STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

POLK COUNTY
CROOKSTON, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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POLK COUNTY
CROOKSTON, MINNESOTA

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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CROOKSTON, MINNESOTA

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Introductory Section

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POLK COUNTY
CROOKSTON, MINNESOTA

ORGANIZATION
DECEMBER 31, 2017

		Term Expires
Elected		
Commissioners		
District 1	Gerald Jacobson	January 2021
District 2	Warren Strandell	January 2019
District 3	Gary Willhite	January 2021
District 4	Joan Lee**	January 2019
District 5	Don Diedrich*	January 2021
Attorney	Gregory A. Widseth	January 2019
County Sheriff	Barbara Erdman	January 2019
Appointed		
County Administrator	Charles S. Whiting	Indefinite
County Engineer	Richard Sanders	April 2019
Finance Director	Ron Denison	Indefinite
County Assessor	Mark Landsverk	December 2020
Director of Property Records	Michelle Cote	Indefinite
Veterans Service Officer	Kurtis Ellefson	November 2020
Environmental Services Administrator	Jon Steiner	Indefinite
Medical Examiner	Mary Ann Sens, M.D.	December 2017
Surveyor	Garrett Borowicz	Indefinite
Welfare Board		
Commissioner	Gerald Jacobson	January 2021
Commissioner	Joan Lee	January 2019
Commissioner	Don Diedrich	January 2021
Commissioner	Gary Willhite	January 2021
Lay-Board Member	Paula Waters	July 2019
Lay-Board Member	Cathy Gutterud	July 2018

*Chair for 2017
**Vice Chair for 2017

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of Polk 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 the effectiveness of Polk County's internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Polk County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 25, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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POLK COUNTY
CROOKSTON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)

INTRODUCTION

Polk County's Management's Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $137,364,849, of which Polk County has a net investment in capital assets of $129,347,210, and $5,236,551 is restricted to specific purposes/uses.

- Business-type activities' total net position is $10,881,743. Net investment in capital assets represents $9,021,969.

- Polk County's net position (governmental activities and business-type activities) totals $148,246,632 for the year ended December 31, 2017. Net investment in capital assets represents $138,369,179 of the total, $5,236,551 of the total net position is restricted for specific uses, and $4,640,902 is unrestricted.

- The net cost of Polk County's governmental activities for the year ended December 31, 2017, was $26,561,488. General property tax revenues and other revenue sources totaling $24,134,128 funded the total net cost of $26,561,488.

- Polk County's governmental funds' fund balances increased by $2,653,099. This increase was the result of a combined General Fund balance decrease of $1,668,817, a Road and Bridge Special Revenue Fund balance increase of $638,837, a Social Services Special Revenue Fund balance decrease of $925,800, a Public Safety Special Revenue Fund balance increase of $316,935, a Ditch Debt Service Fund balance decrease of $46,911, a Capital Projects Fund balance increase of $3,567,653 and an increase in other governmental fund's fund balance of $771,202.

- The General Fund balance decreased by $1,668,817. The decrease was due to the planned capital project expenditures totaling $225,144 in the General Fund buildings department. In addition expenditures in the Building Department exceeded budget by about $1,492,000 due to needed remodeling and repairs to buildings. These capital projects were approved by the Board during the year and intended as uses of fund balance.

- The Road and Bridge Special Revenue Fund balance increased by $638,837 due primarily to an excess of revenues over expenditures of $510,484 and an increase in inventories of $126,416.

- The Social Services Special Revenue Fund balance decreased by $925,800 due to excess of expenditures over revenues of $925,800 including a planned use of fund balance for capital items of $286,480.

- The Public Safety Special Revenue Fund balance increased by $316,935, due to excess revenues over expenditures of $316,935. Sheriff's fee collections exceeded budget by about $78,000 due to larger than expected civil process transactions. The Sheriff's total pay and benefits came in under budget by approximately $178,000.

- The Ditch Debt Service Fund balance decreased by $46,911 due to the excess of debt service expenditures over annual revenues from special assessments.

- The Capital Projects Fund is a new fund created for the Solid Waste Expansion – CAP Grant Project. The new fund shows an increase in fund balance of $3,567,653 due primarily to unspent bond proceeds from the $6,810,000 General Obligation Solid Waste Bonds issued in 2017.

- The fund balance as of December 31, 2017 for all other governmental funds increased by $771,202 due to excess of revenues over expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

Polk County's MD&A serves as an introduction to the basic financial statements. Polk County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, the Schedule of Funding Progress - Other Postemployment Benefits, and schedules of the County's proportionate share of net pension liability and of the County's contributions for the defined benefit pension plans are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.

Management's Discussion and Analysis

Government-Wide Financial Statements	Fund Financial Statements
Notes to the Financial Statements	

Required Supplementary Information (Other than Management's Discussion and Analysis)

Polk County presents two government-wide financial statements. They are the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how the County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the government-wide statements by providing information about the most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to the waste management operations and facilities.

Government-Wide Financial Statements--The Statement of Net Position and the Statement of Activities

The government-wide financial statements are designed to provide readers with a broad overview of Polk County's finances in a manner similar to a private-sector business.

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities in a way that helps the reader determine whether its financial condition has improved or declined as a result of the current year's activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full accrual basis of accounting, which is similar to the accounting method used by most private-sector companies.

These two statements consider all of Polk County's current year revenues and expenses regardless of when the County receives the revenue or pays the expenditure. The statements also report the County's net position and changes in it.

You can think of net position--the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources--as one way to measure the County's financial health or financial position. Over time, increases or decreases in the County's net position are an indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the property tax base and the general economic conditions of the State and County, to assess the overall health of Polk County.

In the Statement of Net Position and the Statement of Activities, we divide Polk County into two kinds of activities:

- Governmental activities--Most of the County's basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities.

- Business-type activities--The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Landfill and Resource Recovery.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Polk County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds--Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet - Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Road and Bridge Special Revenue Fund, the Social Services Special Revenue Fund, the Public Safety Special Revenue Fund, the Ditch Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other four Special Revenue Funds and the other two Debt Service Funds are combined into a single, aggregated presentation.

Individual fund data for each of these nonmajor funds is provided in combining statements after the notes to the financial statements.

Polk County adopts annual budgets for its governmental funds, except the Ditch Special Revenue Fund, Ditch Debt Service Fund, Rhinehart Project Debt Service Fund, and Union Lake/Lake Sarah Debt Service Fund. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds--Polk County maintains two proprietary funds. The Landfill Enterprise Fund is used to account for all funds to be used for the maintenance of the sanitary landfill. Funding is derived from user fees and intergovernmental revenue from the State of Minnesota. The Resource Recovery Enterprise Fund is used to account for all funds to be used for the maintenance of the solid waste incinerator and up-front separation. Funding is derived from bond issue proceeds, user fees, and intergovernmental revenue from the State of Minnesota. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the Statement of Net Position and the Statement of Activities as business-type activities. Both of the enterprise funds are considered to be major funds.

Fiduciary Funds--Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organization, other governments, or other funds. Polk County's fiduciary funds consist of one investment trust fund and five agency funds. Investment trust funds are used to account for the investment activities of the other funds that the County holds in a fiduciary capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 37 of this report.

Other Information--In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information.* The County also provides supplementary information including combining statements, budgetary comparison schedules, and a schedule of intergovernmental revenue.

THE COUNTY AS A WHOLE

Polk County's combined net position for the year ended December 31, 2017, was $148,246,632. The analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 41,251,292	$ 34,747,870	$ 6,126,562	$ 5,253,341	$ 47,377,854	$ 40,001,211
Capital assets	145,288,724	146,985,431	9,325,729	5,858,715	154,614,453	152,844,146
Total Assets	$ 186,540,016	$ 181,733,301	$ 15,452,291	$ 11,112,056	$ 201,992,307	$ 192,845,357
Deferred Outflows of Resources						
Deferred pension outflows	$ 8,679,242	$ 12,542,847	$ 462,323	$ 742,115	$ 9,141,565	$ 13,284,962
Liabilities						
Long-term debt outstanding	$ 46,308,491	$ 49,454,648	$ 4,529,383	$ 4,834,394	$ 50,837,874	$ 54,289,042
Other liabilities	3,919,298	2,247,480	230,216	268,600	4,149,514	2,516,080
Total Liabilities	$ 50,227,789	$ 51,702,128	$ 4,759,599	$ 5,102,994	$ 54,987,388	$ 56,805,122
Deferred Inflows of Resources						
Deferred pension inflows	$ 7,397,868	$ 2,781,811	$ 273,232	$ 203,486	$ 7,671,100	$ 2,985,297
Prepaid property taxes	228,752	-	-	-	228,752	-
Total Deferred Inflows of Resources	$ 7,626,620	$ 2,781,811	$ 273,232	$ 203,486	$ 7,899,852	$ 2,985,297
Net Position						
Net investment in capital assets	$ 129,347,210	$ 130,730,234	$ 9,021,969	$ 5,858,715	$ 138,369,179	$ 136,588,949
Restricted	5,236,551	5,177,554	-	-	5,236,551	5,177,554
Unrestricted	2,781,088	3,884,421	1,859,814	688,976	4,640,902	4,573,397
Total Net Position	$ 137,364,849	$ 139,792,209	$ 10,881,783	$ 6,547,691	$ 148,246,632	$ 146,339,900

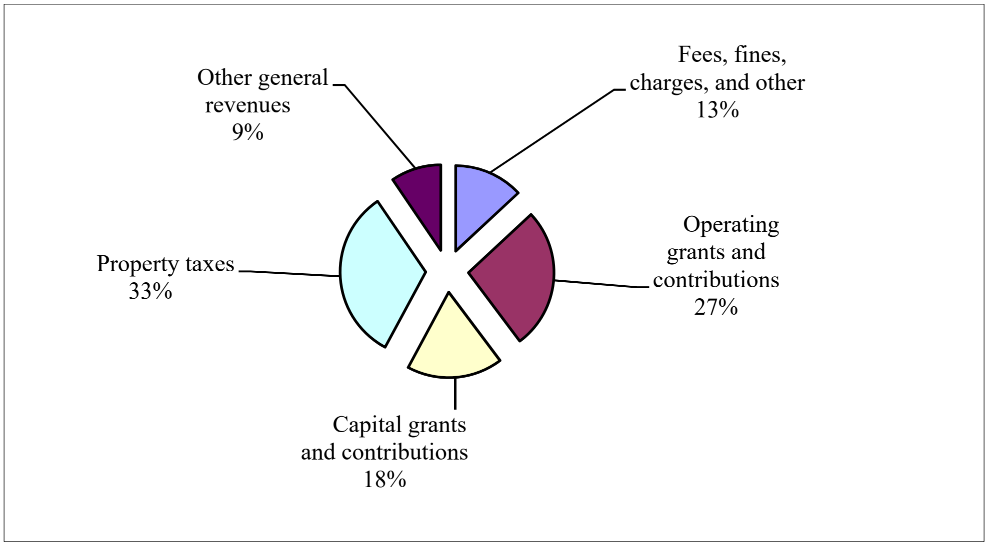
Polk County's total net position for the year ended December 31, 2017, is $148,246,632. Unrestricted net position totaling $4,640,902 is available to finance day-to-day operations. Of the unrestricted net position, $2,781,088 is available for governmental activities, and $1,859,814 is available for business-type activities. As of December 31, 2016, Polk County's total net position was $146,339,900. The $1,906,732 increase is due primarily to the increase in net investment in capital assets.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Fees, fines charges and other	$ 8,436,420	$ 7,027,974	$ 6,688,516	$ 5,376,956	$ 15,124,936	$ 12,404,930
Operating grants and contributions	17,232,616	16,173,010	202,500	-	17,435,116	16,173,010
Capital grants and contributions	11,691,083	5,860,548	-	-	11,691,083	5,860,548
General revenues						
Property taxes	21,069,098	20,788,617	-	-	21,069,098	20,788,617
Other taxes	3,017,570	2,550,846	-	-	3,017,570	2,550,846
Grants and contributions	2,318,215	2,229,875	141,065	12,004	2,459,280	2,241,879
Other general revenues	800,486	95,300	45,233	23,668	845,719	118,968
Total Revenues	$ 64,565,488	$ 54,726,170	$ 7,077,314	$ 5,412,628	$ 71,642,802	$ 60,138,798
Transfers	$ (3,071,241)	$ -	$ 3,071,241	$ -	$ -	$ -
Expenditures						
Program Expenses						
General Government	$ 10,556,212	$ 9,606,004	$ -	$ -	$ 10,556,212	$ 9,606,004
Public Safety	11,825,314	11,296,132	-	-	11,825,314	11,296,132
Highways and Streets	11,658,064	8,619,542	-	-	11,658,064	8,619,542
Sanitation	7,691,175	2,633,676	-	-	7,691,175	2,633,676
Human Services	17,021,528	16,224,791	-	-	17,021,528	16,224,791
Health	2,913,995	2,805,195	-	-	2,913,995	2,805,195
Culture and Recreation	595,889	643,697	-	-	595,889	643,697
Conservation of Natural Resources	1,193,051	846,315	-	-	1,193,051	846,315
Economic Development	10,530	8,630	-	-	10,530	8,630
Interest	455,849	469,690	-	-	455,849	469,690
Resource Recovery	-	-	3,960,334	3,691,597	3,960,334	3,691,597
Landfill	-	-	1,854,129	2,169,909	1,854,129	2,169,909
Total Program Expenses	$ 63,921,607	$ 53,153,672	$ 5,814,463	$ 5,861,506	$ 69,736,070	$ 59,015,178
Increase (Decrease) in Net Position	$ (2,427,360)	$ 1,572,498	$ 4,334,092	$ (448,878)	$ 1,906,732	$ 1,123,620

Polk County's total revenues for the year ended December 31, 2017, were $71,642,802, which is an increase over the total revenues from 2016 of $11,504,004. The total cost of programs and services for the year ended December 31, 2017, were $69,736,070, which is an increase over the total cost of programs in 2016 of $10,720,892. In 2017, the net position for governmental activities decreased by $2,427,360 and the net position for business-type activities increased by $4,334,092, for a total County increase of $1,906,732. The governmental activities expenditures increased significantly due mostly to the Environmental Service and Solid Waste Expansion project as well as more project expenses in highways and streets. Program Revenues increased in general government mostly due to a $6,033,035 increase in capital grants and contributions due to the Solid Waste Expansion Project. The business-type activities had an increase in total revenues of $1,664,686 due to higher fees collections and a decrease in expense of $47,043. Transfers of $3,071,241 needed to be shown between governmental activities and business-type activities for capital contributions from Capital Projects fund to the Resource Recovery fund.

Governmental Activities Revenue
(Percent of Total)



Governmental Activities

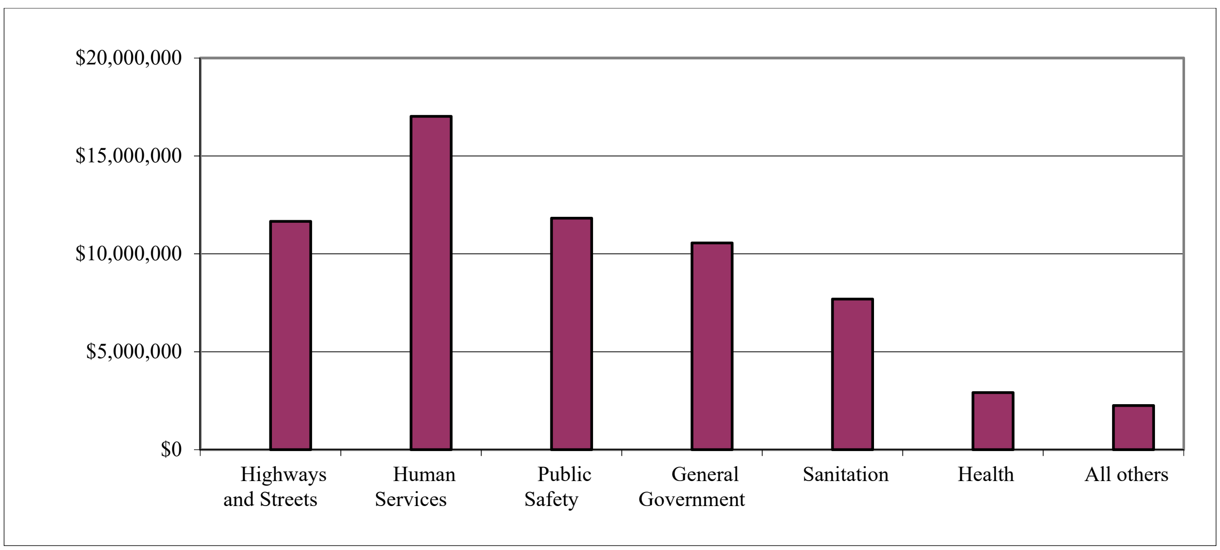
Revenues for Polk County's governmental activities for the year ended December 31, 2017, were $64,565,488. Costs for all governmental activities for the year ended December 31, 2017, were $63,921,607. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was $21,069,098, because $8,436,420 of the costs were paid by those who directly benefited from the programs, and $28,923,699 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Polk County paid for the remaining "public benefit" portion of governmental activities with $6,136,271 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Polk County's six largest 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 placed on the County's taxpayers by each of these functions.

Table 3
Governmental Activities

		Total Cost of Services 2017		Net Cost of Services 2017
Program Expenses				
Highways and Streets	$	11,658,064	$	1,339,949
Human Services		17,021,528		5,382,582
Public Safety		11,825,314		9,537,733
General Government		10,556,212		8,796,979
Sanitation		7,691,175		864,853
Health		2,913,995		873,545
All others		2,255,319		(234,153)
Total Program Expenses	$	63,921,607	$	26,561,488

Governmental Activities Expenses
2017



Business-Type Activities

Revenues of Polk County's business-type activities (see Table 2) for the year ended December 31, 2017, were $7,077,314. This compares with total revenues of $5,412,628 for the year ended December 31, 2016. Fee increases were implemented beginning in 2017.

Transfers to business-type activities (see Table 2) for the year ended December 31, 2017, were $3,071,241. There were none for the year ended December 31, 2016.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2017, were $5,814,463. This compares with total expenses of $5,861,506 for the year ended December 31, 2016.

The County's Funds

As Polk County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of $29,746,019, which is greater than last year's total of $27,092,920. The increase in fund balance of $2,653,099 is due primarily to the $3,567,653 unspent bond proceeds in the Capital Projects Fund.

As you will note, there were changes within individual funds. The overall fund balance change represented a 9.8 percent increase. Included in this year's total fund balance is the General Fund balance of $10,501,904, a decrease of $1,668,817 from 2016 this due to intentional fund balance used for building capital projects. The General Fund balance is classified as either nonspendable - $341,619, restricted for specific purposes - $276,103, committed for specific purposes - $563,655, assigned to specific uses - $285,569, or unassigned - $9,034,958.

An excess of revenues over expenditures and an increase in inventory in the Road and Bridge Fund caused an increase of $638,837. An excess of expenditures over revenues in the Social Services Fund caused a decrease of $925,800 about $ 286,000 was planned fund balance use for capital items. An excess of revenues over expenditures in the Public Safety Fund caused an increase of $316,935. The fund balance in the Ditch Debt Service Fund had a decrease due to expenditures over revenues of $46,911. The fund balance in the Capital Projects Fund had and increase due to it being a new fund in 2017.

General Fund Budgetary Highlights

The Polk County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year. In 2017, the Board of Commissioners did not make any significant budget revisions to the General Fund budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 20, 2016, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Polk County's General Fund, the actual revenues exceeded the budgeted revenues by $353,195. Total actual expenditures in the General Fund exceeded the budgeted expenditures by $1,742,471.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, Polk County had $154,614,453 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of $1,770,307, or a 1.2 percent increase, from last year.

Table 4
Capital Assets at Year-End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	$ 9,371,370	$ 9,294,819	$ 261,118	$ 261,118	$ 9,632,488	$ 9,555,937
Construction in progress	5,027,232	7,342,976	2,561,112	-	7,588,344	7,342,976
Land improvements	983,522	1,119,703	82,309	91,779	1,065,831	1,211,482
Buildings and improvements	29,792,454	28,505,574	1,589,402	1,665,996	31,381,856	30,171,570
Machinery, furniture, and equipment	4,018,811	3,995,583	4,369,216	3,221,699	8,388,027	7,217,282
Infrastructure	96,095,335	96,726,776	-	-	96,095,335	96,726,776
Landfill	-	-	462,572	618,123	462,572	618,123
Totals	$ 145,288,724	$ 146,985,431	$ 9,325,729	$ 5,858,715	$ 154,614,453	$ 152,844,146

During calendar year 2017, Polk County's governmental activities' capital assets, net of depreciation, decreased a total of $1,696,707. Depreciation expenses for the year in the categories of land improvements, buildings and improvements, machinery, furniture, and equipment, and infrastructure exceeded the new additions. Road and Bridge work in the year was mostly repairs and maintenance with limited new construction. More new construction that does reach the capitalization threshold is scheduled for the coming years.

More detailed information about Polk County's capital assets can be found in Note 3.A.3. to the financial statements.

Bonded Debt

As of December 31, 2017, Polk County had $27,465,016 in bonds and notes outstanding, compared with $23,828,338 as of December 31, 2016, an increase of 15.3 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Bonds payable						
General obligation bonds	$ 26,965,000	$ 23,510,000	$ -	$ -	$ 26,965,000	$ 23,510,000
Plus: Unamortized premium	500,016	318,338	-	-	500,016	318,338
Totals	$ 27,465,016	$ 23,828,338	$ -	$ -	$ 27,465,016	$ 23,828,338

The State limits the amount of net debt that the County can issue up to three percent of the market value of all taxable property. Polk County's outstanding net debt is significantly below this $172,864,179 State-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include compensated absences, other postemployment benefits liability, and landfill closure and postclosure care costs. The notes to the financial statements (Notes 3.C.2-5) provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials consider many factors when setting the budget, tax rates, and fees that will be charged for the governmental and business-type activities.

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.

- The unemployment rate for Polk County was 4.2 percent as of December 2017. This is a slight improvement over the 2016 rate of 4.5 percent, higher than the statewide rate of 3.4 percent and lower than the national average rate of 4.7 percent.

- Polk County's population at December 2017 was 31,720, an increase of 120 since the 2010 census. This ranks Polk County 34th out of the 87 counties in the State of Minnesota.

- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Polk County programs and services will influence the development of future budgets.

- On December 19, 2017, Polk County set its 2018 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Polk County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chuck Whiting, Polk County Administrator, 612 North Broadway, Room 211, Crookston, Minnesota 56716, or call Ron Denison, Finance Director, at 218-470-8363.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 24,771,874	$ 3,722,328	$ 28,494,202
Investments	1,455,115	-	1,455,115
Taxes receivable delinquent	488,097	-	488,097
Special assessments receivable			
Delinquent	232,397	-	232,397
Noncurrent	4,264,227	-	4,264,227
Accounts receivable	301,517	287,618	589,135
Accrued interest receivable	29,384	51,187	80,571
Internal balances	(187,465)	187,465	-
Due from other governments	7,919,928	192,202	8,112,130
Inventories	792,414	-	792,414
Prepaid items	1,183,804	-	1,183,804
Restricted assets			
Permanently restricted			
Cash and pooled investments	-	1,685,762	1,685,762
Capital assets			
Non-depreciable	14,398,602	2,822,230	17,220,832
Depreciable - net of accumulated depreciation	130,890,122	6,503,499	137,393,621
Total Assets	**$ 186,540,016**	**$ 15,452,291**	**$ 201,992,307**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 8,679,242**	**$ 462,323**	**$ 9,141,565**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	$ 960,162	$ 191,714	$ 1,151,876
Salaries payable	469,565	37,585	507,150
Contracts payable	1,193,761	-	1,193,761
Due to other governments	986,203	917	987,120
Accrued interest payable	254,939	-	254,939
Unearned revenue	54,668	-	54,668
Long-term liabilities			
Due within one year	4,132,162	107,152	4,239,314
Due in more than one year	24,744,095	2,740,601	27,484,696
Net other postemployment benefits obligation	692,545	56,892	749,437
Net pension liability	16,739,689	1,624,738	18,364,427
Total Liabilities	**$ 50,227,789**	**$ 4,759,599**	**$ 54,987,388**
Deferred Inflows of Resources			
Deferred pension inflows	$ 7,397,868	$ 273,232	$ 7,671,100
Prepaid property taxes	228,752	-	228,752
Total Deferred Inflows of Resources	**$ 7,626,620**	**$ 273,232**	**$ 7,899,852**
Net Position			
Net investment in capital assets	$ 129,347,210	$ 9,021,969	$ 138,369,179
Restricted for			
General government	277,425	-	277,425
Public safety	349,745	-	349,745
Highways and streets	1,304,557	-	1,304,557
Conservation of natural resources	1,456,283	-	1,456,283
Debt service	1,848,541	-	1,848,541
Unrestricted	2,781,088	1,859,814	4,640,902
Total Net Position	**$ 137,364,849**	**$ 10,881,783**	**$ 148,246,632**

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

POLK COUNTY
CROOKSTON, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Fees Charges, Fines, and Other
Functions/Programs		
Primary Government		
Governmental activities		
General government	$ 10,556,212	$ 1,330,872
Public safety	11,825,314	2,099,783
Highways and streets	11,658,064	592,507
Sanitation	7,691,175	230,023
Human services	17,021,528	1,397,501
Health	2,913,995	591,965
Culture and recreation	595,889	134,208
Conservation of natural resources	1,193,051	2,059,281
Economic development	10,530	280
Interest	455,849	-
Total governmental activities	**$ 63,921,607**	**$ 8,436,420**
Business-type activities		
Resource Recovery	$ 3,960,334	$ 4,258,162
Landfill	1,854,129	2,430,354
Total business-type activities	**$ 5,814,463**	**$ 6,688,516**
Total Primary Government	**$ 69,736,070**	**$ 15,124,936**

General Revenues
Property taxes
Taxes - other
Wheelage tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment earnings
Miscellaneous
Transfers

Total general revenues and transfers

Change in net position

Net Position - Beginning

Net Position - Ending

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

Program Revenues					
	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities	Business-Type Activities	Total
	$ 428,361	$ -	$ (8,796,979)	$ -	$ (8,796,979)
	187,798	-	(9,537,733)	-	(9,537,733)
	4,535,703	5,189,905	(1,339,949)	-	(1,339,949)
	95,121	6,501,178	(864,853)	-	(864,853)
	10,241,445	-	(5,382,582)	-	(5,382,582)
	1,448,485	-	(873,545)	-	(873,545)
	70,141	-	(391,540)	-	(391,540)
	225,562	-	1,091,792	-	1,091,792
	-	-	(10,250)	-	(10,250)
	-	-	(455,849)	-	(455,849)
	$ 17,232,616	**$ 11,691,083**	**$ (26,561,488)**	**$ -**	**$ (26,561,488)**
	$ -	$ -	$ -	$ 297,828	$ 297,828
	202,500	-	-	778,725	778,725
	$ 202,500	**$ -**	**$ -**	**$ 1,076,553**	**$ 1,076,553**
	$ 17,435,116	**$ 11,691,083**	**$ (26,561,488)**	**$ 1,076,553**	**$ (25,484,935)**
			$ 21,069,098	$ -	$ 21,069,098
			2,705,964	-	2,705,964
			311,606	-	311,606
			2,318,215	141,065	2,459,280
			219,924	-	219,924
			172,939	45,233	218,172
			407,623	-	407,623
			(3,071,241)	3,071,241	-
			$ 24,134,128	**$ 3,257,539**	**$ 27,391,667**
			$ (2,427,360)	**$ 4,334,092**	**$ 1,906,732**
			139,792,209	**6,547,691**	**146,339,900**
			$ 137,364,849	**$ 10,881,783**	**$ 148,246,632**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

POLK COUNTY
CROOKSTON, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Social Services
Assets			
Cash and pooled investments	$ 9,794,383	$ 1,450,866	$ 2,816,158
Petty cash and change funds	3,850	-	-
Undistributed cash in agency funds	444,913	28,415	48,688
Investments	156,612	-	-
Taxes receivable delinquent	409,292	24,417	49,079
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts receivable	36,903	3,764	195,300
Accrued interest receivable	28,516	-	-
Due from other funds	25,802	28,067	1,284
Due from other governments	146,409	1,637,372	1,579,088
Advance to other funds	339,194	-	-
Inventories	-	792,414	-
Prepaid items	-	-	-
Total Assets	**$ 11,385,874**	**$ 3,965,315**	**$ 4,689,597**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 133,617	$ 101,917	$ 228,666
Salaries payable	99,860	37,171	127,443
Contracts payable	-	179,801	-
Due to other funds	172,786	771	26,585
Due to other governments	58,154	2,466	186,310
Unearned revenue	-	-	-
Advance from other funds	-	-	-
Total Liabilities	**$ 464,417**	**$ 322,126**	**$ 569,004**
Deferred Inflows of Resources			
Unavailable revenue	$ 371,103	$ 1,066,538	$ 593,535
Prepaid property taxes	48,450	27,908	47,626
Total Deferred Inflows of Resources	**$ 419,553**	**$ 1,094,446**	**$ 641,161**

Public Safety	Ditch Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 3,365,794	$ 628,889	$ 1,445,149	$ 4,533,140	$ 24,034,379
250	-	-	770	4,870
89,373	11,281	-	109,955	732,625
93,864	844,343	-	360,296	1,455,115
-	-	-	5,309	488,097
-	19,172	-	213,225	232,397
-	4,076,265	-	187,962	4,264,227
12,855	-	-	52,695	301,517
-	-	-	868	29,384
741	-	-	226,584	282,478
73,173	-	4,114,397	368,274	7,918,713
-	-	-	-	339,194
-	-	-	-	792,414
-	-	1,183,804	-	1,183,804
$ 3,636,050	**$ 5,579,950**	**$ 6,743,350**	**$ 6,059,078**	**$ 42,059,214**
$ 23,814	$ -	$ 328,082	$ 144,066	$ 960,162
153,909	-	-	51,182	469,565
-	-	1,013,960	-	1,193,761
8,142	-	-	260,444	468,728
480	-	715,094	23,699	986,203
-	-	-	54,668	54,668
-	7,855	-	331,339	339,194
$ 186,345	**$ 7,855**	**$ 2,057,136**	**$ 865,398**	**$ 4,472,281**
$ -	$ 4,087,951	$ 1,118,561	$ 374,474	$ 7,612,162
89,373	-	-	15,395	228,752
$ 89,373	**$ 4,087,951**	**$ 1,118,561**	**$ 389,869**	**$ 7,840,914**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Social Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ -	$ 792,414	$ -
Advances to other funds	339,194	-	-
Missing heirs	2,425	-	-
Restricted			
County state-aid highway system	-	38,960	-
Debt service	1,103	-	-
DARE	-	-	-
Ditch maintenance and construction	-	-	-
Aquatic species	-	-	-
Buffer enforcement	-	-	-
Dive rescue team	-	-	-
Drug task force	-	-	-
Project lifesavers	-	-	-
DWI forfeitures	-	-	-
E-911	-	-	-
Gravel pit restoration	-	222,938	-
Handgun permits	-	-	-
Law library	45,422	-	-
Recorder's compliance	43,081	-	-
Recorder's technology equipment	186,497	-	-
Capital projects	-	-	-
Committed			
Insurance	560,955	-	-
Maple Lake Park reforestation	2,700	-	-
Assigned			
Forfeited tax sales	285,569	-	-
Public safety	-	-	-
Highways and streets	-	1,494,431	-
Human services	-	-	3,479,432
Health	-	-	-
Sanitation	-	-	-
Culture and recreation	-	-	-
Unassigned	9,034,958	-	-
Total Fund Balances	**$ 10,501,904**	**$ 2,548,743**	**$ 3,479,432**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 11,385,874**	**$ 3,965,315**	**$ 4,689,597**

EXHIBIT 3
(Continued)

Public Safety	Ditch Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 792,414
-	-	-	-	339,194
-	-	-	-	2,425
-	-	-	-	38,960
-	1,541,817	-	305,621	1,848,541
8,271	-	-	-	8,271
-	-	-	1,292,125	1,292,125
-	-	-	35,175	35,175
-	-	-	128,983	128,983
1,538	-	-	-	1,538
595	-	-	-	595
798	-	-	-	798
15,509	-	-	-	15,509
140,292	-	-	-	140,292
-	-	-	-	222,938
182,742	-	-	-	182,742
-	-	-	-	45,422
-	-	-	-	43,081
-	-	-	-	186,497
-	-	3,567,653	-	3,567,653
-	-	-	-	560,955
-	-	-	-	2,700
-	-	-	-	285,569
3,010,587	-	-	-	3,010,587
-	-	-	-	1,494,431
-	-	-	-	3,479,432
-	-	-	918,732	918,732
-	-	-	2,453,822	2,453,822
-	-	-	13,837	13,837
-	(57,673)	-	(344,484)	8,632,801
$ 3,360,332	**$ 1,484,144**	**$ 3,567,653**	**$ 4,803,811**	**$ 29,746,019**
$ 3,636,050	**$ 5,579,950**	**$ 6,743,350**	**$ 6,059,078**	**$ 42,059,214**

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds (Exhibit 3)		**$ 29,746,019**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		145,288,724
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		7,612,162
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		8,679,242
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	$ (26,965,000)	
Net other postemployment benefits obligation	(692,545)	
Bond premiums	(500,016)	
Accrued interest payable	(254,939)	
Compensated absences	(1,411,241)	
Net pension liability	(16,739,689)	(46,563,430)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(7,397,868)
Net Position of Governmental Activities (Exhibit 1)		**$ 137,364,849**

POLK COUNTY
CROOKSTON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

		Special Revenue Funds	
	General	Road and Bridge	Social Services
Revenues			
Taxes	$ 5,218,453	$ 2,927,326	$ 4,334,901
Special assessments	-	-	-
Licenses and permits	7,510	83,295	-
Intergovernmental	2,664,592	9,611,121	9,947,821
Charges for services	1,283,062	159,458	873,947
Fines and forfeits	10,807	-	-
Investment earnings	165,817	-	62
Gifts and contributions	-	-	16,000
Miscellaneous	679,473	437,868	526,637
Total Revenues	**$ 10,029,714**	**$ 13,219,068**	**$ 15,699,368**
Expenditures			
Current			
General government	$ 9,099,397	$ -	$ -
Public safety	267,005	-	-
Highways and streets	-	10,287,933	-
Sanitation	-	-	-
Human services	-	-	16,625,168
Health	10,000	-	-
Culture and recreation	235,068	-	-
Conservation of natural resources	592,856	-	-
Economic development	10,530	-	-
Intergovernmental			
Highways and streets	-	1,169,201	-
Debt service			
Principal	1,215,000	1,215,000	-
Interest	266,738	36,450	-
Bond issuance costs	-	-	-
Total Expenditures	**$ 11,696,594**	**$ 12,708,584**	**$ 16,625,168**
Excess of Revenues Over (Under) Expenditures	**$ (1,666,880)**	**$ 510,484**	**$ (925,800)**
Other Financing Sources (Uses)			
Transfers in	$ (1,937)	$ 1,937	$ -
Bonds issued	-	-	-
Premium on bonds issued	-	-	-
Total Other Financing Sources (Uses)	**$ (1,937)**	**$ 1,937**	**$ -**
Net Change in Fund Balance	**$ (1,668,817)**	**$ 512,421**	**$ (925,800)**
Fund Balance - January 1	**12,170,721**	**1,909,906**	**4,405,232**
Increase (decrease) in inventories	**-**	**126,416**	**-**
Fund Balance - December 31	**$ 10,501,904**	**$ 2,548,743**	**$ 3,479,432**

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

EXHIBIT 5

Public Safety	Ditch Debt Service	Capital Projects	Other Governmental Funds	Total
$ 8,111,447	$ -	$ -	$ 1,413,876	$ 22,006,003
-	846,150	-	2,068,040	2,914,190
-	-	-	51,275	142,080
441,448	-	5,382,617	2,027,256	30,074,855
554,441	-	-	793,987	3,664,895
7,719	-	-	-	18,526
1,088	3,722	-	2,250	172,939
8,700	-	-	-	24,700
1,536,525	289,311	-	64,789	3,534,603
$ 10,661,368	**$ 1,139,183**	**$ 5,382,617**	**$ 6,421,473**	**$ 62,552,791**
$ -	$ -	$ -	$ 317,063	$ 9,416,460
10,344,433	-	-	-	10,611,438
-	-	-	-	10,287,933
-	-	8,817,151	1,790,899	10,608,050
-	-	-	-	16,625,168
-	-	-	2,772,756	2,782,756
-	-	-	259,205	494,273
-	205,668	-	362,627	1,161,151
-	-	-	-	10,530
-	-	-	-	1,169,201
-	815,000	-	110,000	3,355,000
-	154,048	-	37,721	494,957
-	11,378	67,773	-	79,151
$ 10,344,433	**$ 1,186,094**	**$ 8,884,924**	**$ 5,650,271**	**$ 67,096,068**
$ 316,935	**$ (46,911)**	**$ (3,502,307)**	**$ 771,202**	**$ (4,543,277)**
$ -	$ -	$ -	$ -	$ -
-	-	6,810,000	-	6,810,000
-	-	259,960	-	259,960
$ -	**$ -**	**$ 7,069,960**	**$ -**	**$ 7,069,960**
$ 316,935	**$ (46,911)**	**$ 3,567,653**	**$ 771,202**	**$ 2,526,683**
3,043,397	**1,531,055**	**-**	**4,032,609**	**27,092,920**
-	-	-	**-**	**126,416**
$ 3,360,332	**$ 1,484,144**	**$ 3,567,653**	**$ 4,803,811**	**$ 29,746,019**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2017

Net change in fund balances - total governmental funds (Exhibit 5)			**$ 2,526,683**
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 to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.			
Deferred inflows of resources - December 31	$	7,612,162	
Deferred inflows of resources - January 1		(5,623,235)	1,988,927
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.			
Expenditures for general capital assets and infrastructure	$	4,031,454	
Current year depreciation		(5,728,161)	(1,696,707)
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 issuance costs, 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 net position.			
Proceeds of new debt			
General obligation bonds issued	$	(6,810,000)	
Premium on bonds issued		(259,960)	(7,069,960)
Principal repayments			
General obligation bonds			3,355,000
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	$	(39,174)	
Change in compensated absences		(126,267)	
Change in net other postemployment benefits obligation		(81,898)	
Change in net pension liability		6,991,000	
Change in deferred outflows of resources		(3,863,605)	
Change in deferred inflows of resources		(4,616,057)	
Change in unamortized premiums on general obligation bonds		78,282	
Change in inventories		126,416	(1,531,303)
Change in Net Position of Governmental Activities (Exhibit 2)			**$ (2,427,360)**

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

PROPRIETARY FUNDS

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2017

	Resource Recovery	Landfill	Totals
Assets			
Current assets			
Cash and pooled investments	$ 1,159,820	$ 2,562,408	$ 3,722,228
Petty cash and change funds	-	100	100
Accounts receivable	235,006	52,612	287,618
Accrued interest receivable	2,811	48,376	51,187
Due from other funds	236,416	20,587	257,003
Due from other governments	94,831	97,371	192,202
Advance to other funds	-	175,402	175,402
Total current assets	**$ 1,728,884**	**$ 2,956,856**	**$ 4,685,740**
Restricted assets			
Cash and pooled investments	**$ -**	**$ 1,685,762**	**$ 1,685,762**
Noncurrent assets			
Capital assets			
Nondepreciable	$ 2,572,197	$ 250,033	$ 2,822,230
Depreciable - net	4,592,981	1,910,518	6,503,499
Total noncurrent assets	**$ 7,165,178**	**$ 2,160,551**	**$ 9,325,729**
Total Assets	**$ 8,894,062**	**$ 6,803,169**	**$ 15,697,231**
Deferred Outflows of Resources			
Deferred pension outflows	**$ 391,383**	**$ 70,940**	**$ 462,323**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 7
(Continued)

STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2017

	Resource Recovery	Landfill	Totals
Liabilities			
Current liabilities			
Accounts payable	$ 177,110	$ 14,604	$ 191,714
Salaries payable	33,457	4,128	37,585
Compensated absences payable	70,144	13,138	83,282
Due to other funds	43,571	25,967	69,538
Due to other governments	324	593	917
Capital leases payable	-	23,870	23,870
Total current liabilities	**$ 324,606**	**$ 82,300**	**$ 406,906**
Noncurrent liabilities			
Compensated absences payable	$ 199,331	$ 31,900	$ 231,231
Advance from other funds	175,402	-	175,402
Capital leases payable	-	280,430	280,430
Closure costs payable	-	624,214	624,214
Postclosure care costs payable	-	1,212,162	1,212,162
Contingency costs payable	-	392,564	392,564
Net other postemployment benefits obligation	52,744	4,148	56,892
Net pension liability	1,404,254	220,484	1,624,738
Total noncurrent liabilities	**$ 1,831,731**	**$ 2,765,902**	**$ 4,597,633**
Total Liabilities	**$ 2,156,337**	**$ 2,848,202**	**$ 5,004,539**
Deferred Inflows of Resources			
Deferred pension inflows	**$ 233,675**	**$ 39,557**	**$ 273,232**
Net Position			
Net investment in capital assets	$ 7,165,718	$ 1,856,251	$ 9,021,969
Unrestricted	(270,285)	2,130,099	1,859,814
Total Net Position	**$ 6,895,433**	**$ 3,986,350**	**$ 10,881,783**

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

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Resource Recovery	Landfill	Totals
Operating Revenues			
Charges for services	$ 3,444,404	$ 2,427,056	$ 5,871,460
Miscellaneous	813,758	3,298	817,056
Total Operating Revenues	**$ 4,258,162**	**$ 2,430,354**	**$ 6,688,516**
Operating Expenses			
Personnel services	$ 1,755,191	$ 379,570	$ 2,134,761
Other services and charges	277,292	1,574,592	1,851,884
Supplies	386,089	8,664	394,753
Utilities	649,601	11,415	661,016
Repairs and maintenance	150,151	-	150,151
Transportation and disposal	182,513	32,156	214,669
Closure/postclosure/contingency	-	(462,645)	(462,645)
Depreciation	559,497	310,377	869,874
Total Operating Expenses	**$ 3,960,334**	**$ 1,854,129**	**$ 5,814,463**
Operating Income (Loss)	**$ 297,828**	**$ 576,225**	**$ 874,053**
Nonoperating Revenues (Expenses)			
Intergovernmental	$ 140,584	$ 202,981	$ 343,565
Interest income restricted for sanitation	8,816	36,417	45,233
Total Nonoperating Revenues (Expenses)	**$ 149,400**	**$ 239,398**	**$ 388,798**
Income (loss) before contributions and transfers	$ 447,228	$ 815,623	$ 1,262,851
Capital contributions	3,071,241	-	3,071,241
Change in Net Position	**$ 3,518,469**	**$ 815,623**	**$ 4,334,092**
Net Position - January 1	**3,376,964**	**3,170,727**	**6,547,691**
Net Position - December 31	**$ 6,895,433**	**$ 3,986,350**	**$ 10,881,783**

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

EXHIBIT 9

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

	Resource Recovery	Landfill	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	$ 4,178,134	$ 2,412,022	$ 6,590,156
Payments to suppliers	(1,597,207)	(1,716,789)	(3,313,996)
Payments to employees	(1,576,052)	(352,708)	(1,928,760)
Net cash provided by (used in) operating activities	**$ 1,004,875**	**$ 342,525**	**$ 1,347,400**
Cash Flows from Noncapital Financing Activities			
Intergovernmental	**$ 140,584**	**$ 202,981**	**$ 343,565**
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	**$ (469,624)**	**$ (491,723)**	**$ (961,347)**
Cash Flows from Investing Activities			
Investment earnings received	**$ 6,122**	**$ 8,269**	**$ 14,391**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 681,957**	**$ 62,052**	**$ 744,009**
Cash and Cash Equivalents at January 1	**477,863**	**4,186,218**	**4,664,081**
Cash and Cash Equivalents at December 31	**$ 1,159,820**	**$ 4,248,270**	**$ 5,408,090**
Cash and Cash Equivalents - Exhibit 7			
Cash and pooled investments	$ 1,159,820	$ 2,562,408	$ 3,722,228
Petty cash and change funds	-	100	100
Restricted cash and pooled investments	-	1,685,762	1,685,762
Total Cash and Cash Equivalents	**$ 1,159,820**	**$ 4,248,270**	**$ 5,408,090**

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

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents

	Resource Recovery	Landfill	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	**$ 297,828**	**$ 576,225**	**$ 874,053**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	$ 559,497	$ 310,377	$ 869,874
(Increase) decrease in accounts receivable	(134,621)	(34,566)	(169,187)
(Increase) decrease in due from other governments	48,125	28,002	76,127
(Increase) decrease in due from other funds	6,468	(11,768)	(5,300)
(Increase) decrease in deferred pension outflows	240,049	39,743	279,792
Increase (decrease) in accounts payable	48,354	(89,221)	(40,867)
Increase (decrease) in salaries payable	3,274	(145)	3,129
Increase (decrease) in compensated absences - current	1,893	1,086	2,979
Increase (decrease) in due to other funds	57	(67)	(10)
Increase (decrease) in due to other governments	28	(674)	(646)
Increase (decrease) in compensated absences - long-term	9,492	1,879	11,371
Increase (decrease) in net other postemployment benefits obligation	11,024	604	11,628
Increase (decrease) in net pension liability	(145,287)	(27,357)	(172,644)
Increase (decrease) in deferred pension inflows	58,694	11,052	69,746
Increase (decrease) in landfill closure/postclosure care costs	-	(462,645)	(462,645)
Total adjustments	**$ 707,047**	**$ (233,700)**	**$ 473,347**
Net Cash Provided by (Used in) Operating Activities	**$ 1,004,875**	**$ 342,525**	**$ 1,347,400**
Noncash Investing, Capital, and Financing Activities			
Contributions of Capital Assets from Capital Projects Fund to Resource Recovery Fund	**$ 3,071,241**	**$ -**	**$ 3,071,241**
Capital assets acquired through capital leases	-	**304,300**	**304,300**

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

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FIDUCIARY FUNDS

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2017

	Tri-County Community Corrections Investment Trust	Agency Funds
Assets		
Cash and pooled investments	$ 1,477,186	$ 1,612,440
Accounts receivable	-	53,844
Due from other governments	-	447,282
Total Assets	**$ 1,477,186**	**$ 2,113,566**
Liabilities		
Due to other funds	$ -	$ 1,215
Due to other governments	-	2,112,351
Total Liabilities	**$ -**	**$ 2,113,566**
Net Position		
Net position, held in trust for pool participants	**$ 1,477,186**	

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 11

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRI-COUNTY COMMUNITY CORRECTIONS INVESTMENT TRUST FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

Additions		
Contributions from participants	$	10,166,680
Investment earnings		10,511
Total Additions	**$**	**10,177,191**
Deductions		
Pool participant withdrawals		10,392,509
Change in Net Position	**$**	**(215,318)**
Net Position - Beginning of the Year		**1,692,504**
Net Position - End of the Year	**$**	**1,477,186**

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Polk County was established January 20, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of 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. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures, Jointly-Governed Organizations, and Related Organizations

The County participates in several joint ventures described in Note 8.B. The County also participates in the jointly-governed organizations and related organizations described in Note 8.C. and 8.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statement (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, proprietary, and fiduciary--are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

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.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 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. Revenues include property taxes, intergovernmental assistance, and charges for services.

The Social Services Special Revenue Fund is used to account for and report economic assistance and community social services programs. Revenues include property taxes, intergovernmental assistance, and charges for services.

The Public Safety Special Revenue Fund is used to account for and report all funds to be used for public safety. Some of the activities covered under this fund include County Sheriff, community corrections, County Coroner, civil defense, and boat and water safety. Financing is provided by an annual property tax levy and special appropriations from the State of Minnesota assigned to public safety.

The Ditch Debt Service Fund is used to account for the accumulations of resources and the payment of principal and interest of ditch bond issues.

The Capital Projects Fund is used to account for the improvement and/or expansion of the transfer station, resource recovery facility, and the compost station.

The County reports the following major enterprise funds:

The Resource Recovery Enterprise Fund is used to account for all resources to be used for the maintenance of the solid waste incinerator and up-front separation. Funding is provided from user fees and intergovernmental revenue from the State of Minnesota.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         The Landfill Enterprise Fund is used for all resources to be used for the maintenance of the sanitary landfill. Funding is provided from user fees and intergovernmental revenue from the State of Minnesota.

      Additionally, the County reports the following fund types:

         Investment Trust Fund accounts for the non-pooled investments held on behalf of external participants.

         Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

   C. 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 revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. 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. Polk County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary funds. 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.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Landfill Fund and the Resource Recovery Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were $165,817.

Polk County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minnesota Statute, § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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 taxes receivable delinquent.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments, payable in the years 2010 through 2017, and noncurrent special assessments payable in 2018, and after.

5. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in proprietary funds and at the government-wide level are recorded as expenses when consumed. Inventories, as reported in the governmental fund financial statements, are offset by nonspendable fund balance to indicate that they do not constitute available resources.

1. Summary of Significant Accounting Policies

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

5. Inventories and Prepaid Items (Continued)

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.

6. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide and proprietary fund financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

Infrastructure, buildings and improvements, land improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives.

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

Assets	Years
Infrastructure	50 - 75
Buildings and improvements	10 - 50
Land improvements	10 - 30
Machinery and equipment	3 - 15

The County landfill is depreciated using the straight-line method.

8. Unearned Revenue

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

9. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds for up to the annual accrual of vacation and vested sick leave if matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year. For the governmental activities, compensated absences are liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, compensated absences are liquidated by the Resource Recovery Enterprise Fund and the Landfill Enterprise Fund.

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 immediately expensed.

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/expense.

11. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. For the governmental activities, the pension liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the pension liability is liquidated by the Resource Recovery Enterprise Fund and the Landfill Enterprise Fund.

1. Summary of Significant Accounting Policies

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

12. 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 a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, changes in actuarial assumptions, changes in proportionate share, and also the differences between expected and actual pension plan economic experience and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. Currently, the County has three types of deferred inflows, prepaid property taxes, unavailable revenue, and deferred pension inflows that qualify for reporting in this category. Prepaid property taxes arise under both the modified accrual and the full accrual basis of accounting and, accordingly, are reported in the governmental funds balance sheet and the statement of net position. Prepaid property taxes represents the County's share of tax collections collected prior to year-end that were not due until the following year. The governmental funds also report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial

1. Summary of Significant Accounting Policies

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

12. Deferred Outflows/Inflows of Resources (Continued)

assumptions, the difference between projected and actual earnings on pension plan investments, and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

13. Classification of Net Position

Net position in the government-wide and proprietary fund financial statements is classified in the following categories:

Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted net position - the amount of net position for which external restrictions have been 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 - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

14. Classification of Fund Balances

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

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 not expected to be converted to cash.

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

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

Committed - amounts that can be used 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 action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes but 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 not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Administrator and/or County Finance Director, as delegated by the County Board.

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance 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.

15. Minimum Fund Balance

Polk County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Polk County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less

1. Summary of Significant Accounting Policies

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

15. Minimum Fund Balance (Continued)

than six months of the General Fund operating expenditures. At December 31, 2017, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

16. 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.

2. Stewardship, Compliance, and Accountability

Ditch Fund Deficits

Of 177 drainage systems (Special Revenue and Debt Service), 30 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the County Ditch Special Revenue Fund and the Ditch Debt Service Fund as of December 31, 2017:

	Ditch Special Revenue	Ditch Debt Service
Ditches with positive fund balances	$ 1,292,125	$ 1,541,817
Ditches with deficit fund balances	(344,484)	(57,673)
Total Fund Balances	$ 947,641	$ 1,484,144

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments to the basic financial statements follows:

Governmental and Business-type activities totals	
Cash and pooled investments	$ 28,494,202
Investments	1,455,115
Restricted assets	
Cash and pooled investments	1,685,762
Fiduciary assets	
Cash and pooled investments	
Investment Trust Fund	1,477,186
Agency Funds	1,612,440
Total Cash and Investments	$ 34,724,705

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by 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; 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 that 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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to obtain collateral or bond for all uninsured amounts on deposit. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

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

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

3. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

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

The County does not have additional policies for the investment risks described below beyond complying with the requirements of Minnesota statutes.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. At December 31, 2017, the County had three Minnesota Association of Governments Investing for Counties (MAGIC) Cash Management Funds with a total fair value of $7,189,407 and a maturity of less than one year.

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2017, none of the County's investments were exposed to custodial credit risk.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, excluding U.S. guaranteed investments, external investment pools, and mutual funds. At December 31, 2017, the County's investments were primarily in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

The following table presents the County's deposit and investment balances at December 31, 2017, and information relating to potential investment risk:

Investment Type	Concentration of Credit Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
Investment pool			
MAGIC Fund	N/A	N/A	$ 6,668,004
Negotiable certificates of deposit			1,654,000
Repurchase agreements			16,981,206
Total investments			$ 25,303,210
Deposits			9,416,525
Petty cash and change funds			4,970
Total Cash and Investments			$ 34,724,705

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and,
- *Level 3:* Unobservable inputs.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2017, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Negotiable certificates of deposit	$ 1,654,000	$ -	$ 1,654,000	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 6,668,004			
Repurchase agreements	16,981,206			
Total investments measured at the NAV	$ 23,649,210			

All Level 2 debt securities are valued using a matrix pricing technique based on the securities' relationship to benchmark quoted prices.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

The County invests in repurchase agreements through the bank's sweep accounts. These accounts have daily liquidity and funds can be accessed any time.

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 488,097	$ -
Special assessments	4,496,624	3,686,589
Accounts	301,517	-
Interest	29,384	-
Due from other governments	7,919,928	-
Total Governmental Activities	$ 13,235,550	$ 3,686,589

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

		Total Receivables		Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities				
Accounts	$	287,618	$	-
Interest		51,187		-
Due from other governments		192,202		-
Total Business-Type Activities	$	531,007	$	-

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2017, was as follows:

Governmental Activities

		Beginning Balance		Increase		Decrease		Ending Balance
Capital assets not depreciated								
Land	$	9,294,819	$	76,551	$	-	$	9,371,370
Construction in progress		7,342,976		4,093,069		6,408,813		5,027,232
Total capital assets not depreciated	$	16,637,795	$	4,169,620	$	6,408,813	$	14,398,602
Capital assets depreciated								
Land improvements	$	2,141,566	$	-	$	-	$	2,141,566
Buildings and improvements		42,557,354		2,897,877		-		45,455,231
Machinery, furniture, and equipment		14,171,029		1,059,674		300,139		14,930,564
Infrastructure		150,741,476		2,313,096		-		153,054,572
Total capital assets depreciated	$	209,611,425	$	6,270,647	$	300,139	$	215,581,933

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	$ 1,021,863	$ 136,181	$ -	$ 1,158,044
Buildings and improvements	14,051,780	1,610,997	-	15,662,777
Machinery, furniture, and equipment	10,175,446	1,036,446	300,139	10,911,753
Infrastructure	54,014,700	2,944,537	-	56,959,237
Total accumulated depreciation	$ 79,263,789	$ 5,728,161	$ 300,139	$ 84,691,811
Total capital assets depreciated, net	$ 130,347,636	$ 542,486	$ -	$ 130,890,122
Governmental Activities Capital Assets, Net	$ 146,985,431	$ 4,712,106	$ 6,408,813	$ 145,288,724

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 261,118	$ -	$ -	$ 261,118
Construction in progress	-	2,561,112	-	2,561,112
Total capital assets not depreciated	$ 261,118	$ 2,561,112	$ -	$ 2,822,230
Capital assets depreciated				
Buildings and improvements	$ 4,416,783	$ 38,533	$ -	$ 4,455,316
Landfill	4,774,882	-	-	4,774,882
Machinery, furniture, and equipment	13,199,808	1,737,243	-	14,937,051
Improvements other than buildings	318,274	-	-	318,274
Total capital assets depreciated	$ 22,709,747	$ 1,775,776	$ -	$ 24,485,523
Less: accumulated depreciation for				
Buildings and improvements	$ 2,750,787	$ 115,127	$ -	$ 2,865,914
Landfill	4,156,759	155,551	-	4,312,310
Machinery, furniture, and equipment	9,978,109	589,726	-	10,567,835
Improvements other than buildings	226,495	9,470	-	235,965
Total accumulated depreciation	$ 17,112,150	$ 869,874	$ -	$ 17,982,024
Total capital assets depreciated, net	$ 5,597,597	$ 905,902	$ -	$ 6,503,499
Business-Type Activities Capital Assets, Net	$ 5,858,715	$ 3,467,014	$ -	$ 9,325,729

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	$	1,171,860
Public safety		848,494
Highways and streets, including depreciation of infrastructure assets		3,511,021
Health		1,786
Culture and recreation		100,827
Human services		1,747
Sanitation		92,426
Total Depreciation Expense - Governmental Activities	$	5,728,161

Business-Type Activities		
Resource recovery	$	559,497
Landfill		310,377
Total Depreciation Expense - Business-Type Activities	$	869,874

B. Interfund Receivables and Payables

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

1. Due To/From Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Road and Bridge Special Revenue Fund	$	720
	Social Services Special Revenue Fund		22,639
	Environmental Services Special Revenue Fund		1,228
	Agency Fund		1,215
Total due to General Fund		$	25,802
Road and Bridge Special Revenue Fund	General Fund		18,952
	Public Safety Special Revenue Fund		8,107
	Environmental Services Special Revenue Fund	$	1,008
Total due to Road and Bridge Special Revenue Fund		$	28,067

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Social Services Special Revenue Fund	Public Health Special Revenue Fund	$ 1,284
Public Safety Special Revenue Fund	Social Services Special Revenue Fund	$ 741
Environmental Services Special Revenue Fund	General Fund	$ 149,823
	Road and Bridge Special Revenue Fund	7
	Resource Recovery Enterprise Fund	43,571
	Landfill Enterprise Fund	25,967
Total due to Environmental Services Special Revenue Fund		$ 219,368
Public Health Special Revenue Fund	General Fund	$ 4,011
	Social Services Special Revenue Fund	3,205
Total due to Public Health Special Revenue Fund		$ 7,216
Resource Recovery Enterprise Fund	Environmental Services Special Revenue Fund	$ 236,381
	Public Safety Special Revenue Fund	35
Total due to Resource Recovery Enterprise Fund		$ 236,416
Landfill Enterprise Fund	Environmental Services Special Revenue Fund	$ 20,543
	Road and Bridge Special Revenue Fund	44
Total due to Landfill Enterprise Fund		$ 20,587
Total Due To/From Other Funds		$ 539,481

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Debt Service Fund	$ 7,855
	Ditch Special Revenue Fund	331,339
Total General Fund		$ 339,194
Landfill Enterprise Fund	Resource Recovery Enterprise Fund	175,402
Total Advances From/To Other Funds		$ 514,596

The Ditch Debt Service Fund advance and the Ditch Special Revenue Fund advance are to provide working capital to ditch systems with low reserves and operating costs in excess of revenues.

In 2015, the Resource Recovery Fund bought new recycling equipment, which was paid for, in part, by the Landfill Enterprise Fund. The advance will be paid back when grant legislation is passed and resources are provided to the County.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfer to Road and Bridge Special Revenue Fund from General Fund	$ 1,937	To pay insurance share of vehicle loss.

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	$ 960,162	$ 191,714
Salaries	469,565	37,585
Contracts	1,193,761	-
Due to other governments	986,203	917
Interest	254,939	-
Total Payables	$ 3,864,630	$ 230,216

2. Construction Commitments

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

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Ballistics and Trommel Drum Screen	$ 276,171	$ 512,889
Drum Feeder	187,500	187,500
Optical Sorters	581,842	387,895
Baler	500,550	400,440
Total Construction Commitments	$ 1,546,063	$ 1,488,724

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Capital Leases

The County entered into a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The County entered into a lease-purchase arrangement with Kinetic Leasing to purchase a Komptech Crambo Grinder in 2017. The original lease balance totaled $304,300 at an interest rate of 2.89 percent. Payments on the capital lease are made from the Landfill Enterprise Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending	Capital Lease	
December 31	Principal	Interest
2018	$ 23,870	$ 10,697
2019	28,240	7,696
2020	28,931	6,870
2021	29,636	6,024
2022	30,359	5,157
2023 - 2027	163,264	12,023
Total	$ 304,300	$ 48,467

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Long-Term Debt

Governmental Activities

Bond payments are made from the General Fund and three debt service funds. Information on individual bonds payable was as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2017A G.O Solid Waste Bonds	2037	$150,000 - $450,000	2.50-3.00	$ 6,810,000	$ 6,810,000
2015A G.O. Watershed Bonds	2020	$120,000 - $1,165,000	3.00	2,855,000	530,000
2015B G.O. Watershed Bonds	2036	$110,000 - $300,000	1.00 - 3.40	1,495,000	1,440,000
2015C G.O. Capital Improvement Plan Bonds	2026	$315,000 - $360,000	2.00	2,985,000	2,625,000
2014 G.O. Jail Refunding Bonds	2026	$990,000 - $1,165,000	2.00 - 2.25	9,675,000	9,675,000
2013 G.O. State Aid Highway Bonds	2018	$1,215,000	1.0017	6,075,000	1,215,000
2012 G.O. Watershed District Bonds	2033	$135,000 - $140,000	2.5303	2,710,000	2,160,000
2012B G.O. Refunding Bonds	2025	$140,000 - $160,000	1.7573	1,805,000	1,175,000
2012C G.O. Refunding Bonds	2018	$105,000 - $280,000	0.07687	565,000	105,000
2009 G.O. Drainage Bonds	2030	$45,000 - $50,000	3.98	925,000	595,000
2009B G.O. Lake Improvement District Bonds	2020	$40,000	1.25 - 3.40	400,000	120,000
2008A Refunding Bonds	2020	$30,000 - $60,000	3.4 - 3.9	383,636	100,000
2006 G.O. Watershed District Bonds	2027	$40,000 - $45,000	3.6 - 4.3	865,000	415,000
Total general obligation bonds				$ 37,548,636	$ 26,965,000
Add: unamortized premium					500,016
Total General Obligation Bonds, Net					$ 27,465,016

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

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

Governmental Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2018	$ 3,535,000	$ 600,913
2019	2,185,000	555,080
2020	2,210,000	505,455
2021	2,045,000	457,980
2022	2,080,000	412,523
2023 - 2027	9,220,000	1,345,639
2028 - 2032	3,050,000	628,050
2033 - 2037	2,640,000	191,826
Total	$ 26,965,000	$ 4,697,466

6. Changes in Long-Term Liabilities

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

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 23,510,000	$ 6,810,000	$ 3,355,000	$ 26,965,000	$ 3,535,000
Add: unamortized premium	318,338	259,960	78,282	500,016	-
Total bonds payable	$ 23,828,338	$ 7,069,960	$ 3,433,282	$ 27,465,016	$ 3,535,000
Compensated absences	1,284,974	1,744,800	1,618,533	1,411,241	597,162
Governmental Activities Long-Term Liabilities	$ 25,113,312	$ 8,814,760	$ 5,057,815	$ 28,876,257	$ 4,132,162

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease payments	$ -	$ 304,300	$ -	$ 304,300	$ 23,870
Estimated liability for landfill closure/postclosure care costs	2,691,585	-	462,645	2,228,940	-
Compensated absences	300,163	207,857	193,507	314,513	83,282
Business-Type Activities Long-Term Liabilities	$ 2,991,748	$ 512,157	$ 656,152	$ 2,847,753	$ 107,152

7. Deferred Inflows of Resources - Unavailable Revenue

Deferred inflows of resources - unavailable revenue consists of taxes, special assessments, state and/or federal grants and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

	Taxes	Special Assessments	Grants and Allotments	Total
Major governmental funds				
General	$ 312,461	$ -	$ 58,642	$ 371,103
Road and Bridge Special Revenue	23,879	1,042,659	-	1,066,538
Social Services Special Revenue	47,985	-	545,550	593,535
Ditch Debt Service	-	4,087,951	-	4,087,951
Capital Projects	-	-	1,118,561	1,118,561
Nonmajor governmental funds				
Agassiz Regional Library Special Revenue	4,265	-	-	4,265
Ditch Special Revenue	18,145	187,961	-	206,106
Environmental Services Special Revenue	21	163,019	-	163,040
Rhinehart Project Debt Service	-	328	-	328
Union Lake/Lake Sarah Debt Service	-	735	-	735
Total Unavailable Revenue	$ 406,756	$ 5,482,653	$ 1,722,753	$ 7,612,162

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Polk 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 and the Public Employees Police and Fire 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 Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire Plan members, normal retirement age is 55, and

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017.

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

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20

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

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

General Employees Retirement Plan	$	1,152,077
Public Employees Police and Fire Plan		330,824

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

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $15,583,182 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.2441 percent. It was 0.2200 percent measured as of June 30, 2016. The County recognized pension expense of $2,422,107 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $5,659 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ending June 30, 2017.

The County's proportionate share of the net pension liability	$ 15,583,182
State of Minnesota's proportionate share of the net pension liability associated with the County	195,948
Total	$ 15,779,130

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 513,574	$ 908,927
Changes in actuarial assumptions	2,331,715	1,562,216
Difference between projected and actual investment earnings	-	155,311
Changes in proportion	1,467,600	323,896
Contributions paid to PERA subsequent to the measurement date	571,717	-
Total	$ 4,884,606	$ 2,950,350

The $571,717 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 770,176
2019	1,130,425
2020	123,417
2021	(661,479)

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $2,781,245 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.206 percent. It was 0.191 percent measured as of June 30, 2016. The County recognized pension expense of $750,551 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $18,540 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 64,019	$ 697,133
Changes in actuarial assumptions	3,374,779	3,948,678
Difference between projected and actual investment earnings	-	21,915
Changes in proportion	652,853	53,024
Contributions paid to PERA subsequent to the measurement date	165,308	-
Total	$ 4,256,959	$ 4,720,750

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

The $165,308 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 110,616
2019	110,616
2020	12,621
2021	(186,355)
2022	(676,597)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $3,172,658.

5. Actuarial Assumptions

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

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions (Continued)

Public Employees Police and Fire Plan

- 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 has been changed to 33 percent for vested members and 2.0 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 3.0 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.

4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

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

8. 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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Retirement Plan		Public Employees Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 24,170,675	6.50%	$ 5,237,896
Current	7.50	15,583,182	7.50	2,781,245
1% Increase	8.50	8,552,761	8.50	753,144

9. Pension Plan Fiduciary Net Position

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

4. Pension Plans and Other Postemployment Benefits (Continued)

B. Defined Contribution Plan

All Commissioners of Polk 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 5.00 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 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

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

	Employee	Employer
Contribution amount	$ 8,616	$ 8,616
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

Polk County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

4. Pension Plans and Other Postemployment Benefits

   C. Other Postemployment Benefits (OPEB) (Continued)

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Polk County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees.

This results in the retirees receiving an implicit rate subsidy. For 2016, there were approximately 314 participants in the plan, including 4 retirees and surviving spouses.

For the governmental activities, contributions for the implicit rate subsidy are made by the General Fund and other governmental funds that have personal services. For the business-type activities, there were no contributions made for the implicit rate subsidy in 2017.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	$ 175,805
Interest on net OPEB obligation	22,957
Adjustment to ARC	(35,055)
Annual OPEB cost (expense)	$ 163,707
Contributions made during the year	(70,181)
Increase in net OPEB obligation	$ 93,526
Net OPEB Obligation - Beginning of Year	655,911
Net OPEB Obligation - End of Year	$ 749,437

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

Of the $749,437, $692,545 is reported as governmental activities and $56,892 is reported as business-type activities.

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 197,374	$ 106,825	54.1%	$ 553,201
December 31, 2016	169,602	62,892	38.0	655,911
December 31, 2017	163,707	70,181	42.9	749,437

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was $1,404,705, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of $1,404,705. The covered payroll (annual payroll of active employees covered by the plan) was $15,587,128, and the ratio of the UAAL to the covered payroll was 9.01 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Polk County's implicit rate of return on the General Fund. The annual healthcare cost trend is 6.75 percent initially reduced to an ultimate rate of 5.0 percent over 7 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2016, was 22 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The $2,228,940 landfill closure, postclosure care, and contingency costs payable at December 31, 2017, represent the cumulative amount reported to date based on the use of 64.4 percent of the estimated capacity of the municipal solid waste portion of the landfill and 39.5 percent of the estimated capacity of the ash portion of the landfill. The County will recognize the remaining estimated cost of closure care, postclosure care, and contingency costs of $1,052,299 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2017. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2037 and ash in 2085. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

5. Landfill Closure and Postclosure Care Costs (Continued)

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2017, investments of $1,685,762 are held for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Enterprise Fund. These are reported as restricted assets on the statement of net position. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. 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. 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 both the MCIT Workers' Compensation and Property and Casualty Divisions. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2016 and $500,000 per claim in 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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.

7. Conduit Debt

In 2002, the Villa St. Vincent, a Minnesota non-profit corporation, issued Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002A, in an amount not to exceed $4,990,000, and its Taxable Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002B, in an amount not to exceed $110,000, pursuant to the Finance Act to finance the renovations, equipping, and construction of an addition to the existing nursing care facility. The project is deemed to be in the public interest. The note is secured by the property financed through a series of loan agreements and is payable solely from revenues of the entity. The County, state, or any political subdivision thereof is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2017, the outstanding principal amount payable was $2,800,000.

8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant 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, in connection with the normal conduct of its affairs, is involved in various judgments, claims, and litigation. The County Attorney identified no potential claims against the County that would materially affect the financial statements.

B. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The Region Three - Northwest Minnesota Security Emergency Management Organization was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59 and Minn. Stat. ch. 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board (Continued)

Control is vested in the Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Polk County's responsibility does not extend beyond making this appointment.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards. Member counties do not receive a financial benefit or burden as a result of membership. In 2017, Polk County did not make a contribution to the Board.

Complete financial information can be obtained from:

Clay County Sheriff's Office
915 - 9th Avenue North
Moorhead, Minnesota 56560

Marshall and Polk Rural Water System

The Marshall and Polk Rural Water System was organized as a municipal water system under Minn. Stat. ch. 116A in 1976, and covers a portion of Marshall and Polk Counties. The system is responsible for storing, treating and distributing water for participating rural water users and cities within the water district.

General obligation debt issued by Marshall and Polk Counties to be retired from special assessments is reported both by Marshall and Polk Counties. The long-term debt at December 31, 2017, is $1,455,000, of which Polk County's share is $1,175,000. Polk County contributed $79,107 in 2017.

The Marshall and Polk Rural Water System is governed by a seven-member Board, four of whom are appointed by Polk County. The County has no responsibility beyond appointing the Board members and guaranteeing the debt of the Water System.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Marshall and Polk Rural Water System (Continued)

Complete financial information can be obtained from:

Marshall and Polk Rural Water System
401 North Main Street
Warren, Minnesota 56762

Northwest Minnesota Household Hazardous Waste Management Group

The Northwest Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59, and includes Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Waste Management Group is to cooperatively manage, handle, and transport household hazardous waste, provide public education on safe waste management, and provide for the disposition of non-recyclable household hazardous waste materials.

Control of the Waste Management Group is vested in the Northwest Minnesota Household Hazardous Waste Management Group Joint Powers Board, which is composed of one County Commissioner from each of the member counties as provided in the Waste Management Group's bylaws.

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ration basis. Polk County contributed $12,656 in 2017.

In the event of dissolution, the net position shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed so that no additional financial benefit or burden is realized by the members. Clearwater County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

Complete financial information can be obtained from:

Waste Management Group
P. O. Box 186
Bagley, Minnesota 56621

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board's convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau.

The purpose of the Northwest Minnesota Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner from each county appointed by their respective County Board and one City Council member from the city appointed by the City Council, as provided in the Northwest Minnesota Regional Radio Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Members do not experience an additional financial benefit or burden. Polk County did not make a contribution to the Northwest Minnesota Regional Radio Board in 2017.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

Complete financial information can be obtained from:

Northwest Minnesota Regional Radio Board
c/o Greater Northwest EMS
2301 Johanneson Avenue Northwest, Suite 103
Bemidji, Minnesota 56601

Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Marshall, Pennington, Polk, and Red Lake Counties. The purpose of the Board is to receive and expend funds for beaver damage control.

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Boards. Polk County's responsibility does not extend beyond making this appointment. In the event of dissolutions, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

Financing is provided by grants from the State of Minnesota or contributions and no member realizes an additional financial benefit or burden. In 2017, Polk County did not make a contribution to the Board.

Complete financial information can be obtained from:

Red Lake Watershed District
P. O. Box 803
Thief River Falls, Minnesota 56701

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February 1977, pursuant to Minn. Stat. §§ 471.59 and 123.582 (now Minn. Stat. § 123A.21). The NWSC is located in State Development Regions One and Two, which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state, with only 11 persons per square mile. The regions are known as "Pine to Prairie." The NWSC provided service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The NWSC's purpose is to meet or exceed the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members.

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that member counties do not experience an additional financial benefit or burden. Polk County made no contribution to the Cooperative in 2017.

Complete financial information can be obtained from:

Northwest Service Cooperative
114 First Street West
Thief River Falls, Minnesota 56701

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and backup system.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which is composed of one County Commissioner from each member county. In the event of dissolution, the net position of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions. In 2017, Polk County did not make a contribution to the Association.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Clearwater County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements.

Complete financial information can be obtained from:

Clearwater County Auditor
213 North Main Avenue
Bagley, Minnesota 56621

Polk County Collaborative

The Polk County Collaborative was formed in 2001 and operates under the authority of Minnesota Statute, §124D.23, subd. 1(a), and includes Polk County, Tri-County Community Corrections, and other community representation, including school districts and local service providers. The purpose of the Collaborative is to build communities in Polk County where children thrive by coordinating the integrated, seamless, effective, and efficient delivery of a range of social and human services to children and families.

Control of the Polk County Collaborative is vested in the Collaborative governing board, which is comprised of elected officials representing mental health, community action, Polk County, corrections, and a small school district and a larger school district.

Financing is provided by state and local grants and appropriations from the participating agencies. Adequate rates are charged so that members do not experience an additional benefit or burden. Polk County acts as fiscal agent for the Polk County Collaborative and reports the cash transactions of the Collaborative as an agency fund in its financial statements. Polk County contributed $86,389 in 2017.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk County Collaborative (Continued)

Complete financial information can be obtained from:

Polk County Social Services
612 North Broadway
Crookston, Minnesota 56716

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Acts, pursuant to Minnesota Statute, § 471.59, and includes Norman, Polk and Red Lake Counties. The purpose of Tri-County Community Corrections is to house, supervise, treat, counsel, and provide other correctional services to prisoners throughout the territorial area of the member counties.

Control of Tri-County Community Corrections is vested in the Tri-County Community Joint Powers Board, which is composed of two County Commissioners from each member county, as provided in the Tri-County Community Corrections' bylaws.

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net position of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (10 percent), Polk County (85 percent), and Red Lake County (5 percent).

Tri-County Community Corrections has no long-term debt. Financing is provided by state, federal, and local grants; charges for services; appropriations from member counties; and adequate rates charged so that no member County receives an additional financial benefit or burden.

Receipts and disbursements are recorded in the Tri-County Community Corrections' operating fund by the Polk County Auditor-Treasurer. Polk County's participation for 2017 was $3,534.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

Separate financial information can be obtained from:

Tri-County Community Corrections
600 Bruce Street
Crookston, Minnesota 56716

Pine to Prairie Drug and Violent Crime Task Force

The Pine to Prairie Drug and Violent Crime Task Force was formed under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The full members are Lake of the Woods, Norman, Pennington, Polk, and Roseau Counties; the Cities of Crookston, East Grand Forks, and Thief River Falls; and the federal agencies of the U.S. Customs and Border Protection and Homeland Security Investigations Department. Associate members are Red Lake County and the City of Ada, and liaison members are Kittson and Marshall Counties. The purpose of the Task Force is to coordinate efforts to investigate, apprehend, and prosecute drug, gang, and violent crime offenders.

Control of the Task Force is vested in the Pine to Prairie Drug and Violent Crime Task Force Governing Board, which consists of not less than 6 members or more than 14 members designated by each participating full member, and up to 5 additional members selected by the Governing Board. Board members shall not be deemed to be employees of the Task Force and shall not be compensated by it. Full members assign a peace officer to be an agent on the Task Force. Associate members are not required to assign an officer, but participate in operations and activities and contribute funds annually. Liaison members shall participate upon request.

Dissolution would occur when two-thirds of the members agree by resolution to terminate the agreement or when necessitated by law or funding status, at which time the net assets of the Task Force are to be divided among the members in the same proportion as their respective full-time equivalent contributions. Any member may withdraw upon six months' written notice and shall not be entitled to any distribution of the net position.

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Pine to Prairie Drug and Violent Crime Task Force (Continued)

Financing is provided by state and federal grants, charges for services, appropriations from members, and donations. Members do not experience any additional financial benefit or burden. The City of Crookston is designated as the coordinating agency. Complete financial information can be obtained from the City of Crookston, 321 West Robert Street, Crookston, Minnesota 56716.

C. Jointly-Governed Organizations

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

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the local elected officials to work with the Northwest Private Industry's Council for the Northwest Service Delivery Area, including specific duties as listed in the agreement.

In the event of dissolution of the Joint Powers Agreement, the net position of the Joint Powers Agreement at that time shall be disposed of in accordance with law. Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982.

Separate financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Lake Agassiz Regional Library

The Lake Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1961, and includes Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, with 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. In 2017, Polk County provided $259,205 in the form of an appropriation.

Middle River-Snake River-Tamarac Watershed District

The Middle River-Snake River-Tamarac Watershed District was formed pursuant to Minnesota Statute, § 103D.201, effective August 28, 1970, and included land within Kittson, Marshall, Pennington, Polk, and Roseau Counties. Control of the district is vested in the Middle River-Snake River-Tamarac Watershed District Board of Managers, which is composed of seven members having staggered terms of three years each, with one appointed by the Polk County Board and six appointed by the Marshall County Board. Polk County's responsibility does not extend beyond making the appointments.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, Traverse, and Wadena Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Polk County's responsibility does not extend beyond making this appointment.

During 2017, Polk County did not make a contribution to this organization.

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minn. Stat. § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk, Red Lake and Roseau Counties. Control of the HRA is vested in the HRA Board which is composed of six members with indefinite terms made up of one member appointed by each Board of County Commissioners. Polk County's responsibility does not extend beyond making this appointment.

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-220) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment and results in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, composed of 18 members with one representative from each of the seven counties, three members at large, and eight members representing local agencies. In the event of dissolution of the Northwest Workforce Service Area, unexpended funds will be disposed of in accordance with law.

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants.

Complete financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Red Lake River Corridor

The Red Lake River Corridor Joint Powers Board was formed in 2003 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and included the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher, and East Grand Forks; the Counties of Pennington, Polk, and Red Lake; and the Red Lake Band of Chippewa Reservation. The purpose of the Board is for the development and enhancement of recreational and natural resources along the Red Lake River.

The Red Lake River Corridor Joint Powers Board is composed of one member from each participating entity. Each participant may also have an alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net position shall be distributed to the respective members in proportion to the contribution of each. Financing is provided by contributions from members. The County did not contribute to the Board in 2017.

Complete financial information can be obtained from:

Pembina Trail RC&D
2605 Wheat Drive
Red Lake Falls, Minnesota 56750

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, which is composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnomen County appoints two members, and Norman County appoints three members.

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

Complete financial information can be obtained from:

Wild Rice Watershed District Office
11 East 5th Avenue
Ada, Minnesota 56510

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Polk County and 17 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget.

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2017, the County did not make a contribution to the Joint Powers Board.

Complete financial statements can be obtained from:

The International Coalition for Land-Water
Stewardship in the Red River Basin
119 - 5th Street South
Moorhead, Minnesota 56560

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Polk-Norman-Mahnomen-Community Health Board

The Polk-Norman-Mahnomen Community Health Board was established in 2012 under the authority of Minn. Stat. ch. 145A and Minn. Stat. § 471.59. The Community Health Board includes the Polk County Board of Health and the Norman-Mahnomen Board of Health. The purpose of the Community Health Board is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control of the Community Health Board is vested in a seven-member board with Polk, Norman, and Mahnomen Counties each appointing one member and the Polk County Board of Health and the Norman-Mahnomen Board of Health each appointing two members.

In the event of withdrawal from the Community Health Board, the withdrawing party shall give one-year notice. Should the Community Health Board cease to exist, all property, real and personal, held by the Community Health Board at the time of termination shall be distributed to each joint participant in proportion to its relative financial contributions.

Financing is provided by state and federal grants. Polk County is the fiscal agent for the Community Health Board. During 2017, Polk County did not contribute to the Community Health Board.

D. Related Organizations

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident uses of natural resources. Control of the District is vested in the Sand Hill River Watershed District

8. Summary of Significant Contingencies and Other Items

D. Related Organizations

Sand Hill River Watershed District (Continued)

board of Managers that is composed of five members appointed by the Polk County Board of Commissioners for staggered terms of three years each. Polk County's responsibility does not extend beyond making the appointments.

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective January 25, 1969, and includes all of the Red Lake County, most of Pennington County, and parts of Beltrami, Clearwater, Itasca, Koochiching, Mahnomen, Marshall, Polk, and Roseau Counties. Control of the District is vested in the Red Lake Watershed District Board of Managers which is composed of seven members having staggered terms of three years each, with two appointed by the Polk County Board and one each appointed by the County Boards of Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Polk County's responsibility does not extend beyond making this appointment.

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REQUIRED SUPPLEMENTARY INFORMATION

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EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 6,150,683	$ 6,150,683	$ 5,218,453	$ (932,230)
Licenses and permits	7,700	7,700	7,510	(190)
Intergovernmental	1,883,800	1,883,800	2,664,592	780,792
Charges for services	732,100	732,100	1,283,062	550,962
Fines and forfeits	10,000	10,000	10,807	807
Investment earnings	50,000	50,000	165,817	115,817
Miscellaneous	842,236	842,236	679,473	(162,763)
Total Revenues	**$ 9,676,519**	**$ 9,676,519**	**$ 10,029,714**	**$ 353,195**
Expenditures				
Current				
General government				
Commissioners	$ 291,022	$ 291,022	$ 274,869	$ 16,153
Courts services	136,000	136,000	236,475	(100,475)
Law library	-	-	42,146	(42,146)
County administration	233,282	233,282	241,372	(8,090)
Taxpayer service center	857,463	857,463	784,061	73,402
Motor vehicle	116,896	116,896	127,903	(11,007)
County assessor	510,153	510,153	513,098	(2,945)
Elections	30,853	30,853	29,355	1,498
Finance	481,277	481,277	426,568	54,709
Accounting and auditing	100,000	100,000	91,108	8,892
Data processing	779,435	779,435	734,725	44,710
Central services	275,451	275,451	388,695	(113,244)
Personnel	355,337	355,337	336,887	18,450
Attorney	1,042,153	1,042,153	998,350	43,803
Recorder	142,880	142,880	286,760	(143,880)
Surveyor	169,085	169,085	201,141	(32,056)
Buildings and grounds	1,368,274	1,368,274	2,357,717	(989,443)
Veterans service officer	150,289	150,289	166,253	(15,964)
Insurance	52,460	52,460	(10,749)	63,209
Other general government	533,931	533,931	872,663	(338,732)
Total general government	**$ 7,626,241**	**$ 7,626,241**	**$ 9,099,397**	**$ (1,473,156)**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Ambulance	$ 58,775	$ 58,775	$ 58,775	$ -
Coroner	77,840	77,840	74,603	3,237
Victim assistance	133,189	133,189	133,627	(438)
Total public safety	**$ 269,804**	**$ 269,804**	**$ 267,005**	**$ 2,799**
Health				
Occupational Development Center	$ 7,500	$ 7,500	$ 7,500	$ -
Committee on Aging	2,500	2,500	2,500	-
Total health	**$ 10,000**	**$ 10,000**	**$ 10,000**	**$ -**
Culture and recreation				
Historical society	$ 15,000	$ 15,000	$ 15,000	$ -
County fairs	20,000	20,000	20,000	-
Heritage Center	10,000	10,000	10,000	-
Parks	104,247	104,247	136,814	(32,567)
Celebrations	640	640	640	-
Snowmobile and ski trails	3,500	3,500	52,614	(49,114)
Total culture and recreation	**$ 153,387**	**$ 153,387**	**$ 235,068**	**$ (81,681)**
Conservation of natural resources				
Agricultural inspection	$ 43,558	$ 43,558	$ (1,346)	$ 44,904
Cooperative extension	168,998	168,998	155,195	13,803
Soil and water conservation	113,100	113,100	213,580	(100,480)
Forfeited tax sale	-	-	223,027	(223,027)
Other conservation of natural resources	2,400	2,400	2,400	-
Total conservation of natural resources	**$ 328,056**	**$ 328,056**	**$ 592,856**	**$ (264,800)**
Economic development				
Red River Valley Development Association	$ 3,200	$ 3,200	$ 3,200	$ -
Tri-Valley Opportunity Council	6,750	6,750	6,750	-
Riverland Association	580	580	580	-
Total economic development	**$ 10,530**	**$ 10,530**	**$ 10,530**	**$ -**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	$ 1,215,000	$ 1,215,000	$ 1,215,000	$ -
Interest	341,105	341,105	266,738	74,367
Total debt service	**$ 1,556,105**	**$ 1,556,105**	**$ 1,481,738**	**$ 74,367**
Total Expenditures	**$ 9,954,123**	**$ 9,954,123**	**$ 11,696,594**	**$ (1,742,471)**
Excess of Revenues Over (Under) Expenditures	**$ (277,604)**	**$ (277,604)**	**$ (1,666,880)**	**$ (1,389,276)**
Other Financing Sources (Uses)				
Transfers in	$ 7,500	$ 7,500	$ (1,937)	$ (9,437)
Transfers out	(7,500)	(7,500)	-	7,500
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ (1,937)**	**$ (1,937)**
Net Change in Fund Balance	**$ (277,604)**	**$ (277,604)**	**$ (1,668,817)**	**$ (1,391,213)**
Fund Balance - January 1	**12,170,721**	**12,170,721**	**12,170,721**	**-**
Fund Balance - December 31	**$ 11,893,117**	**$ 11,893,117**	**$ 10,501,904**	**$ (1,391,213)**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,723,368	$ 2,723,368	$ 2,927,326	$ 203,958
Licenses and permits	40,000	40,000	83,295	43,295
Intergovernmental	13,297,000	13,297,000	9,611,121	(3,685,879)
Charges for services	250,000	250,000	159,458	(90,542)
Miscellaneous	80,000	80,000	437,868	357,868
Total Revenues	**$ 16,390,368**	**$ 16,390,368**	**$ 13,219,068**	**$ (3,171,300)**
Expenditures				
Current				
Highways and streets				
Administration	$ 406,714	$ 406,714	$ 470,182	$ (63,468)
Maintenance	3,650,118	3,650,118	3,122,390	527,728
Construction	8,406,466	8,406,466	5,225,750	3,180,716
Equipment maintenance and shop	1,342,150	1,342,150	1,442,767	(100,617)
Other highways and streets	150,000	150,000	26,844	123,156
Total highways and streets	**$ 13,955,448**	**$ 13,955,448**	**$ 10,287,933**	**$ 3,667,515**
Intergovernmental				
Highways and streets	**$ 1,146,000**	**$ 1,146,000**	**$ 1,169,201**	**$ (23,201)**
Debt service				
Principal retirement	$ 1,215,000	$ 1,215,000	$ 1,215,000	$ -
Interest	73,920	73,920	36,450	37,470
Total debt service	**$ 1,288,920**	**$ 1,288,920**	**$ 1,251,450**	**$ 37,470**
Total Expenditures	**$ 16,390,368**	**$ 16,390,368**	**$ 12,708,584**	**$ 3,681,784**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 510,484**	**$ 510,484**
Other Financing Sources (Uses)				
Transfers in	**-**	**-**	**1,937**	**1,937**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 512,421**	**$ 512,421**
Fund Balance - January 1	**1,909,906**	**1,909,906**	**1,909,906**	**-**
Increase (decrease) for inventories	**-**	**-**	**126,416**	**126,416**
Fund Balance - December 31	**$ 1,909,906**	**$ 1,909,906**	**$ 2,548,743**	**$ 638,837**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 4,323,168	$ 4,323,168	$ 4,334,901	$ 11,733
Intergovernmental	10,515,898	10,515,898	9,947,821	(568,077)
Charges for services	919,350	919,350	873,947	(45,403)
Gifts and contributions	18,000	18,000	16,000	(2,000)
Investment earnings	-	-	62	62
Miscellaneous	414,622	414,622	526,637	112,015
Total Revenues	**$ 16,191,038**	**$ 16,191,038**	**$ 15,699,368**	**$ (491,670)**
Expenditures				
Current				
Human services				
Income maintenance	$ 4,458,224	$ 4,458,224	$ 4,199,421	$ 258,803
Social services	12,019,294	12,019,294	12,425,747	(406,453)
Total Expenditures	**$ 16,477,518**	**$ 16,477,518**	**$ 16,625,168**	**$ (147,650)**
Net Change in Fund Balance	**$ (286,480)**	**$ (286,480)**	**$ (925,800)**	**$ (639,320)**
Fund Balance - January 1	**4,405,232**	**4,405,232**	**4,405,232**	**-**
Fund Balance - December 31	**$ 4,118,752**	**$ 4,118,752**	**$ 3,479,432**	**$ (639,320)**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,111,447	$ 8,111,447	$ 8,111,447	$ -
Intergovernmental	432,552	432,552	441,448	8,896
Charges for services	257,115	257,115	554,441	297,326
Fines and forfeitures	500	500	7,719	7,219
Investment earnings	70	70	1,088	1,018
Gifts and contributions	-	-	8,700	8,700
Miscellaneous	1,085,637	1,085,637	1,536,525	450,888
Total Revenues	**$ 9,887,321**	**$ 9,887,321**	**$ 10,661,368**	**$ 774,047**
Expenditures				
Current				
Public safety				
Sheriff	$ 4,475,271	$ 4,475,271	$ 4,887,291	$ (412,020)
Narcotics task force	101,999	101,999	87,059	14,940
Body armor	4,000	4,000	13,847	(9,847)
Safe and sober	5,883	5,883	5,936	(53)
DWI assessments	2,500	2,500	-	2,500
Boat and water safety	23,410	23,410	39,028	(15,618)
Snowmobile safety	5,582	5,582	6,233	(651)
Emergency services	85,539	85,539	79,126	6,413
Municipal police contract	180,115	180,115	179,506	609
Enhanced 911 system	183,870	183,870	150,463	33,407
Community corrections	4,895,943	4,895,943	4,895,944	(1)
Total Expenditures	**$ 9,964,112**	**$ 9,964,112**	**$ 10,344,433**	**$ (380,321)**
Net Change in Fund Balance	**$ (76,791)**	**$ (76,791)**	**$ 316,935**	**$ 393,726**
Fund Balance - January 1	**3,043,397**	**3,043,397**	**3,043,397**	**-**
Fund Balance - December 31	**$ 2,966,606**	**$ 2,966,606**	**$ 3,360,332**	**$ 393,726**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS-OTHER POSTEMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2012	$ -	$ 1,184,754	$ 1,184,754	0.00%	$ 12,155,673	9.75%
January 1, 2014	-	1,702,154	1,702,154	0.00	14,124,242	12.05
January 1, 2016	-	1,404,705	1,404,705	0.00	15,587,128	9.01

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

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 Polk 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
2017	0.2241%	$ 15,583,182	$ 195,948	$ 15,779,130	$ 15,696,364	99.28%	75.90%
2016	0.2200	17,862,909	233,324	18,096,233	13,652,766	130.84	68.91
2015	0.2262	11,722,858	N/A	11,722,858	13,291,603	88.20	78.19

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-7

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

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)
2017	$ 1,152,077	$ 1,152,077	$ -	$ 15,361,026	7.50%
2016	1,102,765	1,102,765	-	14,703,539	7.50
2015	1,029,642	1,029,642	-	13,728,560	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

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
2017	0.206%	$ 2,781,245	$ 2,114,403	131.54%	85.43%
2016	0.191	7,665,162	1,893,219	404.87	63.88
2015	0.198	2,249,743	1,807,508	124.47	86.61

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-9

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

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)
2017	$ 330,824	$ 330,824	$ -	$ 2,042,124	16.20%
2016	320,367	320,367	-	1,977,572	16.20
2015	305,142	305,142	-	1,883,593	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

The notes to the required supplementary information are an integral part of these schedules.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Budgetary Information

   A. Budget Policy

   Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, Capital Projects Fund, Ditch Debt Service Fund, Rhinehart Project Debt Service Fund, and Union Lake/Lake Sarah Debt Service Fund. All annual appropriations lapse at fiscal year-end.

   On or before the last Tuesday in August of each year, all departments and agencies submit requests for appropriations to the County Administrator so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

   The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a 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.

2. Excess of Expenditures Over Budget

   The following major funds had expenditures in excess of budget for the year ended December, 31, 2017;

	Expenditures	Final Budget	Excess
General Fund	$ 11,696,594	$ 9,954,123	$ 1,742,471
Social Services	16,625,168	16,477,518	147,650
Public Safety	10,344,433	9,964,112	380,321

3. Other Postemployment Benefits Funding Status

   Polk County implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

3. Other Postemployment Benefits Funding Status (Continued)

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

4. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2015

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases. This change caused a decrease in the liability.

- Mortality assumptions were updated to include the RP-2014 tables, including the generational improvement scale, to include future mortality improvement. This change caused an increase in the liability.

- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

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 (PERA) for the fiscal year June 30:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns $6,000,000 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

2017

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

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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 has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

- The base mortality table for health 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 3.0 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 (husband 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 1.0 percent for all years to 1.0 percent per year through 2016 and 2.5 percent thereafter.

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Agassiz Regional Library - to account for the County's share of the operating costs of the Lake Agassiz Regional Library. Financing is provided by an annual property tax levy assigned to the library.

Ditch - to account for and report the operation and maintenance of County and joint county drainage systems. Financing is provided by special assessments levied against benefited properties restricted for conservation of natural resources.

Environmental Services - to account for all funds to be used for environmental services. Activities covered under this fund include solid waste planning, recycling, household hazardous waste, transfer station, and hazard mitigation. Financing is provided by an annual property tax levy, special assessments, intergovernmental revenue, and charges for services.

Public Health - to account for the provision of health care to the elderly and other residents of the County. Financing is provided by health service grants and user service charges.

DEBT SERVICE FUNDS

Rhinehart Project - to account for the retirement of bonds issued for the Rhinehart road project.

Union Lake/Lake Sarah - to account for the retirement of bonds issued for the Union Lake/Lake Sarah project.

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
Assets			
Cash and pooled investments	$ 4,391,065	$ 142,075	$ 4,533,140
Petty cash and change funds	770	-	770
Undistributed cash in agency funds	107,584	2,371	109,955
Investments	200,000	160,296	360,296
Taxes receivable delinquent	5,309	-	5,309
Special assessments receivable			
Delinquent	211,283	1,942	213,225
Noncurrent	187,962	-	187,962
Accounts receivable	52,695	-	52,695
Accrued interest receivable	868	-	868
Due from other funds	226,584	-	226,584
Due from other governments	368,274	-	368,274
Total Assets	**$ 5,752,394**	**$ 306,684**	**$ 6,059,078**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 144,066	$ -	$ 144,066
Salaries payable	51,182	-	51,182
Due to other funds	260,444	-	260,444
Due to other governments	23,699	-	23,699
Unearned revenue	54,668	-	54,668
Advance from other funds	331,339	-	331,339
Total Liabilities	**$ 865,398**	**$ -**	**$ 865,398**
Deferred Inflows of Resources			
Unavailable revenues	$ 373,411	$ 1,063	$ 374,474
Prepaid property taxes	15,395	-	15,395
Total Deferred Inflows of Resources	**$ 388,806**	**$ 1,063**	**$ 389,869**
Fund Balances			
Restricted			
Debt service	$ -	$ 305,621	$ 305,621
Ditch maintenance and construction	1,292,125	-	1,292,125
Aquatic species	35,175	-	35,175
Buffer enforcement	128,983	-	128,983
Assigned			
Public health	918,732	-	918,732
Sanitation	2,453,822	-	2,453,822
Culture and recreation	13,837	-	13,837
Unassigned	(344,484)	-	(344,484)

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-1
(Continued)

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
Total Fund Balances	$ 4,498,190	$ 305,621	$ 4,803,811
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,752,394	$ 306,684	$ 6,059,078

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	$ 1,310,104	$ 103,772	$ 1,413,876
Special assessments	2,068,040	-	2,068,040
Licenses and permits	51,275	-	51,275
Intergovernmental	2,027,256	-	2,027,256
Charges for services	793,987	-	793,987
Investment earnings	1,600	650	2,250
Miscellaneous	64,789	-	64,789
Total Revenues	**$ 6,317,051**	**$ 104,422**	**$ 6,421,473**
Expenditures			
Current			
General government	$ 317,063	$ -	$ 317,063
Sanitation	1,790,899	-	1,790,899
Health	2,772,756	-	2,772,756
Culture and recreation	259,205	-	259,205
Conservation of natural resources	362,627	-	362,627
Debt service			
Principal	-	110,000	110,000
Interest	-	37,721	37,721
Total Expenditures	**$ 5,502,550**	**$ 147,721**	**$ 5,650,271**
Net Change in Fund Balance	**$ 814,501**	**$ (43,299)**	**$ 771,202**
Fund Balance - January 1	**3,683,689**	**348,920**	**4,032,609**
Fund Balance - December 31	**$ 4,498,190**	**$ 305,621**	**$ 4,803,811**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-3

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
Assets					
Cash and pooled investments	$ 8,131	$ 1,103,845	$ 2,660,901	$ 618,188	$ 4,391,065
Petty cash and change funds	-	-	620	150	770
Undistributed cash in agency funds	7,268	3,280	87,383	9,653	107,584
Investments	-	200,000	-	-	200,000
Taxes receivable delinquent	5,288	-	21	-	5,309
Special assessments receivable					
Delinquent	-	18,420	192,863	-	211,283
Noncurrent	-	187,962	-	-	187,962
Accounts receivable	-	-	14,962	37,733	52,695
Accrued interest receivable	-	868	-	-	868
Due from other funds	-	-	219,368	7,216	226,584
Due from other governments	-	-	13,043	355,231	368,274
Total Assets	**$ 20,687**	**$ 1,514,375**	**$ 3,189,161**	**$ 1,028,171**	**$ 5,752,394**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 29,289	$ 56,770	$ 58,007	$ 144,066
Salaries payable	-	-	10,687	40,495	51,182
Due to other funds	-	-	259,160	1,284	260,444
Due to other governments	-	-	23,699	-	23,699
Unearned revenue	-	-	54,668	-	54,668
Advance from other funds	-	331,339	-	-	331,339
Total Liabilities	**$ -**	**$ 360,628**	**$ 404,984**	**$ 99,786**	**$ 865,398**
Deferred Inflows of Resources					
Unavailable revenues	$ 4,265	$ 206,106	$ 163,040	$ -	$ 373,411
Prepaid property taxes	2,585	-	3,157	9,653	15,395
Total Deferred Inflows of Resources	**$ 6,850**	**$ 206,106**	**$ 166,197**	**$ 9,653**	**$ 388,806**
Fund Balances					
Restricted					
Ditch maintenance and construction	$ -	$ 1,292,125	$ -	$ -	$ 1,292,125
Aquatic Species	-	-	35,175	-	35,175
Buffer enforcement	-	-	128,983	-	128,983
Assigned					
Public health	-	-	-	918,732	918,732
Sanitation	-	-	2,453,822	-	2,453,822
Culture and recreation	13,837	-	-	-	13,837
Unassigned	-	(344,484)	-	-	(344,484)
Total Fund Balances	**$ 13,837**	**$ 947,641**	**$ 2,617,980**	**$ 918,732**	**$ 4,498,190**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 20,687**	**$ 1,514,375**	**$ 3,189,161**	**$ 1,028,171**	**$ 5,752,394**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-4

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
Revenues					
Taxes	$ 233,371	$ -	$ 200,629	$ 876,104	$ 1,310,104
Special assessments	-	139,276	1,928,764	-	2,068,040
Licenses and permits	-	-	51,275	-	51,275
Intergovernmental	6,936	-	320,683	1,699,637	2,027,256
Charges for services	-	43,749	214,785	535,453	793,987
Investment earnings	-	1,600	-	-	1,600
Miscellaneous	-	-	9,388	55,401	64,789
Total Revenues	**$ 240,307**	**$ 184,625**	**$ 2,725,524**	**$ 3,166,595**	**$ 6,317,051**
Expenditures					
Current					
General government	$ -	$ -	$ 317,063	$ -	$ 317,063
Sanitation	-	-	1,790,899	-	1,790,899
Health	-	-	-	2,772,756	2,772,756
Culture and recreation	259,205	-	-	-	259,205
Conservation of natural resources	-	289,681	72,946	-	362,627
Total Expenditures	**$ 259,205**	**$ 289,681**	**$ 2,180,908**	**$ 2,772,756**	**$ 5,502,550**
Net Change in Fund Balance	**$ (18,898)**	**$ (105,056)**	**$ 544,616**	**$ 393,839**	**$ 814,501**
Fund Balance - January 1	**32,735**	**1,052,697**	**2,073,364**	**524,893**	**3,683,689**
Fund Balance - December 31	**$ 13,837**	**$ 947,641**	**$ 2,617,980**	**$ 918,732**	**$ 4,498,190**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-5

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2017

	Rhinehart Project	Union Lake/ Lake Sarah	Total
Assets			
Cash and pooled investments	$ 104,571	$ 37,504	$ 142,075
Undistributed cash in agency funds	903	1,468	2,371
Investments	-	160,296	160,296
Special assessments receivable - delinquent	328	1,614	1,942
Total Assets	**$ 105,802**	**$ 200,882**	**$ 306,684**
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources			
Unavailable revenues	$ 328	$ 735	$ 1,063
Fund Balance			
Restricted for			
Debt service	105,474	200,147	305,621
Total Deferred Inflows of Resources and Fund Balances	**$ 105,802**	**$ 200,882**	**$ 306,684**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-6

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Rhinehart Project	Union Lake/ Lake Sarah	Total
Revenues			
Taxes	$ 38,680	$ 65,092	$ 103,772
Investment earnings	-	650	650
Total Revenues	**$ 38,680**	**$ 65,742**	**$ 104,422**
Expenditures			
Debt service			
Principal	$ 40,000	$ 70,000	$ 110,000
Interest	546	37,175	37,721
Total Expenditures	**$ 40,546**	**$ 107,175**	**$ 147,721**
Net Change in Fund Balance	**$ (1,866)**	**$ (41,433)**	**$ (43,299)**
Fund Balance - January 1	**107,340**	**241,580**	**348,920**
Fund Balance - December 31	**$ 105,474**	**$ 200,147**	**$ 305,621**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-7

BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts				Actual		Variance with	
	Original		Final		Amounts		Final Budget	
Revenues								
Taxes	$	239,205	$	239,205	$	233,371	$	(5,834)
Intergovernmental		-		-		6,936		6,936
Total Revenues	**$**	**239,205**	**$**	**239,205**	**$**	**240,307**	**$**	**1,102**
Expenditures								
Current								
Culture and recreation								
Regional library		259,205		259,205		259,205		-
Net Change in Fund Balance	**$**	**(20,000)**	**$**	**(20,000)**	**$**	**(18,898)**	**$**	**1,102**
Fund Balance - January 1		**32,735**		**32,735**		**32,735**		**-**
Fund Balance - December 31	**$**	**12,735**	**$**	**12,735**	**$**	**13,837**	**$**	**1,102**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-8

BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 285,920	$ 285,920	$ 200,629	$ (85,291)
Special assessments	1,839,980	1,839,980	1,928,764	88,784
License and permits	54,500	54,500	51,275	(3,225)
Intergovernmental	210,858	210,858	320,683	109,825
Charges for services	199,000	199,000	214,785	15,785
Miscellaneous	1,073,535	1,073,535	9,388	(1,064,147)
Total Revenues	**$ 3,663,793**	**$ 3,663,793**	**$ 2,725,524**	**$ (938,269)**
Expenditures				
Current				
General government				
Planning and zoning	$ 468,591	$ 468,591	$ 317,063	$ 151,528
Sanitation				
Solid waste	2,019,567	2,019,567	966,231	1,053,336
Recycling	582,430	582,430	476,251	106,179
Hazardous waste	73,163	73,163	48,863	24,300
Transfer station	628,942	628,942	299,554	329,388
Conservation of natural resources				
Aquatic invasive species program	99,187	99,187	72,946	26,241
Total Expenditures	**$ 3,871,880**	**$ 3,871,880**	**$ 2,180,908**	**$ 1,690,972**
Net Change in Fund Balance	**$ (176,087)**	**$ (176,087)**	**$ 544,616**	**$ 720,703**
Fund Balance - January 1	**2,073,364**	**2,073,364**	**2,073,364**	**-**
Fund Balance - December 31	**$ 1,897,277**	**$ 1,897,277**	**$ 2,617,980**	**$ 720,703**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-9

BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 876,104	$ 876,104	$ 876,104	$ -
Intergovernmental	1,338,718	1,338,718	1,699,637	360,919
Charges for services	649,885	649,885	535,453	(114,432)
Miscellaneous	19,675	19,675	55,401	35,726
Total Revenues	**$ 2,884,382**	**$ 2,884,382**	**$ 3,166,595**	**$ 282,213**
Expenditures				
Current				
Health				
Nursing service	2,884,382	2,884,382	2,772,756	111,626
Net Change in Fund Balance	**$ -**	**$ -**	**$ 393,839**	**$ 393,839**
Fund Balance - January 1	**524,893**	**524,893**	**524,893**	**-**
Fund Balance - December 31	**$ 524,893**	**$ 524,893**	**$ 918,732**	**$ 393,839**

FIDUCIARY FUNDS

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
AGENCY FUND				
Assets				
Cash and pooled investments	$ 1,416,868	$ 70,112,877	$ 70,091,595	$ 1,438,150
Accounts receivable	48,936	31,648	48,936	31,648
Due from other governments	10,656	1,069	10,656	1,069
Total Assets	**$ 1,476,460**	**$ 70,145,594**	**$ 70,151,187**	**$ 1,470,867**
Liabilities				
Accounts payable	$ 1,062	$ 1,062	$ 2,124	$ -
Due to other funds	-	1,215	-	1,215
Due to other governments	1,475,398	70,143,317	70,149,063	1,469,652
Total Liabilities	**$ 1,476,460**	**$ 70,145,594**	**$ 70,151,187**	**$ 1,470,867**
POLK COUNTY COLLABORATIVE				
Assets				
Cash and pooled investments	$ 113,124	$ 165,459	$ 189,418	$ 89,165
Accounts receivable	-	21,973	-	21,973
Total Assets	**$ 113,124**	**$ 187,432**	**$ 189,418**	**$ 111,138**
Liabilities				
Due to other governments	**$ 113,124**	**$ 187,432**	**$ 189,418**	**$ 111,138**
POLK-NORMAN-MAHNOMEN COMMUNITY HEALTH SERVICE				
Assets				
Cash and pooled investments	$ 225,761	$ 1,761,303	$ 1,973,361	$ 13,703
Accounts receivable	-	223	-	223
Due from other governments	303,975	446,213	303,975	446,213
Total Assets	**$ 529,736**	**$ 2,207,739**	**$ 2,277,336**	**$ 460,139**
Liabilities				
Accounts payable	$ 206,239	$ -	$ 206,239	$ -
Due to other governments	323,497	2,207,739	2,071,097	460,139
Total Liabilities	**$ 529,736**	**$ 2,207,739**	**$ 2,277,336**	**$ 460,139**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
MULTI COUNTY DATA PLANNING				
Assets				
Cash and pooled investments	$ -	$ 18,788	$ -	$ 18,788
Liabilities				
Due to other governments	$ -	$ 18,788	$ -	$ 18,788
WATERSHED DISTRICT FUND				
Assets				
Cash and pooled investments	$ 1,257	$ 464,306	$ 412,929	$ 52,634
Liabilities				
Due to other governments	$ 1,257	$ 464,306	$ 412,929	$ 52,634
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,757,010	$ 72,522,733	$ 72,667,303	$ 1,612,440
Accounts receivable	48,936	53,844	48,936	53,844
Due from other governments	314,631	447,282	314,631	447,282
Total Assets	**$ 2,120,577**	**$ 73,023,859**	**$ 73,030,870**	**$ 2,113,566**
Liabilities				
Accounts payable	$ 207,301	$ 1,062	$ 208,363	$ -
Due to other funds	-	1,215	-	1,215
Due to other governments	1,913,276	73,021,582	72,822,507	2,112,351
Total Liabilities	**$ 2,120,577**	**$ 73,023,859**	**$ 73,030,870**	**$ 2,113,566**

OTHER SCHEDULES

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2017

	Number of Accounts	Interest Rate (%)	Maturity Dates	Fair Value
Cash and Pooled Investments				
Cash on hand	N/A	N/A	N/A	$ 4,970
Noninterest-bearing checking	Four	N/A	Continuous	5,978,204
Interest-bearing checking	Fifteen	0.01 to 0.16	Continuous	2,160,893
Certificates of deposit	Seven	Varies	February 7, 2018 to July 19, 2019	1,275,000
Money market savings	Five	0.03	Continuous	2,427
Brokerage certificates of deposit	Seven	Varies	April 28, 2018 to June 8, 2020	1,654,000
Minnesota Association of Governments Investing for Counties Fund	N/A	Variable	Continuous	6,668,004
Repurchase agreements - checking	Two	Variable	Continuous	16,981,207
Total Cash and Pooled Investments				**$ 34,724,705**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

	Governmental Funds	Enterprise Funds	Total
Appropriations and Shared Revenue			
State			
Highway users tax	$ 9,437,675	$ -	$ 9,437,675
County program aid	843,196	-	843,196
PERA rate reimbursement	43,810	141,065	184,875
Police aid	262,416	-	262,416
Market value credit	413,092	-	413,092
Disparity reduction aid	76,591	-	76,591
Disparity reduction credit	655,340	-	655,340
SCORE	91,571	-	91,571
E-911	109,038	-	109,038
Riparian protection aid	160,000	-	160,000
Aquatic invasive species aid	65,562	-	65,562
Total appropriations and shared revenue	**$ 12,158,291**	**$ 141,065**	**$ 12,299,356**
Reimbursement for Services			
State			
Minnesota Department of Human Services	**$ 2,360,470**	**$ -**	**$ 2,360,470**
Payments			
Local			
Local contributions	$ 50,000	$ -	$ 50,000
Payments in lieu of taxes	219,924	-	219,924
Total Payments	**$ 269,924**	**$ -**	**$ 269,924**
Grants			
State			
Minnesota Department/Board of			
Public Safety	$ 75,198	$ -	$ 75,198
Health	552,170	-	552,170
Veterans Affairs	10,000	-	10,000
Natural Resources	82,280	-	82,280
Human Services	4,373,095	-	4,373,095
Water and Soil Resources	38,659	-	38,659
Peace Officer Standards and Training Board	8,902	-	8,902
Minnesota Pollution Control Agency	5,390,569	202,500	5,593,069
Total state	**$ 10,530,873**	**$ 202,500**	**$ 10,733,373**
Federal			
Department of			
Agriculture	$ 591,107	$ -	$ 591,107
Justice	83,442	-	83,442
Transportation	55,997	-	55,997
Education	11,078	-	11,078
Health and Human Services	3,891,321	-	3,891,321
Homeland Security	122,352	-	122,352
Total federal	**$ 4,755,297**	**$ -**	**$ 4,755,297**
Total state and federal grants	**$ 15,286,170**	**$ 202,500**	**$ 15,488,670**
Total Intergovernmental Revenue	**$ 30,074,855**	**$ 343,565**	**$ 30,418,420**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Polk-Norman-Mahnomen Community Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	$ 218,184
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	33312	26,102
(Total Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 $244,286)			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	340,022
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	96,175
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2520	336
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $436,533)			
Total U.S. Department of Agriculture			**$ 680,819**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVSP-2018-POLKAO-00049	$ 78,355
Crime Victim Assistance	16.575	A-CVS-2018-POLKAO-00094	5,087
(Total Crime Victim Assistance 16.575 $83,442)			
Total U.S. Department of Justice			**$ 83,442**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	1002278	**$ 55,997**
U.S. Department of Education			
Passed Through Polk-Norman-Mahnomen Community Health Services			
Special Education - Grants for Infants and Families	84.181	83869	**$ 10,595**
U.S. Department of Health and Human Services			
Passed Through Polk-Norman-Mahnomen Community Health Services			
Public Health Emergency Preparedness	93.069	65498	$ 11,496
Public Health Emergency Preparedness	93.069	127907	7,295
(Total Public Health Emergency Preparedness 93.069 $18,791)			
Universal Newborn Hearing Screening	93.251	Not Provided	600
Immunization Cooperative Agreements	93.268	Not Provided	800
Drug-Free Communities Support Program Grants	93.276	5H79SP020911-02	84,028
Early Hearing Detection and Intervention Information System (EDHI-IS) Surveillance Program	93.314	Not Provided	450
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	102306	16,093

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

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Polk-Norman-Mahnomen Community Health Services (Continued)			
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	Not Provided	4,050
TANF Cluster			
Temporary Assistance for Needy Families	93.558	127473	56,310
(Total Temporary Assistance for Needy Families 93.558 $660,856)			
Maternal, Infant, and Early Childhood Home Visiting Cluster			
Maternal, Infant and Early Childhood Home Visiting Program	93.870	118491	32,785
Maternal and Child Health Services Block Grant to the States	93.994	86859	60,703
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	35,200
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1601MFTANF	604,546
(Total Temporary Assistance for Needy Families 93.558 $660,856)			
Child Support Enforcement	93.563	1704MNCSES	788,892
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCMA	844
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCCDF	4,993
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	29,655
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	16,165
Foster Care - Title IV-E	93.658	1701MNFOST	279,563
Social Services Block Grant	93.667	G-1701MNSOSR	281,194
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	15,400
Children's Health Insurance Program	93.767	05-1705MN0301	43
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	1,471,880
Medical Assistance Program	93.778	05-1705MN5MAP	7,936
(Total Medical Assistance Program 93.778 $1,479,816)			
Block Grants for Community Mental Health Services	93.958	SM010027-16	4,475
Block Grants for Prevention and Treatment of Substance Abuse	93.959	TI010027-15	160,673
Total U.S. Department of Health and Human Services			**$ 3,976,069**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	117611	$ 12,658
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	DR-1982	82,455
Emergency Management Performance Grants	97.042	F-EMPG-2016-POLKCO-2047	670
Emergency Management Performance Grants	97.042	F-EMPG-2017-POLKCO-2473	26,569
(Total Emergency Management Performance Grants 97.042 $27,239)			
Total U.S. Department of Homeland Security			**$ 122,352**
Total Federal Awards			**$ 4,929,274**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
Polk County did not pass any federal awards to subrecipients in 2017.			
Totals by Cluster			
Total expenditures for SNAP Cluster			$ 436,533
Total expenditures for Highway Planning and Construction Cluster			55,997
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			48,878
Total expenditures for TANF Cluster			660,856
Total expenditures for CCDF Cluster			4,993
Total expenditures for Medicaid Cluster			1,479,816

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

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POLK COUNTY
CROOKSTON, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

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

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Polk County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Polk County.

3. Summary of Significant Accounting Policies

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Polk County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 4,755,297
Grants received more than 60 days after year-end, unavailable in 2017	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	89,712
Promoting Safe and Stable Families	2,780
Temporary Assistance for Needy Families	309,824
Child Support Enforcement	125,217
Community-Based Child Abuse Prevention Grants	3,840
Stephanie Tubbs Jones Child Welfare Services Program	2,282
Chafee Foster Care Independence Program	3,850
Unavailable in 2016, recognized as revenue in 2017	
Projects for Assistance in Transition from Homelessness (PATH)	(53,175)
Special Education - Grants for Infants and Families	(483)
Drug-Free Communities Support Program Grants	(152,679)
Temporary Assistance for Needy Families	(142,714)
Promoting Safe and Stable Families	(1,174)
Stephanie Tubbs Jones Child Welfare Services Program	(774)
Chafee Foster Care Independence Program	(4,706)
Maternal and Child Health Services Block Grant to the States	(7,823)
Expenditures Per Schedule of Expenditures of Federal Awards	$ 4,929,274

Management and
Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polk County's internal control over financial reporting to determine the 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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items that we consider to be significant deficiencies

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness and items 1996-006, 2015-003, and 2017-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk 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 determination of financial statement amounts. 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

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Polk County does not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Polk County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2017-006. 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.

Other Matters

Included in the Schedule of Findings and Questioned Costs are management practices comments. We believe these recommendations to be of benefit to the County, and they are reported for that purpose.

Polk County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 25, 2018

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REBECCA OTTO
STATE AUDITOR

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OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Polk County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2017. Polk County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Polk County complied, in all material respects, with the types of 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 through 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

Polk County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. Polk County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 through 2017-005, that we consider to be significant deficiencies.

Polk County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. Polk County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of This Report

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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 25, 2018

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POLK COUNTY
CROOKSTON, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

The major federal programs are:

Child Support Enforcement	CFDA No. 93.563
Medicaid Cluster	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-006

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect County assets, proper segregation of the record keeping, custody, and authorization functions should be in place, and where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within several Polk County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Context: This is not unusual in operations the size of Polk County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an internal control point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that collecting fees for services at a department level provides a convenience for its customers. Fee services are provided in several locations, so having customers paying at a single point of collection would be very inconvenient. The staffing available in several of these smaller offices limits the potential for complete segregation of duties.

Recommendation: We recommend Polk County's elected officials and management be mindful that limited staffing increases the risks in safeguarding the County's assets and the proper recording of its financial activity and, where possible, implement oversight procedures to ensure that internal control policies and procedures are being followed by staff.

View of Responsible Official: Concur

Finding Number 2015-003

Documenting and Monitoring Internal Controls

Criteria: County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information for the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided.

Condition: Polk County does not maintain formal documentation of the controls in place over its significant transaction cycles; and there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Context: Local governments tend to establish controls but fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time. The County now has established an Internal Control committee, however the committee has only met once. The steps taken by the County are a good start; however, there is a need to address all the significant transaction cycles, documenting the risks, policies, and procedures in place to reduce the risks, and any conclusions on the sufficiency of those policies and procedures.

Effect: The internal control environment is constantly changing with changes in staffing, information systems, processes, and the services provided. Changes may have taken place that reduce or negate the effectiveness of internal controls, which may go unnoticed without a formal and timely risk assessment process in place.

Cause: Until recently, the County had not considered establishing a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring those controls.

Recommendation: Polk County management should document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. A formal plan should be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

View of Responsible Official: Concur

ITEMS ARISING THIS YEAR

Finding Number 2017-001

Audit Adjustments

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.

Context: The County provides a general ledger and supporting schedules necessary to adjust to the modified accrual basis for fund level financial statements and to the full accrual basis for the government-wide financial statements. The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

Capital Projects Fund:

- Decreased accounts payable and expenditures by $1,422,316 for construction and equipment not received or completed in 2017.
- Increased prepaid items and reduced expenditures by $1,183,804 for payments made in 2017 for equipment not delivered until 2018. The contracts provide that the equipment would remain personal property of the vendors until final payment is received.
- Increased bonds issued and reduced refunds and reimbursements by $2,309,031 to reclassify bond proceeds that were allocated out to departments using a refunds and reimbursement account.
- Increased deferred inflows of resources – unavailable revenue and decreased state grant revenue by $1,118,561 for receivables not collected within the revenue recognition period.

- Increased due to other governments and intergovernmental sanitation expenditures by $442,377 to reflect additional payable for CAP grant portion payable to Beltrami County.

Resource Recovery Enterprise Fund:

- Decreased capital assets and capital contributions by $5,956,104 for capital assets not received or completed until 2018.

Cause: Contracts for large equipment required scheduled payments and provided that the assets remained the property of the vendor until the final payment is received. Partial payments on a contract for work done in January and February 2018 were flagged as payables. The County does not have their revenue recognition policy in writing, so there was a misunderstanding of the policy.

Recommendation: We recommend the County establish internal controls necessary to ensure the County's annual financial statements are reported in accordance with GAAP.

View of Responsible Official: Concur

Finding Number 2017-002

Credit Card - Itemized Receipts

Criteria: The County's credit card policy indicates that after a legitimate charge has been incurred using the credit card, the employee is responsible for submitting to the appropriate department head, a claim voucher with an itemized receipt attached showing the date and time the service was purchased, the vendor, a detailed listing of the goods or services purchased, and the amount.

Condition: Two credit card claims tested paid to CardMember Services were missing itemized receipts showing the vendor, date, time, and a detailed listing of the goods or services purchased for two meals included on each of the claims.

Context: Five credit card claims were tested.

Effect: The County is paying claims without all the itemized receipts as required in the County's credit card policy.

Cause: Oversight

Recommendation: We recommend the County verify that all documentation required by County policy is attached to the claim voucher before payment is made.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2017-003

Eligibility - Intake Function

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: The state maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets were verified or correctly entered into MAXIS to support participant eligibility. The following exceptions were noted in 4 of 40 casefiles tested:

- One instance in which a retirement annuity account had not been removed in MAXIS after the funds were used to purchase a burial account.
- One instance in which the amount input into MAXIS for a bank account was an average balance, rather than the month end balance per the verification obtained.
- One instance in which a bank account balance was not verified.
- One instance in which a vehicle valuation was not correctly entered into MAXIS. The documentation in Caseworks listed two additional vehicles not input into MAXIS.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: The State of Minnesota contracts with the County to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota Department of Human Services maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

Effect: The improper input into MAXIS increases the risk that participants will receive benefits when they are not eligible.

Cause: County program personnel entering case information into MAXIS did not ensure all required information was verified or updated properly.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is obtained and properly updated in MAXIS. In addition, consideration should be given to providing further training to program personnel.

View of Responsible Official: Acknowledge

Finding Number 2017-004

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: 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 exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

Condition: For three procurement transactions tested over $25,000, there was no verification performed by the County to determine whether vendors were debarred, suspended, or otherwise excluded.

Questioned Costs: None

Context: Three of eighteen procurement transactions over $25,000 were tested for compliance with federal regulations.

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

Effect: The County is not in compliance with federal regulations.

Cause: The County was unaware of these requirements.

Recommendation: We recommend the County verify vendors are not debarred or suspended or that other exclusions apply. Evidence of the review should be maintained on file.

View of Responsible Official: Acknowledge

Finding Number 2017-005

<u>Activities Allowed or Unallowed and Allowable Costs/Cost Principles</u>

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. Code of Federal Regulations, Appendix A to Part 225 (C)(1)(a) states that to be allowable under Federal Awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal Awards, and under (C)(1)(j) be adequately documented. All cost reported on the DHS quarterly reports should include expenditures incurred by the County for products and services received.

Condition: The Social Services Special Revenue Fund refunded the Minnesota Department of Human Services $31,009 for funds received for the Vulnerable Children and Adults Act grant in error. The reimbursement that should have been posted as a reduction to revenue was actually posted as an expenditure and reported in the County's Social Service Fund (2556) quarterly report.

Questioned Costs: $31,009

Context: One disbursement from the sample of 40 tested was not in compliance with Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Effect: The County reported the refund as expenditures on the County's 2556 quarterly report. The amount reported as expenditure for the reimbursement is not a cost that was necessary and reasonable for proper and efficient performance and administration of Federal Awards and is not in compliance with federal regulations.

Cause: Error in the coding of the reimbursement.

Recommendation: We recommend the County appropriately pay reimbursements to DHS out of revenue accounts instead of expenditure accounts. We further recommend the County amend the appropriate quarterly report.

View of Responsible Official: Acknowledge

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

ITEM ARISING THIS YEAR

Finding Number 2017-006

Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions or a summary published in a qualified newspaper of general circulation in the County.

Condition: Based on a review of the affidavits of publication related to the publishing of a summary of the County Board minutes for 2017, the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the four published summaries reviewed, none were published within the 30-day requirement.

Effect: Noncompliance with Minn. Stat. § 375.12.

Cause: The County Board minutes are not prepared and presented to the County Board for review and approval in time to meet the publication within the 30-day requirement.

Recommendation: We recommend the County publish its summaries of the County Board minutes in compliance with Minn. Stat. § 375.12.

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2001-005

Capital Assets Accounting System

Criteria: To ensure consistent and accurate reporting of the County's capital assets and depreciation of those assets the County should maintain a centralized accounting system that includes all of the County's capital assets.

Condition: The County currently maintains capital asset records in several departments including: Road and Bridge, Social Services, Resource Recovery, Landfill, Environmental Services, Public Health, and the Finance Office.

Context: Capital assets, including infrastructure assets, are reported on the statement of net position and depreciation expenses for those assets are on the statement of activities. The County established accounting policies for capital assets including capitalization thresholds, useful lives, and the designation of specific general ledger account codes to record the purchases and construction costs of capital assets. County personnel analyze capital outlay and maintenance expenditure accounts for additions and remove items known to be sold or discarded during the year.

Effect: Accounting for capital assets is decentralized and in turn results in a variety of methods for tracking of additions and removal of capital assets. The Finance Department has access to some, but not all of the detailed capital asset records.

Cause: No set policy on how capital assets should be tracked. Accounting for each department's capital assets is left to each individual department.

Recommendation: The County Board should take steps to centralize the accounting of capital assets from all County departments into one centralized capital asset system.

View of Responsible Official: Concur

Finding Number 2007-002

Ditch Fund Balance Deficits

Criteria: Assets should exceed liabilities and deferred inflows of resources in order for the County to meet its obligations and maintain a positive fund balance. Under Minn. Stat. § 103E.655, drainage project costs must be paid from the appropriate drainage system account. Through the levying of assessments, Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance for the repair costs of a ditch system not to exceed 20 percent of the assessed benefits of the ditch system or $100,000, whichever is greater.

Condition: As of December 31, 2017, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

Context: Twenty-seven of the 159 individual Ditch Special Revenue Fund ditch systems had deficit fund balances at December 31, 2017. The deficit fund balances ranged from $10 to $145,177 for a total of $344,484. Three of the 18 Ditch Debt Service Fund ditch systems had deficit fund balances at December 31, 2017. The deficit fund balances ranged from $2,240 to $49,818, for a total of $57,673.

Effect: Ditch systems with deficit fund balances indicates that measures have not been taken to ensure that the ditch can meet financial obligations.

Cause: Ditch expenditures were necessary, and the ditch levies were not sufficient to cover all costs.

Recommendation: The County should levy assessments in sufficient amounts to maintain current expenditures and to cover expenditures already made in advance from other funds.

View of Responsible Official: Concur

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FINANCE DEPARTMENT
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REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-006
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

Polk County Finance will monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within the County's staffing limitations and funding constraints. The County Board of Commissioners also recognizes the weakness in segregation of duties and has continually provided oversight to partially compensate for this deficiency. The County will continue to monitor fee collection centers to the extent that is efficient to do so. Additionally, the County has recently implemented a policy that change funds are balanced and signed off by the department heads.

Anticipated Completion Date:

Not known

Finding Number: 2015-003
Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County has begun the process of documenting significant internal controls and accounting processes. It is the County's intention to create all the controls and documentation necessary to resolve the issue within the next year.

Anticipated Completion Date:

9-1-2019

Finding Number: 2017-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County will document its revenue recognition policy and communicate it to departments. The County will better review specific wording in contracts regarding assets purchased and constructed.

Anticipated Completion Date:

6-01-2019

Finding Number: 2017-002
Finding Title: Credit Card - Itemized Receipts

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County will use affidavits from employees when a claim is missing detailed receipts and update its policy accordingly.

Anticipated Completion Date:

12-31-18

Finding Number: 2017-003
Finding Title: Eligibility - Intake Function
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jon Street

Corrective Action Planned:

The County will follow the State recommendation

Anticipated Completion Date:

9-25-18

Finding Number: 2017-004
Finding Title: Procurement, Suspension, and Debarment
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Randy Beggs

Corrective Action Planned:

The County will access the SAM website and comply with suspension and debarment rules.

Anticipated Completion Date:

9-26-18

Finding Number: 2017-005
Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Program: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Randy Beggs

Corrective Action Planned:

Submit revised 2556, DHS would correct SEAGR at State level adjusting disbursements. Revenue reported was corrected in Q417.

Anticipated Completion Date:

9-25-18

Finding Number: 2017-006
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:

Charles Whiting

Corrective Action Planned:

The County intends to comply with the statute.

Anticipated Completion Date:

12-31-18

Finding Number: 2001-005
Finding Title: Capital Assets Accounting System

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

Polk County Finance is exploring purchase options for a centralized capital asset accounting software program and expects to make a purchase and begin implementation with the next year.

Anticipated Completion Date:

6-30-2019

Finding Number: 2007-002
Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County is working to establish zero to modest fund balances in all ditches, but deficit spending will likely continue, and the County will raise special assessments to restore positive balances as quickly as possible without being an undue hardship to the landowners.

Anticipated Completion Date:

Not known.

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Polk County

FINANCE DEPARTMENT
612 N Broadway, Suite 207
Crookston, MN 56716
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REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 1996-006
Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel within several Polk County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported: Polk County Finance will monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within the County's staffing limitations and funding constraints.

Status: Partially Corrected. The County continues to do its best to mitigate of the risk associated with the lack of segregation of duties but due to limited staff may not have fully eliminated them.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-003
Finding Title: Documenting and Monitoring Internal Controls

Summary of Condition: Polk County does not maintain formal documentation of the controls in place over its significant transaction cycles; and there is no formal risk assessment process in place to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure.

Summary of Corrective Action Previously Reported: An Internal Control Committee has been established to take the needed actions.

Status: Partially Corrected. By establishing an Internal Control Committee the County believes it has begun the process of documenting and monitoring, but additional work in this area is currently underway.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2001-005
Finding Title: Capital Assets Accounting System

Summary of Condition: The County currently maintains capital asset records in several departments including: Road and Bridge, Social Services, Resource Recovery, Landfill, Environmental Services, Public Health, and the Finance Office.

Summary of Corrective Action Previously Reported: The County intends to purchase a centralized capital assets accounting system.

Status: Partially Corrected. While the combined capital asset system has been selected it has not yet been implemented yet due to time constraints.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2007-002
Finding Title: Ditch Fund Balance Deficits

Summary of Condition: The County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

Summary of Corrective Action Previously Reported: The County is working to establish zero to modest fund balances in all ditches, but deficit spending will likely continue, and the County will raise special assessments to restore positive balances as quickly as possible without being an undue hardship to the landowner.

Status: Not Corrected. The County will continue its policy of levying a reasonable amount to ditch system with deficits, but still prefers to not hold significant funds in advance of actual need.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___