net Position – January 1	**221,451**	**14,597**
Net Position - December 31	**$ 186,078**	**$ 13,566**

Taxes and Penalties	East Central Drug and Violent Offenders Task Force	EDA/HRA	Tax-Forfeited Land	Total Custodial Funds
$ 48,929,150	$ -	$ -	$ 548,362	$ 49,731,944
-	-	-	-	2,369
1,095,742	194,031	-	-	1,338,016
531,655	55,160	22,000	375,468	1,159,320
$ 50,556,547	**$ 249,191**	**$ 22,000**	**$ 923,830**	**$ 52,231,649**
$ 1,979,846	$ -	$ -	$ -	$ 2,243,001
62,530	-	-	165,330	227,860
-	-	-	-	154,493
48,349,448	239,673	27,138	433,740	49,148,836
$ 50,391,824	**$ 239,673**	**$ 27,138**	**$ 599,070**	**$ 51,774,190**
$ 164,723	**$ 9,518**	**$ (5,138)**	**$ 324,760**	**$ 457,459**
940,925	**140,897**	**116,516**	**-**	**1,434,386**
$ 1,105,648	**$ 150,415**	**$ 111,378**	**$ 324,760**	**$ 1,891,845**

Other Schedules

Exhibit D-1

Pine County
Pine City, Minnesota

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025

Appropriations and Shared Revenue		
State		
Highway users tax	$	15,169,068
Road gas tax		7,011
Market value credit		381,555
Disparity reduction aid		963
County program aid		2,476,596
Local performance aid		4,245
Police aid		511,610
Out-of-home placement aid		90,145
Local homeless prevention aid		54,016
Statewide affordable housing aid		46,761
Local government cannabis aid		5,454
Casino aid/tribal tax agreement		103,442
Riparian protection aid		46,389
SCORE		103,900
E-911		210,926
Aquatic invasive species aid		117,729
Total appropriations and shared revenue	**$**	**19,329,810**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,518,867**
Payments		
Local		
Payments in lieu of taxes	**$**	**949,175**
Grants		
State		
Minnesota Department of/Board of		
Corrections	$	665,993
Employment and Economic Development		364,912
Health		1,109,594
Natural Resources		711,068
Secretary of State		20,255
Human Services		890,442
Children, Youth, and Families		619,175
Veterans Affairs		10,000
Water and Soil Resources		943,300
Peace Officer Standards and Training Board		36,794
Supreme Court		13,000
Pollution Control Agency		7,457
Total state	**$**	**5,391,990**

Pine County
Pine City, Minnesota

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025

Grants (Continued)		
Federal		
Department of		
Agriculture	$	547,969
Justice		80,626
Transportation		1,786,744
Treasury		1,116,691
Health and Human Services		3,198,926
Homeland Security		16,185
Total federal	**$**	**6,747,141**
Total state and federal grants	**$**	**12,139,131**
Total Intergovernmental Revenue	**$**	**33,936,983**

Exhibit D-2

Pine County
Pine City, Minnesota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

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			
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	$ 181,836
WIC Grants to States (WGS)	10.578	252MN014W5005	1,297
Passed Through Minnesota Department of Children, Youth, and Families			
SNAP Fraud Framework Implementation Grant	10.535	248MN200S8074	120
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN101S2514	84,389
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $364,716)			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN101S2514	280,327
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $364,716)			
Total U.S. Department of Agriculture			**$ 547,969**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2024-PCAO	$ 60,076
Crime Victim Assistance	16.575	F-CVS-2026-PINECO	20,550
(Total Crime Victim Assistance 16.575 $80,626)			
Total U.S. Department of Justice			**$ 80,626**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	1052173	**$ 1,666,374**
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$ 1,116,691**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health			
Public Health Emergency Preparedness	93.069	NU90TU000040	$ 51,579
Early Hearing Detection and Intervention	93.251	H61MC00035	75
COVID-19 – Immunization Cooperative Agreements	93.268	NH23IP922628	1,685
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	5,413
Temporary Assistance for Needy Families	93.558	2501MNTANF	40,713
(Total Temporary Assistance for Needy Families 93.558 $408,304)			
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	5,163
Maternal and Child Health Services Block Grant to the States	93.994	B0452933	38,646

Pine County
Pine City, Minnesota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

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 (Continued)			
Passed Through Minnesota Department of Human Services			
Title IV-E Prevention Program	93.472	2501MNPSGP	1,639
(Total Title IV-E Prevention Program 93.472 $4,404)			
Marylee Allen Promoting Safe and Stable Families Program	93.556	2401MNFPSS	6,534
Temporary Assistance for Needy Families	93.558	2501MNTANF	367,591
(Total Temporary Assistance for Needy Families 93.558 $408,304)			
Child Support Services	93.563	2501MNSCSS	654,409
Child Support Services	93.563	2501MNICSS	72,131
(Total Child Support Services 93.563 $967,341)			
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2501MNRCMA	1,410
CCDF Cluster			
Child Care and Development Block Grant	93.575	2501MNCCDF	15,211
Community-Based Child Abuse Prevention Grants	93.590	2402MNBCAP	6,936
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2401MNCWSS	3,079
Foster Care Title IV-E	93.658	2501MNFOST	83,202
(Total Foster Care Title IV-E 93.658 $182,422)			
Social Services Block Grant	93.667	2501MNSOSR	163,560
(Total Social Services Block Grant 93.667 $196,273)			
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2401MNCILP	200
Children's Health Insurance Program	93.767	2405MN5021	193
Medicaid Cluster			
Grants to States for Medicaid	93.778	2505MN5ADM	1,292,622
Grants to States for Medicaid	93.778	2505MN5MAP	11,436
(Total Grants to States for Medicaid 93.778 $1,304,058)			
Passed Through Minnesota Department of Children, Youth, and Families			
Title IV-E Prevention Program	93.472	2501MNPSGP	2,765
(Total Title IV-E Prevention Program 93.472 $4,404)			
Child Support Services	93.563	2501MNSCSS	218,035
Child Support Services	93.563	2501MNICSS	22,766
(Total Child Support Services 93.563 $967,341)			
Foster Care Title IV-E	93.658	2501MNFOST	99,220
(Total Foster Care Title IV-E 93.658 $182,422)			
Social Services Block Grant	93.667	2501MNSOSR	32,713
(Total Social Services Block Grant 93.667 $196,273)			
Total U.S. Department of Health and Human Services			**$ 3,198,926**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2023-PINECO	**$ (5,373)**
Total Federal Awards			**$ 6,605,213**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2025.

Totals by Cluster

Total expenditures for SNAP Cluster	$ 364,716
Total expenditures for CCDF Cluster	15,211
Total expenditures for Medicaid Cluster	1,304,058

Pine County
Pine City, Minnesota

Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

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 award activity of Pine County under programs of the federal government for the year ended December 31, 2025. 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 of Expenditures of Federal Awards presents only a selected portion of the operations of Pine County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Pine County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting, with recognition criteria following Uniform Guidance. 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. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 2 – De Minimis Cost Rate

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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Reconciling Items		Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	$	6,747,141
Grants received more than 90 days after year-end, considered unavailable revenue in 2025		
Highway Planning and Construction (Assistance Listing Number 20.205)		15,427
Emergency Management Performance Grants (Assistance Listing Number 97.042)		684
Unavailable revenue in 2024, recognized as revenue in 2025		
Highway Planning and Construction (Assistance Listing Number 20.205)		(135,797)
Emergency Management Performance Grants (Assistance Listing Number 97.042)		(22,242)
Expenditures per Schedule of Expenditures of Federal Awards	$	6,605,213

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's 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*

Board of County Commissioners
Pine County
Pine City, Minnesota

We have audited, in accordance with the 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, 2025, 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 15, 2026.

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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A *deficiency in internal control over financial reporting* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001, that we consider to be a material weakness.

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.

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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.

Pine County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Pine County's response to the finding identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 15, 2026

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

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, 2025. 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, 2025.

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.

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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 the 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 the 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 the 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.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on Pine County's response to the noncompliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Pine County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-002 to be a significant deficiency.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Pine County's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Pine County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 15, 2026

Pine County
Pine City, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major federal programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

Identification of the major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

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

Section II – Financial Statement Findings

2025-001 **Audit Adjustment**
Prior Year Finding Number: 2024-001
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Material Weakness

Criteria: 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 of the financial statements on a timely basis. Auditing standards

define a material weakness as 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.

Condition: A material audit adjustment was identified that resulted in a significant change to the County's financial statements.

Context: The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was identified during the audit; however, independent external auditors cannot be considered part of the County's internal control.

Effect: The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: the Land Management Special Revenue Fund required adjustments to decrease cash and surplus proceeds payable by $324,760 and decrease miscellaneous revenue and expenditures by $165,330 to remove activity related to the surplus proceeds from the sale of forfeited land, which are required to be reported in a custodial fund.

Cause: The County informed us that this transaction was missed by County staff during the process for year-end financial reporting due to human error.

Recommendation: We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

View of Responsible Official: Concur

Section III – Federal Award Findings and Questioned Costs

2025-002 Suspension and Debarment
Prior Year Finding Number: N/A
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
Award Number and Year: SLFRP1349; 2021

Pass-Through Agency: N/A – Direct

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish, document, and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300

describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

Condition: For both covered transactions selected for testing, the County did not perform the verification for suspended or debarred vendors prior to entering into the covered transactions.

Questioned Costs: $1,094,066; known questioned costs were determined based on payments to the two vendors tested.

Context: Covered transactions to the two vendors totaled $1,094,066. Both vendors were included in our sample. A subsequent check to SAM.gov did not identify either vendor as suspended or debarred.

Effect: Failure to verify vendors are not suspended, debarred, or otherwise excluded prior to entering into a covered transaction may result in the County entering into a transaction with a vendor that is not authorized to provide goods and services to the grant.

Cause: The County informed us that they believed checks for suspension and debarment were performed, however, were unable to locate the documentation to support this.

Recommendation: We recommend the County maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County; this documentation should be completed prior to entering a covered transaction.

View of Responsible Official: Acknowledge

PINE COUNTY AUDITOR-TREASURER

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

Melissa Berg	320-591-1669	Janice Johnston	320-591-1660
Skeeter Guthrie	320-591-1666	Sully Lucht	320-591-1670
Alison Hughes	320-591-1626	Kathy Reiser	320-591-1664
Cassandra Johnson	320-591-1624	Kelly M. Schroeder	320-591-1668
		Fax	320-591-1671

Representation of Pine County
Pine City, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2025

Finding Number: 2025-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Kelly Schroeder, County Administrator/Interim County Auditor-Treasurer

Corrective Action Planned:

A custodial fund was created for all surplus proceeds from the sale of forfeited land.

Anticipated Completion Date:

August 25, 2026

Finding Number: 2025-002
Finding Title: Suspension and Debarment
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Name of Contact Person Responsible for Corrective Action:

Kelly Schroeder, County Administrator/Interim County Auditor-Treasurer

Corrective Action Planned:

A dedicated folder has been established on the network drive to store all suspension and debarment verification records completed through SAM.gov. Pine County has reviewed all existing vendors receiving federal funds, completed the required checks, and placed the supporting documentation in this folder. Going forward, all new Pine County contracts funded with federal dollars will include a suspension and debarment certification to ensure compliance with federal requirements.

Anticipated Completion Date:

September 1, 2026

PINE COUNTY AUDITOR-TREASURER

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		Fax	320-591-1671

Representation of Pine County
Pine City, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2025

Finding Number: 2024-001
Year of Finding Origination: 2023
Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

Summary of Corrective Action Previously Reported: After the accrual period, all Road and Bridge Fund transactions will thoroughly be reviewed by Auditor-Treasurer staff to ensure appropriate accrual information is reflected in IFS. Additionally, Auditor-Treasurer staff will meet with the Assistant County Engineer and the Road & Bridge Office Manager to annually review the status of projects and payments.

Staff have also worked with the Road & Bridge Office Manager to better understand the project coding which comes in with payments to help identify prior year projects.

Status: Partially Corrected. During the current year under audit, no material audit adjustments were identified in the Road and Bridge Fund. However, a material audit adjustment to the Land Management Fund was identified that would not have been detected utilizing the planned corrective action as it was specific to the Road and Bridge Fund.

Finding Number: 2023-003
Year of Finding Origination: 2023
Finding Title: Suspension and Debarment
Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Summary of Condition: For three covered transactions tested, the County did not perform the verification for suspended or debarred vendors prior to entering into the covered transactions.

Summary of Corrective Action Previously Reported: Prior to payment of any invoices from the COVID-19 funds, a suspension and debarment check will be completed and a copy of which documented. Additionally, any new contracts, if any, that are entered into will have the certification for the vendor included.

Status: Partially corrected. While staff are confident the checks did occur based on a calendar event in Outlook, the documentation of the checks cannot be located.