

State of Minnesota



**Office of the State Auditor**

Julie Blaha  
State Auditor

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**Polk County  
Crookston, Minnesota**

Year Ended December 31, 2019

## **Description of the Office of the State Auditor**

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

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

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

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

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

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

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

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

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

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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor’s web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

# Polk County Crookston, Minnesota

Year Ended December 31, 2019



**Audit Practice Division  
Office of the State Auditor  
State of Minnesota**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	17
Statement of Activities	2	19
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	21
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	25
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	26
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	28
Proprietary Funds		
Statement of Fund Net Position	7	30
Statement of Revenues, Expenses, and Changes in Fund Net Position	8	32
Statement of Cash Flows	9	33
Fiduciary Funds		
Statement of Fiduciary Net Position	10	35
Statement of Changes in Fiduciary Net Position	11	36
Notes to the Financial Statements		37

**POLK COUNTY  
CROOKSTON, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	95
Road and Bridge Special Revenue Fund	A-2	98
Social Services Special Revenue Fund	A-3	99
Public Safety Special Revenue Fund	A-4	100
Schedule of Changes in Total OPEB Liability and Related Ratios –		
Other Postemployment Benefits	A-5	101
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	102
Schedule of Contributions	A-7	103
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	104
Schedule of Contributions	A-9	105
Notes to the Required Supplementary Information		106
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	B-1	113
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	B-2	114
Combining Balance Sheet – Nonmajor Special Revenue Funds	B-3	115
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Special Revenue Funds	B-4	116
Combining Balance Sheet – Nonmajor Debt Service Funds	B-5	117
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Debt Service Funds	B-6	118
Budgetary Comparison Schedules		
Agassiz Regional Library Special Revenue Fund	B-7	119
Environmental Services Special Revenue Fund	B-8	120
Public Health Special Revenue Fund	B-9	121
Fiduciary Funds		
Agency Funds		
Combining Statement of Changes in Assets and Liabilities – All Agency Funds	C-1	122

**POLK COUNTY  
CROOKSTON, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Financial Section</b>		
Supplementary Information (Continued)		
Other Schedules		
Schedule of Deposits and Investments	D-1	126
Schedule of Intergovernmental Revenue	D-2	127
Schedule of Expenditures of Federal Awards	D-3	129
Notes to the Schedule of Expenditures of Federal Awards		132
<b>Management and Compliance Section</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		134
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		137
Schedule of Findings and Questioned Costs		140
Corrective Action Plan		152
Summary Schedule of Prior Audit Findings		155

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2019

		<u>Term Expires</u>
<b>Elected</b>		
<b>Commissioners</b>		
District 1	Gerald Jacobson	January 2021
District 2	Warren Strandell*	January 2023
District 3	Gary Willhite**	January 2021
District 4	Joan Lee	January 2023
District 5	Don Diedrich	January 2021
Attorney	Gregory A. Widseth	December 2022
County Sheriff	James Tadmam	December 2022
<b>Appointed</b>		
County Administrator	Charles S. Whiting	Indefinite
County Engineer	Richard Sanders	April 2023
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 2020
Surveyor	Garrett Borowicz	Indefinite
<b>Welfare Board</b>		
Commissioner	Warren Strandell	January 2023
Commissioner	Gerald Jacobson**	January 2021
Commissioner	Don Diedrich	January 2021
Commissioner	Joan Lee	January 2023
Commissioner	Gary Willhite*	January 2021
Lay-Board Member	Paula Waters	July 2021
Lay-Board Member	Cathryn Gutterud	July 2020

\*Chair for 2019

\*\*Vice Chair for 2019

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### 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, 2019, 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, 2019, 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.

### ***Emphasis of Matter – Subsequent Event***

As discussed in Note 8 to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) to be a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected that the County will experience an increase of grant revenues as a result of this pandemic. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2020, 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 internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Polk County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering 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/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

October 8, 2020

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2019  
(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, 2019. 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 \$131,490,686, of which Polk County has a net investment in capital assets of \$122,946,653, and \$8,270,046 is restricted to specific purposes or uses.
- Business-type activities' total net position is \$19,894,972. Net investment in capital assets represents \$19,554,739, and \$187,540 is restricted to specific purposes and uses.
- Polk County's net position (governmental activities and business-type activities) totals \$151,385,658 for the year ended December 31, 2019. Net investment in capital assets represents \$142,501,392 of the total, \$8,457,586 of the total net position is restricted for specific uses, and \$426,680 is unrestricted.
- The net cost of Polk County's governmental activities for the year ended December 31, 2019, was \$27,984,241. General property tax revenues and other revenue sources totaling \$27,643,552 funded a large portion of the total net cost of \$27,984,241.
- Polk County's governmental funds' fund balances increased by \$5,781,943. This increase was the result of a combined General Fund balance decrease of \$557,961, a Road and Bridge Special Revenue Fund balance increase of \$7,669,126, a Social Services Special Revenue Fund balance increase of \$522,047, a Public Safety Special Revenue Fund balance increase of \$250,492, a Ditch Debt Service Fund balance decrease of \$89,000, a Capital Projects Fund balance decrease of \$1,740,452, and a decrease in other governmental fund's fund balance of \$272,309.

- The General Fund balance decreased by \$557,961. The decrease was mostly due to the planned fund balance use for capital project expenditures totaling \$520,300 in the buildings department.
- The Road and Bridge Special Revenue Fund balance increased by \$7,669,126 due primarily to proceeds of new bonds issued of \$5,500,000 with premium on the bonds of \$ 479,226 and also to an excess of revenues over expenditures of \$1,720,996.
- The Social Services Special Revenue Fund balance increased by \$522,047 due to excess of revenues over expenditures of 522,047.
- The Public Safety Special Revenue Fund balance increased by \$250,492 due to excess revenues over expenditures of \$250,492. The expenditures in the Sheriff's Department for total pay and benefits came in under budget by approximately \$200,000.
- The Ditch Debt Service Fund balance decreased by \$89,000 due to the excess of conservation of natural resources and debt service expenditures over annual revenues from special assessments.
- The Capital Projects Fund, which was new in 2017, was created for the Solid Waste Expansion – CAP Grant Project. The fund balance decreased in 2019 by \$1,740,452 primarily due to the use of the bond proceeds that were remaining in the fund from 2017 and for additional project expenses as the Solid Waste Expansion project progresses toward completion.
- The fund balance as of December 31, 2019, for all other governmental funds increased by \$272,309 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 Changes in Total OPEB Liability – 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**

<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>
<b>Notes to the Financial Statements</b>	

**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, economic development, and interest. 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 Balance – 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, Capital Projects 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 organizations, 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, schedule of deposits and investments, schedule of intergovernmental revenue, schedule of expenditures of federal awards, and the notes to the schedule of expenditures of federal awards.

## THE COUNTY AS A WHOLE

Polk County's combined net position for the year ended December 31, 2019, was \$151,385,658. 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	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and other assets	\$ 41,257,557	\$ 38,349,918	\$ 4,393,499	\$ 4,523,316	\$ 45,651,056	\$ 42,873,234
Capital assets	142,222,581	139,842,624	19,806,928	19,760,446	162,029,509	159,603,070
<b>Total Assets</b>	<b>\$ 183,480,138</b>	<b>\$ 178,192,542</b>	<b>\$ 24,200,427</b>	<b>\$ 24,283,762</b>	<b>\$ 207,680,565</b>	<b>\$ 202,476,304</b>
<b>Deferred Outflows of Resources</b>						
Deferred pension outflows	\$ 3,674,512	\$ 6,089,574	\$ 170,724	\$ 313,851	\$ 3,845,236	\$ 6,403,425
Deferred OPEB outflows	68,545	54,869	7,166	5,736	75,711	60,605
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,743,057</b>	<b>\$ 6,144,443</b>	<b>\$ 177,890</b>	<b>\$ 319,587</b>	<b>\$ 3,920,947</b>	<b>\$ 6,464,030</b>
<b>Liabilities</b>						
Long-term debt outstanding	\$ 47,322,242	\$ 39,739,711	\$ 3,929,486	\$ 3,915,377	\$ 51,251,728	\$ 43,655,088
Other liabilities	2,481,592	4,769,624	284,026	558,837	2,765,618	5,328,461
<b>Total Liabilities</b>	<b>\$ 49,803,834</b>	<b>\$ 44,509,335</b>	<b>\$ 4,213,512</b>	<b>\$ 4,474,214</b>	<b>\$ 54,017,346</b>	<b>\$ 48,983,549</b>
<b>Deferred Inflows of Resources</b>						
Deferred pension inflows	\$ 5,910,158	\$ 7,996,275	\$ 267,898	\$ 364,533	\$ 6,178,056	\$ 8,360,808
Deferred OPEB inflows	18,517	-	1,935	-	20,452	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 5,928,675</b>	<b>\$ 7,996,275</b>	<b>\$ 269,833</b>	<b>\$ 364,533</b>	<b>\$ 6,198,508</b>	<b>\$ 8,360,808</b>
<b>Net Position</b>						
Net investment in capital assets	\$ 122,946,653	\$ 121,174,507	\$ 19,554,739	\$ 19,323,342	\$ 142,501,392	\$ 140,497,849
Restricted	8,270,046	4,568,327	187,540	105,148	8,457,586	4,673,475
Unrestricted	273,987	6,088,541	152,693	336,112	426,680	6,424,653
<b>Total Net Position</b>	<b>\$ 131,490,686</b>	<b>\$ 131,831,375</b>	<b>\$ 19,894,972</b>	<b>\$ 19,764,602</b>	<b>\$ 151,385,658</b>	<b>\$ 151,595,977</b>

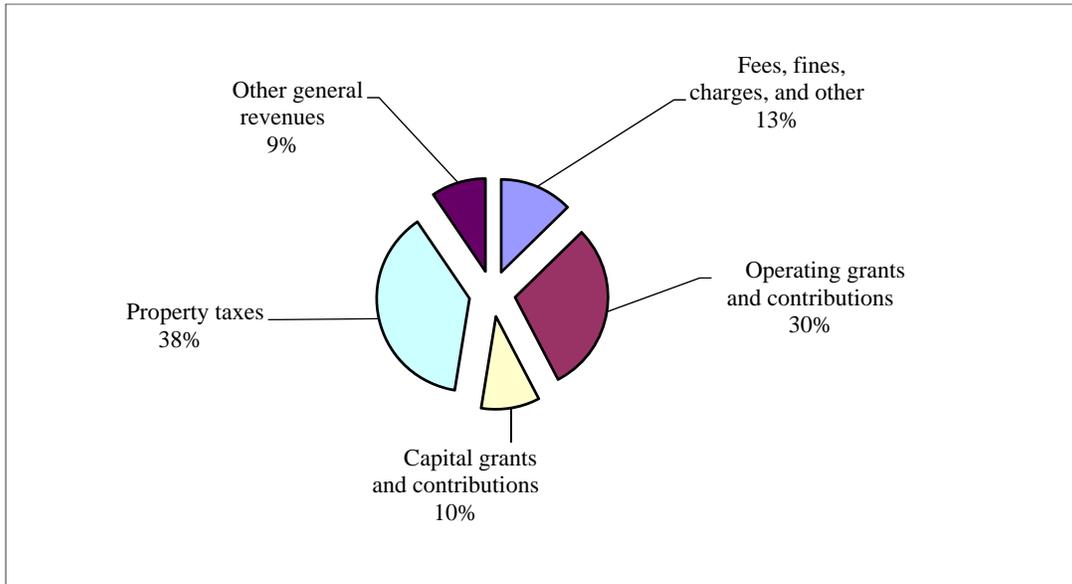
Polk County's total net position for the year ended December 31, 2019, is \$151,385,658. Unrestricted net position totaling \$426,680 is available to finance day-to-day operations. Of the unrestricted net position, \$273,987 is available for governmental activities, and \$152,693 is available for business-type activities. As of December 31, 2018, Polk County's total net position was \$151,595,977. The \$210,319 decrease is due primarily to the decrease in unrestricted net position resulting from more liabilities relative to assets.

**Table 2  
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues						
Fees, fines charges, and other	\$ 7,596,144	\$ 6,525,485	\$ 6,351,882	\$ 6,677,183	\$ 13,948,026	\$ 13,202,668
Operating grants and contributions	17,802,959	16,933,743	22,500	-	17,825,459	16,933,743
Capital grants and contributions	6,105,575	12,759,209	-	-	6,105,575	12,759,209
General revenues						
Property taxes	22,767,613	21,950,232	-	-	22,767,613	21,950,232
Other taxes	1,388,439	3,151,713	-	-	1,388,439	3,151,713
Grants and contributions	2,658,976	2,550,440	7,758	13,366	2,666,734	2,563,806
Other general revenues	1,639,642	1,102,626	322,303	308,330	1,961,945	1,410,956
Total Revenues	\$ 59,959,348	\$ 64,973,448	\$ 6,704,443	\$ 6,998,879	\$ 66,663,791	\$ 71,972,327
Transfers	\$ (811,118)	\$ (5,511,882)	\$ 811,118	\$ 5,511,882	\$ -	\$ -
Expenses						
Program Expenses						
General Government	\$ 5,807,942	\$ 10,571,510	\$ -	\$ -	\$ 5,807,942	\$ 10,571,510
Public Safety	11,254,380	11,038,542	-	-	11,254,380	11,038,542
Highways and Streets	14,185,080	17,123,869	-	-	14,185,080	17,123,869
Sanitation	2,449,023	6,477,344	-	-	2,449,023	6,477,344
Human Services	16,621,314	15,296,796	-	-	16,621,314	15,296,796
Health	2,944,850	2,850,146	-	-	2,944,850	2,850,146
Culture and Recreation	665,605	634,498	-	-	665,605	634,498
Conservation of Natural Resources	5,062,775	536,202	-	-	5,062,775	536,202
Economic Development	8,350	7,550	-	-	8,350	7,550
Interest	489,600	458,583	-	-	489,600	458,583
Resource Recovery	-	-	5,270,712	4,798,871	5,270,712	4,798,871
Landfill	-	-	2,114,479	1,999,120	2,114,479	1,999,120
Total Program Expenses	\$ 59,488,919	\$ 64,995,040	\$ 7,385,191	\$ 6,797,991	\$ 66,874,110	\$ 71,793,031
Increase (Decrease) in Net Position	\$ (340,689)	\$ (5,533,474)	\$ 130,370	\$ 5,712,770	\$ (210,319)	\$ 179,296

Polk County's total revenues for the year ended December 31, 2019, were \$66,663,791, which is a decrease of \$5,308,536 from the total revenues in 2018. The total cost of programs and services for the year ended December 31, 2019, was \$66,874,110, which is a decrease of \$4,918,921 from the total cost of programs in 2018. In 2019, the net position for governmental activities decreased by \$340,689, and the net position for business-type activities increased by \$130,370, for a total County decrease of \$210,319. In 2019, the governmental activities program expenditures decreased by \$5,506,121 due mostly to decreased project expenses in general government, highways and streets, and sanitation, offset by increased expenditures in conservation of natural resources (ditch and watershed) and most other funds. Program revenues decreased in governmental activities due mostly to a drop in capital grants and contributions. The business-type activities had a decrease in total revenues of \$294,436 due mostly to a decline in fees and other charges relative to the prior year.

**Governmental Activities Revenue  
(Percent of Total)**



**Governmental Activities**

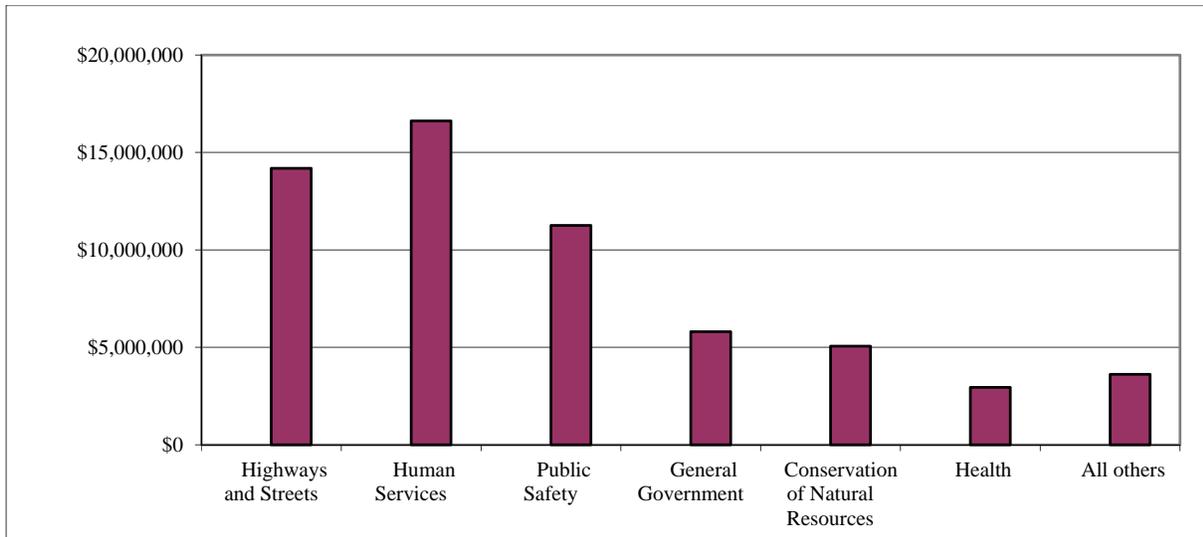
Revenues for Polk County’s governmental activities for the year ended December 31, 2019, were \$59,959,348. Costs for all governmental activities for the year ended December 31, 2019, were \$59,488,919. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$22,767,613, because \$7,596,144 of the costs were paid by those who directly benefited from the programs, and \$23,908,534 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 \$5,687,057 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 2019	Net Cost of Services 2019
Program Expenses		
Highways and Streets	\$ 14,185,080	\$ 2,914,051
Human Services	16,621,314	5,104,834
Public Safety	11,254,380	9,598,468
General Government	5,807,942	4,266,379
Conservation of Natural Resources	5,062,775	4,370,863
Health	2,944,850	1,150,933
All others	3,612,578	578,713
 Total Program Expenses	 \$ 59,488,919	 \$ 27,984,241

**Governmental Activities Expenses  
2019**



**Business-Type Activities**

Revenues of Polk County’s business-type activities (see Table 2) for the year ended December 31, 2019, were \$6,704,443. This compares with total revenues of \$6,998,879 for the year ended December 31, 2018.

Transfers to business-type activities (see Table 2) for the year ended December 31, 2019, were \$811,118. Transfers to business-type activities were \$5,511,882 for the year ended December 31, 2018.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2019, were \$7,385,191. This compares with total expenses of \$6,797,991 for the year ended December 31, 2018.

### **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 \$33,780,986, which is more than last year's total of \$27,999,043. The increase in fund balance of \$5,781,943 is due primarily to the \$7,669,126 increase in the Road and Bridge Fund caused mostly by the issuance \$5,500,000 in State Aid Highway Bonds to be used for highway projects in the coming years.

As you will note, there were changes within individual funds. The overall fund balance change represented a 20.7 percent increase. Included in this year's total fund balance is the General Fund balance of \$8,813,644, a decrease of \$557,961 from 2018, due to intentional use of excess fund balance for building and other capital items. The General Fund balance is classified as either non-spendable – \$308,596, restricted for specific purposes – \$309,605, committed for specific purposes – \$516,533, assigned to specific uses – \$314,334, or unassigned – \$7,364,576.

An excess of revenues over expenditures in the Social Services Special Revenue Fund caused an increase of \$522,047. An excess of revenues over expenditures in the Public Safety Special Revenue Fund caused an increase of \$250,492. The fund balance in the Ditch Debt Service Fund had a decrease due to expenditures over revenues of \$4,105,065, offset by other financing sources from bonds issued of \$4,016,065.

### **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 2019, the Board of Commissioners made a change to the 2019 budget by adding \$135,000 in the professional services account of the Central Service department budget for consultant fees with the intention of using existing fund balance to cover that cost.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 18, 2018, 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 \$915,773. Total actual expenditures in the General Fund exceeded the budgeted expenditures by \$488,968.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2019, Polk County had \$162,029,509 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 \$2,426,439, or a 1.5 percent increase, from last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Land	\$ 9,409,517	\$ 9,404,313	\$ 261,118	\$ 261,118	\$ 9,670,635	\$ 9,665,431
Construction in progress	1,944,553	776,536	24,671	1,659,071	1,969,224	2,435,607
Land improvements	714,246	848,884	70,007	79,192	784,253	928,076
Buildings and improvements	31,015,418	27,849,908	4,872,785	4,419,504	35,888,203	32,269,412
Machinery, furniture, and equipment	4,710,453	4,780,237	12,984,438	13,006,716	17,694,891	17,786,953
Infrastructure	94,428,394	96,182,746	-	-	94,428,394	96,182,746
Landfill	-	-	1,593,909	334,845	1,593,909	334,845
Totals	\$ 142,222,581	\$ 139,842,624	\$ 19,806,928	\$ 19,760,446	\$ 162,029,509	\$ 159,603,070

During calendar year 2019, Polk County's governmental activities' capital assets, net of depreciation, increased a total of \$2,379,957. The increase came in the categories of land improvements and buildings and improvements due to capital projects. 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, 2019, Polk County had \$31,514,004 in bonds and notes outstanding, compared with \$23,798,668 as of December 31, 2018, an increase of 32.4 percent—as shown in Table 5.

**Table 5**  
**Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2019	2018	2019	2018	2019	2018
Bonds payable						
General obligation bonds	\$ 30,570,000	\$ 23,430,000	\$ -	\$ -	\$ 30,570,000	\$ 23,430,000
Plus: Unamortized premium	944,004	368,668	-	-	944,004	368,668
Totals	\$ 31,514,004	\$ 23,798,668	\$ -	\$ -	\$ 31,514,004	\$ 23,798,668

The state limits the amount of net debt at three percent of the market value of all taxable property. Polk County's outstanding net debt is significantly below this \$169,495,433 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.3. – 3.C.6.) 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 3.9 percent as of December 2019. This is slightly higher than the 2018 rate of 3.7 percent, the statewide December 2019 rate of 3.5 percent, and the national average rate of 3.7 percent.
- Polk County's population at December 2019 was 31,524, a decrease of 76 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 17, 2019, Polk County set its 2020 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.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 31,669,120	\$ 1,875,473	\$ 33,544,593
Investments	1,157,842	-	1,157,842
Taxes receivable – delinquent	530,643	-	530,643
Special assessments receivable			
Delinquent	31,633	-	31,633
Noncurrent	3,488,918	-	3,488,918
Accounts receivable	219,416	160,835	380,251
Accrued interest receivable	111,718	19,623	131,341
Internal balances	(178,073)	178,073	-
Due from other governments	3,475,004	261,143	3,736,147
Inventories	751,336	-	751,336
Restricted assets			
Permanently restricted			
Cash and pooled investments	-	1,898,352	1,898,352
Capital assets			
Non-depreciable	11,354,070	285,789	11,639,859
Depreciable – net of accumulated depreciation	130,868,511	19,521,139	150,389,650
<b>Total Assets</b>	<b>\$ 183,480,138</b>	<b>\$ 24,200,427</b>	<b>\$ 207,680,565</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred pension outflows	\$ 3,674,512	\$ 170,724	\$ 3,845,236
Deferred other postemployment benefits outflows	68,545	7,166	75,711
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,743,057</b>	<b>\$ 177,890</b>	<b>\$ 3,920,947</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2019**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 668,188	\$ 177,737	\$ 845,925
Salaries payable	662,357	52,451	714,808
Contracts payable	127,153	-	127,153
Due to other governments	632,898	53,838	686,736
Accrued interest payable	222,790	-	222,790
Unearned revenue	168,206	-	168,206
Long-term liabilities			
Due within one year	3,935,402	118,482	4,053,884
Due in more than one year	29,010,433	2,353,438	31,363,871
Other postemployment benefits liability	802,328	68,366	870,694
Net pension liability	13,574,079	1,389,200	14,963,279
<b>Total Liabilities</b>	<b>\$ 49,803,834</b>	<b>\$ 4,213,512</b>	<b>\$ 54,017,346</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred pension inflows	\$ 5,910,158	\$ 267,898	\$ 6,178,056
Deferred other postemployment benefits inflows	18,517	1,935	20,452
<b>Total Deferred Inflows of Resources</b>	<b>\$ 5,928,675</b>	<b>\$ 269,833</b>	<b>\$ 6,198,508</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 122,946,653	\$ 19,554,739	\$ 142,501,392
Restricted for			
General government	275,159	-	275,159
Public safety	485,268	-	485,268
Highways and streets	4,459,178	-	4,459,178
Closure/postclosure	-	187,540	187,540
Conservation of natural resources	1,512,855	-	1,512,855
Debt service	1,537,586	-	1,537,586
Unrestricted	273,987	152,693	426,680
<b>Total Net Position</b>	<b>\$ 131,490,686</b>	<b>\$ 19,894,972</b>	<b>\$ 151,385,658</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary Government</b>		
<b>Governmental activities</b>		
General government	\$ 5,807,942	\$ 1,039,003
Public safety	11,254,380	1,483,052
Highways and streets	14,185,080	369,179
Sanitation	2,449,023	2,145,788
Human services	16,621,314	1,268,453
Health	2,944,850	685,051
Culture and recreation	665,605	138,748
Conservation of natural resources	5,062,775	466,870
Economic development	8,350	-
Interest	489,600	-
	<b>\$ 59,488,919</b>	<b>\$ 7,596,144</b>
<b>Total governmental activities</b>		
<b>Business-type activities</b>		
Resource Recovery	\$ 5,270,712	\$ 3,735,099
Landfill	2,114,479	2,616,783
	<b>\$ 7,385,191</b>	<b>\$ 6,351,882</b>
<b>Total business-type activities</b>		
<b>Total Primary Government</b>	<b>\$ 66,874,110</b>	<b>\$ 13,948,026</b>

**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**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Change in Net Position</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 502,560	\$ -	\$ (4,266,379)	\$ -	\$ (4,266,379)
172,860	-	(9,598,468)	-	(9,598,468)
5,025,049	5,876,801	(2,914,051)	-	(2,914,051)
408,827	228,774	334,366	-	334,366
10,248,027	-	(5,104,834)	-	(5,104,834)
1,108,866	-	(1,150,933)	-	(1,150,933)
111,728	-	(415,129)	-	(415,129)
225,042	-	(4,370,863)	-	(4,370,863)
-	-	(8,350)	-	(8,350)
-	-	(489,600)	-	(489,600)
<b>\$ 17,802,959</b>	<b>\$ 6,105,575</b>	<b>\$ (27,984,241)</b>	<b>\$ -</b>	<b>\$ (27,984,241)</b>
\$ -	\$ -	\$ -	\$ (1,535,613)	\$ (1,535,613)
22,500	-	-	524,804	524,804
<b>\$ 22,500</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,010,809)</b>	<b>\$ (1,010,809)</b>
<b>\$ 17,825,459</b>	<b>\$ 6,105,575</b>	<b>\$ (27,984,241)</b>	<b>\$ (1,010,809)</b>	<b>\$ (28,995,050)</b>
		\$ 22,767,613	\$ -	\$ 22,767,613
		1,388,280	-	1,388,280
		159	-	159
		2,658,976	7,758	2,666,734
		200,358	-	200,358
		594,725	61,781	656,506
		844,559	260,522	1,105,081
		(811,118)	811,118	-
		<b>\$ 27,643,552</b>	<b>\$ 1,141,179</b>	<b>\$ 28,784,731</b>
		<b>\$ (340,689)</b>	<b>\$ 130,370</b>	<b>\$ (210,319)</b>
		<b>131,831,375</b>	<b>19,764,602</b>	<b>151,595,977</b>
		<b>\$ 131,490,686</b>	<b>\$ 19,894,972</b>	<b>\$ 151,385,658</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 7,895,432	\$ 10,440,938	\$ 4,437,069
Petty cash and change funds	3,850	-	-
Undistributed cash in agency funds	464,197	535	951
Investments	162,718	-	-
Taxes receivable – delinquent	481,287	14,364	29,572
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts receivable	19,478	293	6,298
Accrued interest receivable	106,238	-	-
Due from other funds	37,664	13,189	531
Due from other governments	124,986	715,057	1,896,500
Advance to other funds	306,169	-	-
Inventories	-	751,336	-
	<b>\$ 9,602,019</b>	<b>\$ 11,935,712</b>	<b>\$ 6,370,921</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 162,920	\$ 97,650	\$ 218,559
Salaries payable	152,744	57,925	184,186
Contracts payable	11,385	98,112	-
Due to other funds	10,461	1,067	125,103
Due to other governments	42,912	19,788	384,726
Unearned revenue	-	168,206	-
Advance from other funds	-	-	-
	<b>\$ 380,422</b>	<b>\$ 442,748</b>	<b>\$ 912,574</b>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue	<b>\$ 407,953</b>	<b>\$ 229,542</b>	<b>\$ 443,691</b>

**EXHIBIT 3**

<u>Public Safety</u>	<u>Ditch Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,136,754	\$ 673,634	\$ -	\$ 3,535,937	\$ 31,119,764
250	-	-	770	4,870
-	12,816	-	65,987	544,486
97,704	544,352	-	353,068	1,157,842
-	-	-	5,420	530,643
-	10,531	-	21,102	31,633
-	3,295,989	-	192,929	3,488,918
25,245	-	-	168,102	219,416
-	-	-	5,480	111,718
-	-	-	1,430,859	1,482,243
54,649	-	224,690	480,300	3,496,182
-	-	-	-	306,169
-	-	-	-	751,336
<u><b>\$ 4,314,602</b></u>	<u><b>\$ 4,537,322</b></u>	<u><b>\$ 224,690</b></u>	<u><b>\$ 6,259,954</b></u>	<u><b>\$ 43,245,220</b></u>
\$ 18,678	\$ -	\$ 21,307	\$ 149,074	\$ 668,188
189,120	-	-	78,382	662,357
-	-	17,656	-	127,153
9,704	-	1,290,985	244,174	1,681,494
-	-	157,626	27,846	632,898
-	-	-	-	168,206
-	7,855	-	298,314	306,169
<u><b>\$ 217,502</b></u>	<u><b>\$ 7,855</b></u>	<u><b>\$ 1,487,574</b></u>	<u><b>\$ 797,790</b></u>	<u><b>\$ 4,246,465</b></u>
<u><b>\$ -</b></u>	<u><b>\$ 3,305,674</b></u>	<u><b>\$ 222,506</b></u>	<u><b>\$ 608,403</b></u>	<u><b>\$ 5,217,769</b></u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2019**

	<b>General</b>	<b>Road and Bridge</b>	<b>Social Services</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)</u></b>			
<b>Fund Balances</b>			
Nonspendable			
Inventories	\$ -	\$ 751,336	\$ -
Advances to other funds	306,169	-	-
Missing heirs	2,427	-	-
Restricted			
County state-aid highway system	-	738,862	-
Construction bonds	-	3,239,801	-
Debt service	36,873	-	-
DARE	-	-	-
Ditch maintenance and construction	-	-	-
Aquatic species	-	-	-
Buffer enforcement	-	-	-
Dive rescue team	-	-	-
Drug task force	-	-	-
Project lifesavers	-	-	-
DWI forfeitures	-	-	-
Civil process fees	-	-	-
E-911	-	-	-
Gravel pit restoration	-	264,931	-
Administering the carrying of weapons	-	-	-
Law library	55,819	-	-
Recorder's compliance	80,338	-	-
Recorder's technology equipment	136,575	-	-
Capital projects	-	-	-
Committed			
Insurance	516,533	-	-
Assigned			
Forfeited tax sales	314,334	-	-
Public safety	-	-	-
Highways and streets	-	6,268,492	-
Human services	-	-	5,014,656
Health	-	-	-
Sanitation	-	-	-
Culture and recreation	-	-	-
Unassigned	7,364,576	-	-
<b>Total Fund Balances</b>	<b>\$ 8,813,644</b>	<b>\$ 11,263,422</b>	<b>\$ 5,014,656</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 9,602,019</b>	<b>\$ 11,935,712</b>	<b>\$ 6,370,921</b>

**EXHIBIT 3**  
**(Continued)**

<u>Public Safety</u>	<u>Ditch Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 751,336
-	-	-	-	306,169
-	-	-	-	2,427
-	-	-	-	738,862
-	-	-	-	3,239,801
-	1,234,206	-	266,507	1,537,586
4,347	-	-	-	4,347
-	-	-	1,080,994	1,080,994
-	-	-	76,483	76,483
-	-	-	355,378	355,378
1,538	-	-	-	1,538
657	-	-	-	657
817	-	-	-	817
32,338	-	-	-	32,338
32,433	-	-	-	32,433
227,126	-	-	-	227,126
-	-	-	-	264,931
186,012	-	-	-	186,012
-	-	-	-	55,819
-	-	-	-	80,338
-	-	-	-	136,575
-	-	-	-	-
-	-	-	-	516,533
-	-	-	-	314,334
3,611,832	-	-	-	3,611,832
-	-	-	-	6,268,492
-	-	-	-	5,014,656
-	-	-	873,570	873,570
-	-	-	2,500,217	2,500,217
-	-	-	14,715	14,715
-	(10,413)	(1,485,390)	(314,103)	5,554,670
<u>\$ 4,097,100</u>	<u>\$ 1,223,793</u>	<u>\$ (1,485,390)</u>	<u>\$ 4,853,761</u>	<u>\$ 33,780,986</u>
<u>\$ 4,314,602</u>	<u>\$ 4,537,322</u>	<u>\$ 224,690</u>	<u>\$ 6,259,954</u>	<u>\$ 43,245,220</u>

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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, 2019**

<b>Fund balances – total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>33,780,986</b>
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.		142,222,581
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,217,769
Deferred outflows of resources resulting from pension and other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.		3,743,057
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	\$ (30,570,000)	
Other postemployment benefits liability	(802,328)	
Bond premiums	(944,004)	
Accrued interest payable	(222,790)	
Compensated absences	(1,431,831)	
Net pension liability	<u>(13,574,079)</u>	(47,545,032)
Deferred inflows resulting from pension and other postemployment obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(5,928,675)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b><u>131,490,686</u></b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
<b>Revenues</b>			
Taxes	\$ 5,811,486	\$ 3,130,324	\$ 5,325,111
Special assessments	4,061	-	-
Licenses and permits	7,510	34,714	-
Intergovernmental	3,119,926	11,099,501	10,505,627
Charges for services	893,015	75,988	803,587
Fines and forfeits	12,101	-	-
Investment earnings	551,001	-	66
Gifts and contributions	1,650	-	2,825
Miscellaneous	695,275	257,637	462,041
<b>Total Revenues</b>	<b>\$ 11,096,025</b>	<b>\$ 14,598,164</b>	<b>\$ 17,099,257</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 9,302,039	\$ -	\$ -
Public safety	287,081	-	-
Highways and streets	-	11,458,939	-
Sanitation	-	-	-
Human services	-	-	16,577,210
Health	12,100	-	-
Culture and recreation	307,272	-	-
Conservation of natural resources	239,881	-	-
Economic development	8,350	-	-
<b>Intergovernmental</b>			
Highways and streets	-	1,369,490	-
<b>Debt service</b>			
Principal	1,285,000	-	-
Interest	212,263	-	-
Bond issuance costs	-	48,739	-
<b>Total Expenditures</b>	<b>\$ 11,653,986</b>	<b>\$ 12,877,168</b>	<b>\$ 16,577,210</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (557,961)</b>	<b>\$ 1,720,996</b>	<b>\$ 522,047</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	-	-
Bonds issued	-	5,500,000	-
Premium on bonds issued	-	479,226	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ 5,979,226</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ (557,961)</b>	<b>\$ 7,700,222</b>	<b>\$ 522,047</b>
<b>Fund Balance – January 1</b>	<b>9,371,605</b>	<b>3,594,296</b>	<b>4,492,609</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>(31,096)</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 8,813,644</b>	<b>\$ 11,263,422</b>	<b>\$ 5,014,656</b>

**EXHIBIT 5**

<b>Public Safety</b>	<b>Ditch Debt Service</b>	<b>Capital Projects</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 8,133,026	\$ -	\$ -	\$ 1,657,880	\$ 24,057,827
-	540,860	-	130,544	675,465
-	-	-	45,195	87,419
489,099	-	250,998	1,628,267	27,093,418
402,267	-	-	2,649,455	4,824,312
4,363	-	-	-	16,464
7,325	12,984	-	3,370	574,746
5,075	-	-	-	9,550
1,429,782	297,630	-	84,319	3,226,684
<b>\$ 10,470,937</b>	<b>\$ 851,474</b>	<b>\$ 250,998</b>	<b>\$ 6,199,030</b>	<b>\$ 60,565,885</b>
\$ -	\$ -	\$ -	\$ 475,566	\$ 9,777,605
10,220,445	-	-	-	10,507,526
-	-	-	-	11,458,939
-	-	2,026,000	2,204,168	4,230,168
-	-	-	-	16,577,210
-	-	-	2,901,898	2,913,998
-	-	-	264,090	571,362
-	4,172,578	-	405,529	4,817,988
-	-	-	-	8,350
-	-	-	-	1,369,490
-	560,000	265,000	75,000	2,185,000
-	148,279	190,450	5,088	556,080
-	75,682	-	-	124,421
<b>\$ 10,220,445</b>	<b>\$ 4,956,539</b>	<b>\$ 2,481,450</b>	<b>\$ 6,331,339</b>	<b>\$ 65,098,137</b>
<b>\$ 250,492</b>	<b>\$ (4,105,065)</b>	<b>\$ (2,230,452)</b>	<b>\$ (132,309)</b>	<b>\$ (4,532,252)</b>
\$ -	\$ -	\$ 490,000	\$ -	\$ 490,000
-	-	-	(140,000)	(140,000)
-	3,825,000	-	-	9,325,000
-	191,065	-	-	670,291
<b>\$ -</b>	<b>\$ 4,016,065</b>	<b>\$ 490,000</b>	<b>\$ (140,000)</b>	<b>\$ 10,345,291</b>
\$ 250,492	\$ (89,000)	\$ (1,740,452)	\$ (272,309)	\$ 5,813,039
3,846,608	1,312,793	255,062	5,126,070	27,999,043
-	-	-	-	(31,096)
<b>\$ 4,097,100</b>	<b>\$ 1,223,793</b>	<b>\$ (1,485,390)</b>	<b>\$ 4,853,761</b>	<b>\$ 33,780,986</b>

**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, 2018**

**Net change in fund balance – total governmental funds (Exhibit 5) \$ 5,813,039**

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	\$ 5,217,769	
Deferred inflows of resources – January 1	<u>(5,824,306)</u>	(606,537)

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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 10,271,709	
Contribution of capital assets to the business-type activities	(1,161,118)	
Current year depreciation	<u>(6,730,634)</u>	2,379,957

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Proceeds of new debt		
General obligation bonds issued	\$ (9,325,000)	
Premium on bonds issued	<u>(670,291)</u>	(9,995,291)
Principal repayments		
General obligation bonds		2,185,000

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 6  
(Continued)**

**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, 2018**

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	\$	20,265	
Change in compensated absences		123,121	
Change in other postemployment benefits liability		12,393	
Change in net pension liability		(2,709)	
Change in deferred pension outflows		(2,415,062)	
Change in deferred pension inflows		2,086,117	
Change in deferred other postemployment benefits outflows		13,676	
Change in deferred other postemployment benefits inflows		(18,517)	
Change in unamortized premiums on general obligation bonds		94,955	
Change in inventories		(31,096)	(116,857)
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>			<b><u><u>\$ (340,689)</u></u></b>

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**PROPRIETARY FUNDS**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF FUND NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2019**

	<b>Resource Recovery</b>	<b>Landfill</b>	<b>Totals</b>
<b><u>Assets</u></b>			
Current assets			
Cash and pooled investments	\$ -	\$ 1,875,273	\$ 1,875,273
Petty cash and change funds	-	200	200
Accounts receivable	137,600	23,235	160,835
Accrued interest receivable	-	19,623	19,623
Due from other funds	227,443	63,565	291,008
Due from other governments	124,351	136,792	261,143
Advance to other funds	-	175,402	175,402
<b>Total current assets</b>	<b>\$ 489,394</b>	<b>\$ 2,294,090</b>	<b>\$ 2,783,484</b>
Restricted assets			
Cash and pooled investments	\$ -	\$ 1,898,352	\$ 1,898,352
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 11,085	\$ 274,704	\$ 285,789
Depreciable – net	15,736,868	3,784,271	19,521,139
<b>Total noncurrent assets</b>	<b>\$ 15,747,953</b>	<b>\$ 4,058,975</b>	<b>\$ 19,806,928</b>
<b>Total Assets</b>	<b>\$ 16,237,347</b>	<b>\$ 8,251,417</b>	<b>\$ 24,488,764</b>
<b><u>Deferred Outflows of Resources</u></b>			
Deferred pension outflows	\$ 144,580	\$ 26,144	\$ 170,724
Deferred other postemployment benefits outflows	6,210	956	7,166
<b>Total Deferred Outflows of Resources</b>	<b>\$ 150,790</b>	<b>\$ 27,100</b>	<b>\$ 177,890</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF FUND NET POSITION  
ENTERPRISE FUNDS  
DECEMBER 31, 2019**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 83,971	\$ 93,766	\$ 177,737
Salaries payable	52,361	90	52,451
Compensated absences payable	77,763	11,788	89,551
Due to other funds	84,967	27,968	112,935
Due to other governments	52,733	1,105	53,838
Capital leases payable	-	28,931	28,931
<b>Total current liabilities</b>	<b>\$ 351,795</b>	<b>\$ 163,648</b>	<b>\$ 515,443</b>
Noncurrent liabilities			
Compensated absences payable	\$ 355,196	\$ 64,171	\$ 419,367
Advance from other funds	175,402	-	175,402
Capital leases payable	-	223,259	223,259
Closure care costs payable	-	650,762	650,762
Postclosure care costs payable	-	800,730	800,730
Contingency costs payable	-	259,320	259,320
Other postemployment benefits liability	62,689	5,677	68,366
Net pension liability	1,206,157	183,043	1,389,200
<b>Total noncurrent liabilities</b>	<b>\$ 1,799,444</b>	<b>\$ 2,186,962</b>	<b>\$ 3,986,406</b>
<b>Total Liabilities</b>	<b>\$ 2,151,239</b>	<b>\$ 2,350,610</b>	<b>\$ 4,501,849</b>
<b><u>Deferred Inflows of Resources</u></b>			
Deferred pension inflows	\$ 229,499	\$ 38,399	\$ 267,898
Deferred other postemployment benefits inflows	1,677	258	1,935
<b>Total Deferred Inflows of Resources</b>	<b>\$ 231,176</b>	<b>\$ 38,657</b>	<b>\$ 269,833</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 15,747,954	\$ 3,806,785	\$ 19,554,739
Restricted for postclosure care costs	-	187,540	187,540
Unrestricted	(1,742,232)	1,894,925	152,693
<b>Total Net Position</b>	<b>\$ 14,005,722</b>	<b>\$ 5,889,250</b>	<b>\$ 19,894,972</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
<b>Operating Revenues</b>			
Charges for services	\$ 3,207,430	\$ 2,492,191	\$ 5,699,621
Miscellaneous	527,669	124,592	652,261
<b>Total Operating Revenues</b>	<b>\$ 3,735,099</b>	<b>\$ 2,616,783</b>	<b>\$ 6,351,882</b>
<b>Operating Expenses</b>			
Personnel services	\$ 2,138,333	\$ 405,886	\$ 2,544,219
Other services and charges	380,682	870,377	1,251,059
Supplies	410,990	8,675	419,665
Utilities	603,192	12,242	615,434
Repairs and maintenance	15,936	-	15,936
Transportation and disposal	280,115	82,203	362,318
Asset purchases	60,572	-	60,572
Closure/postclosure/contingency	-	60,323	60,323
Depreciation	1,183,934	603,513	1,787,447
<b>Total Operating Expenses</b>	<b>\$ 5,073,754</b>	<b>\$ 2,043,219</b>	<b>\$ 7,116,973</b>
<b>Operating Income (Loss)</b>	<b>\$ (1,338,655)</b>	<b>\$ 573,564</b>	<b>\$ (765,091)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental	\$ 6,962	\$ 23,296	\$ 30,258
Interest income restricted for sanitation	32,046	29,735	61,781
Interest expense	-	(7,696)	(7,696)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 39,008</b>	<b>\$ 45,335</b>	<b>\$ 84,343</b>
<b>Income (loss) before contributions and transfers</b>	<b>\$ (1,299,647)</b>	<b>\$ 618,899</b>	<b>\$ (680,748)</b>
Capital contributions	1,113,646	47,472	1,161,118
Transfers out	(280,000)	(70,000)	(350,000)
<b>Change in Net Position</b>	<b>\$ (466,001)</b>	<b>\$ 596,371</b>	<b>\$ 130,370</b>
<b>Net Position – January 1</b>	<b>14,471,723</b>	<b>5,292,879</b>	<b>19,764,602</b>
<b>Net Position – December 31</b>	<b>\$ 14,005,722</b>	<b>\$ 5,889,250</b>	<b>\$ 19,894,972</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Resource Recovery</b>	<b>Landfill</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 3,615,586	\$ 2,701,673	\$ 6,317,259
Payments to suppliers	(1,857,627)	(946,203)	(2,803,830)
Payments to employees	(2,083,047)	(428,018)	(2,511,065)
	<b>\$ (325,088)</b>	<b>\$ 1,327,452</b>	<b>\$ 1,002,364</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Intergovernmental	\$ 6,962	\$ 23,296	\$ 30,258
Transfers out	(280,000)	-	(280,000)
	<b>\$ (273,038)</b>	<b>\$ 23,296</b>	<b>\$ (249,742)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Contracts payable	\$ -	\$ (156,673)	\$ (156,673)
Principal paid on long-term debt	-	(28,240)	(28,240)
Interest paid on long-term debt	-	(7,696)	(7,696)
Purchases of capital assets	(486,505)	(256,305)	(742,810)
	<b>\$ (486,505)</b>	<b>\$ (448,914)</b>	<b>\$ (935,419)</b>
<b>Cash Flows from Investing Activities</b>			
Investment earnings received	\$ 39,846	\$ 29,735	\$ 69,581
Accrued interest	-	49,416	49,416
	<b>\$ 39,846</b>	<b>\$ 79,151</b>	<b>\$ 118,997</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (1,044,785)</b>	<b>\$ 980,985</b>	<b>\$ (63,800)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>1,044,785</b>	<b>2,792,840</b>	<b>3,837,625</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ -</b>	<b>\$ 3,773,825</b>	<b>\$ 3,773,825</b>
<b>Cash and Cash Equivalents – Exhibit 7</b>			
Cash and pooled investments	\$ -	\$ 1,875,273	\$ 1,875,273
Petty cash and change funds	-	200	200
Restricted cash and pooled investments	-	1,898,352	1,898,352
	<b>\$ -</b>	<b>\$ 3,773,825</b>	<b>\$ 3,773,825</b>
<b>Total Cash and Cash Equivalents</b>	<b>\$ -</b>	<b>\$ 3,773,825</b>	<b>\$ 3,773,825</b>

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

Page 33

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
ENTERPRISE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2019  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Resource Recovery</b>	<b>Landfill</b>	<b>Totals</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income (loss)	\$ (1,338,655)	\$ 573,564	\$ (765,091)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>			
Depreciation expense	\$ 1,183,934	\$ 603,513	\$ 1,787,447
(Increase) decrease in accounts receivable	(42,595)	152,053	109,458
(Increase) decrease in due from other governments	(5,928)	(27,694)	(33,622)
(Increase) decrease in due from other funds	(70,990)	(39,469)	(110,459)
(Increase) decrease in deferred pension outflows	121,976	21,151	143,127
(Increase) decrease in deferred other postemployment benefits outflows	(1,239)	(191)	(1,430)
Increase (decrease) in accounts payable	(141,675)	26,146	(115,529)
Increase (decrease) in salaries payable	10,368	(6,237)	4,131
Increase (decrease) in compensated absences – current	994	(3,795)	(2,801)
Increase (decrease) in due to other funds	42,683	740	43,423
Increase (decrease) in due to other governments	(7,148)	408	(6,740)
Increase (decrease) in compensated absences – long-term	8,856	(16,518)	(7,662)
Increase (decrease) in other postemployment benefits liability	(1,123)	(173)	(1,296)
Increase (decrease) in net pension liability	(5,296)	(919)	(6,215)
Increase (decrease) in deferred pension inflows	(80,927)	(15,708)	(96,635)
Increase (decrease) in deferred other postemployment benefits inflows	1,677	258	1,935
Increase (decrease) in landfill closure/postclosure care costs	-	60,323	60,323
<b>Total adjustments</b>	<b>\$ 1,013,567</b>	<b>\$ 753,888</b>	<b>\$ 1,767,455</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ (325,088)</b>	<b>\$ 1,327,452</b>	<b>\$ 1,002,364</b>
<b>Noncash Investing, Capital, and Financing Activities</b>			
Contributions of capital assets from Capital Projects Fund to Resource Recovery and Landfill Funds	\$ 1,113,646	\$ 47,472	

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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, 2019**

	<b>Tri-County Community Corrections Investment Trust</b>	<b>Agency Funds</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 1,435,934	\$ 1,436,484
Accounts receivable	-	24,839
Due from other funds	-	30,769
Due from other governments	-	778,213
<b>Total Assets</b>	<b>\$ 1,435,934</b>	<b>\$ 2,270,305</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 112,907
Due to other funds	-	9,591
Due to other governments	-	2,147,807
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 2,270,305</b>
<b><u>Net Position</u></b>		
Net position, held in trust for pool participants	<b>\$ 1,435,934</b>	

**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, 2019**

<u><b>Additions</b></u>	
Contributions from participants	\$ 10,223,919
Investment earnings	19,598
PERA rate reimbursement	<u>11,235</u>
<b>Total Additions</b>	<b>\$ 10,254,752</b>
<u><b>Deductions</b></u>	
Pool participant withdrawals	<u>10,229,615</u>
<b>Change in Net Position</b>	<b>\$ 25,137</b>
<b>Net Position – Beginning of the Year</b>	<u><b>1,410,797</b></u>
<b>Net Position – End of the Year</b>	<u><u><b>\$ 1,435,934</b></u></u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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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, 2019. 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 7.B. The County also participates in the jointly-governed organizations and related organizations described in Note 7.C. and 7.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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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, segment 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Landfill Enterprise Fund is used to account 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:

The Investment Trust Fund accounts for the investments held on behalf of external participants in a trust capacity.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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 for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, 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 and Resource Recovery Enterprise Funds. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$370,397.

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 Minn. Stat. § 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).

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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.”

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

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.

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. No provision has been made for an estimated uncollectible amount.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments, payable in the years 2011 through 2019, and noncurrent special assessments payable in 2020 and after. No provision has been made for an estimated uncollectible amount.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

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

The County landfill is depreciated based on capacity used.

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 vacation 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 only if they have 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 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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 net 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 reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has three types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, special assessments receivable, grants receivable, and miscellaneous receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

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 for which constraints have been placed on the use of resources 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.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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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)

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 than six months of the General Fund operating expenditures. At December 31, 2019, 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Ditch Fund Deficits

Of 180 drainage systems, 39 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, 2019:

	Ditch Special Revenue	Ditch Debt Service
Ditches with positive fund balances	\$ 1,080,994	\$ 1,234,206
Ditches with deficit fund balances	(314,103)	(10,413)
Total Fund Balances	\$ 766,891	\$ 1,223,793

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	\$ 33,544,593
Investments	1,157,842
Restricted assets	
Cash and pooled investments	1,898,352
Fiduciary assets	
Cash and pooled investments	
Investment Trust Fund	1,435,934
Agency funds	1,436,484
Total Cash and Investments	\$ 39,473,205
Deposits	\$ 15,888,377
Petty cash and change funds	5,070
Investments	23,579,758
Total Cash and Investments	\$ 39,473,205

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

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, 2019, 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;

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. At December 31, 2019, the County's investments were in an external investment pool and, therefore, not subject to credit risk disclosure.

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, 2019, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. At December 31, 2019, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2019, the County had recurring fair value measurements discussed as follows.

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. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical. At December 31, 2019, the County had \$14,656,758 invested in the MAGIC Portfolio.

Shares of the MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any. At December 31, 2019, the County had \$8,923,000 invested in the MAGIC Term Series.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes	\$ 530,643	\$ -
Special assessments	3,520,551	3,488,918
Accounts	219,416	-
Interest	111,718	-
Due from other governments	3,475,004	-
Total Governmental Activities	\$ 7,857,332	\$ 3,488,918
<b>Business-Type Activities</b>		
Accounts	\$ 160,835	\$ -
Interest	19,623	-
Due from other governments	261,143	-
Total Business-Type Activities	\$ 441,601	\$ -

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2019, was as follows:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 9,404,313	\$ 5,204	\$ -	\$ 9,409,517
Construction in progress	776,536	6,219,731	5,051,714	1,944,553
Total capital assets not depreciated	\$ 10,180,849	\$ 6,224,935	\$ 5,051,714	\$ 11,354,070
Capital assets depreciated				
Land improvements	\$ 2,128,635	\$ -	\$ -	\$ 2,128,635
Buildings and improvements	44,928,880	5,218,211	166,497	49,980,594
Machinery, furniture, and equipment	15,760,839	2,555,184	2,358,168	15,957,855
Infrastructure	156,194,926	1,325,093	-	157,520,019
Total capital assets depreciated	\$ 219,013,280	\$ 9,098,488	\$ 2,524,665	\$ 225,587,103
Less: accumulated depreciation for				
Land improvements	\$ 1,279,751	\$ 134,638	\$ -	\$ 1,414,389
Buildings and improvements	17,078,972	1,886,204	-	18,965,176
Machinery, furniture, and equipment	10,980,602	1,630,347	1,363,547	11,247,402
Infrastructure	60,012,180	3,079,445	-	63,091,625
Total accumulated depreciation	\$ 89,351,505	\$ 6,730,634	\$ 1,363,547	\$ 94,718,592
Total capital assets depreciated, net	\$ 129,661,775	\$ 2,367,854	\$ 1,161,118	\$ 130,868,511
Governmental Activities Capital Assets, Net	\$ 139,842,624	\$ 8,592,789	\$ 6,212,832	\$ 142,222,581

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 261,118	\$ -	\$ -	\$ 261,118
Construction in progress	1,659,071	65,748	1,700,148	24,671
Total capital assets not depreciated	<u>\$ 1,920,189</u>	<u>\$ 65,748</u>	<u>\$ 1,700,148</u>	<u>\$ 285,789</u>
Capital assets depreciated				
Buildings and improvements	\$ 7,457,591	\$ 661,155	\$ 805	\$ 8,117,941
Landfill	4,803,178	1,581,767	-	6,384,945
Machinery, furniture, and equipment	24,271,250	1,225,407	175,095	25,321,562
Improvements other than buildings	324,342	-	-	324,342
Total capital assets depreciated	<u>\$ 36,856,361</u>	<u>\$ 3,468,329</u>	<u>\$ 175,900</u>	<u>\$ 40,148,790</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,038,087	\$ 207,874	\$ 805	\$ 3,245,156
Landfill	4,468,333	322,703	-	4,791,036
Machinery, furniture, and equipment	11,264,534	1,247,685	175,095	12,337,124
Improvements other than buildings	245,150	9,185	-	254,335
Total accumulated depreciation	<u>\$ 19,016,104</u>	<u>\$ 1,787,447</u>	<u>\$ 175,900</u>	<u>\$ 20,627,651</u>
Total capital assets depreciated, net	<u>\$ 17,840,257</u>	<u>\$ 1,680,882</u>	<u>\$ -</u>	<u>\$ 19,521,139</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,760,446</u>	<u>\$ 1,746,630</u>	<u>\$ 1,700,148</u>	<u>\$ 19,806,928</u>

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

Governmental Activities	
General government	\$ 1,502,307
Public safety	923,916
Highways and streets, including depreciation of infrastructure assets	4,042,334
Health	594
Culture and recreation	94,044
Sanitation	159,851
Ditch	7,588
	<u>7,588</u>
Total Depreciation Expense – Governmental Activities	<u>\$ 6,730,634</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities	
Resource Recovery	\$ 1,183,934
Landfill	603,513
Total Depreciation Expense – Business-Type Activities	\$ 1,787,447

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Road and Bridge Special Revenue Fund Social Services Special Revenue Fund Environmental Services Special Revenue Fund	\$ 1,058 34,057 <u>2,549</u>
Total due to General Fund		\$ 37,664
Road and Bridge Special Revenue Fund	General Fund Public Safety Special Revenue Fund Environmental Services Special Revenue Fund Landfill Enterprise Fund	\$ 2,199 9,686 1,163 <u>141</u>
Total due to Road and Bridge Special Revenue Fund		\$ 13,189
Social Services Special Revenue Fund	General Fund	\$ <u>531</u>
Public Health Special Revenue Fund	Social Services Special Revenue Fund Agency funds	\$ 60,277 <u>9,591</u>
Total due to Public Health Special Revenue Fund		\$ 69,868
Environmental Services Special Revenue Fund	General Fund Road and Bridge Special Revenue Fund Public Safety Special Revenue Fund Capital Projects Special Revenue Fund Resource Recovery Enterprise Fund Landfill Enterprise Fund	\$ 94 9 18 1,290,985 42,058 <u>27,827</u>
Total due to Environmental Services Special Revenue Fund		\$ 1,360,991

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Resource Recovery Enterprise Fund	General Fund Environmental Services Special Revenue Fund	\$ 109 <u>227,334</u>
Total due to Resource Recovery Enterprise Fund		<u>\$ 227,443</u>
Landfill Enterprise Fund	General Fund Environmental Services Special Revenue Fund Resource Recovery Enterprise Fund	\$ 7,528 13,128 <u>42,909</u>
Total due to Landfill Enterprise Fund		<u>\$ 63,565</u>
Agency Fund	Social Services Special Revenue Fund	<u>\$ 30,769</u>
Total Due To/From Other Funds		<u>\$ 1,804,020</u>

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.

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Debt Service Fund Ditch Special Revenue Fund	\$ 7,855 <u>298,314</u>
Total advances from General Fund		<u>\$ 306,169</u>
Landfill Enterprise Fund	Resource Recovery Enterprise Fund	<u>175,402</u>
Total Advances From/To Other Funds		<u>\$ 481,571</u>

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

2. Advances From/To Other Funds (Continued)

In 2015, the Resource Recovery Enterprise 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, 2019, consisted of the following:

Transfer to Capital Projects Fund from Environmental Services Special Revenue Fund	\$ 140,000	To transfer bond payments
Transfer to Capital Projects Fund from Resource Recovery Enterprise Fund	280,000	To transfer bond payments
Transfer to Capital Projects Fund from Landfill Enterprise Fund	<u>70,000</u>	To transfer bond payments
Total	<u>\$ 490,000</u>	

During 2019, the governmental activities transferred purchased and constructed property and equipment of \$1,113,646 and \$47,472 to the Resource Recovery and Landfill Enterprise Funds, respectively.

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 688,188	\$ 177,737
Salaries	662,357	52,451
Contracts	127,153	-
Due to other governments	632,898	53,838
Interest	<u>222,790</u>	<u>-</u>
Total Payables	<u>\$ 2,333,386</u>	<u>\$ 284,026</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2019. The projects include the following:

	Spent-to-Date	Remaining Commitment
Ground sample distance image project – Road and Bridge Special Revenue Fund	\$ 93,136	\$ 93,136
Human Service Center Roof Replacement Project – General Fund	-	287,000
Total Construction Commitments	\$ 93,136	\$ 380,136

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, 2019, were as follows:

Year Ending December 31	Capital Lease	
	Principal	Interest
2020	\$ 28,931	\$ 6,870
2021	29,636	6,024
2022	30,359	5,157
2023	31,099	4,269
2024	31,857	3,359
2025 - 2027	100,308	4,395
Total	\$ 252,190	\$ 30,074

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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, 2019
General obligation bonds					
2019A G.O. Watershed Bonds	2040	\$160,000 - \$225,000	3.00 - 4.00	\$ 3,825,000	\$ 3,825,000
2019B G.O. State Aid Highway Bonds	2024	\$1,100,000	5.00	5,500,000	5,500,000
2017A G.O. Solid Waste Bonds	2037	\$265,000 - \$450,000	2.50 - 3.00	6,810,000	6,395,000
2015A G.O. Watershed Bonds	2020	\$120,000	3.00	2,855,000	120,000
2015B G.O. Watershed Bonds	2036	\$55,000 - \$105,000	1.00 - 3.40	1,495,000	1,330,000
2015C G.O. Capital Improvement Plan Bonds	2026	\$265,000 - \$315,000	2.00	2,985,000	2,090,000
2014 G.O. Jail Refunding Bonds	2026	\$1,020,000 - \$1,165,000	2.00 - 2.25	9,675,000	7,665,000
2012 G.O. Watershed District Bonds	2033	\$135,000	2.5303	2,710,000	1,890,000
2012B G.O. Refunding Bonds	2025	\$140,000 - \$160,000	1.7573	1,805,000	855,000
2009 G.O. Drainage Bonds	2030	\$45,000 - \$50,000	3.98	925,000	500,000
2009B G.O. Lake Improvement District Bonds	2020	\$40,000	1.25 - 3.40	400,000	40,000
2008A Refunding Bonds	2020	\$35,000	3.40 - 3.90	383,636	35,000
2006 G.O. Watershed District Bonds	2027	\$40,000 - \$45,000	3.60 - 4.30	865,000	325,000
Total general obligation bonds				<u>\$ 40,233,636</u>	\$ 30,570,000
Add: unamortized premium					<u>944,004</u>
Total General Obligation Bonds, Net					<u>\$ 31,514,004</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2020	\$ 3,310,000	\$ 946,727
2021	3,305,000	772,180
2022	3,345,000	710,680
2023	3,385,000	604,373
2024	3,430,000	496,658
2025 - 2029	7,050,000	1,557,276
2030 - 2034	3,950,000	806,491
2035 - 2039	2,570,000	235,015
2040	225,000	3,375
Total	<u>\$ 30,570,000</u>	<u>\$ 6,132,775</u>

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 23,430,000	\$ 9,325,000	\$ 2,185,000	\$ 30,570,000	\$ 3,310,000
Add: unamortized premium	368,668	670,291	94,955	944,004	-
Total bonds payable	<u>\$ 23,798,668</u>	<u>\$ 9,995,291</u>	<u>\$ 2,279,955</u>	<u>\$ 31,514,004</u>	<u>\$ 3,310,000</u>
Compensated absences	1,554,952	1,763,785	1,886,906	1,431,831	625,402
Governmental Activities Long-Term Liabilities	<u>\$ 25,353,620</u>	<u>\$ 11,759,076</u>	<u>\$ 4,166,861</u>	<u>\$ 32,945,835</u>	<u>\$ 3,935,402</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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	\$ 280,430	\$ -	\$ 28,240	\$ 252,190	\$ 28,931
Estimated liability for landfill closure/postclosure care costs	1,650,489	60,323	-	1,710,812	-
Compensated absences	519,381	181,321	191,784	508,918	89,551
Business-Type Activities					
Long-Term Liabilities	<u>\$ 2,450,300</u>	<u>\$ 241,644</u>	<u>\$ 220,024</u>	<u>\$ 2,471,920</u>	<u>\$ 118,482</u>

7. Unearned Revenues and Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of taxes and special assessments receivable, state grants not collected soon enough after year-end to pay liabilities of the current period, state and federal grants, and other revenue received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2019, are summarized below by fund:

	Taxes and Special Assessments	Grants and Allotments	Other	Total
Major governmental funds				
General	\$ 342,051	\$ 12	\$ 65,890	\$ 407,953
Road and Bridge Special Revenue	13,958	383,790	-	397,748
Social Services Special Revenue	28,757	414,934	-	443,691
Ditch Debt Service	3,305,674	-	-	3,305,674
Capital Projects	-	222,506	-	222,506
Nonmajor governmental funds				
Agassiz Regional Library Special Revenue	3,675	-	-	3,675
Ditch Special Revenue	211,606	-	5,480	217,086
Environmental Services Special Revenue	135,882	250,000	-	385,882
Rhinehart Project Debt Service	328	-	-	328
Union Lake/Lake Sarah Debt Service	1,432	-	-	1,432
Total Unavailable Revenue	<u>\$ 4,043,363</u>	<u>\$ 1,271,242</u>	<u>\$ 71,370</u>	<u>\$ 5,385,975</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Unearned Revenues and Deferred Inflows of Resources (Continued)

	Taxes and Special Assessments	Grants and Allotments	Other	Total
Liabilities				
Unearned Revenue	\$ -	\$ 168,206	\$ -	\$ 168,206
Deferred inflows of resources				
Unavailable Revenue	4,043,363	1,103,036	71,370	5,217,769
 Total	 \$ 4,043,363	 \$ 1,271,242	 \$ 71,370	 \$ 5,385,975

D. Other Postemployment Benefits (OPEB)

1. 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.

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

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	317
Total	321

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

2. Total OPEB Liability

The County's total OPEB liability of \$870,694 was determined by an actuarial valuation as of January 1, 2018, and was rolled forward to a measurement date of January 1, 2019. For the governmental activities, the OPEB liability is liquidated through the General Fund and other governmental funds that have personal services expenditures. For the business-type activities, the OPEB liability is liquidated by the Resource Recovery Enterprise Fund and the Landfill Enterprise Fund.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate is based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on RP-2014 White Collar Mortality Tables (with blue collar adjustment for police and fire personnel) with MP-2017 Generational Improvement Scale.

The actuarial assumptions are currently based on a combination of historical information, projected future data, and the most recent actuarial experience studies for PERA.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2019	\$ 884,383
Changes for the year	
Service cost	\$ 41,224
Interest	29,553
Assumption changes	(23,861)
Benefit payments	(60,605)
Net change	\$ (13,689)
Balance at December 31, 2019	\$ 870,694

4. OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 926,602
Current	3.80	870,694
1% Increase	4.80	818,437

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 795,127
Current	6.25% Decreasing to 5.00%	870,694
1% Increase	7.25% Decreasing to 6.00%	958,497

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$10,172. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ -	\$ 20,452
Contributions made subsequent to the measurement date	75,711	-
Total	\$ 75,711	\$ 20,452

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	\$ (3,409)
2021	(3,409)
2022	(3,409)
2023	(3,409)
2024	(3,409)
2025	(3,407)

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

6. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2019:

- The discount rate was changed from 3.30 percent to 3.80 percent.

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

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans (Continued)

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.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

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 Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$ 1,235,446
Police and Fire Plan	372,977

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

4. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$12,765,943 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2309 percent. It was 0.2314 percent measured as of June 30, 2018. The County recognized pension expense of \$1,632,180 for its proportionate share of the General Employees Plan's pension expense.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The County also recognized \$29,705 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 Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	\$	12,765,944
State of Minnesota's proportionate share of the net pension liability associated with the County		396,649
Total	\$	13,162,593

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 363,067	\$ -
Changes in actuarial assumptions	-	1,032,225
Difference between projected and actual investment earnings	-	1,399,223
Changes in proportion	489,200	426,183
Contributions paid to PERA subsequent to the measurement date	614,975	-
Total	\$ 1,467,242	\$ 2,857,631

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The \$614,975 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2020	\$ (488,982)
2021	(1,273,878)
2022	(263,075)
2023	20,571

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$2,197,336 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2060 percent. It was 0.2000 percent measured as of June 30, 2018. The County recognized pension expense of \$348,174 for its proportionate share of the Police and Fire Plan's pension expense.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

The County also recognized \$27,864 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until both this plan and the State Patrol Retirement Plan are 90 percent funded. In addition, the state will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 92,267	\$ 312,083
Changes in actuarial assumptions	1,687,389	2,460,449
Difference between projected and actual investment earnings	-	465,576
Changes in proportion	410,015	82,317
Contributions paid to PERA subsequent to the measurement date	188,323	-
Total	\$ 2,377,994	\$ 3,320,425

The \$188,323 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (82,853)
2021	(281,829)
2022	(772,078)
2023	(3,858)
2024	9,864

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$1,980,354.

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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

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. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Inflation and investment assumptions for both plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan and the 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans (Continued)

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

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 one percentage point lower or one percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 20,986,524	6.50%	\$ 4,802,969
Current	7.50	12,765,944	7.50	2,197,336
1% Increase	8.50	5,978,220	8.50	42,520

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](http://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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

F. Defined Contribution Plan

Five council members 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 five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Polk County during the year ended December 31, 2019, were:

	Employee	Employer
Contribution amount	\$ 9,012	\$ 9,012
Percentage of covered payroll	5.00%	5.00%

4. 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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4. Landfill Closure and Postclosure Care Costs (Continued)

The \$1,710,812 landfill closure, postclosure care, and contingency costs payable at December 31, 2019, represent the cumulative amount reported to date based on the use of 38.3 percent of the estimated capacity of the municipal solid waste portion of the landfill and 38.4 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 \$1,709,978 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2019. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2068 and ash in 2153. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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, 2019, investments of \$1,898,352 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.

5. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. 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 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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5. Risk Management (Continued)

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

6. 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 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, 2019, the outstanding principal amount payable was \$2,240,000.

7. 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

B. Joint Ventures

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, 2019, is \$1,095,000, of which Polk County's share is \$855,000. Polk County made contributions of \$88,401 in settlement payouts in 2019.

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.

Complete financial information can be obtained from the Marshall and Polk Rural Water System, 401 North Main Street, Warren, Minnesota 56762.

Northwest Minnesota Household Hazardous Waste Management Group

Beltrami, Cass, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of cooperatively managing, handling, and transporting household hazardous waste; providing public education on safe waste management; and providing for the disposition of non-recyclable household hazardous waste.

The governing body of the Waste Management Group is composed of one County Commissioner from each of the member counties. 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-ratio basis. In the event of dissolution of the Waste Management Group, the net position shall be divided among the member counties in the same proportion as their respective financial responsibilities.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Polk County paid an assessment of \$8,288 to the Waste Management Group in 2019. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

Separate financial information can be obtained from the Waste Management Group, PO Box 186, Bagley, Minnesota 56621.

Northwest Minnesota Regional Emergency Communications Board

The Northwest Minnesota Regional Emergency Communications Board (formerly known as the Northwest Minnesota Regional Radio Board) was formed in 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, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau, and the White Earth Reservation.

The purpose of the Northwest Minnesota Regional Emergency Communications 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 and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The Northwest Minnesota Regional Emergency Communications Board is composed of one Commissioner of each county appointed by their respective County Board, one City Council member from the City appointed by its City Council, and one representative appointed by the Tribal Council, as provided in the Northwest Minnesota Regional Emergency Communications Board's bylaws.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Emergency Communications Board (Continued)

In the event of dissolution of the Northwest Minnesota Regional Emergency Communications 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, county, or tribal entity 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 Emergency Communications Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Polk County did not make any contributions during 2019.

Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, 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 Minn. Stat. § 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 Board. Polk County's responsibility does not extend beyond making this appointment. In the event of dissolution, 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 2019, Polk County did not make a contribution to the Board.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Six County Joint Powers Board (Continued)

Complete financial information can be obtained from the Red Lake Watershed District, PO Box 803, Thief River Falls, Minnesota 56701.

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 include 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 contributions of \$250 to the NWSC in 2019.

Complete financial information can be obtained from the 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, Mahnomon, Marshall, Pennington, Polk, Roseau, and Wadena Counties. Mahnomon County withdrew from the NCDPSA in 2017. 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. 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 appointed by each member County Board. 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.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Polk County did not contribute to the NCDPSA for the year ended 2019. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund on its financial statements.

Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office, 213 North Main Avenue, Bagley, Minnesota 56621.

Polk County Collaborative

The Polk County Collaborative was formed in 2001 and operates under the authority of Minn. Stat. § 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 as well as 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 did not make any contributions in 2019.

Complete financial information can be obtained from Polk County Social Services, 612 North Broadway, Crookston, Minnesota 56716.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Tri-County Community Corrections

Tri-County Community Corrections was formed in 1975 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 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 is vested in the Tri-County Community Corrections Joint Powers Board, composed of two County Commissioners from each member county, as provided in 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 (ten percent), Polk County (85 percent), and Red Lake County (five 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.

Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Polk County did not make any contributions in 2019.

Complete 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 established 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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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 six members or more than 14 members designated by each participating full member, and up to five 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.

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.

Polk County did not make any contributions to this organization in 2019.

Complete financial information can be obtain from the City of Crookston, 321 West Robert Street, Crookston, Minnesota 56716.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (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 Local 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 a 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 acts as fiscal agent for the Board and reports the cash transactions of the Community Health Board as an agency fund on its annual financial statements. Polk County did not make a contribution in 2019.

Complete financial information can be obtained from Polk County Public Health, 816 Marin Avenue, Suite 125, Crookston, Minnesota 56716.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Workforce Service Area (Continued)

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 the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

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 Minn. Stat. § 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 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 the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. 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, as well as the Cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested in the Agassiz Regional Library Board of Trustees, 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 2019, Polk County provided \$264,090 in the form of an appropriation.

Financial information can be obtained from the Lake Agassiz Regional Library Regional Office, 118 – 5th Street South, Moorhead, Minnesota 56560.

Middle River-Snake River-Tamarac Watershed District

The Middle River-Snake River-Tamarac Watershed District was formed pursuant to Minn. Stat. § 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. 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.

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 includes 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. Polk County did not contribute to the Board in 2019.

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, Mahnomon, 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

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.

Complete financial information can be obtained from the Wild Rice Watershed District Office, 11 East 5th Avenue, Ada, Minnesota 56510.

Minnesota Red River Basin of the North Joint Powers Board

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. In 2019, Polk County provided \$784 in the form of an appropriation.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

The Region Three – Northwest Minnesota Homeland Security Emergency Management Organization 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. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Polk County's responsibility does not extend beyond making this appointment.

Complete financial information can be obtained from the Clay County Sheriff's Office, 915 – 9th Avenue North, Moorhead, Minnesota 56560.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, Polk County contributed \$1,606 for services provided.

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 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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7. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

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 Red Lake County, most of Pennington County, and parts of Beltrami, Clearwater, Itasca, Koochiching, Mahnommen, 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 Counties. Polk County's responsibility does not extend beyond making this appointment.

8. Subsequent Events

COVID Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. In addition, it is expected the County will experience an increase of grant revenues as a result of this pandemic.

Bond Issues

The County approved issuance of \$2,515,000 General Obligation Capital Improvement Plan Bonds, Series 2020A, on February 4, 2020.

The County approved issuance of \$1,700,000 General Obligation Watershed District Refunding Bonds, Series 2020B, on February 18, 2020.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 6,753,555	\$ 6,753,555	\$ 5,811,486	\$ (942,069)
Special assessments	-	-	4,061	4,061
Licenses and permits	7,700	7,700	7,510	(190)
Intergovernmental	2,147,306	2,147,306	3,119,926	972,620
Charges for services	712,625	712,625	893,015	180,390
Fines and forfeits	10,000	10,000	12,101	2,101
Investment earnings	80,000	80,000	551,001	471,001
Gifts and contributions	-	-	1,650	1,650
Miscellaneous	469,066	469,066	695,275	226,209
<b>Total Revenues</b>	<b>\$ 10,180,252</b>	<b>\$ 10,180,252</b>	<b>\$ 11,096,025</b>	<b>\$ 915,773</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 286,340	\$ 286,340	\$ 331,784	\$ (45,444)
Courts services	206,900	206,900	197,201	9,699
Law library	-	-	40,663	(40,663)
County administration	252,417	252,417	258,071	(5,654)
Taxpayer service center	824,474	824,474	702,496	121,978
Motor vehicle	215,408	215,408	193,132	22,276
County assessor	629,346	629,346	587,089	42,257
Elections	21,678	21,678	30,647	(8,969)
Finance	522,007	522,007	486,612	35,395
Accounting and auditing	75,000	75,000	112,591	(37,591)
Data processing	807,807	807,807	695,830	111,977
Central services	384,800	519,800	405,268	114,532
Personnel	404,600	404,600	373,237	31,363
Attorney	1,108,717	1,108,717	1,141,643	(32,926)
Recorder	107,995	107,995	259,820	(151,825)
Surveyor	255,500	255,500	252,757	2,743
Buildings and grounds	1,742,707	1,742,707	2,223,809	(481,102)
Veterans service officer	176,043	176,043	174,709	1,334
Insurance	11,018	11,018	-	11,018
Other general government	655,396	655,396	834,680	(179,284)
<b>Total general government</b>	<b>\$ 8,688,153</b>	<b>\$ 8,823,153</b>	<b>\$ 9,302,039</b>	<b>\$ (478,886)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Ambulance	\$ 58,775	\$ 58,775	\$ 58,775	\$ -
Coroner	80,316	80,316	77,515	2,801
Victim assistance	145,937	145,937	150,791	(4,854)
<b>Total public safety</b>	<b>\$ 285,028</b>	<b>\$ 285,028</b>	<b>\$ 287,081</b>	<b>\$ (2,053)</b>
<b>Health</b>				
Occupational Development Center	\$ 7,500	\$ 7,500	\$ 7,500	\$ -
Committee on Aging	2,200	2,200	2,200	-
Retired Senior Volunteer Program	2,400	2,400	2,400	-
<b>Total health</b>	<b>\$ 12,100</b>	<b>\$ 12,100</b>	<b>\$ 12,100</b>	<b>\$ -</b>
<b>Culture and recreation</b>				
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	95,950	95,950	173,773	(77,823)
Celebrations	800	800	800	-
Snowmobile and ski trails	10,000	10,000	87,699	(77,699)
<b>Total culture and recreation</b>	<b>\$ 151,750</b>	<b>\$ 151,750</b>	<b>\$ 307,272</b>	<b>\$ (155,522)</b>
<b>Conservation of natural resources</b>				
Agricultural inspection	\$ 47,990	\$ 47,990	\$ 260	\$ 47,730
Cooperative extension	149,754	149,754	149,297	457
Soil and water conservation	114,730	114,730	87,374	27,356
Forfeited tax sale	-	-	2,950	(2,950)
<b>Total conservation of natural resources</b>	<b>\$ 312,474</b>	<b>\$ 312,474</b>	<b>\$ 239,881</b>	<b>\$ 72,593</b>
<b>Economic development</b>				
Red River Valley Development Association	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Tri-Valley Opportunity Council	6,750	6,750	6,750	-
<b>Total economic development</b>	<b>\$ 8,350</b>	<b>\$ 8,350</b>	<b>\$ 8,350</b>	<b>\$ -</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT A-1  
(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Debt service</b>				
Principal	\$ 1,285,000	\$ 1,285,000	\$ 1,285,000	\$ -
Interest	287,163	287,163	212,263	74,900
<b>Total debt service</b>	<b>\$ 1,572,163</b>	<b>\$ 1,572,163</b>	<b>\$ 1,497,263</b>	<b>\$ 74,900</b>
<b>Total Expenditures</b>	<b>\$ 11,030,018</b>	<b>\$ 11,165,018</b>	<b>\$ 11,653,986</b>	<b>\$ (488,968)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (849,766)	\$ (984,766)	\$ (557,961)	\$ 426,805
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,500	7,500	-	(7,500)
<b>Net Change in Fund Balance</b>	<b>\$ (842,266)</b>	<b>\$ (977,266)</b>	<b>\$ (557,961)</b>	<b>\$ 419,305</b>
<b>Fund Balance – January 1</b>	<b>9,371,605</b>	<b>9,371,605</b>	<b>9,371,605</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 8,529,339</b>	<b>\$ 8,394,339</b>	<b>\$ 8,813,644</b>	<b>\$ 419,305</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 2,373,065	\$ 2,373,065	\$ 3,130,324	\$ 757,259
Licenses and permits	40,000	40,000	34,714	(5,286)
Intergovernmental	11,302,848	11,302,848	11,099,501	(203,347)
Charges for services	250,000	250,000	75,988	(174,012)
Miscellaneous	80,000	80,000	257,637	177,637
<b>Total Revenues</b>	<b>\$ 14,045,913</b>	<b>\$ 14,045,913</b>	<b>\$ 14,598,164</b>	<b>\$ 552,251</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 442,298	\$ 442,298	\$ 34,556	\$ 407,742
Maintenance	4,167,225	4,167,225	4,329,797	(162,572)
Construction	6,997,970	6,997,970	5,546,525	1,451,445
Equipment maintenance and shop	1,192,420	1,192,420	1,385,425	(193,005)
Other highways and streets	100,000	100,000	162,636	(62,636)
<b>Total highways and streets</b>	<b>\$ 12,899,913</b>	<b>\$ 12,899,913</b>	<b>\$ 11,458,939</b>	<b>\$ 1,440,974</b>
<b>Intergovernmental</b>				
Highways and streets	1,146,000	1,146,000	1,369,490	(223,490)
<b>Debt service</b>				
Bond issuance costs	-	-	48,739	(48,739)
<b>Total Expenditures</b>	<b>\$ 14,045,913</b>	<b>\$ 14,045,913</b>	<b>\$ 12,877,168</b>	<b>\$ 1,168,745</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,720,996</b>	<b>\$ 1,720,996</b>
<b>Other Financing Sources (Uses)</b>				
Bonds issued	\$ -	\$ -	\$ 5,500,000	\$ 5,500,000
Premium on bonds issued	-	-	479,226	479,226
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 5,979,226</b>	<b>\$ 5,979,226</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 7,700,222</b>	<b>\$ 7,700,222</b>
<b>Fund Balance – January 1</b>	<b>3,594,296</b>	<b>3,594,296</b>	<b>3,594,296</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>(31,096)</b>	<b>(31,096)</b>
<b>Fund Balance – December 31</b>	<b>\$ 3,594,296</b>	<b>\$ 3,594,296</b>	<b>\$ 11,263,422</b>	<b>\$ 7,669,126</b>

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, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 5,321,067	\$ 5,321,067	\$ 5,325,111	\$ 4,044
Intergovernmental	10,175,931	10,175,931	10,505,627	329,696
Charges for services	670,486	670,486	803,587	133,101
Investment earnings	-	-	66	66
Gifts and contributions	-	-	2,825	2,825
Miscellaneous	342,477	342,477	462,041	119,564
<b>Total Revenues</b>	<b>\$ 16,509,961</b>	<b>\$ 16,509,961</b>	<b>\$ 17,099,257</b>	<b>\$ 589,296</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 4,585,621	\$ 4,585,621	\$ 4,517,363	\$ 68,258
Social services	12,074,340	12,074,340	12,059,847	14,493
<b>Total Expenditures</b>	<b>\$ 16,659,961</b>	<b>\$ 16,659,961</b>	<b>\$ 16,577,210</b>	<b>\$ 82,751</b>
<b>Net Change in Fund Balance</b>	<b>\$ (150,000)</b>	<b>\$ (150,000)</b>	<b>\$ 522,047</b>	<b>\$ 672,047</b>
<b>Fund Balance – January 1</b>	<b>4,492,609</b>	<b>4,492,609</b>	<b>4,492,609</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 4,342,609</b>	<b>\$ 4,342,609</b>	<b>\$ 5,014,656</b>	<b>\$ 672,047</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT A-4**

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 8,133,026	\$ 8,133,026	\$ 8,133,026	\$ -
Intergovernmental	436,952	436,952	489,099	52,147
Charges for services	303,762	303,762	402,267	98,505
Fines and forfeitures	500	500	4,363	3,863
Investment earnings	300	300	7,325	7,025
Gifts and contributions	-	-	5,075	5,075
Miscellaneous	1,369,812	1,369,812	1,429,782	59,970
<b>Total Revenues</b>	<b>\$ 10,244,352</b>	<b>\$ 10,244,352</b>	<b>\$ 10,470,937</b>	<b>\$ 226,585</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	\$ 4,794,383	\$ 4,794,383	\$ 4,612,891	\$ 181,492
Narcotics task force	111,998	111,998	104,617	7,381
Body armor	4,000	4,000	4,719	(719)
Safe and sober	5,883	5,883	2,742	3,141
DWI assessments	2,500	2,500	6,759	(4,259)
Boat and water safety	23,572	23,572	40,870	(17,298)
Snowmobile safety	-	-	2,594	(2,594)
Emergency services	95,974	95,974	85,941	10,033
Municipal police contract	187,503	187,503	198,567	(11,064)
Enhanced 911 system	103,264	103,264	68,861	34,403
Community corrections	5,091,884	5,091,884	5,091,884	-
<b>Total Expenditures</b>	<b>\$ 10,420,961</b>	<b>\$ 10,420,961</b>	<b>\$ 10,220,445</b>	<b>\$ 200,516</b>
<b>Net Change in Fund Balance</b>	<b>\$ (176,609)</b>	<b>\$ (176,609)</b>	<b>\$ 250,492</b>	<b>\$ 427,101</b>
<b>Fund Balance – January 1</b>	<b>3,846,608</b>	<b>3,846,608</b>	<b>3,846,608</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 3,669,999</b>	<b>\$ 3,669,999</b>	<b>\$ 4,097,100</b>	<b>\$ 427,101</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT A-5*

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 41,224	\$ 43,449
Interest	29,553	29,382
Changes of assumption or other inputs	(23,861)	-
Benefit payments	<u>(60,605)</u>	<u>(70,181)</u>
<b>Net change in total OPEB liability</b>	<b>\$ (13,689)</b>	<b>\$ 2,650</b>
<b>Total OPEB Liability – Beginning, as restated</b>	<b><u>884,383</u></b>	<b><u>881,733</u></b>
<b>Total OPEB Liability – Ending</b>	<b><u><u>\$ 870,694</u></u></b>	<b><u><u>\$ 884,383</u></u></b>
Covered-employee payroll	\$ 17,928,896	\$ 17,406,695
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.86%	5.08%

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT A-6*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Polk County (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2019	0.2309 %	\$ 12,765,943	\$ 396,649	\$ 13,162,592	\$ 16,337,627	78.14 %	80.23 %
2018	0.2314	12,837,123	421,098	13,258,221	15,670,603	81.92	79.53
2017	0.2441	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, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2019	\$ 1,235,446	\$ 1,235,446	\$ -	\$ 16,472,610	7.50 %
2018	1,199,787	1,199,787	-	15,997,162	7.50
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, 2019**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2019	0.2060 %	\$ 2,197,336	\$ 2,227,128	98.66 %	89.26 %
2018	0.2000	2,129,662	2,107,310	101.06	88.84
2017	0.2060	2,781,245	2,114,403	131.54	85.43
2016	0.1910	7,665,162	1,893,219	404.87	63.88
2015	0.1980	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, 2019**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2019	\$ 372,977	\$ 372,977	\$ -	\$ 2,200,453	16.95 %
2018	352,009	352,009	-	2,172,895	16.20
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.

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except 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 fund had expenditures in excess of budget for the year ended December, 31, 2019:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 11,653,986	\$ 11,165,018	\$ 488,968

3. Other Postemployment Benefits

See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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4. Employer Contributions to Other Postemployment Benefits

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

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

2019

The following change in actuarial assumptions occurred in 2019:

- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

The following changes in actuarial assumptions occurred in 2018:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumption was changed from 30 percent to 20 percent.

6. 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:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increase were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019, and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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6. 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 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

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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**POLK COUNTY  
CROOKSTON, MINNESOTA**

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, 2019**

	<b>Special Revenue (Exhibit B-3)</b>	<b>Debt Service (Exhibit B-5)</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 3,424,082	\$ 111,855	\$ 3,535,937
Petty cash and change funds	770	-	770
Undistributed cash in agency funds	64,740	1,247	65,987
Investments	200,000	153,068	353,068
Taxes receivable – delinquent	5,420	-	5,420
Special assessments receivable			
Delinquent	19,005	2,097	21,102
Noncurrent	192,929	-	192,929
Accounts receivable	168,102	-	168,102
Accrued interest receivable	5,480	-	5,480
Due from other funds	1,430,859	-	1,430,859
Due from other governments	480,300	-	480,300
	<b>\$ 5,991,687</b>	<b>\$ 268,267</b>	<b>\$ 6,259,954</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 149,074	\$ -	\$ 149,074
Salaries payable	78,382	-	78,382
Due to other funds	244,174	-	244,174
Due to other governments	27,846	-	27,846
Advance from other funds	298,314	-	298,314
	<b>\$ 797,790</b>	<b>\$ -</b>	<b>\$ 797,790</b>
 <b>Deferred Inflows of Resources</b>			
Unavailable revenue	<b>\$ 606,643</b>	<b>\$ 1,760</b>	<b>\$ 608,403</b>
 <b>Fund Balances</b>			
<b>Restricted</b>			
Debt service	\$ -	\$ 266,507	\$ 266,507
Ditch maintenance and construction	1,080,994	-	1,080,994
Aquatic species	76,483	-	76,483
Buffer enforcement	355,378	-	355,378
<b>Assigned</b>			
Health	873,570	-	873,570
Sanitation	2,500,217	-	2,500,217
Culture and recreation	14,715	-	14,715
Unassigned	(314,103)	-	(314,103)
	<b>\$ 4,587,254</b>	<b>\$ 266,507</b>	<b>\$ 4,853,761</b>
	<b>\$ 5,991,687</b>	<b>\$ 268,267</b>	<b>\$ 6,259,954</b>

**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, 2019**

	<b>Special Revenue (Exhibit B-4)</b>	<b>Debt Service (Exhibit B-6)</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ 1,596,467	\$ 61,413	\$ 1,657,880
Special assessments	130,544	-	130,544
Licenses and permits	45,195	-	45,195
Intergovernmental	1,628,267	-	1,628,267
Charges for services	2,649,455	-	2,649,455
Investment earnings	-	3,370	3,370
Miscellaneous	84,319	-	84,319
	<b>\$ 6,134,247</b>	<b>\$ 64,783</b>	<b>\$ 6,199,030</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 475,566	\$ -	\$ 475,566
Sanitation	2,204,168	-	2,204,168
Health	2,901,898	-	2,901,898
Culture and recreation	264,090	-	264,090
Conservation of natural resources	405,529	-	405,529
<b>Debt service</b>			
Principal	-	75,000	75,000
Interest	-	5,088	5,088
	<b>\$ 6,251,251</b>	<b>\$ 80,088</b>	<b>\$ 6,331,339</b>
<b>Excess of Revenues Over (Under)</b>			
<b>Expenditures</b>	<b>\$ (117,004)</b>	<b>\$ (15,305)</b>	<b>\$ (132,309)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(140,000)	-	(140,000)
<b>Net Change in Fund Balance</b>	<b>\$ (257,004)</b>	<b>\$ (15,305)</b>	<b>\$ (272,309)</b>
<b>Fund Balance – January 1</b>	<b>4,844,258</b>	<b>281,812</b>	<b>5,126,070</b>
<b>Fund Balance – December 31</b>	<b>\$ 4,587,254</b>	<b>\$ 266,507</b>	<b>\$ 4,853,761</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT B-3**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2019**

	<u>Agassiz Regional Library</u>	<u>Ditch</u>	<u>Environmental Services</u>	<u>Public Health</u>	<u>Total</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 6,783	\$ 915,270	\$ 1,826,882	\$ 675,147	\$ 3,424,082
Petty cash and change funds	-	-	620	150	770
Undistributed cash in agency funds	6,208	7,600	50,932	-	64,740
Investments	-	200,000	-	-	200,000
Taxes receivable – delinquent	5,399	-	21	-	5,420
Special assessments receivable					
Delinquent	-	19,005	-	-	19,005
Noncurrent	-	192,929	-	-	192,929
Accounts receivable	-	-	162,130	5,972	168,102
Accrued interest receivable	-	5,480	-	-	5,480
Due from other funds	-	-	1,360,991	69,868	1,430,859
Due from other governments	-	-	253,353	226,947	480,300
<b>Total Assets</b>	<b>\$ 18,390</b>	<b>\$ 1,340,284</b>	<b>\$ 3,654,929</b>	<b>\$ 978,084</b>	<b>\$ 5,991,687</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 57,993	\$ 48,345	\$ 42,736	\$ 149,074
Salaries payable	-	-	16,604	61,778	78,382
Due to other funds	-	-	244,174	-	244,174
Due to other governments	-	-	27,846	-	27,846
Advance from other funds	-	298,314	-	-	298,314
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 356,307</b>	<b>\$ 336,969</b>	<b>\$ 104,514</b>	<b>\$ 797,790</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue	\$ 3,675	\$ 217,086	\$ 385,882	\$ -	\$ 606,643
<b>Fund Balances</b>					
<b>Restricted</b>					
Ditch maintenance and construction	\$ -	\$ 1,080,994	\$ -	\$ -	\$ 1,080,994
Aquatic species	-	-	76,483	-	76,483
Buffer enforcement	-	-	355,378	-	355,378
<b>Assigned</b>					
Health	-	-	-	873,570	873,570
Sanitation	-	-	2,500,217	-	2,500,217
Culture and recreation	14,715	-	-	-	14,715
Unassigned	-	(314,103)	-	-	(314,103)
<b>Total Fund Balances</b>	<b>\$ 14,715</b>	<b>\$ 766,891</b>	<b>\$ 2,932,078</b>	<b>\$ 873,570</b>	<b>\$ 4,587,254</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 18,390</b>	<b>\$ 1,340,284</b>	<b>\$ 3,654,929</b>	<b>\$ 978,084</b>	<b>\$ 5,991,687</b>

**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, 2019**

	<b>Agassiz Regional Library</b>	<b>Ditch</b>	<b>Environmental Services</b>	<b>Public Health</b>	<b>Total</b>
<b>Revenues</b>					
Taxes	\$ 258,822	\$ 37,019	\$ 311,560	\$ 989,066	\$ 1,596,467
Special assessments	-	130,544	-	-	130,544
Licenses and permits	-	-	45,195	-	45,195
Intergovernmental	7,204	-	383,869	1,237,194	1,628,267
Charges for services	-	35,794	2,092,488	521,173	2,649,455
Miscellaneous	-	31	48,197	36,091	84,319
<b>Total Revenues</b>	<b>\$ 266,026</b>	<b>\$ 203,388</b>	<b>\$ 2,881,309</b>	<b>\$ 2,783,524</b>	<b>\$ 6,134,247</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ -	\$ 475,566	\$ -	\$ 475,566
Sanitation	-	-	2,204,168	-	2,204,168
Health	-	-	-	2,901,898	2,901,898
Culture and recreation	264,090	-	-	-	264,090
Conservation of natural resources	-	357,352	48,177	-	405,529
<b>Total Expenditures</b>	<b>\$ 264,090</b>	<b>\$ 357,352</b>	<b>\$ 2,727,911</b>	<b>\$ 2,901,898</b>	<b>\$ 6,251,251</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,936</b>	<b>\$ (153,964)</b>	<b>\$ 153,398</b>	<b>\$ (118,374)</b>	<b>\$ (117,004)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers out	-	-	(140,000)	-	(140,000)
<b>Net Change in Fund Balance</b>	<b>\$ 1,936</b>	<b>\$ (153,964)</b>	<b>\$ 13,398</b>	<b>\$ (118,374)</b>	<b>\$ (257,004)</b>
<b>Fund Balance – January 1</b>	<b>12,779</b>	<b>920,855</b>	<b>2,918,680</b>	<b>991,944</b>	<b>4,844,258</b>
<b>Fund Balance – December 31</b>	<b>\$ 14,715</b>	<b>\$ 766,891</b>	<b>\$ 2,932,078</b>	<b>\$ 873,570</b>	<b>\$ 4,587,254</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT B-5*

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2018**

	<b>Rhinehart Project</b>	<b>Union Lake/ Lake Sarah</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 65,849	\$ 46,006	\$ 111,855
Undistributed cash in agency funds	-	1,247	1,247
Investments	-	153,068	153,068
Special assessments receivable – delinquent	328	1,769	2,097
<b>Total Assets</b>	<b>\$ 66,177</b>	<b>\$ 202,090</b>	<b>\$ 268,267</b>
 <b><u>Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	\$ 328	\$ 1,432	\$ 1,760
<b>Fund Balances</b>			
Restricted for Debt service	65,849	200,658	266,507
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 66,177</b>	<b>\$ 202,090</b>	<b>\$ 268,267</b>

**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, 2019**

	<u>Rhinehart Project</u>	<u>Union Lake/ Lake Sarah</u>	<u>Total</u>
<b>Revenues</b>			
Taxes	\$ -	\$ 61,413	\$ 61,413
Investment earnings	-	3,370	3,370
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 64,783</b>	<b>\$ 64,783</b>
<b>Expenditures</b>			
<b>Debt service</b>			
Principal	\$ -	\$ 75,000	\$ 75,000
Interest	-	5,088	5,088
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 80,088</b>	<b>\$ 80,088</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ (15,305)</b>	<b>\$ (15,305)</b>
<b>Fund Balance – January 1</b>	<b>65,849</b>	<b>215,963</b>	<b>281,812</b>
<b>Fund Balance – December 31</b>	<b>\$ 65,849</b>	<b>\$ 200,658</b>	<b>\$ 266,507</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT B-7*

**BUDGETARY COMPARISON SCHEDULE  
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 264,090	\$ 264,090	\$ 258,822	\$ (5,268)
Intergovernmental	-	-	7,204	7,204
<b>Total Revenues</b>	<b>\$ 264,090</b>	<b>\$ 264,090</b>	<b>\$ 266,026</b>	<b>\$ 1,936</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Regional library	264,090	264,090	264,090	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,936</b>	<b>\$ 1,936</b>
<b>Fund Balance – January 1</b>	<b>12,779</b>	<b>12,779</b>	<b>12,779</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 12,779</b>	<b>\$ 12,779</b>	<b>\$ 14,715</b>	<b>\$ 1,936</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT B-8*

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 311,560	\$ 311,560	\$ 311,560	\$ -
Licenses and permits	51,500	51,500	45,195	(6,305)
Intergovernmental	414,750	414,750	383,869	(30,881)
Charges for services	2,061,450	2,061,450	2,092,488	31,038
Miscellaneous	2,000	2,000	48,197	46,197
<b>Total Revenues</b>	<b>\$ 2,841,260</b>	<b>\$ 2,841,260</b>	<b>\$ 2,881,309</b>	<b>\$ 40,049</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Planning and zoning	\$ 540,617	\$ 540,617	\$ 475,566	\$ 65,051
<b>Sanitation</b>				
Solid waste	\$ 1,118,342	\$ 1,118,342	\$ 1,161,655	\$ (43,313)
Recycling	514,574	514,574	627,505	(112,931)
Hazardous waste	87,701	87,701	53,414	34,287
Transfer station	445,346	445,346	359,130	86,216
Asset replacement	39,535	39,535	2,464	37,071
<b>Total sanitation</b>	<b>\$ 2,205,498</b>	<b>\$ 2,205,498</b>	<b>\$ 2,204,168</b>	<b>\$ 1,330</b>
<b>Conservation of natural resources</b>				
Aquatic invasive species program	\$ 65,678	\$ 65,678	\$ 48,177	\$ 17,501
<b>Total Expenditures</b>	<b>\$ 2,811,793</b>	<b>\$ 2,811,793</b>	<b>\$ 2,727,911</b>	<b>\$ 83,882</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 29,467</b>	<b>\$ 29,467</b>	<b>\$ 153,398</b>	<b>\$ 123,931</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 90,000	\$ 90,000	\$ -	\$ (90,000)
Transfers out	(184,000)	(184,000)	(140,000)	44,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (94,000)</b>	<b>\$ (94,000)</b>	<b>\$ (140,000)</b>	<b>\$ (46,000)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (64,533)</b>	<b>\$ (64,533)</b>	<b>\$ 13,398</b>	<b>\$ 77,931</b>
<b>Fund Balance – January 1</b>	<b>2,918,680</b>	<b>2,918,680</b>	<b>2,918,680</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 2,854,147</b>	<b>\$ 2,854,147</b>	<b>\$ 2,932,078</b>	<b>\$ 77,931</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT B-9*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 989,066	\$ 989,066	\$ 989,066	\$ -
Intergovernmental	1,275,591	1,275,591	1,237,194	(38,397)
Charges for services	613,543	613,543	521,173	(92,370)
Miscellaneous	130,860	130,860	36,091	(94,769)
<b>Total Revenues</b>	<b>\$ 3,009,060</b>	<b>\$ 3,009,060</b>	<b>\$ 2,783,524</b>	<b>\$ (225,536)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	3,009,060	3,009,060	2,901,898	107,162
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (118,374)</b>	<b>\$ (118,374)</b>
<b>Fund Balance – January 1</b>	<b>991,944</b>	<b>991,944</b>	<b>991,944</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 991,944</b>	<b>\$ 991,944</b>	<b>\$ 873,570</b>	<b>\$ (118,374)</b>

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**FIDUCIARY FUNDS**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

Agency – to account for the collection and payment to various County funds and other governmental units of property taxes, special assessments, mortgage registry taxes, various grants, and other funds collected.

Polk County Collaborative – to account for the receipt and payment of state, local, and federal grants and membership contributions for the Collaborative.

Polk-Norman-Mahnomen Community Health Service – to account for the receipt and disbursement of funds to the Polk-Norman-Mahnomen Community Health Service.

Multi County Data Planning – to account for the receipt and disbursement of funds for the Northwestern Counties Data Processing Security Association.

Watershed District – to account for the collection and payment of amounts to the watersheds.

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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, 2019**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>AGENCY</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,094,372	\$ 92,622,595	\$ 92,444,956	\$ 1,272,011
Accounts receivable	201,228	24,839	201,228	24,839
Due from other governments	15,795	150,339	15,795	150,339
<b>Total Assets</b>	<b>\$ 1,311,395</b>	<b>\$ 92,797,773</b>	<b>\$ 92,661,979</b>	<b>\$ 1,447,189</b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ 526	\$ -	\$ 526	\$ -
Due to other governments	1,310,869	92,797,773	92,661,453	1,447,189
<b>Total Liabilities</b>	<b>\$ 1,311,395</b>	<b>\$ 92,797,773</b>	<b>\$ 92,661,979</b>	<b>\$ 1,447,189</b>
<b><u>POLK COUNTY COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 67,545	\$ 255,489	\$ 207,869	\$ 115,165
Due from other funds	-	30,769	-	30,769
<b>Total Assets</b>	<b>\$ 67,545</b>	<b>\$ 286,258</b>	<b>\$ 207,869</b>	<b>\$ 145,934</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 67,545</b>	<b>\$ 286,258</b>	<b>\$ 207,869</b>	<b>\$ 145,934</b>
<b><u>POLK-NORMAN-MAHNOMEN COMMUNITY HEALTH SERVICE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 38,529	\$ 1,990,381	\$ 1,998,310	\$ 30,600
Due from other governments	437,905	627,874	437,905	627,874
<b>Total Assets</b>	<b>\$ 476,434</b>	<b>\$ 2,618,255</b>	<b>\$ 2,436,215</b>	<b>\$ 658,474</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,503	\$ 112,907	\$ 12,503	\$ 112,907
Due to other funds	-	9,591	-	9,591
Due to other governments	463,931	2,495,757	2,423,712	535,976
<b>Total Liabilities</b>	<b>\$ 476,434</b>	<b>\$ 2,618,255</b>	<b>\$ 2,436,215</b>	<b>\$ 658,474</b>

**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, 2019**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>MULTI COUNTY DATA PLANNING</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 17,712	\$ 202	\$ 1,554	\$ 16,360
<b><u>Liabilities</u></b>				
Due to other governments	\$ 17,712	\$ 202	\$ 1,554	\$ 16,360
<b><u>WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,251	\$ 479,451	\$ 480,354	\$ 2,348
<b><u>Liabilities</u></b>				
Due to other governments	\$ 3,251	\$ 479,451	\$ 480,354	\$ 2,348
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,221,409	\$ 95,348,118	\$ 95,133,043	\$ 1,436,484
Accounts receivable	201,228	24,839	201,228	24,839
Due from other funds	-	30,769	-	30,769
Due from other governments	453,700	778,213	453,700	778,213
<b>Total Assets</b>	<b>\$ 1,876,337</b>	<b>\$ 96,181,939</b>	<b>\$ 95,787,971</b>	<b>\$ 2,270,305</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,503	\$ 112,907	\$ 12,503	\$ 112,907
Due to other funds	526	9,591	526	9,591
Due to other governments	1,863,308	96,059,441	95,774,942	2,147,807
<b>Total Liabilities</b>	<b>\$ 1,876,337</b>	<b>\$ 96,181,939</b>	<b>\$ 95,787,971</b>	<b>\$ 2,270,305</b>

## **OTHER SCHEDULES**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT D-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2019**

	<u>Number of Accounts</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>			
Cash on hand	N/A	N/A	\$ 5,070
Noninterest-bearing checking	Four	Continuous	2,247,718
Interest-bearing checking	Eleven	Continuous	1,931,025
Certificates of deposit	Four	June 8, 2020 to July 19, 2021	776,000
Money market savings	Seven	Continuous	10,933,634
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	Three	Continuous	14,656,758
MAGIC Term	Fourteen	Continuous	<u>8,923,000</u>
<b>Total Cash and Pooled Investments</b>			<u><u>\$ 39,473,205</u></u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT D-2*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Total</b>
<b>Appropriations and Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 10,914,444	\$ -	\$ 10,914,444
County program aid	1,096,702	-	1,096,702
PERA rate reimbursement	43,810	5,165	48,975
Police aid	290,052	-	290,052
Market value credit	401,048	-	401,048
Disparity reduction aid	76,561	-	76,561
Disparity reduction credit	690,457	-	690,457
Out-of-home placement reimbursement aid	33,234	-	33,234
SCORE	90,048	-	90,048
E-911	109,024	-	109,024
Riparian protection aid	160,000	-	160,000
Border city reimbursement	24,080	-	24,080
Pension contribution	27,112	2,593	29,705
Aquatic invasive species aid	65,042	-	65,042
	<b>\$ 14,021,614</b>	<b>\$ 7,758</b>	<b>\$ 14,029,372</b>
<b>Total appropriations and shared revenue</b>			
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 2,535,676	\$ -	\$ 2,535,676
	<b>\$ 2,535,676</b>	<b>\$ -</b>	<b>\$ 2,535,676</b>
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 200,358	\$ -	\$ 200,358
	<b>\$ 200,358</b>	<b>\$ -</b>	<b>\$ 200,358</b>
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Agriculture	\$ 2,062	\$ -	\$ 2,062
Public Safety	70,102	-	70,102
Transportation	25,000	-	25,000
Health	403,404	-	403,404
Veterans Affairs	10,000	-	10,000
Natural Resources	121,232	-	121,232
Human Services	4,303,305	-	4,303,305
Water and Soil Resources	68,779	-	68,779
Peace Officer Standards and Training Board	27,837	-	27,837
Minnesota Pollution Control Agency	251,348	22,500	273,848
	<b>\$ 5,283,069</b>	<b>\$ 22,500</b>	<b>\$ 5,305,569</b>
<b>Total state</b>	<b>\$ 5,283,069</b>	<b>\$ 22,500</b>	<b>\$ 5,305,569</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT D-2  
(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Total</b>
<b>Grants (Continued)</b>			
<b>Federal</b>			
Department of			
Agriculture	\$ 622,325	\$ -	\$ 622,325
Justice	46,614	-	46,614
Transportation	150,486	-	150,486
Education	648	-	648
Health and Human Services	4,190,531	-	4,190,531
Homeland Security	42,097	-	42,097
	<b>\$ 5,052,701</b>	<b>\$ -</b>	<b>\$ 5,052,701</b>
<b>Total federal</b>	<b>\$ 5,052,701</b>	<b>\$ -</b>	<b>\$ 5,052,701</b>
<b>Total state and federal grants</b>	<b>\$ 10,335,770</b>	<b>\$ 22,500</b>	<b>\$ 10,358,270</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 27,093,418</b>	<b>\$ 30,258</b>	<b>\$ 27,123,676</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT D-3**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Polk-Norman-Mahnomen Community Health Board				
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	\$ 167,397	\$ -
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	33312	23,556	-
(Total WIC Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 \$190,953)				
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	409,125	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN127Q7503	22,004	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2520	243	-
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$431,372)				
<b>Total U.S. Department of Agriculture</b>			<b>\$ 622,325</b>	<b>\$ -</b>
<b>U.S. Department of Justice</b>				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2018-POLKAO-00094	<b>\$ 46,614</b>	<b>\$ -</b>
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1002278	<b>\$ 150,486</b>	<b>\$ 150,486</b>
<b>U.S. Department of Education</b>				
Passed Through Polk-Norman-Mahnomen Community Health Board				
Special Education – Grants for Infants and Families	84.181	83869	<b>\$ 648</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Polk-Norman-Mahnomen Community Health Board				
Public Health Emergency Preparedness	93.069	127907	\$ 19,819	\$ -
Public Health Emergency Preparedness	93.069	161564	4,213	-
(Total Public Health Emergency Preparedness 93.069 \$24,032)				
Immunization Cooperative Agreements	93.268	147088	8,875	-
Drug-Free Communities Support Program Grants	93.276	5H79SP020911-04	97,228	-
Drug-Free Communities Support Program Grants	93.276	5H79SP020911-05	24,430	-
(Total Drug-Free Communities Support Program Grants 93.276 \$121,658)				

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Polk-Norman-Mahnomen Community Health Board (Continued)				
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6NUR3DD000842-05-01	225	-
TANF Cluster				
Temporary Assistance for Needy Families	93.558	127473	25,094	-
Temporary Assistance for Needy Families	93.558	159943	6,693	-
(Total Temporary Assistance for Needy Families 93.558 \$717,040)				
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	118491	30,777	-
Maternal and Child Health Services Block Grant to the States	93.994	86859	39,827	-
Maternal and Child Health Services Block Grant to the States	93.994	167314	552	-
(Total Maternal and Child Health Services Block Grant to the States 93.994 \$40,379)				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	G-1801MNFPS	7,732	-
TANF Cluster				
Temporary Assistance for Needy Families	93.558	1901MNTANF	685,253	-
(Total Temporary Assistance for Needy Families 93.558 \$717,040)				
Child Support Enforcement	93.563	1901MNCEST	652,830	-
Child Support Enforcement	93.563	1901MNCSES	182,417	-
(Total Child Support Enforcement 93.563 \$835,247)				
Refugee and Entrant Assistance State/Replacement				
Designee Administered Programs	93.566	1901MNRMA	484	-
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	10,952	-
CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCDF	6,880	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	6,380	-
Foster Care Title IV-E	93.658	1901MNFOST	233,988	-
Foster Care Title IV-E	93.658	1801MNFOST	3,944	-
(Total Foster Care Title IV-E 93.658 \$237,932)				
Social Services Block Grant	93.667	G-1901MNSOSR	280,396	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	15,394	-
Children's Health Insurance Program	93.767	1905MN5021	290	-
Medicaid Cluster				
Medical Assistance Program	93.778	1905MN5ADM	1,721,657	-
Medical Assistance Program	93.778	1905MN5MAP	13,437	-
(Total Medical Assistance Program 93.778 \$1,735,094)				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010027-18	133,394	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 4,213,161</b>	<b>\$ -</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT D-3  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGFFY18	\$ 15,595	\$ -
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	F-EMPG-2018-POLKCO-2883	26,502	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 42,097</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 5,075,331</b>	<b>\$ 150,486</b>
<b>Totals by Cluster</b>				
Total expenditures for SNAP Cluster			\$ 431,372	
Total expenditures for Highway Planning and Construction Cluster			150,486	
Total expenditures for TANF Cluster			717,040	
Total expenditures for CCDF Cluster			6,880	
Total expenditures for Medicaid Cluster			1,735,094	

**POLK COUNTY  
CROOKSTON, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2019

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1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Polk County under programs of the federal government for the year ended December 31, 2019. 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.

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

2. De Minimis Cost Rate

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,052,701
Grants received more than 60 days after year-end, unavailable in 2019	
Temporary Assistance for Needy Families	283,630
Promoting Safe and Stable Families	1,933
Community-Based Child Abuse Prevention Grants	2,738
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	734
Stephanie Tubbs Jones Child Welfare Services Program	1,595
Foster Care Title IV-E	28,457
John H. Chafee Foster Care Program for Successful Transition to Adulthood	6,969
Children's Health Insurance Program	12
Unavailable in 2018, recognized as revenue in 2019	
Temporary Assistance for Needy Families	(292,913)
Promoting Safe and Stable Families	(1,999)
Community-Based Child Abuse Prevention Grants	(3,007)
Stephanie Tubbs Jones Child Welfare Services Program	(1,669)
John H. Chafee Foster Care Program for Successful Transition to Adulthood	(3,850)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 5,075,331</u>



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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 8, 2020.

### **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 did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies 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 2019-003 to be a material weakness and items 2019-001 and 2019-002 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**

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 contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Other Matters**

Included in the Schedule of Findings and Questioned Costs are management practices comments. We believe these recommendations and information 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 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/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

October 8, 2020

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JULIE BLAHA  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## 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, 2019. 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.

***Basis for Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

As described in the accompanying Schedule of Findings and Questioned Costs, Polk County did not comply with requirements regarding CFDA No. 93.778, Medical Assistance Program, as described in finding number 2019-004 for Eligibility. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

***Qualified Opinion on Medical Assistance Program (CFDA No. 93.778)***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Medical Assistance Program for the year ended December 31, 2019.

***Unmodified Opinion on the Other 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 its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2019.

***Other Matters***

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-005. Our opinion on the major federal program is not modified with respect to this matter.

Polk County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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 identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004, that we consider to be a material weakness, and deficiency 2019-005 that we consider to be a significant deficiency.

Polk County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The 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.

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

*/s/Julie Blaha*

JULIE BLAHA  
STATE AUDITOR

October 8, 2020

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA  
DEPUTY STATE AUDITOR

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for the Medicaid Cluster, which is qualified.**

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

The major federal programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA No. 10.561
Medicaid Cluster	
Medical Assistance Program	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**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1996-006

Repeat Finding Since: 1996

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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: 2019-002

Prior Year Finding Number: 2015-003

Repeat Finding Since: 2015

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 has established an Internal Control Committee; however, the Committee meetings are on hold as the County evaluates options to replace existing financial and accounting software systems.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Effect:** The internal control environment is constantly changing 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. The County is continuing to discuss and evaluate options to replace its existing financial and accounting software systems with a completely different one. With anticipated changes in application software and processes, the Internal Control Committee has not been meeting.

**Recommendation:** As the County is making their changes to the application software and processes, 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

Finding Number: 2019-003

Prior Year Finding Number: 2017-001

Repeat Finding Since: 2017

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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:

- Increased due to other governments and reduced grant revenue by \$157,626 for an additional amount owed to Hubbard County.

Social Services Special Revenue Fund:

- Increased receivables and revenue by \$1,215,137 for state and federal funding received in the first 60 days of 2020 for services provided in 2019.

**Cause:** For the Capital Projects Fund, Polk County had not reimbursed Hubbard County for a 2019 payment request until May 2020, so the payment was not flagged in the Integrated Financial System (IFS) as a payable. Social Services staff did not properly flag receipts relating to 2019 revenues that were received in 2020 in the IFS.

**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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

Finding Number: 2019-004

Prior Year Finding Number: 2017-003

Repeat Finding Since: 2017

Eligibility – Intake Function

**Program:** U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

**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 systems, METS and MAXIS, which are 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 or income were verified or correctly entered into METS and MAXIS to support participant eligibility. The following exceptions were noted in nine of 50 case files tested:

- One instance in which income was documented in the case file but MAXIS did not include the income.
- Two instances in which the income amounts listed in MAXIS did not match the supporting documentation in the case file.
- One instance in which the income amounts listed in METS did not have supporting documentation in the case file.
- Two instances in which a case was transferred from METS to MAXIS with no written application on file to support the new case in MAXIS.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

- One instance in which two vehicles were listed in MAXIS, and the case file contained verification from an outside source for the vehicle identified as the primary vehicle, however, there was no verification documented in the case file on the second vehicle.
- One instance in which a checking account was listed in MAXIS, however, the verified value of the checking account did not match the amount shown in MAXIS.
- Two instances where the client was receiving income for SSI or RSDI which are deposited directly into a bank account or on a debit card. Neither case included a bank account or debit card listed as an asset.

**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 METS and MAXIS, which support 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 METS or MAXIS increases the risk that participants will receive benefits when they are not eligible.

**Cause:** County program personnel entering case information into METS or 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 METS and MAXIS. In addition, consideration should be given to providing further training to program personnel.

**View of Responsible Official:** Acknowledged

**POLK COUNTY  
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-005

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Procurement, Suspension, and Debarment

**Program:** U.S. Department of Agriculture's State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561); Award Nos. 192MN101S2514, 192MN127Q7503, 192MN101S2520; 2019

**Pass-Through Agency:** Minnesota Department of Human Services

**Criteria:** Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Contract files must contain support of the rationale to limit competition in those cases where competition was limited and ascertain if the limitation was justified (2 CFR sections 200.319 and 200.320(f) and 48 CFR section 52.244-5). Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319; cost or price analysis provided in Title 2 U.S. *Code of Federal Regulations* § 200.323; and verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

**Condition:** For all three procurement transactions tested that are over \$3,000, including the one transaction tested over \$25,000, the following items were noted:

- None of the small purchases had written documentation to support the rationale for the method of procurement or full and open competition. For two of the three small purchases in which full and open competition was not documented, the rationale to limit competition was not justified.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

- The one covered transaction did not have verification of whether vendors were debarred, suspended, or otherwise excluded.

**Questioned Costs:** None.

**Context:** The County has adopted policies to comply with federal regulations; however, the policies do not specify retaining the necessary documentation to demonstrate 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:** County staff noted that they do periodically check prices with vendors for small purchases or determine whether there are options between vendors; however, they do not retain documentation. A price or cost analysis was not formally done because of experience with the vendor. The County is also aware of the requirement to determine whether a vendor is debarred, suspended, or otherwise excluded; however, they have not established a process to ensure compliance with its policy or federal regulations.

**Recommendation:** We recommend the County maintain procurement files that include the rationale for the method of procurement, selection of contract type, basis for contractor selection, and the basis for the contract price. The support for the rationale to limit competition in cases where competition is limited and the justification for the limitation should also be documented. A cost or price analysis should be performed and documented for all procurement transactions over the simplified acquisition threshold. We further recommend the County verify and document vendors are not debarred or suspended or that other exclusions apply through the Minnesota Department of Administration's Suspended/Debarred Vendor Report and the Federal System for Award Management (SAM) site.

**View of Responsible Official:** Acknowledged

**POLK COUNTY  
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

MANAGEMENT PRACTICES

Finding Number: 2019-006

Prior Year Finding Number: 2001-005

Repeat Finding Since: 2001

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019

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

**View of Responsible Official:** Concur

Finding Number: 2019-007

Prior Year Finding Number: 2007-002

Repeat Finding Since: 2007

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, 2019, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

**Context:** Thirty-six of the 158 individual Ditch Special Revenue Fund ditch systems had deficit fund balances at December 31, 2019. The deficit fund balances ranged from \$10 to \$114,147, for a total of \$314,105. Three of the 22 Ditch Debt Service Fund ditch systems had deficit fund balances at December 31, 2019. The deficit fund balances ranged from \$2,240 to \$5,615, for a total of \$10,413.

**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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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

**V. PREVIOUSLY REPORTED ITEM RESOLVED**

2017-006 Publication of Board minutes



POLK COUNTY FINANCE DEPARTMENT  
612 N BROADWAY, ROOM 221  
CROOKSTON MN 56716  
218-281-2554

**REPRESENTATION OF POLK COUNTY  
CROOKSTON, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**Finding Number: 2019-001**

**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: 2019-002**

**Finding Title: Documenting and Monitoring Internal Controls**

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County has established an internal control committee to begin the process of documenting significant internal controls and accounting processes but given that the County Administrator with the assistance of an outside accounting firm is currently exploring options for replacing

essentially all the current accounting systems and payroll system with something else, therefore the committee is not currently meeting on this topic. It is the County's intention to create all the controls and documentation necessary to resolve this issue in the near future.

Anticipated Completion Date:

Not known

**Finding Number: 2019-003**

**Finding Title: Audit Adjustments**

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County will document and review its policies and procedures for recording year end payable and receivable items and communicate it to departments.

Anticipated Completion Date:

12-31-2020

**Finding Number: 2019-004**

**Finding Title: Eligibility – Intake Function**

**Program: Medical Assistance Program (CFDA No. 93.778)**

Name of Contact Person Responsible for Corrective Action:

Randy Beggs

Corrective Action Planned:

The County will review the findings with the Eligibility Supervisor, and suggest timely and complete review of casefiles and documentation. Supervisor will instruct Eligibility workers on these practices.

Anticipated Completion Date:

12-31-2020

**Finding Number: 2019-005**

**Finding Title: Procurement, Suspension, and Debarment**

**Program: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)**

Name of Contact Person Responsible for Corrective Action:

Chuck Whiting

Corrective Action Planned:

The County will access the SAM website and comply with suspension and debarment rules. The County will also prepare and maintain additional documentation regarding procurement rationale for lower threshold items.

Anticipated Completion Date:

12-31-2020

**Finding Number: 2019-006**

**Finding Title: Capital Assets Accounting System**

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County firm is currently exploring options for replacing essentially all the current accounting systems with different systems. This new system will likely include a centralized capital asset program.

Anticipated Completion Date:

12-31-21

**Finding Number: 2019-007**

**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, ROOM 221  
CROOKSTON MN 56716  
218-281-2554

**REPRESENTATION OF POLK COUNTY  
CROOKSTON, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

**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. 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.

**Status:** Partially Corrected. *The limited personnel condition continues and Polk County will continue to mitigate the risk using the corrective actions previously reported.*

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:** The County has established an internal control committee to begin the process of documenting significant internal controls and accounting processes but given that the County Administrator is currently exploring options for replacing essentially all the current accounting systems and the payroll system with something else, therefore the committee is not currently meeting on this topic. It is the County's intention to create all the controls and documentation necessary to resolve this issue in the near future.

**Status:** Partially Corrected. *The process of reviewing system changes for finance and accounting processes is still ongoing. The internal control committee will resume the process of documenting when the County's decision becomes better defined.*

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No   x  

**Finding Number: 2017-001**

**Finding Title: Audit Adjustments**

**Summary of Condition:** Material audit adjustments were identified that resulted in significant changes to the County's financial statements. Three material adjustments were approved for the Capital Projects Fund and one material adjustment was approved for the Resource Recovery Enterprise Fund.

**Summary of Corrective Action Previously Reported:** 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 contracts.

**Status:** Partially Corrected. *The uniqueness and large dollar amounts involved in our current Capital Improvement Project in our Solid Waste functions has presented a number unfamiliar accounting and contract situations which the County has handled incorrectly. The problem has now occurred in more than one audit year. The project will soon be completed.*

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No   x  

**Finding Number: 2017-003**

**Finding Title: Eligibility – Intake Function**

**Program: Medicaid Cluster (CFDA No. 93.778)**

**Summary of Condition:** The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Of 40 Medical Assistance (MA) Program case files tested, we noted seven instances in which asset documentation in the case file did not agree input into MAXIS or the asset valuation was not verified.

**Summary of Corrective Action Previously Reported:** The County has reviewed the findings with the Eligibility Supervisor, and suggested timely and thorough review of casefiles and documentation. Supervisor will instruct Eligibility workers on these practices.

**Status:** Not Corrected. *The County has instructed the supervisors and created a policy but the policy was not followed in all cases. The County will recommunicate with the supervisors involved and reiterate the need to follow the policy.*

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No   x  

**Finding Number:** 2017-004

**Finding Title:** Procurement, Suspension, and Debarment

**Program:** Medical Assistance Program (CFDA No. 93.778) and Temporary Assistance for Needy Families (CFDA No. 93.558)

**Summary of Condition:** Of nine procurement transactions tested that are over \$3,000, including two that were over \$25,000 and two over \$100,000, the following items were noted:

- Four small purchases, tested for both the Medical Assistance Program and Temporary Assistance for Needy Families (TANF), did not have written documentation to support the rationale for the method of procurement, full and open competition, or the rationale to limit competition. This documentation was also missing for one additional small purchase tested only for the Medical Assistance Program and the one purchase over the simplified acquisition threshold tested only for TANF.
- The one purchase over the simplified acquisition threshold tested only for TANF did not have documentation that a cost or price analysis was performed.
- Three covered transactions, tested for both the Medical Assistance Program and TANF, did not have verification of whether vendors were debarred, suspended, or otherwise excluded. Documentation of this verification was also missing for the one purchase over the simplified acquisition threshold tested only for TANF.

**Summary of Corrective Action Previously Reported:** The County will access the SAM website and comply with suspension and debarment rules. The County will also prepare and maintain additional documentation regarding procurement rationale for lower threshold items.

**Status:** Partially Corrected. *The County has instructed purchasers on the need to use SAM to check for suspension and debarment and on additional documentation but the recommended procedure was not followed in all cases. The County will recommunicate with the employees involved and reiterate the need to follow the correct procedure.*

Was corrective action taken significantly different than the action previously reported?  
Yes \_\_\_\_\_ No   x

**Finding Number: 2017-006**

**Finding Title: Publication of Board Minutes**

**Summary of Condition:** Based on a review of the affidavits of publication related to the publishing of a summary of the County Board minutes for 2018, the summaries were not published in the County's official newspaper within the 30-day requirement.

**Summary of Corrective Action Previously Reported:** The County intends to comply with the statute.

**Status:** Fully Corrected. Corrective action was taken.

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 Administrator with the assistance of an outside accounting firm is currently exploring options for replacing essentially all the current accounting systems with different systems. This new system will likely include a centralized capital asset program.

**Status:** Not Corrected. *If the County purchases a new software system in the coming one or two years a central capital asset system will be included.*

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 landowners.

**Status:** Not Corrected. *The County undertakes ditch improvements at landowner request and those projects are often undertaken prior to the establishment of any levy on properties to raise the funds needed for the expense. Additionally the County Board is generally not in favor of holding large unused cash balances in the ditch funds.*

Was corrective action taken significantly different than the action previously reported?

Yes \_\_\_\_\_ No   x