

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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**POLK COUNTY**  
**CROOKSTON, MINNESOTA**

YEAR ENDED DECEMBER 31, 2004

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

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Year Ended December 31, 2004**



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

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization Schedule		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Assets	Exhibit 1	14
Statement of Activities	Exhibit 2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	Exhibit 3	18
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets--Governmental Activities	Exhibit 4	22
Statement of Revenues, Expenditures, and Changes in Fund Balances	Exhibit 5	23
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Government-Wide Statement of Activities--Governmental Activities	Exhibit 6	27
Proprietary Funds		
Statement of Net Assets	Exhibit 7	28
Statement of Revenues, Expenses, and Changes in Fund Net Assets	Exhibit 8	30
Statement of Cash Flows	Exhibit 9	31
Fiduciary Funds		
Statement of Fiduciary Net Assets	Exhibit 10	33
Statement of Changes in Fiduciary Net Assets	Exhibit 11	34
Notes to the Financial Statements		35

**POLK COUNTY  
CROOKSTON, MINNESOTA**

TABLE OF CONTENTS

	Reference	Page
<b>Financial Section (Continued)</b>		
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	Schedule 1	73
Road and Bridge Special Revenue Fund	Schedule 2	76
Human Services Special Revenue Fund	Schedule 3	77
Ditch Special Revenue Fund	Schedule 4	78
Public Safety Special Revenue Fund	Schedule 5	79
Notes to the Required Supplementary Information		80
Supplementary Information		
Nonmajor Governmental Funds		
Combining Balance Sheet	Statement A-1	81
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance	Statement A-2	82
Combining Balance Sheet - Nonmajor Special Revenue Funds	Statement B-1	83
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Special Revenue Funds	Statement B-2	84
Combining Balance Sheet - Nonmajor Debt Service Funds	Statement C-1	85
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Debt Service Funds	Statement C-2	86
Budgetary Comparison Schedules		
Agassiz Regional Library Special Revenue Fund	Schedule 6	87
Environmental Services Special Revenue Fund	Schedule 7	88
Public Health Special Revenue Fund	Schedule 8	89
Fiduciary Funds		
Agency Funds		90
Combining Statement of Changes in Assets and Liabilities	Statement D-1	91
Other Schedules		
Schedule of Deposits and Investments	Schedule 9	92
Balance Sheet - By Ditch - Ditch Special Revenue and Ditch Debt Service Funds	Schedule 10	93
Schedule of Intergovernmental Revenue	Schedule 11	94

**POLK COUNTY  
CROOKSTON, MINNESOTA**

TABLE OF CONTENTS  
(Continued)

	<u>Reference</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Schedule of Findings and Questioned Costs	Schedule 12	120
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		127
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		129
Schedule of Expenditures of Federal Awards	Schedule 13	131

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**ORGANIZATION SCHEDULE  
DECEMBER 31, 2004**

Office	Name	Term Expires
<b>Commissioners</b>		
1st District	Gerald Jacobson	January 2005
2nd District	Warren Strandell	January 2007
3rd District	William Montague*	January 2005
4th District	Warren Affeldt	January 2007
5th District	Eugene Mattson**	January 2005
<b>Officers</b>		
<b>Elected</b>		
Attorney	Gregory A. Widseth	January 2007
Sheriff	Mark A. LeTexier	January 2007
<b>Appointed</b>		
Auditor/Treasurer	Gerald J. Amiot	Indefinite
County Recorder and Registrar of Titles	Marlene Hanson	Indefinite
Assessor	Robert Wagner	December 2008
Court Administrator	Kathy Narlock	Indefinite
Medical Examiner	Owen Nelson, M.D.	Indefinite
County Coordinator	John P. Schmalenberg	Indefinite
Highway Engineer	Richard Sanders	April 2007
Court Service Director	Tami Jo Leiberg	Indefinite
Surveyor	Gary Thompson	Indefinite
Veterans Service Officer	Les Goodwin	Indefinite
Environmental Services Administrator	Jon Steiner	Indefinite
Facilities Manager	Bill Wilson	Indefinite
<b>Welfare Board</b>		
Chair	Warren Strandell	January 2007
Vice Chair	Warren Affeldt	January 2007
Secretary	Cathy Gutterud	July 2006
Member	Gerald Jacobson	January 2005
Member	William Montague	January 2005
Member	Paula Waters	July 2005
Member	Eugene Mattson	January 2005
Director	Kent Johnson	Indefinite

\*Chair

\*\*Effective January 3, 2005, Don Diedrich assumed the position of 5th District Commissioner.

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PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Polk County

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, 2004, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Polk County's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 and for the year ended December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Page 2

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 listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2005, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 14, 2005

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

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

December 31, 2004

(Unaudited)

As management of Polk County, we offer readers of the Polk County financial statements this narrative overview and analysis of the financial activities of Polk County for the fiscal year ended December 31, 2004. We encourage readers to consider the information presented here in conjunction with the County's basic financial statements following this section. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- The assets of Polk County exceeded its liabilities by \$126,428,951 at the close of 2004. Of this amount, \$20,293,789 (unrestricted net assets) may be used to meet Polk County's ongoing obligations to citizens and creditors.
- At the close of 2004, Polk County's governmental funds reported combined ending fund balances of \$25,755,501, a decrease of \$2,720,627 in comparison with the prior year. Of the total fund balance, \$15,860,129 is available for spending at the County's discretion and is noted as unreserved, undesignated fund balance.
- At the close of 2004, unreserved, undesignated fund balance for the General Fund was \$4,128,349, or 50 percent of total General Fund expenditures.
- During the year ending December 31, 2004, Polk County issued new general obligation debt totaling \$5,135,000, including temporary bonds payable in the amount of \$1,560,000 and advance refunding drainage bonds totaling \$935,000.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Polk County's Management's Discussion and Analysis (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) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

Polk County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of Polk County as a whole and present a longer-term view of

Polk County's finances. Polk County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Polk County financed these services in the short term as well as what remains for future spending. Fund financial statements also report Polk County's operations in more detail than the government-wide statements by providing information about Polk County's most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to Polk County's Landfill and Resource Recovery operations and facilities. The remaining statements provide financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

### **Government-Wide Financial Statements--The Statement of Net Assets and the Statement of Activities**

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

These two statements consider all of Polk County's current year revenues and expenses, regardless of when Polk County receives the revenue or pays the expenditure. These two statements report Polk County's net assets and changes in them. You can think of Polk County's net assets--the difference between assets and liabilities--as one way to measure Polk County's financial health or financial position. Over time, increases or decreases in the County's net assets are one indicator of whether its financial health is improving or deteriorating. Other non-financial factors, however, such as changes in Polk County's property tax base and the general economic conditions of the state and County, need to be considered to assess the overall health of Polk County.

In the Statement of Net Assets and the Statement of Activities, Polk County is divided into two kinds of activities:

- Governmental activities--Polk County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by Polk County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Polk County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- Business-type activities--Polk County charges a service fee to property owners and customers/users of the Landfill and Resource Recovery Facilities to help cover most of the costs to operate these facilities and to pay for the services provided. Polk County reports its solid waste collection and disposal programs in the "Business-Type Activities" column of these reports.

## **Fund Financial Statements**

Polk County's fund financial statements provide detailed information about the significant funds--not Polk County as a whole. Specific governmental and proprietary funds may be established by Polk County to meet requirements of a specific state law; to help control and manage money for a particular purpose/project; or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose. Polk County reports three kinds of funds--governmental, proprietary, and fiduciary.

- Governmental funds--Most of Polk County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Polk County reports these funds in its financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that Polk County can readily convert to cash. Polk County's governmental fund statements provide a detailed short-term view of Polk County's general government operations and the basic services it provides. Polk County's governmental fund information helps determine whether financial resources are available that Polk County can spend in the near future to finance various programs within Polk County. Polk County has described the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.
- Proprietary funds--Polk County charges both internal and external customers for waste management services and reports the financial activities for those services in proprietary funds. Polk County reports its Landfill and Resource Recovery Funds in the same way that Polk County reports all activities in the Statement of Net Assets and the Statement of Activities. In fact, Polk County's Landfill and Resource Recovery Fund statements are the same as the business-type activities Polk County reports in the government-wide statements but provide more detail and additional information, such as cash flows.
- Fiduciary funds--Polk County holds assets as an agent for other governmental entities. Polk County reports its fiduciary activities in a separate Statement of Fiduciary Net Assets and a Statement of Changes in Fiduciary Net Assets. Polk County excludes these activities from Polk County's other financial statements because Polk County cannot use these assets to finance its operations. Polk County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## **THE COUNTY AS A WHOLE**

Polk County's combined net assets for the year ended December 31, 2004, were \$126,428,951. Unrestricted net assets totaling \$20,293,789 are available to Polk County to finance day-to-day operations. The total net assets for Polk County were \$5,699,302 higher than the prior year.

Polk County's total revenues for the year ended December 31, 2004, were \$46,119,962. The total cost of Polk County programs and services for the year ended December 31, 2004, was \$40,420,660.

The tables below give Polk County's net assets (Table 1) and changes in net assets (Table 2) as of and for the years ended December 31, 2004 and 2003.

**Table 1  
Net Assets**

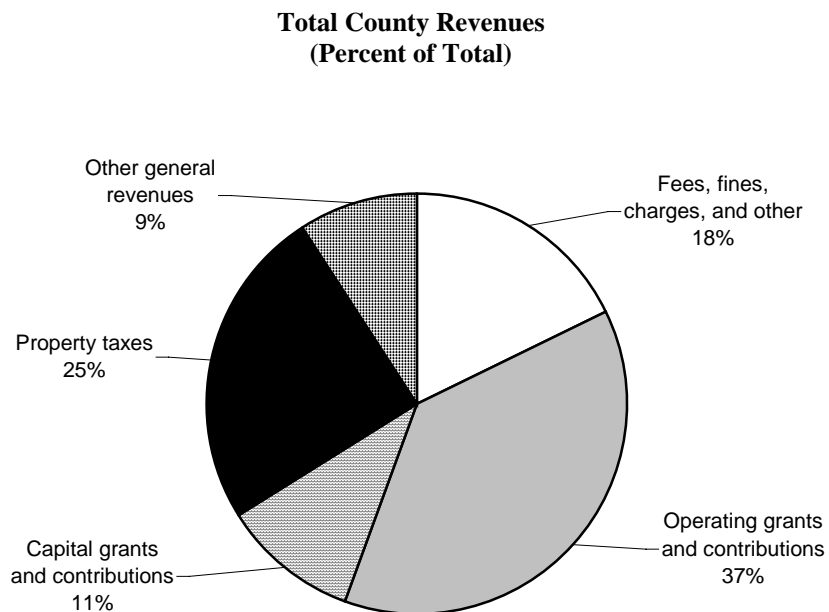
	2004	2003	Increase (Decrease)
<b>Assets</b>			
Current and other assets	\$ 40,873,500	\$ 42,612,836	\$ (1,739,336)
Capital assets	107,614,279	99,850,133	7,764,146
<b>Total Assets</b>	<b>\$ 148,487,779</b>	<b>\$ 142,462,969</b>	<b>\$ 6,024,810</b>
<b>Liabilities</b>			
Long-term debt outstanding	\$ 18,725,498	\$ 19,365,229	\$ (639,731)
Other liabilities	3,333,330	2,368,091	965,239
<b>Total Liabilities</b>	<b>\$ 22,058,828</b>	<b>\$ 21,733,320</b>	<b>\$ 325,508</b>
<b>Net Assets</b>			
Invested in capital assets, net of debt	\$ 104,984,382	\$ 96,799,801	\$ 8,184,581
Restricted	1,150,780	3,109,995	(1,959,215)
Unrestricted	20,293,789	20,819,853	(526,064)
<b>Total Net Assets</b>	<b>\$ 126,428,951</b>	<b>\$ 120,729,649</b>	<b>\$ 5,699,302</b>

**Table 2  
Changes in Net Assets**

	2004	2003	Increase (Decrease)
<b>Revenues</b>			
<b>Program revenues</b>			
Fees, fines, charges, and other	\$ 8,256,883	\$ 8,477,744	\$ (220,861)
Operating grants and contributions	17,362,117	17,385,953	(23,836)
Capital grants and contributions	4,844,391	2,460,949	2,383,442
<b>General revenues</b>			
Property taxes	11,435,393	11,121,932	313,461
Other taxes	122,049	194,194	(72,145)
Grants and contributions	2,752,588	2,881,503	(128,915)
Other general revenues	1,346,541	1,006,466	340,075
<b>Total Revenues</b>	<b>\$ 46,119,962</b>	<b>\$ 43,528,741</b>	<b>\$ 2,591,221</b>

	2004	2003	Increase (Decrease)
<b>Expenditures</b>			
<b>Program expenses</b>			
General government	\$ 4,914,457	\$ 4,790,403	\$ 124,054
Public safety	4,308,299	4,591,874	(283,575)
Highways and streets	7,942,370	6,014,075	1,928,295
Sanitation	1,408,768	1,529,344	(120,576)
Human services	13,003,934	13,102,164	(98,230)
Health	1,508,115	1,686,489	(178,374)
Culture and recreation	269,963	288,674	(18,711)
Conservation of natural resources	3,282,839	1,780,632	1,502,207
Economic development	39,688	44,876	(5,188)
Landfill	610,698	567,753	42,945
Resource recovery	2,569,374	2,599,841	(30,467)
Interest	539,625	671,166	(131,541)
Bond issuance	22,530	53,528	(30,998)
<b>Total Program Expenses</b>	<b>\$ 40,420,660</b>	<b>\$ 37,720,819</b>	<b>\$ 2,699,841</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 5,699,302</b>	<b>\$ 5,807,922</b>	<b>\$ (108,620)</b>

Polk County's total revenues for the year ended December 31, 2004, were \$46,119,962. The pie chart below depicts those revenues in five categories.



## GOVERNMENTAL ACTIVITIES

Governmental activities increased the County's net assets by \$5,384,783, thereby accounting for 94.5 percent of the total growth in net assets of Polk County.

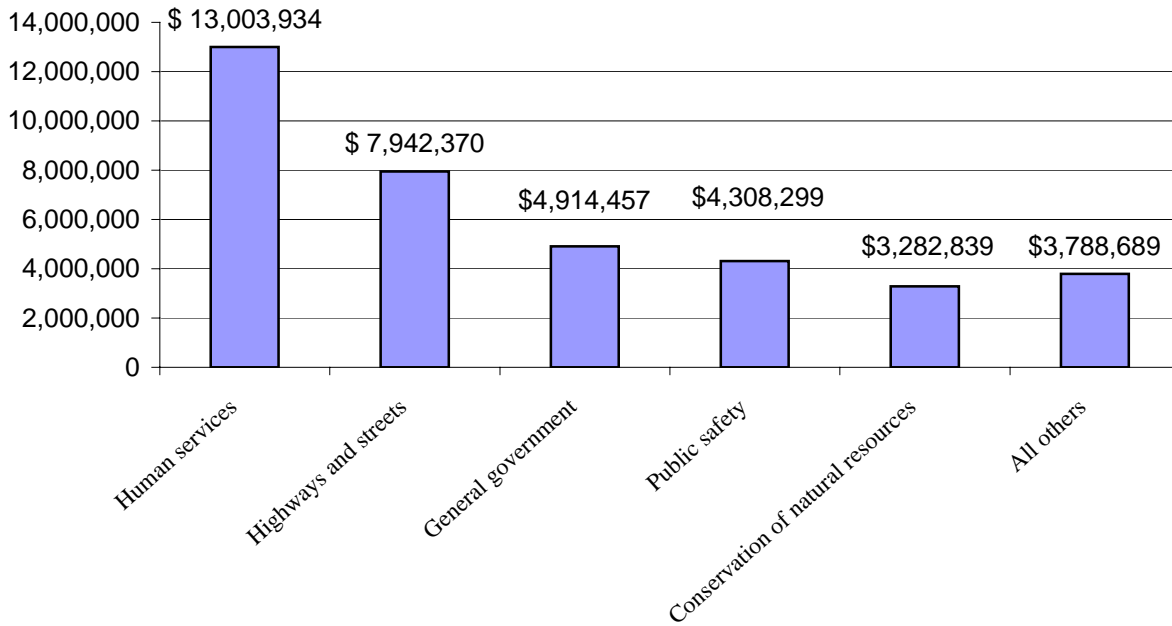
Revenues for Polk County's governmental activities for the year ended December 31, 2004, were \$42,625,371. Polk County's costs for all governmental activities for the year ended December 31, 2004, were \$37,240,588.

Table 3 presents the cost of each of Polk County's five 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 Polk County's taxpayers by each of these functions.

**Table 3**  
**Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
	<u>2004</u>	<u>2004</u>
Program Expenses		
Human services	\$ 13,003,934	\$ 3,121,218
Highways and streets	7,942,370	(3,212,360)
General government	4,914,457	3,944,930
Public safety	4,308,299	3,503,271
Conservation of natural resources	3,282,839	1,626,723
All others	<u>3,788,689</u>	<u>1,272,305</u>
Total Program Expenses	<u>\$ 37,240,588</u>	<u>\$ 10,256,087</u>

## Governmental Activities Expenses



### Business-Type Activities

Business-type activities (Landfill and Resource Recovery) increased the County's net assets by \$314,519, thereby accounting for 5.5 percent of the total growth in net assets of Polk County.

Operating revenues of Polk County's business-type activities for the year ended December 31, 2004, were \$3,387,320. Operating expenses were \$3,180,072, (compared with 2003, an increase of less than one percent) and operating income was \$207,248 (a decrease of about 10.7 percent).

### The County's Funds

The total governmental funds fund balance at year-end was \$25,755,501, which is \$2,720,627 lower than the prior year's governmental funds balance of \$28,476,128. The major reason for the overall decrease was the Road and Bridge Fund, which had a \$3,638,742 decrease due to the spending down of the proceeds of the 2003 sale of County State-Aid Highway Bonds. Additionally, an excess of expenditures over revenues in the General Fund accounted for a net decrease in that fund balance of \$1,207,521. The Ditch Special Revenue and Ditch Debt Service Funds had a combined net increase of \$1,117,956 due to proceeds from the sale of bonds and refunding of bonds. All other major governmental funds increased slightly.

## General Fund Budgetary Highlights

The Polk County Board of Commissioners, over the course of a budget year, may amend/revise the County's General Fund budget. The Polk County Board of Commissioners did make budgetary amendments to the budget as originally adopted on Tuesday, December 16, 2003. These budget amendments/revisions fell into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In Polk County's General Fund, the actual revenues exceeded the expected by \$1,491,163. Total actual expenditures in Polk County's General Fund were over the budgeted expenditures by \$535,126.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2004, Polk County had \$107,614,279 invested in a broad range of capital assets, including: land, buildings, highways and streets, and equipment (see Table 4 below). This amount represents a net increase (including additions and deductions) of \$7,764,146 over last year. The increase occurred principally in the County's infrastructure assets and construction in progress.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	\$ 8,508,424	\$ 8,347,859	\$ 11,085	\$ 11,085	\$ 8,519,509	\$ 8,358,944
Construction in progress	3,446,666	625,599	-	-	3,446,666	625,599
Land improvements	91,765	100,590	-	-	91,765	100,590
Buildings and improvements	8,108,807	8,016,476	2,634,662	2,743,106	10,743,469	10,759,582
Improvement other than building	-	-	134,767	144,549	134,767	144,549
Machinery, furniture, and equipment	1,842,180	1,708,163	1,475,665	1,453,533	3,317,845	3,161,696
Infrastructure	80,822,976	76,264,233	-	-	80,822,976	76,264,233
Landfill	-	-	537,282	434,940	537,282	434,940
Total	<u>\$ 102,820,818</u>	<u>\$ 95,062,920</u>	<u>\$ 4,793,461</u>	<u>\$ 4,787,213</u>	<u>\$ 107,614,279</u>	<u>\$ 99,850,133</u>

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

### Debt

As of December 31, 2004, Polk County had \$17,102,000 in bonds and notes outstanding compared with \$16,389,000 as of December 31, 2003--an increase of 4.4 percent--as shown in Table 5. Debt includes \$1,560,000 of general obligation temporary water revenue bonds reported as short-term debt.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Bonds Payable						
General obligation bonds	\$ 14,597,000	\$ 11,069,000	\$ -	\$ -	\$ 14,597,000	\$ 11,069,000
Revenue bonds	2,505,000	5,030,000	-	-	2,505,000	5,030,000
Capital notes	-	290,000	-	-	-	290,000
<b>Total</b>	<b>\$ 17,102,000</b>	<b>\$ 16,389,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,102,000</b>	<b>\$ 16,389,000</b>

Polk County’s general obligation bonds are rated an A2, and Polk County’s Revenue Bonds are rated an A2. These ratings have been assigned by a national rating agency to Polk County’s debt. The state limits the amount of net debt that the counties can issue to two percent of the market value of all taxable property in Polk County. Polk County’s outstanding net debt is significantly below this \$32,823,180 state-imposed limit.

Other obligations include capital leases, compensated absences, and landfill closure and postclosure costs. Polk County’s notes to the financial statements 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 considered many factors when setting the fiscal year 2005 budget, tax rates, and fees that will be charged for the business-type activities.

- The State of Minnesota continues to project a budget deficit. How the State of Minnesota resolves this deficit could have a significant impact on future Polk County budgets. Major revenue sources for Polk County are state-paid aids, credits, and grants. Should the State of Minnesota significantly reduce these revenues or pass on costs to Polk County, it would have a significant impact on next year’s budget.
- Polk County expects moderate future growth of the County’s tax base largely due to continued residential and commercial expansion. The local economy remains relatively dependent on its agricultural base.
- Polk County’s average unemployment rate was 5.2 percent for both 2003 and 2004.
- The County has decided to begin construction of a new building that will serve as a County Justice Center/ N.W.R.C.C. Jail. The decision will result in an increase over the prior year in General Fund expenditures of \$6,300,000 in building capital expense.
- In addition to the Justice Center/Jail building project, General Fund expenditures will increase \$477,115 or 6.7 percent. This is due primarily to a \$315,000 increase for improvements to Polk County Park at Maple Lake.

- The net property tax levies are planned to increase 12.0 percent from 2004.
- 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.

### **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

Polk County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Polk County's finances, and it shows Polk County's accountability for the money it receives and spends. If you have questions about this report or need additional financial information, contact Gerald J. Amiot, County Auditor/Treasurer (218-281-2554) or Ron Denison, Accounting Officer (218-281-2554), 612 North Broadway Suite 207, Crookston, Minnesota 56716.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 22,959,628	\$ 965,204	\$ 23,924,832
Departmental cash	3,194	-	3,194
Investments	584,276	-	584,276
Taxes receivable			
Current - net	269,395	-	269,395
Prior - net	233,722	-	233,722
Special assessments receivable			
Current - net	134,202	-	134,202
Prior - net	120,060	-	120,060
Deferred	6,375,376	-	6,375,376
Accounts receivable - net	206,313	157,264	363,577
Accrued interest receivable	159,110	1,125	160,235
Internal balances	(49,145)	49,145	-
Due from other governments	6,081,569	103,481	6,185,050
Inventories	562,578	-	562,578
Restricted assets			
Temporarily restricted			
Investments - cash with fiscal agent	913,598	-	913,598
Permanently restricted			
Cash and pooled investments	-	27,512	27,512
Investments	-	1,000,171	1,000,171
Accrued interest receivable	-	15,722	15,722
Capital assets			
Non-depreciable	11,955,090	11,085	11,966,175
Depreciable - net of accumulated depreciation	90,865,728	4,782,376	95,648,104
<b>Total Assets</b>	<b>\$ 141,374,694</b>	<b>\$ 7,113,085</b>	<b>\$ 148,487,779</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 589,650	\$ 90,185	\$ 679,835
Salaries payable	61,791	26,914	88,705
Contracts payable	493,391	53,410	546,801
Due to other governments	259,942	446	260,388
Temporary bonds payable	1,560,000	-	1,560,000
Accrued interest payable	178,676	-	178,676
Unearned revenue	18,925	-	18,925
Long-term liabilities			
Due within one year	1,921,699	42,353	1,964,052
Due in more than one year	14,661,085	2,100,361	16,761,446
<b>Total Liabilities</b>	<b>\$ 19,745,159</b>	<b>\$ 2,313,669</b>	<b>\$ 22,058,828</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2004**

	Governmental Activities	Business-Type Activities	Total
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 100,190,921	\$ 4,793,461	\$ 104,984,382
Restricted for			
General government	173,863	-	173,863
Highways and streets	975,190	-	975,190
Other purposes	1,727	-	1,727
Unrestricted	20,287,834	5,955	20,293,789
<b>Total Net Assets</b>	<b>\$ 121,629,535</b>	<b>\$ 4,799,416</b>	<b>\$ 126,428,951</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Expenses</b>	<b>Fees, Charges, Fines, and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Governmental activities</b>		
General government	\$ 4,914,457	\$ 720,199
Public safety	4,308,299	453,462
Highways and streets	7,942,370	296,085
Sanitation	1,408,768	1,422,276
Human services	13,003,934	1,276,055
Health	1,508,115	472,533
Culture and recreation	269,963	28,316
Conservation of natural resources	3,282,839	200,637
Economic development	39,688	-
Interest	539,625	-
Bond issuance costs	22,530	-
	<b>\$ 37,240,588</b>	<b>\$ 4,869,563</b>
<b>Business-type activities</b>		
Landfill	\$ 610,698	\$ 531,927
Resource recovery	2,569,374	2,855,393
	<b>\$ 3,180,072</b>	<b>\$ 3,387,320</b>
<b>Total</b>	<b>\$ 40,420,660</b>	<b>\$ 8,256,883</b>

**General Revenues**

Property taxes  
Gravel taxes  
Mortgage registry and deed tax  
Payments in lieu of tax  
Grants and contributions not restricted to specific programs  
Investment income  
Miscellaneous

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning**

**Net Assets - Ending**

**EXHIBIT 2**

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 249,328	\$ -	\$ (3,944,930)	\$ -	\$ (3,944,930)
351,566	-	(3,503,271)	-	(3,503,271)
7,358,724	3,499,921	3,212,360	-	3,212,360
-	-	13,508	-	13,508
8,606,661	-	(3,121,218)	-	(3,121,218)
537,933	-	(497,649)	-	(497,649)
55,326	-	(186,321)	-	(186,321)
111,009	1,344,470	(1,626,723)	-	(1,626,723)
-	-	(39,688)	-	(39,688)
-	-	(539,625)	-	(539,625)
-	-	(22,530)	-	(22,530)
<b>\$ 17,270,547</b>	<b>\$ 4,844,391</b>	<b>\$ (10,256,087)</b>	<b>\$ -</b>	<b>\$ (10,256,087)</b>
\$ 19,594	\$ -	\$ -	\$ (59,177)	\$ (59,177)
71,976	-	-	357,995	357,995
<b>\$ 91,570</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 298,818</b>	<b>\$ 298,818</b>
<b>\$ 17,362,117</b>	<b>\$ 4,844,391</b>	<b>\$ (10,256,087)</b>	<b>\$ 298,818</b>	<b>\$ (9,957,269)</b>
		\$ 11,435,393	\$ -	\$ 11,435,393
		51,335	-	51,335
		11,124	-	11,124
		59,590	-	59,590
		2,747,423	5,165	2,752,588
		440,541	10,536	451,077
		895,464	-	895,464
		<b>\$ 15,640,870</b>	<b>\$ 15,701</b>	<b>\$ 15,656,571</b>
		<b>\$ 5,384,783</b>	<b>\$ 314,519</b>	<b>\$ 5,699,302</b>
		<b>116,244,752</b>	<b>4,484,897</b>	<b>120,729,649</b>
		<b>\$ 121,629,535</b>	<b>\$ 4,799,416</b>	<b>\$ 126,428,951</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>	<b>Human Services Special Revenue</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 8,772,700	\$ 2,741,533	\$ 4,856,251
Petty cash and change funds	3,800	-	-
Undistributed cash in agency funds	163,449	152,207	100,115
Departmental cash	-	-	-
Investments	162,428	-	-
Taxes receivable			
Current	164,662	25,197	76,303
Prior	130,786	30,873	69,255
Special assessments receivable			
Current	-	-	-
Prior	-	-	-
Deferred	-	-	-
Accounts receivable	87,009	521	-
Accrued interest receivable	157,710	-	70
Due from other funds	42,287	11,812	42,487
Due from other governments	1,612,296	2,721,208	1,574,845
Inventories	-	562,578	-
Advances to other funds	234,701	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	-	-
	<b>\$ 11,531,828</b>	<b>\$ 6,245,929</b>	<b>\$ 6,719,326</b>

**EXHIBIT 3**

<b>Ditch Special Revenue</b>	<b>Public Safety Special Revenue</b>	<b>Ditch Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,644,743	\$ 1,706,563	\$ 613,761	\$ 1,931,215	\$ 22,266,766
-	500	-	190	4,490
32,981	88,854	47,506	103,260	688,372
-	3,194	-	-	3,194
165,000	114,307	-	142,541	584,276
-	-	-	3,233	269,395
-	-	-	2,808	233,722
16,107	-	37,384	80,711	134,202
26,282	-	13,663	80,115	120,060
1,357,925	-	4,434,897	582,554	6,375,376
-	6,268	-	112,515	206,313
1,266	64	-	-	159,110
-	8,371	-	5,900	110,857
3,744	44,683	-	124,793	6,081,569
-	-	-	-	562,578
-	-	-	-	234,701
-	-	913,598	-	913,598
<b>\$ 3,248,048</b>	<b>\$ 1,972,804</b>	<b>\$ 6,060,809</b>	<b>\$ 3,169,835</b>	<b>\$ 38,948,579</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>	<u>Human Services Special Revenue</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 114,939	\$ 67,062	\$ 329,839
Salaries payable	9,645	23,410	1,457
Contracts payable	-	493,391	-
Due to other funds	48,913	13,793	29,568
Due to other governments	26,682	31,813	124,039
Temporary bonds payable	1,560,000	-	-
Deferred revenue - unavailable	233,009	2,364,149	563,936
Deferred revenue - unearned	-	-	-
Advance from other funds	-	-	-
<b>Total Liabilities</b>	<b>\$ 1,993,188</b>	<b>\$ 2,993,618</b>	<b>\$ 1,048,839</b>
<b>Fund Balances</b>			
Reserved for			
Inventories	\$ -	\$ 562,578	\$ -
Advances to other funds	234,701	-	-
State-aid highway projects	-	212,365	-
Missing heirs	1,727	-	-
Law library	164,963	-	-
Recorder's equipment purchases	8,900	-	-
Gravel pit restoration	-	45,211	-
Unreserved			
Designated for debt service	-	-	-
Designated for future building projects	5,000,000	-	-
Undesignated	4,128,349	2,432,157	5,670,487
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Debt service funds	-	-	-
<b>Total Fund Balances</b>	<b>\$ 9,538,640</b>	<b>\$ 3,252,311</b>	<b>\$ 5,670,487</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 11,531,828</b>	<b>\$ 6,245,929</b>	<b>\$ 6,719,326</b>

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

<b>Ditch Special Revenue</b>	<b>Public Safety Special Revenue</b>	<b>Ditch Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 32,788	\$ 4,846	\$ -	\$ 40,176	\$ 589,650
-	9,201	-	18,078	61,791
-	-	-	-	493,391
-	5,550	-	62,278	160,102
10,756	1,128	58,626	6,798	259,842
-	-	-	-	1,560,000
1,399,842	-	4,461,427	792,313	9,814,676
-	-	-	18,925	18,925
127,605	-	96	107,000	234,701
<b>\$ 1,570,991</b>	<b>\$ 20,725</b>	<b>\$ 4,520,149</b>	<b>\$ 1,045,568</b>	<b>\$ 13,193,078</b>
\$ -	\$ -	\$ -	\$ -	\$ 562,578
-	-	-	-	234,701
-	-	-	-	212,365
-	-	-	-	1,727
-	-	-	-	164,963
-	-	-	-	8,900
-	-	-	-	45,211
-	-	1,540,660	-	1,540,660
-	-	-	-	5,000,000
1,677,057	1,952,079	-	-	15,860,129
-	-	-	1,938,967	1,938,967
-	-	-	185,300	185,300
<b>\$ 1,677,057</b>	<b>\$ 1,952,079</b>	<b>\$ 1,540,660</b>	<b>\$ 2,124,267</b>	<b>\$ 25,755,501</b>
<b>\$ 3,248,048</b>	<b>\$ 1,972,804</b>	<b>\$ 6,060,809</b>	<b>\$ 3,169,835</b>	<b>\$ 38,948,579</b>

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2004**

<b>Fund balances - total governmental funds (Exhibit 3)</b>		<b>\$ 25,755,501</b>
Amounts reported for governmental activities in the statement of net assets 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.		102,820,818
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		9,814,676
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	\$ (13,037,000)	
Revenue bonds	(2,505,000)	
Capital leases	(124,898)	
Compensated absences	(915,886)	
Accrued interest payable	(178,676)	
		(16,761,460)
<b>Net assets of governmental activities (Exhibit 1)</b>		<b><u>\$ 121,629,535</u></b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>	<u>Human Services Special Revenue</u>
<b>Revenues</b>			
Taxes	\$ 3,656,398	\$ 1,105,353	\$ 3,179,815
Special assessments	-	-	-
Licenses and permits	10,278	-	-
Intergovernmental	1,176,239	11,577,487	9,298,844
Charges for services	654,407	268,496	127,378
Fines and forfeits	45,124	-	-
Gifts and contributions	-	-	12,237
Interest on investments	463,933	-	549
Miscellaneous	1,019,050	48,074	799,921
<b>Total Revenues</b>	<b>\$ 7,025,429</b>	<b>\$ 12,999,410</b>	<b>\$ 13,418,744</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 4,550,806	\$ -	\$ -
Public safety	24,489	-	-
Highways and streets	-	15,059,829	-
Sanitation	-	-	-
Human services	-	-	12,936,363
Health	101,524	-	-
Culture and recreation	87,049	-	-
Conservation of natural resources	244,229	-	-
Economic development	39,688	-	-
Intergovernmental	-	774,009	-
<b>Capital outlay</b>			
General government	13,721	-	-
<b>Debt service</b>			
Principal retirement	2,923,412	840,605	-
Interest	191,420	80,141	-
Bond issuance costs	-	-	-
<b>Total Expenditures</b>	<b>\$ 8,176,338</b>	<b>\$ 16,754,584</b>	<b>\$ 12,936,363</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,150,909)</b>	<b>\$ (3,755,174)</b>	<b>\$ 482,381</b>

**EXHIBIT 5**

<b>Ditch Special Revenue</b>	<b>Public Safety Special Revenue</b>	<b>Ditch Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,901,364	\$ -	\$ 624,851	\$ 11,467,781
581,088	-	873,627	1,376,414	2,831,129
-	-	-	38,706	48,984
110,583	1,044,289	-	784,038	23,991,480
-	94,549	-	478,862	1,623,692
-	561	-	-	45,685
-	-	-	-	12,237
3,130	1,773	-	1,072	470,457
17,281	471,191	1,359	197,954	2,554,830
<b>\$ 712,082</b>	<b>\$ 4,513,727</b>	<b>\$ 874,986</b>	<b>\$ 3,501,897</b>	<b>\$ 43,046,275</b>
\$ -	\$ -	\$ -	\$ 110,151	\$ 4,660,957
-	4,283,650	-	-	4,308,139
-	-	-	-	15,059,829
-	-	-	1,431,969	1,431,969
-	-	-	-	12,936,363
-	-	-	1,395,330	1,496,854
-	-	-	180,381	267,430
2,831,692	-	-	11,252	3,087,173
-	-	-	-	39,688
-	-	173,725	-	947,734
-	-	-	-	13,721
-	-	763,000	44,000	4,571,017
-	-	288,482	33,592	593,635
-	-	22,530	-	22,530
<b>\$ 2,831,692</b>	<b>\$ 4,283,650</b>	<b>\$ 1,247,737</b>	<b>\$ 3,206,675</b>	<b>\$ 49,437,039</b>
<b>\$ (2,119,610)</b>	<b>\$ 230,077</b>	<b>\$ (372,751)</b>	<b>\$ 295,222</b>	<b>\$ (6,390,764)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>	<u>Human Services Special Revenue</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(56,612)	-	-
Bonds issued	-	-	-
Refunding bonds issued	-	-	-
Premium on bond/note issuance	-	-	-
Discount on bond/note issuance	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (56,612)</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Net Change in Fund Balance</b>	<b>\$ (1,207,521)</b>	<b>\$ (3,755,174)</b>	<b>\$ 482,381</b>
<b>Fund Balance - January 1</b>	<b>10,746,161</b>	<b>6,891,053</b>	<b>5,188,106</b>
<b>Increase (decrease) in reserved for inventories</b>	<u>-</u>	<u>116,432</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 9,538,640</u></u>	<u><u>\$ 3,252,311</u></u>	<u><u>\$ 5,670,487</u></u>

**EXHIBIT 5**  
**(Continued)**

<b>Ditch Special Revenue</b>	<b>Public Safety Special Revenue</b>	<b>Ditch Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 56,612	\$ -	\$ -	\$ -	\$ 56,612
-	-	-	-	(56,612)
2,330,000	-	-	-	2,330,000
-	-	1,245,000	-	1,245,000
-	-	1,128	-	1,128
(19,732)	-	(2,691)	-	(22,423)
<b>\$ 2,366,880</b>	<b>\$ -</b>	<b>\$ 1,243,437</b>	<b>\$ -</b>	<b>\$ 3,553,705</b>
<b>\$ 247,270</b>	<b>\$ 230,077</b>	<b>\$ 870,686</b>	<b>\$ 295,222</b>	<b>\$ (2,837,059)</b>
<b>1,429,787</b>	<b>1,722,002</b>	<b>669,974</b>	<b>1,829,045</b>	<b>28,476,128</b>
-	-	-	-	<b>116,432</b>
<b>\$ 1,677,057</b>	<b>\$ 1,952,079</b>	<b>\$ 1,540,660</b>	<b>\$ 2,124,267</b>	<b>\$ 25,755,501</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (2,837,059)**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 10,749,540	
Current year depreciation	<u>(2,991,642)</u>	7,757,898

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 9,814,676

Revenues reported in the fund statements in the current year, but reported in the government-wide statement of activities in the prior year. (10,235,580)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

The net proceeds for debt issuance (3,575,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
General obligation bonds	\$ 1,607,000	
Revenue bonds	2,525,000	
Capital lease	149,017	
Capital note	<u>290,000</u>	4,571,017

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	\$ 54,010	
Change in compensated absences	(281,611)	
Change in inventories	<u>116,432</u>	(111,169)

**Change in net assets of governmental activities (Exhibit 2) \$ 5,384,783**

**PROPRIETARY FUNDS**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 7**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004**

	<b>Enterprise Funds</b>		
	<b>Landfill</b>	<b>Resource Recovery</b>	<b>Totals</b>
<b>Assets</b>			
Current assets			
Cash and pooled investments	\$ 238,998	\$ 726,066	\$ 965,064
Petty cash and change funds	100	40	140
Accounts receivable - net	10,393	146,871	157,264
Accrued interest receivable	-	1,125	1,125
Due from other funds	2,091	48,367	50,458
Due from other governments	3,316	100,165	103,481
<b>Total current assets</b>	<b>\$ 254,898</b>	<b>\$ 1,022,634</b>	<b>\$ 1,277,532</b>
Restricted assets			
Permanent			
Cash and pooled investments	\$ 27,512	\$ -	\$ 27,512
Investments	1,000,171	-	1,000,171
Accrued interest receivable	15,722	-	15,722
<b>Total restricted assets</b>	<b>\$ 1,043,405</b>	<b>\$ -</b>	<b>\$ 1,043,405</b>
Capital assets			
Nondepreciable	\$ -	\$ 11,085	\$ 11,085
Depreciable - net	614,250	4,168,126	4,782,376
<b>Total capital assets</b>	<b>\$ 614,250</b>	<b>\$ 4,179,211</b>	<b>\$ 4,793,461</b>
<b>Total Assets</b>	<b>\$ 1,912,553</b>	<b>\$ 5,201,845</b>	<b>\$ 7,114,398</b>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 11,530	\$ 78,655	\$ 90,185
Salaries payable	1,992	24,922	26,914
Compensated absences payable - current	4,380	37,973	42,353
Contracts payable	53,410	-	53,410
Due to other funds	162	1,151	1,313
Due to other governments	380	66	446
<b>Total current liabilities</b>	<b>\$ 71,854</b>	<b>\$ 142,767</b>	<b>\$ 214,621</b>
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 13,142	\$ 62,595	\$ 75,737
Estimated liability for landfill closure/postclosure	2,024,624	-	2,024,624
<b>Total noncurrent liabilities</b>	<b>\$ 2,037,766</b>	<b>\$ 62,595</b>	<b>\$ 2,100,361</b>
<b>Total Liabilities</b>	<b>\$ 2,109,620</b>	<b>\$ 205,362</b>	<b>\$ 2,314,982</b>

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

Page 28

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2004**

		<b>Enterprise Funds</b>		
	<b>Landfill</b>	<b>Resource Recovery</b>	<b>Totals</b>	
<b><u>Net Assets</u></b>				
Invested in capital assets - net of related debt	\$ 614,250	\$ 4,179,211	\$ 4,793,461	
Unrestricted	(811,317)	817,272	5,955	
<b>Total Net Assets</b>	<b>\$ (197,067)</b>	<b>\$ 4,996,483</b>	<b>\$ 4,799,416</b>	

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Enterprise Funds</b>		
	<b>Landfill</b>	<b>Resource Recovery</b>	<b>Totals</b>
<b>Operating Revenues</b>			
Charges for services	\$ 530,861	\$ 2,418,198	\$ 2,949,059
Miscellaneous	1,066	437,195	438,261
<b>Total Operating Revenues</b>	<b>\$ 531,927</b>	<b>\$ 2,855,393</b>	<b>\$ 3,387,320</b>
<b>Operating Expenses</b>			
Personal services	\$ 165,600	\$ 991,236	\$ 1,156,836
Other services and charges	205,144	318,103	523,247
Supplies	4,304	134,480	138,784
Utilities	3,809	286,821	290,630
Transportation and disposal	-	446,227	446,227
Depreciation	92,684	392,507	485,191
Landfill closure and postclosure costs	139,157	-	139,157
<b>Total Operating Expenses</b>	<b>\$ 610,698</b>	<b>\$ 2,569,374</b>	<b>\$ 3,180,072</b>
<b>Operating Income (Loss)</b>	<b>\$ (78,771)</b>	<b>\$ 286,019</b>	<b>\$ 207,248</b>
<b>Nonoperating Revenues (Expenses)</b>			
Intergovernmental	\$ 413	\$ 76,728	\$ 77,141
Interest income	19,594	10,536	30,130
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 20,007</b>	<b>\$ 87,264</b>	<b>\$ 107,271</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ (58,764)</b>	<b>\$ 373,283</b>	<b>\$ 314,519</b>
Transfers in	-	33,907	33,907
Transfers out	(33,907)	-	(33,907)
<b>Change in Net Assets</b>	<b>\$ (92,671)</b>	<b>\$ 407,190</b>	<b>\$ 314,519</b>
<b>Net Assets - January 1</b>	<b>(104,396)</b>	<b>4,589,293</b>	<b>4,484,897</b>
<b>Net Assets - December 31</b>	<b>\$ (197,067)</b>	<b>\$ 4,996,483</b>	<b>\$ 4,799,416</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Enterprise Funds</b>		<b>Totals</b>
	<b>Landfill</b>	<b>Resource Recovery</b>	
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 533,835	\$ 2,798,566	\$ 3,332,401
Payments to suppliers	(209,163)	(1,222,755)	(1,431,918)
Payments to employees	(152,411)	(975,509)	(1,127,920)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 172,261</b>	<b>\$ 600,302</b>	<b>\$ 772,563</b>
<b>Cash Flows From Noncapital Financing Activities</b>			
Repayment of temporary loan from other proprietary fund	\$ -	\$ 33,907	\$ 33,907
Repayment of temporary loan to other proprietary fund	(33,907)	-	(33,907)
Intergovernmental	413	98,897	99,310
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ (33,494)</b>	<b>\$ 132,804</b>	<b>\$ 99,310</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Purchases of capital assets	\$ (137,159)	\$ (478,795)	\$ (615,954)
<b>Cash Flows From Investing Activities</b>			
Purchase of investments	\$ (4,357)	\$ -	\$ (4,357)
Investment earnings received	4,382	10,313	14,695
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 25</b>	<b>\$ 10,313</b>	<b>\$ 10,338</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 1,633</b>	<b>\$ 264,624</b>	<b>\$ 266,257</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>264,977</b>	<b>461,482</b>	<b>726,459</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 266,610</b>	<b>\$ 726,106</b>	<b>\$ 992,716</b>
<b>Cash and Cash Equivalents - Exhibit 7</b>			
Cash and pooled investments	\$ 238,998	\$ 726,066	\$ 965,064
Petty cash and change funds	100	40	140
Restricted cash and pooled investments	27,512	-	27,512
<b>Total Cash and Cash Equivalents</b>	<b>\$ 266,610</b>	<b>\$ 726,106</b>	<b>\$ 992,716</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004  
Increase (Decrease) in Cash and Cash Equivalents**

	<b>Enterprise Funds</b>		
	<b>Landfill</b>	<b>Resource Recovery</b>	<b>Totals</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>			
Operating income (loss)	\$ (78,771)	\$ 286,019	\$ 207,248
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 92,684	\$ 392,507	\$ 485,191
(Increase) decrease in accounts receivable	(1,174)	(8,005)	(9,179)
(Increase) decrease in due from other governments	(434)	(50,780)	(51,214)
(Increase) decrease in due from other funds	3,516	1,958	5,474
Increase (decrease) in accounts payable	4,169	(34,174)	(30,005)
Increase (decrease) in salaries payable	152	2,882	3,034
Increase (decrease) in compensated absences payable	13,037	12,845	25,882
Increase (decrease) in due to other funds	114	(2,974)	(2,860)
Increase (decrease) in due to other governments	(189)	24	(165)
Increase (decrease) in landfill closure costs	139,157	-	139,157
<b>Total adjustments</b>	<b>\$ 251,032</b>	<b>\$ 314,283</b>	<b>\$ 565,315</b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>\$ 172,261</b>	<b>\$ 600,302</b>	<b>\$ 772,563</b>

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**FIDUCIARY FUNDS**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2004**

	<b>Investment Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 916,951	\$ 1,864,720
Receivables		
Accounts	-	25,379
Interest	1,035	-
Due from other funds	-	100
Due from other governments	-	3,758
	<b>\$ 917,986</b>	<b>\$ 1,893,957</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 16,565
Due to other governments	-	1,857,798
Funds held in trust	-	19,594
	<b>\$ -</b>	<b>\$ 1,893,957</b>
<b><u>Net Assets</u></b>		
Net assets held in trust for pool participants	<b>\$ 917,986</b>	

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT 11*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Investment Trust</u>
<b><u>Additions</u></b>	
Contributions from participants	\$ 4,614,329
Investment earnings	
Interest	<u>9,395</u>
<b>Total Additions</b>	<b>\$ 4,623,724</b>
<b><u>Deductions</u></b>	
Pool participant withdrawals	<u>4,567,539</u>
<b>Change in Net Assets</b>	<b>\$ 56,185</b>
<b>Net Assets - Beginning of the Year</b>	<u><b>861,801</b></u>
<b>Net Assets - End of the Year</b>	<u><u><b>\$ 917,986</b></u></u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. 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 has the powers, duties, and privileges granted counties by state law, codified in 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 Coordinator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote in its decisions.

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

In the government-wide statement of net assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, 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 and enterprise funds are aggregated and reported as nonmajor funds.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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 required to be 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.

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Public Safety Special Revenue Fund is used to account for 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.

The County reports the following major debt service fund:

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

**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 enterprise 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.

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$441,302.

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 MAGIC Fund is not

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

3. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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).

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

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

No allowance has been made for uncollectible receivables.

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 on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) 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.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets 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, applicable laws and regulations limit their use.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets 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 estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Building improvements	10 - 30
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 15

The County landfill is depreciated based on capacity used.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

9. 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. 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 and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following major fund had deficit net assets as of December 31, 2004:

Landfill Enterprise Fund	\$ 197,067
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The Landfill Enterprise Fund deficit will be eliminated with future revenues from operations.

The following nonmajor fund had a deficit fund balance as of December 31, 2004:

Forfeited Tax Sale Special Revenue Fund	\$ 98,556
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The Forfeited Tax Sale Special Revenue Fund deficit will be eliminated with future revenues from forfeited land sales.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity (Continued)

Ditch Fund Deficits

Of 214 drainage systems, 23 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 Ditch Special Revenue and Debt Service Funds as of December 31, 2004.

Account balances	\$	3,344,494
Account deficits		(126,777)
Fund Balance		\$ 3,217,717

B. Excess of Expenditures Over Budget - Nonmajor Funds

The following is a summary of the individual nonmajor funds which had expenditures in excess of budget for the year ended December 31, 2004:

	Expenditures	Budget	Excess
Special Revenue Funds			
Public Health	\$ 1,395,330	\$ 1,258,544	\$ 136,786
Forfeited Tax Sale	11,252	-	11,252

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Primary government		
Cash and pooled investments	\$	23,924,832
Departmental cash		3,194
Investments		584,276
Restricted assets		
Cash with escrow agent		913,598
Cash and pooled investments		27,512
Investments		1,000,171
Fiduciary funds		
Cash and pooled investments		
Investment trust funds		916,951
Agency funds		1,864,720
		1,864,720
Total Cash and Investments	\$	29,235,254

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$4,035,301. The bank balance deposit amount was \$5,755,772. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	<u>Bank Balance</u>
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 804,726
Collateralized with securities held by the pledging financial institution's agent in the County's name	4,951,046
	4,951,046
Total covered deposits	\$ 5,755,772
Uncollateralized	-
Total	\$ 5,755,772

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
Certificates of deposit with broker	\$ 500,000	\$ -	\$ 7,449,000	\$ 7,949,000
Repurchase agreements	-	-	7,864,674	7,864,674
Cash with fiscal agents	-	-	913,598	913,598
Total Investments	\$ 500,000	\$ -	\$ 16,227,272	\$ 16,727,272
Add				
Cash on hand				4,630
Departmental cash				3,194
Non-interest bearing checking				164,459
Interest-bearing checking				2,204,115
Money market savings				1,727
Certificates of deposit				1,665,000
MAGIC Fund				8,464,857
Total Cash and Investments				\$ 29,235,254

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 503,117	\$ -
Special assessments	6,629,638	5,411,350
Due from other governments	6,081,569	-
Accounts	206,313	-
Interest	159,110	-
Total Governmental Activities	\$ 13,579,747	\$ 5,411,350
Business-Type Activities		
Due from other governments	\$ 103,481	\$ -
Accounts	157,264	-
Interest	16,847	-
Total Business-Type Activities	\$ 277,592	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Governmental Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 8,347,859	\$ 165,839	\$ 5,274	\$ 8,508,424
Construction in progress	625,599	3,446,666	625,599	3,446,666
 Total capital assets not depreciated	 \$ 8,973,458	 \$ 3,612,505	 \$ 630,873	 \$ 11,955,090
Capital assets depreciated				
Land improvements	\$ 214,538	\$ -	\$ -	\$ 214,538
Buildings	12,669,660	416,632	-	13,086,292
Building improvements	1,097,760	-	-	1,097,760
Machinery, furniture, and equipment	6,280,584	722,674	541,265	6,461,993
Infrastructure	96,532,995	6,628,602	-	103,161,597
 Total capital assets depreciated	 \$ 116,795,537	 \$ 7,767,908	 \$ 541,265	 \$ 124,022,180
Less: accumulated depreciation for				
Land improvements	\$ 113,948	\$ 8,825	\$ -	\$ 122,773
Buildings	5,499,669	293,869	-	5,793,538
Building improvements	251,275	30,432	-	281,707
Machinery, furniture, and equipment	4,572,421	588,657	541,265	4,619,813
Infrastructure	20,268,762	2,069,859	-	22,338,621
 Total accumulated depreciation	 \$ 30,706,075	 \$ 2,991,642	 \$ 541,265	 \$ 33,156,452
 Total capital assets depreciated, net	 \$ 86,089,462	 \$ 4,776,266	 \$ -	 \$ 90,865,728
 Governmental Activities Capital Assets, Net	 \$ 95,062,920	 \$ 8,388,771	 \$ 630,873	 \$ 102,820,818

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 11,085	\$ -	\$ -	\$ 11,085
Capital assets depreciated				
Buildings	\$ 4,092,613	\$ -	\$ 6,773	\$ 4,085,840
Landfill	3,367,186	168,395	4,062	3,531,519
Improvements other than building	238,578	-	5,860	232,718
Machinery, furniture, and equipment	<u>6,141,607</u>	<u>323,044</u>	<u>14,878</u>	<u>6,449,773</u>
Total capital assets depreciated	<u>\$ 13,839,984</u>	<u>\$ 491,439</u>	<u>\$ 31,573</u>	<u>\$ 14,299,850</u>
Less: accumulated depreciation for				
Buildings	\$ 1,349,507	\$ 108,444	\$ 6,773	\$ 1,451,178
Landfill	2,932,246	66,053	4,062	2,994,237
Improvements other than building	94,029	9,782	5,860	97,951
Machinery, furniture, and equipment	<u>4,688,074</u>	<u>300,912</u>	<u>14,878</u>	<u>4,974,108</u>
Total accumulated depreciation	<u>\$ 9,063,856</u>	<u>\$ 485,191</u>	<u>\$ 31,573</u>	<u>\$ 9,517,474</u>
Total capital assets depreciated, net	<u>\$ 4,776,128</u>	<u>\$ 6,248</u>	<u>\$ -</u>	<u>\$ 4,782,376</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,787,213</u>	<u>\$ 6,248</u>	<u>\$ -</u>	<u>\$ 4,793,461</u>

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

Governmental Activities	
General government	\$ 176,754
Public safety	223,334
Highways and streets, including depreciation of infrastructure assets	2,508,666
Sanitation	69,483
Human services	7,984
Health	2,888
Culture and recreation	<u>2,533</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,991,642</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities			
Landfill	\$	92,684	
Resource Recovery		392,507	
Total Depreciation Expense - Business-Type Activities	\$	485,191	

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge Human Services Public Safety Public Health Resource Recovery Landfill	\$ 13,793 17,053 1,035 10,393 5 8 <hr/>
Total Due to General Fund		\$ 42,287 <hr/>
Road and Bridge	General Public Safety Environmental Services Landfill	\$ 6,326 4,480 852 154 <hr/>
Total Due to Road and Bridge Fund		\$ 11,812 <hr/>
Human Services	General	\$ 42,487 <hr/>
Public Health	Human Services Public Safety Environmental Services	\$ 4,644 35 75 <hr/>
Total Due to Public Health Fund		\$ 4,754 <hr/>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Safety	Human Services	\$ 7,871
	Public Health	500
Total Due to Public Safety Fund		<u>\$ 8,371</u>
Environmental Services	Resource Recovery	\$ 1,146
Resource Recovery	Environmental Services	\$ 48,367
Landfill	Environmental Services	\$ 2,091
Agency	General	\$ 100
Total Due To/From Other Funds		<u>\$ 161,415</u>

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch Special Revenue	\$ 127,605
	Forfeited Tax Sale	107,000
	Ditch Debt Service	96
Total Due to General Fund		<u>\$ 234,701</u>

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to Resource Recovery Fund from Landfill Fund	\$ 33,907	To transfer funds received as part of a capital grant award.
Transfers to Ditch Fund from General Fund	<u>56,612</u>	Ditch interest.
Total Interfund Transfers	<u>\$ 90,519</u>	

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 589,650	\$ 90,185
Salaries	61,791	26,914
Contracts	493,391	53,410
Due to other governments	<u>259,942</u>	<u>446</u>
Total Payables	<u>\$ 1,404,774</u>	<u>\$ 170,955</u>

2. Deferred Revenue

Deferred revenue as of December 31, 2004, for the County's governmental activities are as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental Activities		
Taxes	\$ 591,479	\$ -
Deferred liens	6,379,120	-
State-aid highway allotments	2,033,549	-
Charges for services	470,697	-
Grants	339,472	18,925
Other	<u>359</u>	<u>-</u>
Total Governmental Activities	<u>\$ 9,814,676</u>	<u>\$ 18,925</u>

3. Construction Commitments

The government has active construction projects as of December 31, 2004. The projects include the following:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Construction Commitments (Continued)

	Spent-to-Date	Remaining Commitment
Governmental activities		
Roads and bridges	\$ 5,740,313	\$ 190,871
Business-type activities		
Front-end loader	-	57,890

4. Short-Term Debt

The County issued \$1,560,000 of General Obligation Temporary Water Revenue Bonds on April 4, 2004. The proceeds of the bonds were paid to the Marshall and Polk Rural Water System to connect two cities to the rural water system. The cities are reimbursing the County for the principal and interest due. The entire principal is due June 1, 2005. The debt is reported in the General Fund.

5. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2004
General Obligation Bonds					
2004 G.O. Water Refunding Bonds	2025	\$20,000 - \$305,000	4.117	\$ 2,640,000	\$ 2,640,000
2004 Watershed District Refunding Bonds	2018	\$65,000 - \$95,000	3.640	935,000	935,000
2003 G.O. State-Aid Highway Bonds	2008	\$800,000	2.1729	4,000,000	3,200,000
2002 G.O. Bonds	2018	\$50,000 - \$55,000	3.816	820,000	770,000
2000 G.O. Watershed District Bonds	2016	\$25,000 - \$30,000	5.6253	390,000	310,000
1999 G.O. Improvement Bonds	2020	\$30,000 - \$35,000	5.2962	610,000	490,000

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt

Governmental Activities (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
General Obligation Bonds (Continued)					
1998 G.O. Watershed District Bonds	2020	\$155,000 - \$170,000	4.8744	3,265,000	2,600,000
1997 G.O. Bonds for Water System Projects	2018	\$30,000 - \$225,000	5.473	1,390,000	600,000
1997 G.O. Bonds for Water System projects	2018	\$30,000 - \$35,000	5.189	675,000	480,000
1996 G.O. Bonds for Water System projects	2011	\$85,000 - \$90,000	5.3168	1,340,000	800,000
1982 G.O. Bonds for Water System projects	2012	\$9,000 - \$35,000	5.00	555,000	212,000
Total General Obligation Bonds				\$ 16,620,000	\$ 13,037,000
Revenue Bonds					
2003 Correctional Facility Revenue Refunding Bonds	2017	\$106,000 - \$235,000	3.770	\$ 2,505,000	\$ 2,505,000
Installment Purchase Contracts					
1999 telephone system	2006	\$2,536	17.80	\$ 174,799	\$ 31,847
1996 energy conservation measures	2005	\$32,713	5.42	500,000	93,051
Total Installment Purchase Contracts				\$ 674,799	\$ 124,898

**POLK COUNTY  
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2005	\$ 1,306,000	\$ 504,656	\$ 160,000	\$ 82,520
2006	1,387,000	449,244	165,000	79,270
2007	1,484,000	406,731	165,000	75,764
2008	1,465,000	360,579	170,000	71,570
2009	662,000	322,526	175,000	66,608
2010 - 2014	3,148,000	1,172,519	985,000	234,075
2015 - 2019	2,500,000	516,980	685,000	42,698
2020 - 2024	920,000	126,339	-	-
2025	165,000	3,713	-	-
Total	<u>\$ 13,037,000</u>	<u>\$ 3,863,287</u>	<u>\$ 2,505,000</u>	<u>\$ 652,505</u>

Year Ending December 31	Installment Purchases	
	Principal	Interest
2005	\$ 88,087	\$ 7,771
2006	36,811	974
Total	<u>\$ 124,898</u>	<u>\$ 8,745</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 11,069,000	\$ 3,575,000	\$ 1,607,000	\$ 13,037,000	\$ 1,306,000
Revenue bonds	5,030,000	-	2,525,000	2,505,000	160,000
Total bonds payable	\$ 16,099,000	\$ 3,575,000	\$ 4,132,000	\$ 15,542,000	\$ 1,466,000
Installment purchases	273,915	-	149,017	124,898	88,087
Capital equipment notes	290,000	-	290,000	-	-
Compensated absences	724,639	978,308	787,061	915,886	367,612
Governmental Activity Long-Term Liabilities	<u>\$ 17,387,554</u>	<u>\$ 4,553,308</u>	<u>\$ 5,358,078</u>	<u>\$ 16,582,784</u>	<u>\$ 1,921,699</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Estimated liability for landfill closure/postclosure	\$ 1,885,467	\$ 139,157	\$ -	\$ 2,024,624	\$ -
Compensated absences	92,208	68,527	42,645	118,090	42,353
Business-Type Activity Long-Term Liabilities	<u>\$ 1,977,675</u>	<u>\$ 207,684</u>	<u>\$ 42,645</u>	<u>\$ 2,142,714</u>	<u>\$ 42,353</u>

8. Prior Year's Refunded Debt

General Obligation Water Revenue and Refunding Bonds of 2004

In 2004, \$2,640,000 General Obligation Water Revenue and Refunding Bonds were sold partially to refund the General Obligation Water System Bonds of 1993 on the April 29, 2004, call date. The refunding portion of this issue amounted to \$327,000.

The proceeds from the refunding were received by the County and paid to the Marshall-Polk Watershed District. The debt service payments will be collected by special assessments levied on the benefited properties.

The County refunded the General Obligation Water System Bonds of 1993 to reduce its total debt service payments by \$70,688 and obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$24,884.

General Obligation Watershed District Refunding Bonds of 2004B

In 2004, \$935,000 General Obligation Watershed Refunding Bonds were sold to refund the General Obligation Watershed District Bonds of 1997A and 1997B on the February 1, 2006, call date.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

8. Prior Year's Refunded Debt

General Obligation Watershed District Refunding Bonds of 2004B (Continued)

The proceeds from the refunding were received by the County and paid to the Marshall-Polk Watershed District. The debt service payments will be collected by special assessments levied on the benefited properties.

The County refunded the General Obligation Watershed District Bonds of 1997A and 1997B to reduce its total debt service payments by \$47,689 and obtain an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$37,531.

4. Employee Retirement Systems and Pension Plans

A. 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). The PERA administers the Public Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For all Public Employees Retirement Fund member whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs 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 public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the web at [mnpera.org](http://mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2004	\$ 509,031	\$ 113,027
2003	519,189	113,502
2002	509,096	108,432

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,024,624

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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5. Landfill Closure and Postclosure Care Costs (Continued)

landfill closure and postclosure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 81 percent of the estimated capacity for the mixed municipal solid waste cells and 34 percent of the estimated capacity for incinerator ash cells in the Gentilly Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$543,769 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. The Board expects to close the landfill in 2021. 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 and, at December 31, 2004, investments of \$1,027,683 are held for these purposes. These are reported as restricted assets on the balance sheet. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

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

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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6. Risk Management (Continued)

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

7. Conduit Debt

In 2002, the Riverview Healthcare Association issued a \$7,425,000 Health Care Facilities Revenue Note, Series 2002, to finance the expansion, renovation, and equipping of the existing hospital and nursing home facilities operated by the Association. 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, the 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, 2004, the outstanding principal amount payable was \$6,886,965.

In 2002, the Villa St. Vincent, a Minnesota non-profit corporation, issued Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002A, in an amount not to exceed \$4,990,000, and its Taxable Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002B, in an amount not to exceed \$110,000, pursuant to the Finance Act to finance the renovation, 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, 2004, the outstanding principal amount payable was \$5,100,000.

The County designated and allocated \$1,490,000 of the Series 2002A Bonds as “qualified tax-exempt obligations.” Not more than \$10,000,000 of tax-exempt obligations issued by the County during 2002 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

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

B. 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 and in the financial statements of the joint ventures. Long-term debt of the Water System at December 31, 2004, is \$5,175,000, of which Polk County's share is \$4,180,000.

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.

Separate financial information can be obtained from:

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwestern Minnesota Household Hazardous Waste Management Group

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

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

Responsibility for budgeted expenditures is shared, with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution of the Northwestern Minnesota Household Hazardous Waste Management Group Joint Powers Board, the net assets of the Waste Management Group at that time shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Northwestern Minnesota Household Hazardous Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. 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:

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net assets of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (9 percent), Polk County (87 percent), and Red Lake County (4 percent).

Tri-County Community Corrections' long-term debt consists of \$133,463 for compensated absences and \$8,668 for a lease purchase agreement to purchase a copier at December 31, 2003 (latest information available).

Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Receipts and disbursements are recorded in the Tri-County Community Corrections' operating fund by the Polk County Auditor/Treasurer. Polk County's contribution for 2004 was \$1,475,832.

Separate financial information can be obtained from:

Northwest Regional Correction Center  
600 Bruce Street  
Crookston, Minnesota 56716

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which comprises one County Commissioner from each member county. In the event of dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contribution.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties.

Separate financial information can be obtained from:

Clearwater County Auditor  
213 North Main Avenue  
Bagley, Minnesota 56621

Polk-Norman-Red Lake-Pennington Counties Drug Task Force

The Polk-Norman-Red Lake-Pennington Counties Drug Task Force Joint Powers Agreement was formed March 17, 1999, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Polk, Norman, Red Lake and Pennington Counties, and the Cities of Ada, Crookston, and East Grand Forks. The purpose of this agreement is to promote the effective enforcement of the laws of the State of Minnesota, particularly those laws concerning controlled substances and related crimes.

Control of the Task Force is vested in a Board of Directors, comprised of the County Sheriff and County Attorney of the member counties and the chief law enforcement officers of the member cities.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk-Norman-Red Lake-Pennington Counties Drug Task Force (Continued)

The Polk County Sheriff's Office acts as the fiscal agent. Transactions of the Drug Task Force are reported in the Public Safety Special Revenue Fund in Polk County's financial statements.

Separate financial information can be obtained from:

Polk County Sheriff's Office  
600 Bruce Street  
Crookston, Minnesota 56716

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 and a larger school district.

Financing is provided by state and local grants and appropriations from the participating agencies. 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. During 2004, the County contributed \$1,500 to the Collaborative.

Complete financial information can be obtained from:

Polk County Human Services  
612 North Broadway  
Crookston, Minnesota 56716

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

C. Jointly-Governed Organizations

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

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

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 Joint Powers Agreement.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law.

Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982.

Separate financial information can be obtained from:

Northwest Regional Development Commission  
Warren, Minnesota 56762

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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 includes 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.

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.

Wild Rice Watershed District

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

Control of the Wild Rice 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. Norman County appoints three members, Clay County appoints two members, and the remaining counties each appoint one member.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomon, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau 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.

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 105-22) 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 result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprised 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 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.

Separate financial information can be obtained from:

Northwest Regional Development Commission  
115 South Main  
Warren, Minnesota 56762

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Red Lake River Corridor Joint Powers Agreement

The Red Lake River Corridor Joint Powers Agreement was formed in January 2003 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Pennington, Polk, and Red Lake Counties; the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher, and East Grand Forks; and the Red Lake Band of Chippewa Reservation. The purpose of the Joint Powers Agreement is to cooperate in the planning for and implementation of programs, activities, services, and projects that enhance the Corridor.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law.

Separate financial information can be obtained from:

Red Lake River Corridor  
Northwest Regional Development Sustainable  
Partnership  
262 Owen Hall  
2900 University Avenue  
Crookston, Minnesota 56716

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 Mahnomon, 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 use 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 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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8. 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, March 25, 1975, and includes land within Beltrami, Clearwater, Itasca, Koochiching, Mahnomen, Marshall, Polk, and Roseau 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 use of natural resources. Control of the District is vested in the Red Lake Watershed District Board of Managers that is composed of seven members with one representative from each of the seven counties and an additional member from Polk County. Polk County's responsibility does not extend beyond making the appointments.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 3,943,053	\$ 3,943,053	\$ 3,656,398	\$ (286,655)
Licenses and permits	-	-	10,278	10,278
Intergovernmental	449,982	449,982	1,176,239	726,257
Charges for services	650,300	650,300	654,407	4,107
Fines and forfeits	-	-	45,124	45,124
Investment earnings	-	-	463,933	463,933
Miscellaneous	490,931	490,931	1,019,050	528,119
<b>Total Revenues</b>	<b>\$ 5,534,266</b>	<b>\$ 5,534,266</b>	<b>\$ 7,025,429</b>	<b>\$ 1,491,163</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 236,021	\$ 236,021	\$ 231,973	\$ 4,048
Courts	45,000	45,000	152,821	(107,821)
Law library	-	-	43,327	(43,327)
County administration	-	-	16,779	(16,779)
County coordinator	239,866	239,866	194,640	45,226
County auditor/treasurer	501,275	501,275	514,699	(13,424)
Motor vehicle	115,032	115,032	117,363	(2,331)
County assessor	521,740	583,740	574,923	8,817
Elections	76,150	76,150	63,118	13,032
Accounting and auditing	45,500	45,500	62,233	(16,733)
Data processing	126,083	126,083	129,526	(3,443)
Central services	201,600	201,600	182,256	19,344
Personnel	91,600	91,600	57,014	34,586
Attorney	560,797	688,797	583,655	105,142
Recorder	324,172	324,172	288,237	35,935
Surveyor	30,000	30,000	94,925	(64,925)
Buildings and plant	948,494	948,494	716,592	231,902
Veterans service officer	96,128	96,128	97,264	(1,136)
Unallocated	497,500	497,500	429,461	68,039
<b>Total general government</b>	<b>\$ 4,656,958</b>	<b>\$ 4,846,958</b>	<b>\$ 4,550,806</b>	<b>\$ 296,152</b>
<b>Public safety</b>				
Coroner	\$ 46,505	\$ 46,505	\$ 24,489	\$ 22,016

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Health</b>				
Aging grant	\$ 500	\$ 500	\$ 280	\$ 220
Ambulance	245,833	245,833	90,144	155,689
Occupation development center	7,500	7,500	7,500	-
Committee on aging	1,600	1,600	1,600	-
Retired senior program	2,000	2,000	2,000	-
<b>Total health</b>	<b>\$ 257,433</b>	<b>\$ 257,433</b>	<b>\$ 101,524</b>	<b>\$ 155,909</b>
<b>Culture and recreation</b>				
Historical society	\$ 10,000	\$ 10,000	\$ 10,000	\$ -
County fairs	15,000	15,000	15,000	-
Heritage center	4,000	4,000	4,000	-
Parks	66,900	66,900	55,820	11,080
Humane society	-	-	1,509	(1,509)
Celebrations	1,050	1,050	720	330
<b>Total culture and recreation</b>	<b>\$ 96,950</b>	<b>\$ 96,950</b>	<b>\$ 87,049</b>	<b>\$ 9,901</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 166,317	\$ 147,111	\$ 136,293	\$ 10,818
Soil and water conservation	76,974	76,974	76,974	-
Agricultural inspections	91,033	91,033	13,678	77,355
Ditch inspection	4,122	4,122	1,284	2,838
Predator control	-	-	16,000	(16,000)
<b>Total conservation of natural resources</b>	<b>\$ 338,446</b>	<b>\$ 319,240</b>	<b>\$ 244,229</b>	<b>\$ 75,011</b>
<b>Economic development</b>				
Red River Valley	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Tri-Valley Opportunity Council	33,776	33,776	25,588	8,188
Housing Rehabilitation Authority	-	-	12,500	(12,500)
<b>Total economic development</b>	<b>\$ 35,376</b>	<b>\$ 35,376</b>	<b>\$ 39,688</b>	<b>\$ (4,312)</b>
<b>Capital outlay</b>				
General government	\$ 1,500,000	\$ 1,500,000	\$ 13,721	\$ 1,486,279
<b>Debt service</b>				
Principal retirement	\$ 538,750	\$ 538,750	\$ 2,923,412	\$ (2,384,662)
Interest	\$ -	\$ -	\$ 191,420	\$ (191,420)
<b>Total Expenditures</b>	<b>\$ 7,470,418</b>	<b>\$ 7,641,212</b>	<b>\$ 8,176,338</b>	<b>\$ (535,126)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Excess of Revenues Over (Under) Expenditures</b>	\$ (1,936,152)	\$ (2,106,946)	\$ (1,150,909)	\$ 956,037
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(56,612)	(56,612)
<b>Net Change in Fund Balance</b>	\$ (1,936,152)	\$ (2,106,946)	\$ (1,207,521)	\$ 899,425
<b>Fund Balance - January 1</b>	<u>10,746,161</u>	<u>10,746,161</u>	<u>10,746,161</u>	-
<b>Fund Balance - December 31</b>	<u>\$ 8,810,009</u>	<u>\$ 8,639,215</u>	<u>\$ 9,538,640</u>	<u>\$ 899,425</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,193,004	\$ 1,193,004	\$ 1,105,353	\$ (87,651)
Intergovernmental	11,366,996	11,366,996	11,577,487	210,491
Charges for services	120,000	120,000	268,496	148,496
Miscellaneous	119,000	119,000	48,074	(70,926)
<b>Total Revenues</b>	<b>\$ 12,799,000</b>	<b>\$ 12,799,000</b>	<b>\$ 12,999,410</b>	<b>\$ 200,410</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 273,042	\$ 273,042	\$ 287,178	\$ (14,136)
Maintenance	2,126,539	2,126,539	2,338,489	(211,950)
Construction	10,758,243	10,758,243	11,729,847	(971,604)
Equipment maintenance and shop	477,176	477,176	704,315	(227,139)
<b>Total highways and streets</b>	<b>\$ 13,635,000</b>	<b>\$ 13,635,000</b>	<b>\$ 15,059,829</b>	<b>\$ (1,424,829)</b>
<b>Intergovernmental</b>				
Highways and streets	700,000	700,000	774,009	(74,009)
<b>Debt service</b>				
Principal retirement	800,000	800,000	840,605	(40,605)
Interest	84,000	84,000	80,141	3,859
<b>Total Expenditures</b>	<b>\$ 15,219,000</b>	<b>\$ 15,219,000</b>	<b>\$ 16,754,584</b>	<b>\$ (1,535,584)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (2,420,000)</b>	<b>\$ (2,420,000)</b>	<b>\$ (3,755,174)</b>	<b>\$ (1,335,174)</b>
<b>Fund Balance - January 1</b>	<b>6,891,053</b>	<b>6,891,053</b>	<b>6,891,053</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>116,432</b>	<b>116,432</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,471,053</b>	<b>\$ 4,471,053</b>	<b>\$ 3,252,311</b>	<b>\$ (1,218,742)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,174,031	\$ 3,174,031	\$ 3,179,815	\$ 5,784
Intergovernmental	9,122,774	9,122,774	9,298,844	176,070
Charges for services	109,153	109,153	127,378	18,225
Gifts and contributions	-	-	12,237	12,237
Interest on investments	-	-	549	549
Miscellaneous	425,904	425,904	799,921	374,017
<b>Total Revenues</b>	<b>\$ 12,831,862</b>	<b>\$ 12,831,862</b>	<b>\$ 13,418,744</b>	<b>\$ 586,882</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 2,638,019	\$ 2,638,019	\$ 2,948,125	\$ (310,106)
Social services	10,193,843	10,193,843	9,988,238	205,605
<b>Total Expenditures</b>	<b>\$ 12,831,862</b>	<b>\$ 12,831,862</b>	<b>\$ 12,936,363</b>	<b>\$ (104,501)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 482,381</b>	<b>\$ 482,381</b>
<b>Fund Balance - January 1</b>	<b>5,188,106</b>	<b>5,188,106</b>	<b>5,188,106</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,188,106</b>	<b>\$ 5,188,106</b>	<b>\$ 5,670,487</b>	<b>\$ 482,381</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 601,593	\$ 601,593	\$ 581,088	\$ (20,505)
Intergovernmental	-	-	110,583	110,583
Interest on investments	-	-	3,130	3,130
Miscellaneous	-	-	17,281	17,281
<b>Total Revenues</b>	<b>\$ 601,593</b>	<b>\$ 601,593</b>	<b>\$ 712,082</b>	<b>\$ 110,489</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Drainage ditches	-	-	2,831,692	(2,831,692)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 601,593</b>	<b>\$ 601,593</b>	<b>\$ (2,119,610)</b>	<b>\$ (2,721,203)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 56,612	\$ 56,612
Proceeds from sale of bonds	-	-	2,330,000	2,330,000
Discount on bonds/notes issued	-	-	(19,732)	(19,732)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,366,880</b>	<b>\$ 2,366,880</b>
<b>Net Change in Fund Balance</b>	<b>\$ 601,593</b>	<b>\$ 601,593</b>	<b>\$ 247,270</b>	<b>\$ (354,323)</b>
<b>Fund Balance - January 1</b>	<b>1,429,787</b>	<b>1,429,787</b>	<b>1,429,787</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,031,380</b>	<b>\$ 2,031,380</b>	<b>\$ 1,677,057</b>	<b>\$ (354,323)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 3,286,688	\$ 3,286,688	\$ 2,901,364	\$ (385,324)
Intergovernmental	383,625	383,625	1,044,289	660,664
Charges for services	52,000	52,000	94,549	42,549
Fines and forfeits	-	-	561	561
Interest on investments	-	-	1,773	1,773
Miscellaneous	454,897	454,897	471,191	16,294
<b>Total Revenues</b>	<b>\$ 4,177,210</b>	<b>\$ 4,177,210</b>	<b>\$ 4,513,727</b>	<b>\$ 336,517</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	\$ 2,109,812	\$ 2,109,812	\$ 2,057,384	\$ 52,428
Narcotics task force	55,790	55,790	171,919	(116,129)
Body armor	-	-	715	(715)
Safe and sober	8,268	8,268	4,497	3,771
DWI	5,500	5,500	14,973	(9,473)
Boat and water safety	11,400	11,400	7,797	3,603
Emergency services	566,987	566,987	473,958	93,029
Welfare fraud contact	33,225	33,225	-	33,225
Homeland security	-	-	55,643	(55,643)
E-911 system	-	-	17,294	(17,294)
Community corrections	1,475,582	1,475,582	1,475,832	(250)
DARE program	7,500	7,500	3,638	3,862
<b>Total Expenditures</b>	<b>\$ 4,274,064</b>	<b>\$ 4,274,064</b>	<b>\$ 4,283,650</b>	<b>\$ (9,586)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (96,854)</b>	<b>\$ (96,854)</b>	<b>\$ 230,077</b>	<b>\$ 326,931</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	42,108	42,108	-	(42,108)
<b>Net Change in Fund Balance</b>	<b>\$ (54,746)</b>	<b>\$ (54,746)</b>	<b>\$ 230,077</b>	<b>\$ 284,823</b>
<b>Fund Balance - January 1</b>	<b>1,722,002</b>	<b>1,722,002</b>	<b>1,722,002</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,667,256</b>	<b>\$ 1,667,256</b>	<b>\$ 1,952,079</b>	<b>\$ 284,823</b>

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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 and the Road and Bridge Special Revenue Fund. All annual appropriations lapse at fiscal year-end. Polk County adopted only a tax levy for the Ditch Special Revenue Fund. The County budgets State-Aid Highway Bond proceeds when the money is spent rather than when it is received. In 2003, Polk County issued \$4,000,000 in State-Aid Highway Bonds. The remaining balance of \$2,100,000 was budgeted as revenue for 2004.

On or before mid-July or August of each year, all departments and agencies submit requests for budget appropriations to the County Coordinator so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board continues to refine the budget, holds departmental budget meetings, 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 head 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. During the year, the Board made supplemental budgetary amendments throughout the governmental funds.

Encumbrances (for example, purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Budget

The following is a summary of individual funds which had expenditures in excess of budget for the year ended December 31, 2004.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 8,176,338	\$ 7,641,212	\$ 535,126
Special Revenue Funds			
Road and Bridge	16,754,584	15,219,000	1,535,584
Human Services	12,936,363	12,831,862	104,501
Ditch	2,831,692	-	2,831,692
Public Safety	4,283,650	4,274,064	9,586

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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.

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.

Forfeited Tax Sale - to account for the proceeds from the sale or rental of lands forfeited to the State of Minnesota. The net proceeds, after deducting allowable expenses, are apportioned to various County funds and taxing districts.

Public Health - to account for providing 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 accumulation of resources and the payment of principal and interest of general obligation improvement bonds for the Rhinehart road project.

Union Lake/Lake Sarah - to account for the accumulation of resources and the payment of principal and interest of general obligation improvement bonds for the Union Lake/Lake Sarah project.

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement A-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2004**

	<b>Special Revenue (Statement B-1)</b>	<b>Debt Service (Statement C-1)</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 1,892,842	\$ 38,373	\$ 1,931,215
Petty cash and change funds	190	-	190
Undistributed cash in agency funds	100,006	3,254	103,260
Investments	-	142,541	142,541
Taxes receivable			
Current	3,233	-	3,233
Prior	2,808	-	2,808
Special assessments receivable			
Current	78,246	2,465	80,711
Prior	76,335	3,780	80,115
Deferred	-	582,554	582,554
Accounts receivable	112,515	-	112,515
Due from other funds	5,900	-	5,900
Due from other governments	124,793	-	124,793
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 2,396,868</b>	<b>\$ 772,967</b>	<b>\$ 3,169,835</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 40,176	\$ -	\$ 40,176
Salaries payable	18,078	-	18,078
Due to other funds	62,278	-	62,278
Due to other governments	6,798	-	6,798
Deferred revenue - unavailable	204,646	587,667	792,313
Deferred revenue - unearned	18,925	-	18,925
Advance from other funds	107,000	-	107,000
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 457,901</b>	<b>\$ 587,667</b>	<b>\$ 1,045,568</b>
<b>Fund Balances</b>			
Unreserved			
Designated for debt service	\$ -	\$ 185,300	\$ 185,300
Undesignated	1,938,967	-	1,938,967
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>\$ 1,938,967</b>	<b>\$ 185,300</b>	<b>\$ 2,124,267</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,396,868</b>	<b>\$ 772,967</b>	<b>\$ 3,169,835</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement A-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Special Revenue (Statement B-2)</b>	<b>Debt Service (Statement C-2)</b>	<b>Total Nonmajor Governmental Funds (Exhibit 5)</b>
<b>Revenues</b>			
Taxes	\$ 624,851	\$ -	\$ 624,851
Special assessments	1,292,137	84,277	1,376,414
Licenses and permits	38,706	-	38,706
Intergovernmental	784,038	-	784,038
Charges for services	478,862	-	478,862
Investment earnings	-	1,072	1,072
Miscellaneous	197,954	-	197,954
	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 3,416,548</b>	<b>\$ 85,349</b>	<b>\$ 3,501,897</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 110,151	\$ -	\$ 110,151
Sanitation	1,431,969	-	1,431,969
Health	1,395,330	-	1,395,330
Culture and recreation	180,381	-	180,381
Conservation of natural resources	11,252	-	11,252
<b>Debt service</b>			
Principal retirement	-	44,000	44,000
Interest	-	33,592	33,592
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 3,129,083</b>	<b>\$ 77,592</b>	<b>\$ 3,206,675</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 287,465</b>	<b>\$ 7,757</b>	<b>\$ 295,222</b>
<b>Fund Balance - January 1</b>	<b>1,651,502</b>	<b>177,543</b>	<b>1,829,045</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ 1,938,967</b>	<b>\$ 185,300</b>	<b>\$ 2,124,267</b>
	<hr/>	<hr/>	<hr/>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement B-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
DECEMBER 31, 2004**

	<b>Agassiz Regional Library</b>	<b>Environmental Services</b>	<b>Forfeited Tax Sale</b>	<b>Public Health</b>	<b>Total (Statement A-1)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 70,180	\$ 750,395	\$ 8,444	\$ 1,063,823	\$ 1,892,842
Petty cash and change funds	-	40	-	150	190
Undistributed cash in agency funds	4,960	83,516	-	11,530	100,006
Taxes receivable					
Current	3,233	-	-	-	3,233
Prior	2,744	64	-	-	2,808
Special assessments receivable					
Current	-	78,246	-	-	78,246
Prior	-	76,335	-	-	76,335
Accounts receivable	-	71,600	-	40,915	112,515
Due from other funds	-	1,146	-	4,754	5,900
Due from other governments	-	24,483	-	100,310	124,793
	<b>\$ 81,117</b>	<b>\$ 1,085,825</b>	<b>\$ 8,444</b>	<b>\$ 1,221,482</b>	<b>\$ 2,396,868</b>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 28,967	\$ -	\$ 11,209	\$ 40,176
Salaries payable	-	8,223	-	9,855	18,078
Due to other funds	-	51,385	-	10,893	62,278
Due to other governments	-	6,426	-	372	6,798
Deferred revenue - unavailable	4,698	127,017	-	72,931	204,646
Deferred revenue - unearned	-	-	-	18,925	18,925
Advance from other funds	-	-	107,000	-	107,000
	<b>\$ 4,698</b>	<b>\$ 222,018</b>	<b>\$ 107,000</b>	<b>\$ 124,185</b>	<b>\$ 457,901</b>
<b>Fund Balance</b>					
Unreserved					
Undesignated	76,419	863,807	(98,556)	1,097,297	1,938,967
	<b>\$ 81,117</b>	<b>\$ 1,085,825</b>	<b>\$ 8,444</b>	<b>\$ 1,221,482</b>	<b>\$ 2,396,868</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Agassiz Regional Library</b>	<b>Environmental Services</b>	<b>Forfeited Tax Sale</b>	<b>Public Health</b>	<b>Total (Statement A-2)</b>
<b>Revenues</b>					
Taxes	\$ 151,193	\$ 96,866	\$ -	\$ 376,792	\$ 624,851
Special assessments	-	1,292,137	-	-	1,292,137
Licenses and permits	-	38,706	-	-	38,706
Intergovernmental	28,692	133,309	-	622,037	784,038
Charges for services	-	37,269	-	441,593	478,862
Miscellaneous	-	92,436	62,551	42,967	197,954
<b>Total Revenues</b>	<b>\$ 179,885</b>	<b>\$ 1,690,723</b>	<b>\$ 62,551</b>	<b>\$ 1,483,389</b>	<b>\$ 3,416,548</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 110,151	\$ -	\$ -	\$ 110,151
Sanitation	-	1,431,969	-	-	1,431,969
Health	-	-	-	1,395,330	1,395,330
Culture and recreation	180,381	-	-	-	180,381
Conservation of natural resources	-	-	11,252	-	11,252
<b>Total Expenditures</b>	<b>\$ 180,381</b>	<b>\$ 1,542,120</b>	<b>\$ 11,252</b>	<b>\$ 1,395,330</b>	<b>\$ 3,129,083</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (496)</b>	<b>\$ 148,603</b>	<b>\$ 51,299</b>	<b>\$ 88,059</b>	<b>\$ 287,465</b>
<b>Fund Balance - January 1</b>	<b>76,915</b>	<b>715,204</b>	<b>(149,855)</b>	<b>1,009,238</b>	<b>1,651,502</b>
<b>Fund Balance - December 31</b>	<b>\$ 76,419</b>	<b>\$ 863,807</b>	<b>\$ (98,556)</b>	<b>\$ 1,097,297</b>	<b>\$ 1,938,967</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement C-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	<b>Rhinehart Project</b>	<b>Union Lake/ Lake Sarah</b>	<b>Total (Statement A-1)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 38,373	\$ -	\$ 38,373
Undistributed cash in agency funds	941	2,313	3,254
Investments	-	142,541	142,541
Special assessments receivable			
Current	533	1,932	2,465
Prior	550	3,230	3,780
Deferred	160,015	422,539	582,554
<b>Total Assets</b>	<b>\$ 200,412</b>	<b>\$ 572,555</b>	<b>\$ 772,967</b>
 <b><u>Liabilities and Fund Balance</u></b>			
<b>Liabilities</b>			
Deferred revenue - unavailable	\$ 161,098	\$ 426,569	\$ 587,667
<b>Fund Balance</b>			
Unreserved			
Designated for debt service	39,314	145,986	185,300
<b>Total Liabilities and Fund Balance</b>	<b>\$ 200,412</b>	<b>\$ 572,555</b>	<b>\$ 772,967</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement C-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Rhinehart Project</b>	<b>Union Lake/ Lake Sarah</b>	<b>Total (Statement A-2)</b>
<b>Revenues</b>			
Special assessments	\$ 26,048	\$ 58,229	\$ 84,277
Investment earnings	-	1,072	1,072
<b>Total Revenues</b>	<b>\$ 26,048</b>	<b>\$ 59,301</b>	<b>\$ 85,349</b>
<b>Expenditures</b>			
<b>Debt service</b>			
Principal retirement	\$ 14,000	\$ 30,000	\$ 44,000
Interest	7,122	26,470	33,592
<b>Total Expenditures</b>	<b>\$ 21,122</b>	<b>\$ 56,470</b>	<b>\$ 77,592</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 4,926</b>	<b>\$ 2,831</b>	<b>\$ 7,757</b>
<b>Fund Balance - January 1</b>	<b>34,388</b>	<b>143,155</b>	<b>177,543</b>
<b>Fund Balance - December 31</b>	<b>\$ 39,314</b>	<b>\$ 145,986</b>	<b>\$ 185,300</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 165,535	\$ 165,535	\$ 151,193	\$ (14,342)
Intergovernmental	14,846	14,846	28,692	13,846
<b>Total Revenues</b>	<b>\$ 180,381</b>	<b>\$ 180,381</b>	<b>\$ 179,885</b>	<b>\$ (496)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Regional library	180,381	180,381	180,381	-
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (496)</b>	<b>\$ (496)</b>
<b>Fund Balance - January 1</b>	<b>76,915</b>	<b>76,915</b>	<b>76,915</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 76,915</b>	<b>\$ 76,915</b>	<b>\$ 76,419</b>	<b>\$ (496)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 109,719	\$ 109,719	\$ 96,866	\$ (12,853)
Special assessments	1,265,000	1,265,000	1,292,137	27,137
Licenses and permits	31,400	31,400	38,706	7,306
Intergovernmental	112,340	112,340	133,309	20,969
Charges for services	66,500	66,500	37,269	(29,231)
Miscellaneous	48,288	48,288	92,436	44,148
<b>Total Revenues</b>	<b>\$ 1,633,247</b>	<b>\$ 1,633,247</b>	<b>\$ 1,690,723</b>	<b>\$ 57,476</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Planning and zoning	\$ 127,309	\$ 127,309	\$ 110,151	\$ 17,158
<b>Sanitation</b>				
Solid waste	\$ 842,095	\$ 842,095	\$ 825,318	\$ 16,777
Recycling	296,481	296,481	235,339	61,142
Hazardous waste	44,420	44,420	49,681	(5,261)
Transfer station	251,271	251,271	321,631	(70,360)
<b>Total sanitation</b>	<b>\$ 1,434,267</b>	<b>\$ 1,434,267</b>	<b>\$ 1,431,969</b>	<b>\$ 2,298</b>
<b>Total Expenditures</b>	<b>\$ 1,561,576</b>	<b>\$ 1,561,576</b>	<b>\$ 1,542,120</b>	<b>\$ 19,456</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 71,671</b>	<b>\$ 71,671</b>	<b>\$ 148,603</b>	<b>\$ 76,932</b>
<b>Fund Balance - January 1</b>	<b>715,204</b>	<b>715,204</b>	<b>715,204</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 786,875</b>	<b>\$ 786,875</b>	<b>\$ 863,807</b>	<b>\$ 76,932</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 426,784	\$ 426,784	\$ 376,792	\$ (49,992)
Intergovernmental	385,668	385,668	622,037	236,369
Charges for services	441,705	441,705	441,593	(112)
Miscellaneous	43,100	43,100	42,967	(133)
<b>Total Revenues</b>	<b>\$ 1,297,257</b>	<b>\$ 1,297,257</b>	<b>\$ 1,483,389</b>	<b>\$ 186,132</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,258,544	1,258,544	1,395,330	(136,786)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 38,713</b>	<b>\$ 38,713</b>	<b>\$ 88,059</b>	<b>\$ 49,346</b>
<b>Fund Balance - January 1</b>	<b>1,009,238</b>	<b>1,009,238</b>	<b>1,009,238</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,047,951</b>	<b>\$ 1,047,951</b>	<b>\$ 1,097,297</b>	<b>\$ 49,346</b>

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**FIDUCIARY FUNDS**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

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.

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Statement D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 720,768	\$ 33,164,957	\$ 33,192,194	\$ 693,531
Accounts receivable	22,495	23,434	22,495	23,434
Due from other funds	115	100	115	100
Due from other governments	58,133	3,758	58,133	3,758
<b>Total Assets</b>	<b>\$ 801,511</b>	<b>\$ 33,192,249</b>	<b>\$ 33,272,937</b>	<b>\$ 720,823</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 20,912	\$ 68,087	\$ 72,434	\$ 16,565
Due to other funds	-	38,180	38,180	-
Due to other governments	749,003	33,036,516	33,100,855	684,664
Funds held in trust	31,596	49,466	61,468	19,594
<b>Total Liabilities</b>	<b>\$ 801,511</b>	<b>\$ 33,192,249</b>	<b>\$ 33,272,937</b>	<b>\$ 720,823</b>
 <b><u>POLK COUNTY COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,082,896	\$ 897,860	\$ 809,567	\$ 1,171,189
Accounts receivable	763	1,945	763	1,945
<b>Total Assets</b>	<b>\$ 1,083,659</b>	<b>\$ 899,805</b>	<b>\$ 810,330</b>	<b>\$ 1,173,134</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 1,083,659</b>	<b>\$ 899,805</b>	<b>\$ 810,330</b>	<b>\$ 1,173,134</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***Statement D-1  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,803,664	\$ 34,062,817	\$ 34,001,761	\$ 1,864,720
Accounts receivable	23,258	25,379	23,258	25,379
Due from other funds	115	100	115	100
Due from other governments	58,133	3,758	58,133	3,758
	<b><u>\$ 1,885,170</u></b>	<b><u>\$ 34,092,054</u></b>	<b><u>\$ 34,083,267</u></b>	<b><u>\$ 1,893,957</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 20,912	\$ 68,087	\$ 72,434	\$ 16,565
Due to other funds	-	38,180	38,180	-
Due to other governments	1,832,662	33,936,321	33,911,185	1,857,798
Funds held in trust	31,596	49,466	61,468	19,594
	<b><u>\$ 1,885,170</u></b>	<b><u>\$ 34,092,054</u></b>	<b><u>\$ 34,083,267</u></b>	<b><u>\$ 1,893,957</u></b>

## **OTHER SCHEDULES**

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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 9**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Cash and Pooled Investments</b>			
Non-interest-bearing checking (2)	N/A	Continuous	\$ 164,459
Interest-bearing checking (5)	0.15 to 1.75	Continuous	1,786,566
Certificates of deposit (10)	1.19 to 2.75	March 8, 2005 to April 22, 2006	1,500,000
Brokerage certificates of deposit (72)	1.75 to 3.87	March 1, 2005 to October 1, 2007	6,979,000
Repurchase agreements - checking (2)	Variable	Continuous	6,864,674
Repurchase agreements - savings (4)	2.05 to 2.80	May 28, 2005 to November 28, 2006	1,000,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund (2)	Variable	Continuous	<u>8,434,686</u>
<b>Total cash and pooled investments</b>			<b><u>\$ 26,729,385</u></b>
<b>Fund Investments</b>			
<b>General Fund</b>			
Money market savings (Law Library)	1.00	Continuous	\$ 160,701
Money market savings (Missing Heirs)	0.25	Continuous	<u>1,727</u>
<b>Total General fund</b>			<b><u>\$ 162,428</u></b>
<b>Special Revenue Funds</b>			
<b>Ditch</b>			
Certificate of deposit	2.50	September 6, 2005	\$ 165,000
<b>Public Safety</b>			
Money market savings	1.75	Continuous	<u>114,307</u>
<b>Total special revenue funds</b>			<b><u>\$ 279,307</u></b>
<b>Debt Service Fund</b>			
<b>Union Lake/Lake Sarah</b>			
Money market savings	1.75	Continuous	<b><u>\$ 142,541</u></b>
<b>Enterprise Funds</b>			
<b>Restricted</b>			
<b>Landfill</b>			
Brokerage certificates of deposit (10)	2.14 to 2.90	January 19, 2005 to August 16, 2005	\$ 970,000
MAGIC Fund	Variable	Continuous	<u>30,171</u>
<b>Total landfill</b>			<b><u>\$ 1,000,171</u></b>
<b>Total fund investments</b>			<b><u>\$ 1,584,447</u></b>
<b>Total Deposits and Investments</b>			<b><u>\$ 28,313,832</u></b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
<b>County Ditches</b>				
1	\$ 25,556	\$ 49	\$ -	\$ -
2	55,229	858	-	-
6	7,858	-	-	-
7	22,356	-	-	-
9	18,028	-	-	-
10	2,203	-	-	-
11	933	-	-	-
12	-	-	-	-
13	374	-	-	-
14	14,185	113	-	-
15	10,432	-	-	-
16	11,795	-	-	-
19	-	1,045	-	-
20	11,372	103	-	-
23	15,406	24	-	-
24	-	510	-	-
25	23,999	-	-	-
26	12,827	-	-	-
27	16,182	-	-	-
28	1,546	-	-	-
30	-	253	-	-
31 Improvement	1,309	-	-	-
31	2,191	728	-	-
32	29,248	-	-	-
33	-	-	-	-
34	17,784	-	-	-
35	36,743	-	-	-
36	6,943	636	-	-
37 Improvement	60,488	-	-	-
37	54,216	4,479	-	-
38 Improvement	84,703	-	-	-
38	68,576	3,929	-	-
39	-	1,957	-	-
40	15,296	472	-	-
41	26,912	-	-	-
42	14,800	260	-	-
43	5,180	2	-	-
44	1,461	16	-	-
45	4,588	-	-	-
46	39,603	-	-	-
47	1,846	-	-	-
48	6,980	137	-	-
49	6,512	-	-	-
50	2,468	265	-	-
51	4,151	192	-	-

**Schedule 10**

Assets							
Special Assessments Receivable			Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches		Total
Delinquent	Deferred						
\$ -	\$ 7,140	\$ -	\$ -	\$ -	\$ 1,260	\$ -	\$ 34,005
170	-	-	-	-	-	-	56,257
-	-	-	-	-	-	-	7,858
16	-	-	-	-	-	-	22,372
-	-	-	-	-	-	-	18,028
-	701	-	-	-	-	-	2,904
-	-	-	-	-	-	-	933
-	-	-	-	-	-	-	-
-	1,250	-	-	-	-	-	1,624
372	3,487	-	-	-	-	-	18,157
1	-	-	-	-	-	-	10,433
-	-	-	-	-	-	-	11,795
10	18,134	-	-	-	-	-	19,189
-	3,600	-	-	-	-	-	15,075
-	-	-	-	-	-	-	15,430
11	12,000	-	-	-	-	-	12,521
-	-	-	-	-	-	-	23,999
-	-	-	-	-	-	-	12,827
-	4,402	-	-	-	-	-	20,584
-	2,001	-	-	-	-	-	3,547
-	34,667	-	-	-	-	-	34,920
-	-	-	-	-	-	-	1,309
36	4,800	-	-	-	-	-	7,755
-	-	-	-	-	-	-	29,248
-	600	-	-	-	-	-	600
-	4,102	-	-	-	-	-	21,886
97	-	-	-	-	-	-	36,840
2,440	5,350	-	-	-	-	-	15,369
-	-	-	-	-	-	-	60,488
12,094	150,750	-	-	-	-	-	221,539
712	-	-	-	-	-	-	85,415
14,844	235,293	-	-	-	-	-	322,642
6,645	74,665	-	-	-	-	-	83,267
452	5,400	-	-	-	-	-	21,620
-	-	-	-	-	-	-	26,912
36	-	-	-	-	-	-	15,096
-	4,451	-	-	-	-	-	9,633
1	3,600	-	-	-	-	-	5,078
-	2,500	-	-	-	-	-	7,088
-	8,650	-	-	-	-	-	48,253
-	-	-	-	-	-	-	1,846
2,162	4,875	-	-	-	-	-	14,154
-	1,542	-	-	-	-	-	8,054
4	1,801	-	-	-	-	-	4,538
242	2,000	-	-	-	-	-	6,585

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Liabilities				
	Accounts Payable	Compensated Absences Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue
<b>County Ditches</b>					
1	\$ -	\$ -	\$ -	\$ -	\$ 7,140
2	-	-	-	-	170
6	-	-	-	-	-
7	-	-	-	-	16
9	-	-	-	-	-
10	-	-	-	-	701
11	-	-	-	-	-
12	-	-	-	-	-
13	-	-	-	-	1,250
14	-	-	-	-	3,837
15	-	-	-	-	-
16	-	-	-	-	-
19	-	-	-	-	18,144
20	-	-	-	-	3,600
23	120	-	-	-	-
24	-	-	-	-	12,000
25	-	-	-	-	-
26	-	-	-	-	-
27	-	-	-	-	4,402
28	-	-	-	-	2,001
30	-	-	-	-	34,667
31 Improvement	-	-	-	-	-
31	-	-	-	-	4,800
32	-	-	-	-	-
33	-	-	-	-	600
34	-	-	-	-	4,102
35	-	-	-	-	97
36	-	-	-	-	7,701
37 Improvement	-	-	-	-	-
37	-	-	-	-	153,992
38 Improvement	-	-	-	-	712
38	-	-	-	-	238,393
39	-	-	-	-	81,310
40	-	-	-	-	5,655
41	-	-	-	-	-
42	-	-	-	-	36
43	-	-	-	-	4,451
44	-	-	-	-	3,600
45	-	-	-	-	2,500
46	23,545	-	-	-	8,650
47	-	-	-	-	-
48	-	-	-	-	7,001
49	-	-	-	-	1,542
50	-	-	-	-	1,803
51	-	-	-	-	2,242

**Schedule 10**  
**(Continued)**

	Advance from Other Funds	Due to Other Ditches	Total	Fund Balances			Total Liabilities and Fund Balances						
				Designated for Debt Service	Undesignated	Total							
\$	-	\$	-	\$	7,140	\$	-	\$	26,865	\$	26,865	\$	34,005
	-	-	170	-	-	-	56,087	-	56,087	-	56,087	-	56,257
	-	-	-	-	-	-	7,858	-	7,858	-	7,858	-	7,858
	-	-	16	-	-	-	22,356	-	22,356	-	22,356	-	22,372
	-	-	-	-	-	-	18,028	-	18,028	-	18,028	-	18,028
	-	-	701	-	-	-	2,203	-	2,203	-	2,203	-	2,904
	-	-	-	-	-	-	933	-	933	-	933	-	933
	59	-	59	-	-	-	(59)	-	(59)	-	(59)	-	-
	-	-	1,250	-	-	-	374	-	374	-	374	-	1,624
	-	-	3,837	-	-	-	14,320	-	14,320	-	14,320	-	18,157
	-	-	-	-	-	-	10,433	-	10,433	-	10,433	-	10,433
	-	-	-	-	-	-	11,795	-	11,795	-	11,795	-	11,795
	12,053	-	30,197	-	-	-	(11,008)	-	(11,008)	-	(11,008)	-	19,189
	-	-	3,600	-	-	-	11,475	-	11,475	-	11,475	-	15,075
	-	-	120	-	-	-	15,310	-	15,310	-	15,310	-	15,430
	5,738	-	17,738	-	-	-	(5,217)	-	(5,217)	-	(5,217)	-	12,521
	-	-	-	-	-	-	23,999	-	23,999	-	23,999	-	23,999
	-	252	252	-	-	-	12,575	-	12,575	-	12,575	-	12,827
	-	252	4,654	-	-	-	15,930	-	15,930	-	15,930	-	20,584
	-	-	2,001	-	-	-	1,546	-	1,546	-	1,546	-	3,547
	24,447	252	59,366	-	-	-	(24,446)	-	(24,446)	-	(24,446)	-	34,920
	-	-	-	-	-	-	1,309	-	1,309	-	1,309	-	1,309
	-	-	4,800	-	-	-	2,955	-	2,955	-	2,955	-	7,755
	-	-	-	-	-	-	29,248	-	29,248	-	29,248	-	29,248
	246	252	1,098	-	-	-	(498)	-	(498)	-	(498)	-	600
	-	252	4,354	-	-	-	17,532	-	17,532	-	17,532	-	21,886
	-	-	97	-	-	-	36,743	-	36,743	-	36,743	-	36,840
	-	-	7,701	-	-	-	7,668	-	7,668	-	7,668	-	15,369
	-	-	-	-	-	-	60,488	-	60,488	-	60,488	-	60,488
	-	-	153,992	67,547	-	-	-	-	67,547	-	67,547	-	221,539
	-	-	712	-	-	-	84,703	-	84,703	-	84,703	-	85,415
	-	-	238,393	84,249	-	-	-	-	84,249	-	84,249	-	322,642
	59,420	-	140,730	-	-	-	(57,463)	-	(57,463)	-	(57,463)	-	83,267
	-	-	5,655	-	-	-	15,965	-	15,965	-	15,965	-	21,620
	-	-	-	-	-	-	26,912	-	26,912	-	26,912	-	26,912
	-	-	36	-	-	-	15,060	-	15,060	-	15,060	-	15,096
	-	3,794	8,245	-	-	-	1,388	-	1,388	-	1,388	-	9,633
	-	3,712	7,312	-	-	-	(2,234)	-	(2,234)	-	(2,234)	-	5,078
	-	-	2,500	-	-	-	4,588	-	4,588	-	4,588	-	7,088
	-	-	32,195	-	-	-	16,058	-	16,058	-	16,058	-	48,253
	-	-	-	-	-	-	1,846	-	1,846	-	1,846	-	1,846
	-	-	7,001	-	-	-	7,153	-	7,153	-	7,153	-	14,154
	-	-	1,542	-	-	-	6,512	-	6,512	-	6,512	-	8,054
	-	-	1,803	-	-	-	2,735	-	2,735	-	2,735	-	4,538
	-	-	2,242	-	-	-	4,343	-	4,343	-	4,343	-	6,585

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
<b>County Ditches (Continued)</b>				
52	3,537	-	-	-
53	2,602	1,116	-	-
54	3,676	429	-	-
55	7,802	235	-	-
56	1,363	3	-	-
57	7,381	-	-	-
58	1,254	72	-	-
59	17,141	45	-	-
61	-	-	-	-
62	8,080	-	-	-
63	6,112	-	-	-
64	8,322	-	-	-
65	9,994	397	-	-
66	50,066	-	-	-
67	3,188	-	-	-
68	4,153	193	-	-
69	5,423	239	-	-
70	5,671	-	-	-
79 and 12	4,305	-	-	-
72	18,612	41	-	-
73	29,901	188	-	-
74	1,092	-	-	-
75	2,298	-	-	-
77	9,503	312	-	-
78	3,012	-	-	-
79	-	11	-	-
80	7,468	-	-	-
81	19,488	1,030	-	-
82	6,633	-	-	-
83	2,371	-	-	-
84	8,849	-	-	-
85	4,590	6	-	-
86	7,525	-	-	-
87	13,745	1	-	-
88	7,331	150	-	-
89	17,792	632	-	-
90	14,408	-	-	-
91	13,988	50	-	-
92	4,198	5	-	-
93	6,056	92	-	-
94	-	-	-	-
95	9,898	-	-	-
96	1,823	75	-	-

**Schedule 10**  
**(Continued)**

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable Delinquent	Deferred				
-	-	-	-	-	3,537
-	3,960	-	-	440	8,118
-	1,400	-	-	-	5,505
109	5,050	-	-	-	13,196
-	1,000	-	-	-	2,366
-	-	-	-	-	7,381
8	1,350	-	-	-	2,684
456	5,850	-	-	-	23,492
-	-	-	-	-	-
-	-	-	-	-	8,080
-	-	-	-	-	6,112
-	-	-	-	-	8,322
152	3,441	-	-	-	13,984
4	-	-	-	-	50,070
367	1,200	-	-	-	4,755
25	1,155	-	-	-	5,526
-	2,500	-	-	-	8,162
-	-	-	-	-	5,671
-	-	-	-	-	4,305
220	9,817	-	-	-	28,690
143	7,800	-	-	-	38,032
1	1,250	-	-	-	2,343
-	-	-	-	-	2,298
-	4,250	-	-	-	14,065
-	750	-	-	-	3,762
(23)	-	-	-	-	(12)
11	-	-	-	-	7,479
1,456	7,500	-	-	-	29,474
35	-	-	-	-	6,668
26	2,100	-	-	-	4,497
-	2,150	-	-	-	10,999
6	1,733	-	-	-	6,335
-	-	-	-	-	7,525
-	-	-	-	-	13,746
48	2,000	-	-	-	9,529
1	-	-	-	-	18,425
-	5,350	-	-	-	19,758
1,058	5,350	-	-	-	20,446
-	2,200	-	-	-	6,403
61	4,250	-	-	-	10,459
-	-	-	-	-	-
-	-	-	-	-	9,898
-	1,000	-	-	-	2,898

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Liabilities				
	Accounts Payable	Compensated Absences Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue
<b>County Ditches (Continued)</b>					
52	-	-	-	-	-
53	-	-	-	-	3,960
54	-	-	-	-	1,400
55	-	-	-	-	5,117
56	-	-	-	-	1,000
57	-	-	-	-	-
58	-	-	-	-	1,358
59	-	-	-	-	6,305
61	-	-	-	-	-
62	-	-	-	-	-
63	-	-	-	-	-
64	-	-	-	-	-
65	74	-	-	-	3,557
66	-	-	-	-	4
67	-	-	-	-	1,563
68	-	-	-	-	1,155
69	-	-	-	-	2,500
70	-	-	-	-	-
79 and 12	-	-	-	-	-
72	74	-	-	-	9,934
73	-	-	-	-	7,920
74	-	-	-	-	1,250
75	-	-	-	-	-
77	-	-	-	-	4,250
78	-	-	-	-	750
79	-	-	-	-	(23)
80	-	-	-	-	11
81	-	-	-	-	8,604
82	-	-	-	-	35
83	-	-	-	-	2,100
84	-	-	-	-	2,150
85	-	-	-	-	1,737
86	-	-	-	-	-
87	-	-	-	-	-
88	-	-	-	-	2,002
89	-	-	-	-	-
90	-	-	-	-	5,350
91	-	-	-	-	6,363
92	-	-	-	-	2,200
93	-	-	-	-	4,311
94	-	-	-	-	-
95	-	-	-	-	-
96	-	-	-	-	1,000

**Schedule 10**  
**(Continued)**

Advance from Other Funds	Due to Other Ditches	Total	Fund Balances			Total Liabilities and Fund Balances
			Designated for Debt Service	Undesignated	Total	
-	-	-	-	3,537	3,537	3,537
-	-	3,960	-	4,158	4,158	8,118
-	-	1,400	-	4,105	4,105	5,505
-	-	5,117	-	8,079	8,079	13,196
-	-	1,000	-	1,366	1,366	2,366
-	-	-	-	7,381	7,381	7,381
-	-	1,358	-	1,326	1,326	2,684
-	-	6,305	-	17,187	17,187	23,492
203	-	203	-	(203)	(203)	-
-	-	-	-	8,080	8,080	8,080
-	-	-	-	6,112	6,112	6,112
-	-	-	-	8,322	8,322	8,322
-	-	3,631	-	10,353	10,353	13,984
-	-	4	-	50,066	50,066	50,070
-	-	1,563	-	3,192	3,192	4,755
-	-	1,155	-	4,371	4,371	5,526
-	-	2,500	-	5,662	5,662	8,162
-	-	-	-	5,671	5,671	5,671
-	-	-	-	4,305	4,305	4,305
-	-	10,008	-	18,682	18,682	28,690
-	-	7,920	-	30,112	30,112	38,032
-	-	1,250	-	1,093	1,093	2,343
-	-	-	-	2,298	2,298	2,298
-	-	4,250	-	9,815	9,815	14,065
-	-	750	-	3,012	3,012	3,762
535	-	512	-	(524)	(524)	(12)
-	-	11	-	7,468	7,468	7,479
-	-	8,604	-	20,870	20,870	29,474
-	-	35	-	6,633	6,633	6,668
-	-	2,100	-	2,397	2,397	4,497
-	-	2,150	-	8,849	8,849	10,999
-	-	1,737	-	4,598	4,598	6,335
-	-	-	-	7,525	7,525	7,525
-	-	-	-	13,746	13,746	13,746
-	-	2,002	-	7,527	7,527	9,529
-	-	-	-	18,425	18,425	18,425
-	-	5,350	-	14,408	14,408	19,758
-	-	6,363	-	14,083	14,083	20,446
-	-	2,200	-	4,203	4,203	6,403
-	-	4,311	-	6,148	6,148	10,459
499	-	499	-	(499)	(499)	-
-	-	-	-	9,898	9,898	9,898
-	-	1,000	-	1,898	1,898	2,898

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
<b>County Ditches (Continued)</b>				
98	5,673	-	-	-
99	3,519	99	-	-
100	4,795	-	-	-
103 Improvement of outlet	2,608	-	-	-
103	-	849	-	-
104	1	-	-	-
106	7,598	-	-	-
106 Branch 1	9,522	-	-	-
107	983	-	-	-
108	-	89	-	-
109	37,781	-	-	-
109 Improvement	7,757	-	-	-
110	1,253	632	-	-
111	11,962	119	-	-
112	4,664	28	-	-
113	3,723	473	-	-
115	-	552	-	-
116	11,792	-	-	-
117	11,389	-	-	-
118	658	1,474	-	-
119	29,142	7	-	-
120	2,945	-	-	-
121	863	-	-	-
122	50	54	-	-
123	694	80	-	-
124	7,353	-	-	-
125	7,419	-	-	-
126	31,268	1,268	-	-
129	6,149	-	-	-
130	238	-	-	-
131	1,546	121	-	-
132	-	-	-	-
134	6,902	-	-	-
135	5,856	1	-	-
136	36,125	-	-	-
139	5,631	-	-	-
140	69,094	62	-	-
142	4,222	-	-	-
143	13,851	94	-	-
144	13,438	-	-	-
146	1,906	25	-	-
147	6,428	-	-	-

**Schedule 10**  
**(Continued)**

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable Delinquent	Deferred				
-	-	-	-	-	5,673
102	1,800	-	-	-	5,520
-	-	-	-	-	4,795
-	10,969	-	-	-	13,577
-	-	-	-	-	849
-	-	-	-	-	1
3	-	-	-	-	7,601
-	-	-	-	-	9,522
-	-	-	-	-	983
-	3,500	-	-	-	3,589
-	-	-	-	-	37,781
-	-	-	-	-	7,757
-	1,500	-	-	-	3,385
15	3,300	-	-	-	15,396
-	-	-	-	-	4,692
-	1,700	-	-	-	5,896
7,157	3,117	-	-	-	10,826
12	-	-	-	-	11,804
-	3,000	-	-	-	14,389
-	2,500	-	-	-	4,632
-	-	-	-	-	29,149
-	-	-	-	-	2,945
22	414	-	-	-	1,299
130	1,500	-	-	-	1,734
4,743	1,350	-	-	-	6,867
-	-	-	-	-	7,353
-	-	-	-	-	7,419
506	-	-	-	-	33,042
-	-	-	-	-	6,149
-	-	-	-	-	238
-	1,850	-	-	-	3,517
189	2,308	-	-	-	2,497
-	-	-	-	-	6,902
15	-	-	-	-	5,872
-	-	-	-	-	36,125
-	-	-	-	-	5,631
-	-	-	-	-	69,156
-	799	-	-	-	5,021
-	-	-	-	-	13,945
-	3,600	-	-	-	17,038
-	900	-	-	-	2,831
-	-	-	-	-	6,428

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Liabilities				
	Accounts Payable	Compensated Absences Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue
<b>County Ditches (Continued)</b>					
98	-	-	-	-	-
99	-	-	-	-	1,902
100	-	-	-	-	-
103 Improvement of outlet	-	-	-	-	10,969
103	-	-	-	-	-
104	-	-	-	-	-
106	-	-	-	-	-
106 Branch 1	-	-	-	-	-
107	-	-	-	-	-
108	-	-	-	-	3,500
109	-	-	-	-	-
109 Improvement	-	-	-	-	-
110	-	-	-	-	1,500
111	-	-	-	-	3,315
112	-	-	-	-	-
113	-	-	-	-	1,700
115	-	-	-	-	10,274
116	-	-	-	-	12
117	-	-	-	-	3,000
118	-	-	-	-	2,500
119	-	-	-	-	-
120	-	-	-	-	-
121	-	-	-	-	414
122	-	-	-	-	1,630
123	-	-	-	-	6,093
124	-	-	-	-	-
125	-	-	-	-	-
126	180	-	-	-	282
129	-	-	-	-	-
130	-	-	-	-	-
131	-	-	-	-	1,850
132	-	-	-	-	2,497
134	-	-	-	-	-
135	-	-	-	-	14
136	-	-	-	-	-
139	-	-	-	-	-
140	495	-	-	-	-
142	-	-	-	-	799
143	-	-	-	-	-
144	-	-	-	-	3,600
146	-	-	-	-	900
147	300	-	-	-	-

**Schedule 10**  
**(Continued)**

Advance from Other Funds	Due to Other Ditches	Total	Designated for Debt Service	Fund Balances		Total Liabilities and Fund Balances
				Undesignated	Total	
-	-	-	-	5,673	5,673	5,673
-	-	1,902	-	3,618	3,618	5,520
-	-	-	-	4,795	4,795	4,795
-	-	10,969	-	2,608	2,608	13,577
6,110	440	6,550	-	(5,701)	(5,701)	849
-	-	-	-	1	1	1
-	-	-	-	7,601	7,601	7,601
-	-	-	-	9,522	9,522	9,522
-	501	501	-	482	482	983
1,403	-	4,903	-	(1,314)	(1,314)	3,589
-	-	-	-	37,781	37,781	37,781
-	-	-	-	7,757	7,757	7,757
-	-	1,500	-	1,885	1,885	3,385
-	-	3,315	-	12,081	12,081	15,396
-	-	-	-	4,692	4,692	4,692
-	-	1,700	-	4,196	4,196	5,896
3,344	-	13,618	-	(2,792)	(2,792)	10,826
-	-	12	-	11,792	11,792	11,804
-	-	3,000	-	11,389	11,389	14,389
-	-	2,500	-	2,132	2,132	4,632
-	-	-	-	29,149	29,149	29,149
-	-	-	-	2,945	2,945	2,945
-	-	414	-	885	885	1,299
-	-	1,630	-	104	104	1,734
-	167	6,260	-	607	607	6,867
-	-	-	-	7,353	7,353	7,353
-	-	-	-	7,419	7,419	7,419
-	-	462	-	32,580	32,580	33,042
-	-	-	-	6,149	6,149	6,149
-	-	-	-	238	238	238
-	-	1,850	-	1,667	1,667	3,517
1,415	-	3,912	-	(1,415)	(1,415)	2,497
-	-	-	-	6,902	6,902	6,902
-	-	14	-	5,858	5,858	5,872
-	-	-	-	36,125	36,125	36,125
-	-	-	-	5,631	5,631	5,631
-	-	495	-	68,661	68,661	69,156
-	-	799	-	4,222	4,222	5,021
-	-	-	-	13,945	13,945	13,945
-	-	3,600	-	13,438	13,438	17,038
-	-	900	-	1,931	1,931	2,831
-	-	300	-	6,128	6,128	6,428

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
<b>County Ditches (Continued)</b>				
148	82	-	-	-
150	1,035	-	-	-
152	1,036	-	-	-
155	2,765	-	-	-
156	2,417	-	-	-
158	-	-	-	-
161	876	98	-	-
163	5,364	-	-	-
166	9,868	-	-	-
167	2,869	-	-	-
169	3,275	-	-	-
171	6,649	-	-	-
175	-	2,470	-	-
176	17,571	-	-	-
Grand Marais	51,848	-	-	-
Badger Creek	2,629	-	-	-
<b>State Ditches</b>				
6 and 7	8,462	-	-	-
61	6,436	89	-	-
61 Improvement of outlet	6,295	-	-	-
61 Improvement of 2nd outlet	11,386	-	-	-
<b>Judicial Ditches</b>				
1	-	1,151	-	-
2	-	-	-	-
17	-	805	-	-
24	-	153	-	-
25-I	-	164	-	-
25-II	-	276	-	-
52 and 2	967	-	-	-
53	-	-	-	-
57	13,408	193	-	-
68	-	251	-	-
73	8,540	177	-	-
75	-	3,556	-	-
75 maintenance	-	-	-	-
<b>Joint County Ditches</b>				
1	-	-	-	-
3	984	6	-	-
60	18,802	318	-	-
60 Improvement of outlet	392	-	-	-
64	17,790	62	-	-
66	14,747	188	-	-
71	4,055	-	-	-
72	22,164	1,709	-	-

***Schedule 10***  
***(Continued)***

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable					
Delinquent	Deferred				
-	-	-	-	-	82
-	-	-	-	-	1,035
-	-	-	-	-	1,036
-	-	-	-	-	2,765
-	-	-	-	-	2,417
16	9,500	-	-	-	9,516
-	750	-	-	-	1,724
-	1,750	-	-	-	7,114
-	-	-	-	-	9,868
-	-	-	-	-	2,869
-	-	-	-	-	3,275
-	-	-	-	-	6,649
615	35,410	-	-	-	38,495
-	-	-	-	-	17,571
-	-	-	-	-	51,848
-	-	-	-	-	2,629
-	-	-	-	-	8,462
118	3,250	-	-	-	9,893
-	-	-	-	-	6,295
-	-	-	-	-	11,386
572	29,671	-	-	2,006	33,400
-	-	-	-	-	-
3	4,390	-	-	-	5,198
-	1,850	-	-	-	2,003
395	6,180	-	-	-	6,739
20	12,830	-	-	-	13,126
-	-	-	-	-	967
-	-	-	-	-	-
211	4,500	-	-	-	18,312
-	7,041	-	-	-	7,292
98	2,243	-	-	-	11,058
1,579	491,643	-	-	-	496,778
289	31,033	-	-	5,500	36,822
-	-	-	-	-	-
-	700	-	-	-	1,690
58	-	-	918	-	20,096
-	-	-	-	-	392
273	5,749	-	872	-	24,746
48	4,250	-	413	-	19,646
-	2,125	-	87	-	6,267
146	8,500	-	1,454	-	33,973

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Liabilities				
	Accounts Payable	Compensated Absences Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue
<b>County Ditches (Continued)</b>					
148	-	-	-	-	-
150	-	-	-	-	-
152	-	-	-	-	-
155	-	-	-	-	-
156	-	-	-	-	-
158	-	-	-	-	9,516
161	-	-	-	-	750
163	-	-	-	-	1,750
166	-	-	-	-	-
167	-	-	-	-	-
169	-	-	-	-	-
171	-	-	-	-	-
175	-	-	-	2,470	35,981
176	-	-	-	-	-
Grand Marais	-	-	-	-	-
Badger Creek	-	-	-	-	-
<b>State Ditches</b>					
6 and 7	-	-	-	-	-
61	-	-	-	-	3,326
61 Improvement of outlet	-	-	-	-	-
61 Improvement of 2nd outlet	-	-	-	-	-
<b>Judicial Ditches</b>					
1	-	-	-	1,445	30,238
2	-	-	-	-	-
17	-	-	-	805	4,393
24	-	-	-	153	1,850
25-I	-	-	-	164	6,575
25-II	-	-	-	276	12,850
52 and 2	-	-	-	-	-
53	-	-	-	-	-
57	-	-	-	-	4,711
68	-	-	-	251	7,041
73	-	-	-	-	2,313
75	-	-	-	3,556	493,179
75 maintenance	-	-	-	-	31,312
<b>Joint County Ditches</b>					
1	-	-	-	-	-
3	-	-	-	-	700
60	-	-	-	-	918
60 Improvement of outlet	-	-	-	-	-
64	180	-	-	-	6,698
66	-	-	-	-	4,691
71	-	-	-	-	2,212
72	7,820	-	-	2,314	9,973

***Schedule 10***  
***(Continued)***

Advance from Other Funds	Due to Other Ditches	Total	Fund Balances			Total Liabilities and Fund Balances
			Designated for Debt Service	Undesignated	Total	
-	-	-	-	82	82	82
-	-	-	-	1,035	1,035	1,035
-	-	-	-	1,036	1,036	1,036
-	-	-	-	2,765	2,765	2,765
-	-	-	-	2,417	2,417	2,417
8,903	-	18,419	-	(8,903)	(8,903)	9,516
-	-	750	-	974	974	1,724
-	501	2,251	-	4,863	4,863	7,114
-	-	-	-	9,868	9,868	9,868
-	-	-	-	2,869	2,869	2,869
-	-	-	-	3,275	3,275	3,275
-	-	-	-	6,649	6,649	6,649
-	-	38,451	-	44	44	38,495
-	-	-	-	17,571	17,571	17,571
-	-	-	-	51,848	51,848	51,848
-	-	-	-	2,629	2,629	2,629
-	-	-	-	8,462	8,462	8,462
-	-	3,326	-	6,567	6,567	9,893
-	-	-	-	6,295	6,295	6,295
-	-	-	-	11,386	11,386	11,386
-	-	31,683	-	1,717	1,717	33,400
35	-	35	-	(35)	(35)	-
-	-	5,198	-	-	-	5,198
-	-	2,003	-	-	-	2,003
-	-	6,739	-	-	-	6,739
-	-	13,126	-	-	-	13,126
-	-	-	-	967	967	967
183	-	183	-	(183)	(183)	-
-	-	4,711	-	13,601	13,601	18,312
-	-	7,292	-	-	-	7,292
-	-	2,313	-	8,745	8,745	11,058
-	-	496,735	43	-	43	496,778
-	-	31,312	-	5,510	5,510	36,822
983	-	983	-	(983)	(983)	-
-	-	700	-	990	990	1,690
-	-	918	-	19,178	19,178	20,096
-	-	-	-	392	392	392
-	-	6,878	-	17,868	17,868	24,746
-	-	4,691	-	14,955	14,955	19,646
-	-	2,212	-	4,055	4,055	6,267
-	-	20,107	-	13,866	13,866	33,973

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
<b>Joint Ditches</b>				
Burnham Creek	38,516	-	-	-
Burnham Creek maintenance	-	71	-	-
Clearwater River	20	-	-	-
Lost River Improvement	4,349	-	165,000	-
Marshall and Polk Rural Water System				
600	-	3,729	-	-
601	-	825	-	-
602	-	-	-	-
603	-	1,160	-	-
604	-	935	-	-
605	-	1,549	-	-
606	27,000	-	-	-
Red Lake Watershed District				
Ditch 2	-	-	-	-
Ditch 7	389	-	-	-
Project 53	1,821	-	-	-
Project 106	28,701	-	-	30,423
Project 106 maintenance	-	-	-	-
Project 117	19,421	-	-	60,937
Project 117 maintenance	-	-	-	-
Project 115	-	-	-	-
Project 115 maintenance	-	-	-	-
Project 119	155,496	3,555	-	395,862
Project 119 maintenance	-	417	-	-
Project 123	22,828	-	-	47,416
Project 123 maintenance	-	-	-	-
Project 134	19,989	2,014	-	-
Project 134 maintenance	-	120	-	-
Project 135	34,210	1,921	-	-
Project 135 maintenance	-	106	-	-
Sandhill Watershed District				
Polk Ditch 17 and Norman Ditch 2				
Project 3	-	7	-	-
Project 11	-	688	-	-
Project 12	172,805	181	-	358,678
Project 12 maintenance	-	21	-	-
Project 13	10,519	-	-	20,282
Project 13 maintenance	-	732	-	-
Sandhill River	-	578	-	-

**Schedule 10**  
**(Continued)**

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable					
Delinquent	Deferred				
(261)	9,965	-	-	-	48,220
3	-	-	-	-	74
-	3,716	-	-	-	3,736
-	-	1,266	-	-	170,615
4,369	-	-	-	-	8,098
5,607	194,931	-	-	-	201,363
642	224	-	-	-	866
2,720	52,564	-	-	-	56,444
3,461	278,225	-	-	-	282,621
4,309	221,584	-	-	-	227,442
-	477,000	-	-	-	504,000
-	-	-	-	-	-
54	660	-	-	-	1,103
-	431	-	-	1,169	3,421
-	4,739	-	-	-	63,863
-	2,000	-	-	-	2,000
1,663	64,117	-	-	-	146,138
418	2,500	-	-	-	2,918
-	5,039	-	-	-	5,039
-	260	-	-	-	260
1,171	325,721	-	-	-	881,805
80	6,000	-	-	-	6,497
-	36,198	-	-	-	106,442
-	1,500	-	-	-	1,500
8	103,267	-	-	-	125,278
1	1,500	-	-	-	1,621
539	148,246	-	-	-	184,916
67	1,500	-	-	-	1,673
-	625	-	-	-	625
15	-	-	-	-	22
6	4,000	-	-	-	4,694
326	329,890	-	-	-	861,880
39	7,500	-	-	-	7,560
-	12,741	-	-	-	43,542
-	3,500	-	-	-	4,232
181	14,999	-	-	-	15,758

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Liabilities				
	Accounts Payable	Compensated Absences Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue
<b>Joint Ditches</b>					
Burnham Creek	-	-	-	-	9,643
Burnham Creek maintenance	-	-	-	-	-
Clearwater River	-	-	-	-	3,716
Lost River Improvement	-	-	-	-	-
Marshall and Polk Rural Water System					
600	-	-	-	3,729	3,316
601	-	-	-	971	199,980
602	-	-	-	-	866
603	-	-	-	431	54,302
604	-	-	-	988	281,089
605	-	-	-	2,080	225,180
606	-	-	-	27,000	477,000
Red Lake Watershed District					
Ditch 2	-	-	-	-	-
Ditch 7	-	-	-	-	713
Project 53	-	-	-	-	431
Project 106	-	-	-	-	4,739
Project 106 maintenance	-	-	-	-	2,000
Project 117	-	-	-	-	64,117
Project 117 maintenance	-	-	-	-	2,500
Project 115	-	-	-	-	5,039
Project 115 maintenance	-	-	-	-	260
Project 119	-	-	-	-	326,891
Project 119 maintenance	-	-	-	-	6,080
Project 123	-	-	-	-	36,198
Project 123 maintenance	-	-	-	-	1,500
Project 134	-	-	-	-	103,269
Project 134 maintenance	-	-	-	-	1,500
Project 135	-	-	-	-	148,785
Project 135 maintenance	-	-	-	-	1,568
Sandhill Watershed District					
Polk Ditch 17 and Norman Ditch 2	-	-	-	-	-
Project 3	-	-	-	-	15
Project 11	-	-	-	-	4,006
Project 12	-	-	-	-	330,216
Project 12 maintenance	-	-	-	-	7,539
Project 13	-	-	-	-	12,741
Project 13 maintenance	-	-	-	-	3,500
Sandhill River	-	-	-	-	15,039

**Schedule 10**  
**(Continued)**

Advance from Other Funds	Due to Other Ditches	Total	Fund Balances			Total Liabilities and Fund Balances
			Designated for Debt Service	Undesignated	Total	
-	-	9,643	-	38,577	38,577	48,220
-	-	-	-	74	74	74
-	-	3,716	-	20	20	3,736
-	-	-	-	170,615	170,615	170,615
96	-	7,141	957	-	957	8,098
-	-	200,951	412	-	412	201,363
-	-	866	-	-	-	866
-	-	54,733	-	1,711	1,711	56,444
-	-	282,077	544	-	544	282,621
-	-	227,260	-	182	182	227,442
-	-	504,000	-	-	-	504,000
697	-	697	-	(697)	(697)	-
-	-	713	-	390	390	1,103
-	-	431	-	2,990	2,990	3,421
-	-	4,739	59,124	-	59,124	63,863
-	-	2,000	-	-	-	2,000
-	-	64,117	82,021	-	82,021	146,138
-	-	2,500	-	418	418	2,918
1,332	-	6,371	-	(1,332)	(1,332)	5,039
-	-	260	-	-	-	260
-	-	326,891	554,914	-	554,914	881,805
-	-	6,080	-	417	417	6,497
-	-	36,198	70,244	-	70,244	106,442
-	-	1,500	-	-	-	1,500
-	-	103,269	22,009	-	22,009	125,278
-	-	1,500	-	121	121	1,621
-	-	148,785	36,131	-	36,131	184,916
-	-	1,568	-	105	105	1,673
-	-	-	-	625	625	625
-	-	15	-	7	7	22
-	-	4,006	-	688	688	4,694
-	-	330,216	531,664	-	531,664	861,880
-	-	7,539	-	21	21	7,560
-	-	12,741	30,801	-	30,801	43,542
-	-	3,500	-	732	732	4,232
-	-	15,039	-	719	719	15,758

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
<b>Joint Ditches (Continued)</b>				
Wild Rice Watershed				
Norman-Polk Project 5	-	86	-	-
Middle River-Snake River Watershed				
District				
Ditch 4	-	86	-	-
Ditch 5	-	11,158	-	-
Ditch 6	-	11,224	-	-
Ditch 6 maintenance	-	-	-	-
Ditch 7	-	128	-	-
Ditch 7 Improvement	-	153	-	-
<b>Total</b>	<b>\$ 2,258,504</b>	<b>\$ 80,487</b>	<b>\$ 165,000</b>	<b>\$ 913,598</b>
<b>Eliminations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>\$ 2,258,504</b>	<b>\$ 80,487</b>	<b>\$ 165,000</b>	<b>\$ 913,598</b>
<b>Presented as</b>				
Ditch Special Revenue Fund	\$ 1,644,743	\$ 32,981	\$ 165,000	\$ -
Ditch Debt Service Fund	613,761	47,506	-	913,598
<b>Total</b>	<b>\$ 2,258,504</b>	<b>\$ 80,487</b>	<b>\$ 165,000</b>	<b>\$ 913,598</b>

***Schedule 10***  
***(Continued)***

Assets					
Special Assessments Receivable		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Delinquent	Deferred				
18	-	-	-	-	104
-	710	-	-	-	796
2,912	1,219,564	-	-	-	1,233,634
2,474	839,572	-	-	-	853,270
747	-	-	-	-	747
7	23,730	-	-	-	23,865
16	4,465	-	-	-	4,634
<b>\$ 93,436</b>	<b>\$ 5,792,822</b>	<b>\$ 1,266</b>	<b>\$ 3,744</b>	<b>\$ 10,375</b>	<b>\$ 9,319,232</b>
-	-	-	-	(10,375)	(10,375)
<b>\$ 93,436</b>	<b>\$ 5,792,822</b>	<b>\$ 1,266</b>	<b>\$ 3,744</b>	<b>\$ -</b>	<b>\$ 9,308,857</b>
\$ 42,389	\$ 1,357,925	\$ 1,266	\$ 3,744	\$ -	\$ 3,248,048
51,047	4,434,897	-	-	-	6,060,809
<b>\$ 93,436</b>	<b>\$ 5,792,822</b>	<b>\$ 1,266</b>	<b>\$ 3,744</b>	<b>\$ -</b>	<b>\$ 9,308,857</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS  
DECEMBER 31, 2004**

	Liabilities				
	Accounts Payable	Compensated Absences Payable	Due to Other Funds	Due to Other Governments	Deferred Revenue
<b>Joint Ditches (Continued)</b>					
Wild Rice Watershed					
Norman-Polk Project 5	-	-	-	-	625
Middle River-Snake River Watershed					
District					
Ditch 4	-	-	-	86	710
Ditch 5	-	-	-	11,158	1,222,476
Ditch 6	-	-	-	11,224	842,046
Ditch 6 maintenance	-	-	-	-	-
Ditch 7	-	-	-	128	24,484
Ditch 7 Improvement	-	-	-	153	4,484
<b>Total</b>	<b>\$ 32,788</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,382</b>	<b>\$ 5,861,269</b>
<b>Eliminations</b>	-	-	-	-	-
<b>Total</b>	<b>\$ 32,788</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,382</b>	<b>\$ 5,861,269</b>
<b>Presented as</b>					
Ditch Special Revenue Fund	\$ 32,788	\$ -	\$ -	\$ 10,756	\$ 1,399,842
Ditch Debt Service Fund	-	-	-	58,626	4,461,427
<b>Total</b>	<b>\$ 32,788</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 69,382</b>	<b>\$ 5,861,269</b>

***Schedule 10***  
***(Continued)***

Advance from Other Funds	Due to Other Ditches	Total	Designated for Debt Service	Fund Balances		Total Liabilities and Fund Balances
				Undesignated	Total	
-	-	625	-	(521)	(521)	104
-	-	796	-	-	-	796
-	-	1,233,634	-	-	-	1,233,634
-	-	853,270	-	-	-	853,270
-	-	-	-	747	747	747
-	-	24,612	-	(747)	(747)	23,865
-	-	4,637	-	(3)	(3)	4,634
<b>\$ 127,701</b>	<b>\$ 10,375</b>	<b>\$ 6,101,515</b>	<b>\$ 1,540,660</b>	<b>\$ 1,677,057</b>	<b>\$ 3,217,717</b>	<b>\$ 9,319,232</b>
-	(10,375)	(10,375)	-	-	-	(10,375)
<b>\$ 127,701</b>	<b>\$ -</b>	<b>\$ 6,091,140</b>	<b>\$ 1,540,660</b>	<b>\$ 1,677,057</b>	<b>\$ 3,217,717</b>	<b>\$ 9,308,857</b>
\$ 127,605	\$ -	\$ 1,570,991	\$ -	\$ 1,677,057	\$ 1,677,057	\$ 3,248,048
96	-	4,520,149	1,540,660	-	1,540,660	6,060,809
<b>\$ 127,701</b>	<b>\$ -</b>	<b>\$ 6,091,140</b>	<b>\$ 1,540,660</b>	<b>\$ 1,677,057</b>	<b>\$ 3,217,717</b>	<b>\$ 9,308,857</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

Schedule 11

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>Total Governmental Funds</b>	<b>Total Enterprise Funds</b>	<b>Total All Funds</b>
<b>Shared Revenue</b>			
<b>State</b>			
Highway users tax	\$ 8,948,839	\$ -	\$ 8,948,839
HACA	1,136,547	-	1,136,547
PERA rate reimbursement	43,810	5,165	48,975
Disparity reduction aid	77,191	-	77,191
Police aid	111,210	-	111,210
Market value credit	1,134,180	-	1,134,180
Disparity credit	355,695	-	355,695
	<b>\$ 11,807,472</b>	<b>\$ 5,165</b>	<b>\$ 11,812,637</b>
<b>Reimbursement for Services</b>			
<b>State</b>			
Minnesota Department of Human Services	\$ 3,846,543	\$ -	\$ 3,846,543
<b>Payments</b>			
<b>Local</b>			
Payments in lieu of taxes	\$ 59,590	\$ -	\$ 59,590
<b>Grants</b>			
<b>State</b>			
Minnesota Department/Board of			
Administration	\$ 54,748	\$ -	\$ 54,748
Public Safety	85,114	-	85,114
Transportation	12,937	-	12,937
Health	176,842	-	176,842
Natural Resources	6,447	-	6,447
Human Services	3,267,030	-	3,267,030
Soil and Water Resources	55,326	-	55,326
Office of Environmental Assistance	104,562	71,976	176,538
Peace Officer's Board	10,027	-	10,027
	<b>\$ 3,773,033</b>	<b>\$ 71,976</b>	<b>\$ 3,845,009</b>
<b>Federal</b>			
Department of			
Agriculture	\$ 210,372	\$ -	\$ 210,372
Justice	148,413	-	148,413
Transportation	2,320,000	-	2,320,000
Emergency Management	74,459	-	74,459
Health and Human Services	1,652,229	-	1,652,229
Homeland Security	99,369	-	99,369
	<b>\$ 4,504,842</b>	<b>\$ -</b>	<b>\$ 4,504,842</b>
<b>Total State and Federal Grants</b>	<b>\$ 8,277,875</b>	<b>\$ 71,976</b>	<b>\$ 8,349,851</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 23,991,480</b>	<b>\$ 77,141</b>	<b>\$ 24,068,621</b>



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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 12**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion on the financial statements of Polk County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Polk County and is reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The reportable condition is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Polk County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Polk County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |   |              |
|---|--------------|
| Highway Planning and Construction       | CFDA #20.205 |
| Child Care Mandatory and Matching Funds | CFDA #93.596 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Polk County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 Segregation of Duties

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

We recommend that Polk County's management be aware of the lack of segregation of duties within the accounting functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

Client's Response:

*The County Board realizes that there are a limited number of office personnel within the County to segregate the accounting functions. The Board also realizes that with the combination of the County Auditor and County Treasurer's offices, there needs to be a fuller awareness of the need, to the extent possible, to segregate the internal accounting controls. We have noted the State Auditor's Office recommendations and will consider implementing the recommendations that fit within the limited personnel constraints we have.*

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-1 Credit Card Policy

The County Board does not have a credit card policy. Minn. Stat. § 375.171 authorizes and restricts the use of credit cards by counties. Pursuant to the language of the statute, County credit cards should be used only by those officers and employees otherwise authorized to make County purchases. Use of the credit card is restricted to purchases for the County, therefore, no personal use is permitted. The statute further provides that if officers and employees make purchases that are not authorized by the County Board, they become personally liable for the amount of the purchase.

Minn. Stat. § 375.171 further requires that the use of a credit card must be consistent with other state law. For example, Minn. Stat. § 375.17, subd. 2, requires the publishing of an itemized account of amounts paid out, to whom, and for what purpose to the extent that the published proceedings of the county board contain the information. If the publishing of disbursement is required, the actual vendors providing the goods and services to the county must be identified and not just the credit card company. The bills received from a credit card company lack sufficient detail to comply with that statutory section. Therefore, the county must also have the invoices and receipts needed to support the items charged in the bill from the credit card company.

Further, the use of credit cards would require the County Board to act in compliance with Minn. Stat. ch. 475. This statutory chapter governs the issuance of debt by public entities and a number of restrictions attached to the issuance of the obligation. Minn. Stat. § 375.171 was not intended to be another method of creating debt for the County, but rather authorizes another type of payment method. Therefore, it is incumbent on the County Board to adopt a policy of paying off credit card charges on a monthly basis.

In addition to the statutory restrictions on the use of credit cards, we recommend that the County Board develop a comprehensive credit card policy providing other safeguards for the County. A comprehensive policy should:

- identify the officers and employees who are authorized to make purchases on behalf of the County and are eligible to use the card;
- identify the particular purchases that are to be made with the credit card;
- set up a review process for all purchases made with the credit card;
- prohibit the use of a County credit card for personal purposes; and
- require supporting documentation.

The County Board may want to restrict the total amount of charges that can be made on County credit cards. This will help limit the County's exposure to theft or other improper use.

Client's Response:

*Polk County will follow the recommendation of the State Auditor's Office and will develop and adopt a comprehensive credit card policy.*

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Ditch Fund Balance Deficits

Twenty-three of the 214 individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2004, totaling \$126,777, the largest being \$57,463. Minn. Stat. § 103E.735, subd. 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$40,000, whichever is larger.

We recommend that the County Board eliminate the individual ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance for future repairs and maintenance costs of a ditch system.

Client's Response:

*The County Board continues to levy ditch assessments annually in an effort to properly cover ditch repair cost and eliminate ditch fund deficits. Borrowing from an eligible fund with a surplus cash balance as recommended will eliminate the individual ditch cash balance deficits not eliminated by assessment levied. However, the policy of the County Board has been to limit drainage assessments to no more than an average of \$2.00 per acre per ditch system on an annual basis.*

00-3 Landfill Enterprise Fund Net Assets

At December 31, 2004, the Landfill Enterprise Fund had a net assets deficit of \$197,067.

While this fund had a favorable cash balance at December 31, 2004, estimated liabilities associated with closure and postclosure care costs of the landfill resulted in the deficit net assets.

We recommend that Polk County continue to monitor the operations of the Landfill Enterprise Fund to determine if net income is sufficient to cover the costs associated with closure and postclosure care.

Client's Response:

*Polk County will monitor the operations of the Landfill Enterprise Fund to determine that the net income is sufficient to cover the costs associated with closure and postclosure.*

01-4 Consolidated General Ledger

Currently, the County Auditor and the Social Services Department maintain separate general ledgers. Each department enters its detailed transactions into its general ledger. The detailed financial transactions recorded in the Social Services Department's general ledger are interfaced with the County's main general ledger, maintained by the County Auditor, as "batched" totals. Effective January 1, 2002, the County combined the Road and Bridge Department's general ledger with the County's main general ledger.

Accounting and reporting controls are more effective when all transactions are accounted for in one centralized general ledger. Access controls to a centralized general ledger could be established so that departments would have the same responsibility and authority for entering detailed transactions as is currently done with separate departmental general ledgers. A centralized general ledger generally provides more uniformity and consistency in accounting for financial transactions. In addition, it allows senior management to have independent access to financial information for the entire County as needed to manage or to monitor its financial operations. Governmental Accounting Standards Board (GASB) Statement 34 requires the County's financial statements to be reported on the accrual basis of accounting, and having one general ledger will allow for an easier conversion to the accrual basis.

We strongly recommend that the County Board provide the necessary directives to department managers that would allow for the recording of all detailed financial transactions in a consolidated general ledger.

Client's Response:

*Polk County will follow the recommendations of the State Auditor's Office.*

01-5

Capital Asset Accounting System

In 2003, Polk County implemented GASB Statement 34. Under GASB Statement 34, capital assets, including infrastructure assets, are reported on the statement of net assets, and depreciation expenses for those assets are on the statement of activities. In addition, capital outlay expenditures in a governmental fund's statement of revenues and expenditures are eliminated in the new statement of activities.

In an effort to comply with GASB Statement 34, 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. The County also purchased new capital asset software in an effort to centralize their capital asset records; however, this new software is not being used.

The County currently maintains capital asset records in several departments including: Resource Recovery, Landfill, Environmental Services, Social Services, Public Safety, Road and Bridge, Public Health, and the Auditor's

Office. The Auditor's Office maintains the general County capital assets on an Excel spreadsheet. The detail from some, but not all, of the other departments has been added to the Excel spreadsheet.

Generally, purchases of capital assets are recorded manually in each of the capital asset systems after year-end. At that time, County personnel analyze all capital outlay and maintenance expenditure accounts for additions and remove items sold or discarded during the year.

We recommend that the County Board take steps to centralize the accounting of capital assets into one capital asset system.

Client's Response:

*Polk County will follow the recommendations of the State Auditor's Office.*

02-4

Forfeited Tax Sale Fund Balance Deficit

At December 31, 2004, the Forfeited Tax Sale Special Revenue Fund had a fund balance deficit of \$98,556.

While this fund had a favorable cash balance at December 31, 2004, of \$8,444, an advance from the General Fund of \$107,000 has resulted in the fund balance deficit. The advance from the General Fund was made to cover several large expenditures relating to forfeited properties in excess of the proceeds from the sale of those properties.

We recommend that the County Board monitor the Forfeited Tax Sale Special Revenue Fund to determine if the costs can be recovered from future sales. If the cost cannot be recovered from future sales, we recommend the Board approve a permanent transfer to provide the Forfeited Tax Sale Special Revenue Fund the necessary resources for operations.

Client's Response:

*Polk County will follow the recommendations of the State Auditor's Office.*

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PATRICIA ANDERSON  
STATE AUDITOR

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

Board of County Commissioners  
Polk County

We have audited the financial statements of Polk County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 14, 2005. 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the

internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we do not believe the reportable condition indicated above is a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Polk County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 02-1.

This report is intended solely for the information and use of the Board of County Commissioners and management and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 14, 2005



PATRICIA ANDERSON  
STATE AUDITOR

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners  
Polk County

### Compliance

We have audited the compliance of Polk County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal program for the year ended December 31, 2004.

### Internal Control Over Compliance

The management of Polk County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

### Schedule of Expenditures of Federal Awards

We have audited the financial statements of Polk County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 14, 2005. Our audit was performed 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 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 14, 2005

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 13*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 125,396
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Food Stamp Program	10.561	55,542
<b>Total U.S. Department of Agriculture</b>		<b>\$ 180,938</b>
<b>U.S. Department of Justice</b>		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	\$ 66,459
Byrne Formula Grant Program	16.579	81,954
Direct Drug-Free Communities Support Program	93.276	125,064
<b>Total U.S. Department of Justice</b>		<b>\$ 273,477</b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<b>\$ 2,320,000</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 25,898
Temporary Assistance for Needy Families	93.558	29,833
Maternal and Child Health Services Block Grant	93.994	48,745
Passed Through Minnesota Department of Human Services Public Health and Social Services Emergency Fund	93.003	22,571
Promoting Safe and Stable Families	93.556	36,676
Temporary Assistance for Needy Families	93.558	434,060
Child Care Mandatory and Matching Funds	93.596	300,979
Foster Care Title IV-E	93.658	137,654

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***Schedule 13  
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services (Continued)		
Social Services Block Grant Title XX	93.667	399,891
Chafee Foster Care Independent Living	93.674	28,049
Community Mental Health Services Block Grant	93.958	84,646
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 1,549,002</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Grant	97.004	\$ 38,106
Public Assistance Grants	97.036	29,234
Emergency Management Performance Grant	97.042	27,995
State and Local All Hazards Emergency Operations Planning	97.051	840
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 96,175</b>
<b>Total Federal Awards</b>		<b>\$ 4,419,592</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Polk County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting. Due to revenue recognition principles of modified accrual, expenditures on this schedule do not equal federal revenues reported in the funds.
3. Pass-through grant numbers were not assigned by the pass-through agencies.