

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Polk County Crookston, Minnesota

Year Ended December 31, 2020

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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Polk County Crookston, Minnesota

Year Ended December 31, 2020



Office of the State Auditor

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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CROOKSTON, MINNESOTA**

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**POLK COUNTY
CROOKSTON, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2020

		Term Expires
Elected		
Commissioners		
District 1	Gerald Jacobson ¹	January 2021
District 2	Warren Strandell	January 2023
District 3	Gary Willhite	January 2021
District 4	Joan Lee ²	January 2023
District 5	Don Diedrich	January 2021
Attorney	Gregory A. Widseth	December 2022
County Sheriff	James Tadmam	December 2022
Appointed		
County Administrator	Charles S. Whiting	Indefinite
County Engineer	Richard Sanders	April 2023
Finance Director	Ron Denison	Indefinite
County Assessor	Mark Landsverk	December 2024
Director of Property Records	Michelle Cote	Indefinite
Veterans Service Officer	Kurtis Ellefson	November 2024
Solid Waste Director	Jon Steiner	Indefinite
Medical Examiner	Mary Ann Sens, M.D. ³	December 2021
Surveyor	Garrett Borowicz	Indefinite
Welfare Board		
Commissioner	Warren Strandell ²	January 2023
Commissioner	Gerald Jacobson	January 2021
Commissioner	Don Diedrich	January 2021
Commissioner	Joan Lee ¹	January 2023
Commissioner	Gary Willhite	January 2021
Lay-Board Member	Paula Waters	July 2021
Lay-Board Member	Cathryn Gutterud	July 2022

¹Chair for 2020

²Vice Chair for 2020

³Polk County has a contract with UND Forensic. This contract was signed on November 28, 2016, and it renews automatically each January.



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The Supplementary Information, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other

records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2021, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Polk County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**POLK COUNTY
CROOKSTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)**

INTRODUCTION

Polk County's Management's Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2020. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is \$128,499,177, of which Polk County has a net investment in capital assets of \$115,907,513, and \$4,211,544 is restricted to specific purposes or uses.
- Business-type activities' total net position is \$18,694,763. Net investment in capital assets represents \$18,244,440, and \$387,463 is restricted to specific purposes and uses.
- Polk County's net position (governmental activities and business-type activities) totals \$147,193,940 for the year ended December 31, 2020. Net investment in capital assets represents \$134,151,953 of the total, \$4,599,007 of the total net position is restricted for specific uses, and \$8,442,980 is unrestricted.
- The net cost of Polk County's governmental activities for the year ended December 31, 2020, was \$32,684,880. General property tax revenues and other revenue sources totaling \$29,222,357 funded a large portion of the total net cost of \$32,684,880.
- Polk County's governmental funds' fund balances decreased by \$47,867. This decrease was the result of a combined General Fund balance increase of \$1,629,020, a Road and Bridge Special Revenue Fund balance decrease of \$4,094,792, a Social Services Special Revenue Fund balance decrease of \$105,552, a Public Safety Special Revenue Fund balance increase of \$1,351,742, a Ditch Debt Service Fund balance increase of \$15,295, a Capital Projects Fund balance increase of \$69,716, and an increase in other governmental fund's fund balance of \$1,086,704.

- The General Fund balance increased by \$1,629,020. The increase was mostly due to an excess of expenditures over revenues of \$1,675,095, which was more than offset by other financing sources totaling \$3,304,115 comprised primarily of \$2,515,000 bonds issued and \$627,969 premium on bonds issued.
- The Road and Bridge Special Revenue Fund balance decreased by \$4,094,792 due to an excess of expenditures over revenues of \$4,473,990, caused by the use of State Aid Highway Bonds received in 2019 and the planned spending of accumulated wheelage and transit tax funds.
- The Social Services Special Revenue Fund balance decreased by \$105,552 due to excess of expenditures over revenues of \$142,472. The 2020 budget included a planned fund balance use of \$118,382 for this fund.
- The Public Safety Special Revenue Fund balance increased by \$1,351,742 due to excess revenues over expenditures of \$1,133,867. Federal CARES funds totaling \$995,741 were credited to this fund during the year for covid-related cost reimbursement. Additionally, pay and benefits for the Sheriff's Department came in under budget by about \$330,000.
- The Ditch Debt Service Fund balance increased by \$15,295. The increase was mostly due to an excess of expenditures over revenues of \$1,788,458, which was more than offset by other financing sources totaling \$1,803,753 comprised primarily of \$1,700,000 bonds issued and \$103,753 premium on bonds issued.
- The Capital Projects Fund, which was new in 2017, was created for the Solid Waste Expansion – CAP Grant Project. The fund balance increased in 2020 by \$69,716 primarily due to a transfer in of \$490,000 to offset an excess of expenditures over revenues of \$420,284.
- The fund balance as of December 31, 2020, for all other governmental funds increased by \$1,086,704 caused mainly by a \$719,629 increase in health and a \$670,665 increase in sanitation due to excess of revenues over expenditures, partially offset by an excess of expenditures over revenues of \$144,582 in ditch-related costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

- **Governmental activities**—Most of the County’s basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Property taxes and state and federal grants finance most of these activities.
- **Business-type activities**—The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Landfill and Resource Recovery.

Fund Financial Statements

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

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

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

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

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

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

- **Proprietary Funds**—Polk County maintains two proprietary funds. The Landfill Enterprise Fund is used to account for all funds to be used for the maintenance of the sanitary landfill. Funding is derived from user fees and intergovernmental revenue from the State of Minnesota. The Resource Recovery Enterprise Fund is used to account for all funds to be used for the maintenance of the solid waste incinerator and up-front separation. Funding is derived from bond issue proceeds, user fees, and intergovernmental revenue from the State of Minnesota. Proprietary funds provide the same type of information as the government-wide financial statements and are included in the Statement of Net Position and the Statement of Activities as business-type activities. Both of the enterprise funds are considered to be major funds.
- **Fiduciary Funds**—Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Polk County's fiduciary funds consist of one private-purpose trust fund and ten custodial funds. The private-purpose trust fund is used to account for the social welfare activity handled by the County. Custodial funds are safekeeping in nature, and are used to account for monies the County holds for others in a fiduciary capacity. In addition, the custodial funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

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

Other Information—In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The County also provides supplementary information including combining statements, budgetary comparison schedules, schedule of deposits and investments, schedule of intergovernmental revenue, schedule of expenditures of federal awards, and the notes to the schedule of expenditures of federal awards.

THE COUNTY AS A WHOLE

Polk County's combined net position for the year ended December 31, 2020, was \$147,193,940. The analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 42,978,573	\$ 41,257,557	\$ 4,418,732	\$ 4,393,499	\$ 47,397,305	\$ 45,651,056
Capital assets	138,448,008	142,222,581	18,467,699	19,806,928	156,915,707	162,029,509
Total Assets	\$ 181,426,581	\$ 183,480,138	\$ 22,886,431	\$ 24,200,427	\$ 204,313,012	\$ 207,680,565
Deferred Outflows of Resources						
Deferred pension outflows	\$ 2,370,162	\$ 3,674,512	\$ 184,279	\$ 170,724	\$ 2,554,441	\$ 3,845,236
Deferred OPEB outflows	103,087	68,545	11,514	7,166	114,601	75,711
Total Deferred Outflows of Resources	\$ 2,473,249	\$ 3,743,057	\$ 195,793	\$ 177,890	\$ 2,669,042	\$ 3,920,947
Liabilities						
Long-term debt outstanding	\$ 49,366,074	\$ 47,322,242	\$ 3,915,208	\$ 3,929,486	\$ 53,281,282	\$ 51,251,728
Other liabilities	3,078,756	2,481,592	370,275	284,026	3,449,031	2,765,618
Total Liabilities	\$ 52,444,830	\$ 49,803,834	\$ 4,285,483	\$ 4,213,512	\$ 56,730,313	\$ 54,017,346
Deferred Inflows of Resources						
Deferred pension inflows	\$ 2,633,296	\$ 5,910,158	\$ 99,298	\$ 267,898	\$ 2,732,594	\$ 6,178,056
Deferred OPEB inflows	24,435	18,517	2,680	1,935	27,115	20,452
Prepaid taxes	42,318	-	-	-	42,318	-
Prepaid special assessments	255,774	-	-	-	255,774	-
Total Deferred Inflows of Resources	\$ 2,955,823	\$ 5,928,675	\$ 101,978	\$ 269,833	\$ 3,057,801	\$ 6,198,508
Net Position						
Net investment in capital assets	\$ 115,907,513	\$ 122,946,653	\$ 18,244,440	\$ 19,554,739	\$ 134,151,953	\$ 142,501,392
Restricted	4,211,544	8,270,046	387,463	187,540	4,599,007	8,457,586
Unrestricted	8,380,120	273,987	62,860	152,693	8,442,980	426,680
Total Net Position	\$ 128,499,177	\$ 131,490,686	\$ 18,694,763	\$ 19,894,972	\$ 147,193,940	\$ 151,385,658
Change in accounting principle*		119,677				119,677
Prior period adjustment**		17,656				17,656
Total Net Position, as restated		\$ 131,628,019				\$ 151,522,991

*The County implemented GASB Statement No. 84, *Fiduciary Activities*, in the current year.

**Details of the prior period adjustment can be found in Note 1.E.

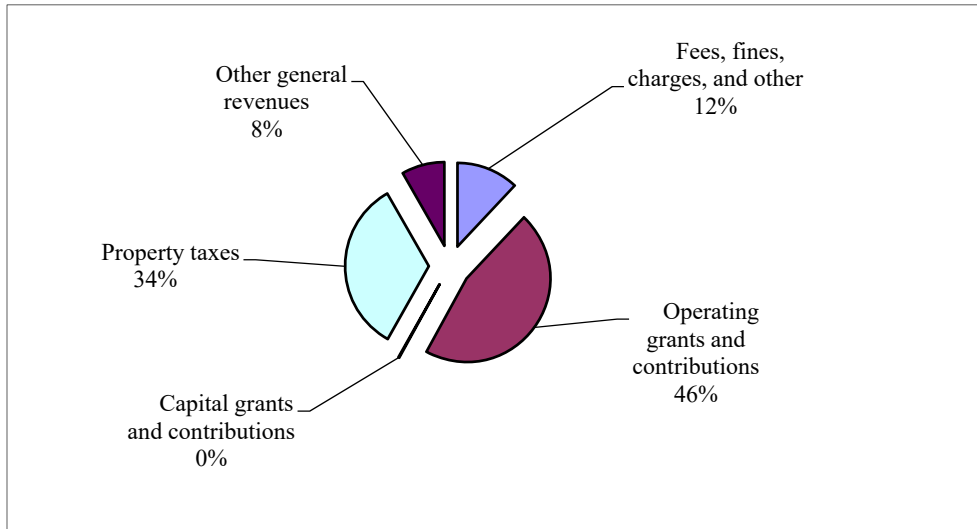
Polk County's total net position for the year ended December 31, 2020, is \$147,193,940. Unrestricted net position totaling \$8,442,980 is available to finance day-to-day operations. Of the unrestricted net position, \$8,380,120 is available for governmental activities, and \$62,860 is available for business-type activities. As of December 31, 2019, Polk County's total net position was \$151,522,991. The \$4,329,051 decrease is due to the decrease in total assets and increase in total liabilities.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues						
Fees, fines charges, and other	\$ 8,385,930	\$ 7,596,144	\$ 6,700,744	\$ 6,351,882	\$ 15,086,674	\$ 13,948,026
Operating grants and contributions	32,128,771	17,802,959	-	22,500	32,128,771	17,825,459
Capital grants and contributions	126,992	6,105,575	-	-	126,992	6,105,575
General revenues						
Property taxes	23,436,142	22,767,613	-	-	23,436,142	22,767,613
Other taxes	1,375,154	1,388,439	-	-	1,375,154	1,388,439
Grants and contributions	3,179,620	2,658,976	60,240	7,758	3,239,860	2,666,734
Other general revenues	1,231,441	1,639,642	22,596	322,303	1,254,037	1,961,945
Total Revenues	\$ 69,864,050	\$ 59,959,348	\$ 6,783,580	\$ 6,704,443	\$ 76,647,630	\$ 66,663,791
Transfers	\$ 333,681	\$ (811,118)	\$ (333,681)	\$ 811,118	\$ -	\$ -
Expenses						
Program expenses						
General Government	\$ 14,381,657	\$ 5,807,942	\$ -	\$ -	\$ 14,381,657	\$ 5,807,942
Public Safety	11,447,657	11,254,380	-	-	11,447,657	11,254,380
Highways and Streets	23,591,771	14,185,080	-	-	23,591,771	14,185,080
Sanitation	2,214,263	2,449,023	-	-	2,214,263	2,449,023
Human Services	15,918,771	16,621,314	-	-	15,918,771	16,621,314
Health	3,062,394	2,944,850	-	-	3,062,394	2,944,850
Culture and Recreation	667,554	665,605	-	-	667,554	665,605
Conservation of Natural Resources	1,029,473	5,062,775	-	-	1,029,473	5,062,775
Economic Development	8,600	8,350	-	-	8,600	8,350
Interest	1,004,433	489,600	-	-	1,004,433	489,600
Resource Recovery	-	-	5,333,433	5,270,712	5,333,433	5,270,712
Landfill	-	-	2,316,675	2,114,479	2,316,675	2,114,479
Total Program Expenses	\$ 73,326,573	\$ 59,488,919	\$ 7,650,108	\$ 7,385,191	\$ 80,976,681	\$ 66,874,110
Increase (Decrease) in Net Position	\$ (3,128,842)	\$ (340,689)	\$ (1,200,209)	\$ 130,370	\$ (4,329,051)	\$ (210,319)

Polk County's total revenues for the year ended December 31, 2020, were \$76,647,630, which is an increase of \$9,983,839 from the total revenues in 2019. The total cost of programs and services for the year ended December 31, 2020, was \$80,976,681, which is an increase of \$14,102,571 from the total cost of programs in 2019. In 2020, the net position for governmental activities decreased by \$3,128,842, and the net position for business-type activities decreased by \$1,200,209, for a total County decrease of \$4,329,051. In 2020, the governmental activities program expenditures increased by \$13,837,654 due mostly to increased project expenses in general government, highways and streets, public safety and health, offset by decreased expenditures in conservation of natural resources and sanitation. Program revenues increased in governmental activities due mostly to a significant increase in operating grants and contributions and partially offset by a decrease in capital grants and contributions. The business-type activities had an increase in total revenues of \$79,137 due mostly to an increase in fees and other charges relative to the prior year.

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



Governmental Activities

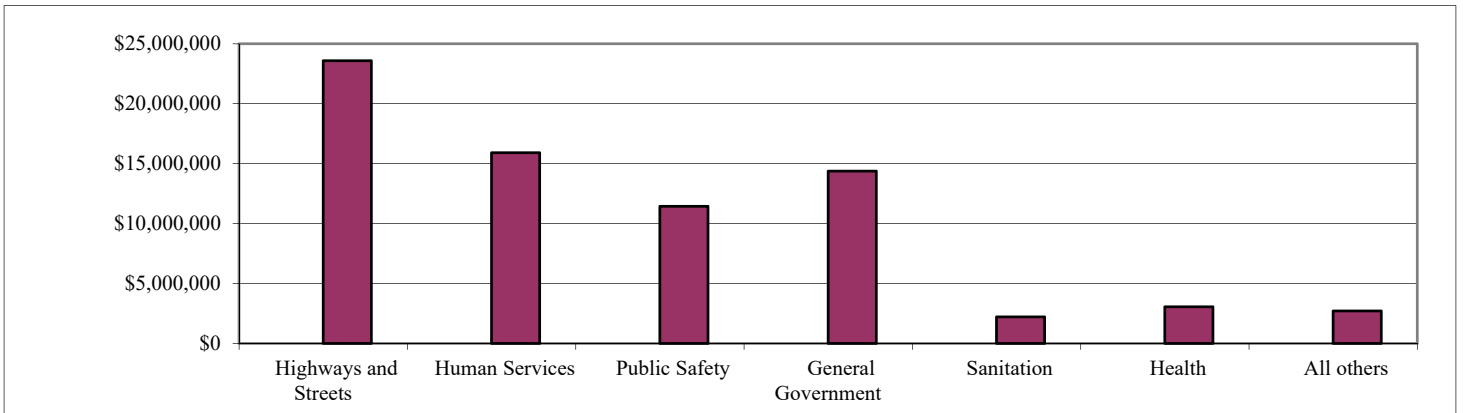
Revenues for Polk County’s governmental activities for the year ended December 31, 2020, were \$69,864,050. Costs for all governmental activities for the year ended December 31, 2020, were \$73,326,573. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$23,436,142, because \$8,385,930 of the costs were paid by those who directly benefited from the programs, and \$32,255,763 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Polk County paid for the remaining “public benefit” portion of governmental activities with \$5,786,215 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Polk County’s six largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2020	Net Cost of Services 2020
Program Expenses		
Highways and Streets	\$ 23,591,771	\$ 7,999,101
Human Services	15,918,771	4,726,563
Public Safety	11,447,657	8,834,536
General Government	14,381,657	9,823,801
Sanitation	2,214,263	(268,488)
Health	3,062,394	290,580
All others	2,710,060	1,278,787
Total Program Expenses	\$ 73,326,573	\$ 32,684,880

**Governmental Activities Expenses
2020**



Business-Type Activities

Revenues of Polk County’s business-type activities (see Table 2) for the year ended December 31, 2020, were \$6,783,580. This compares with total revenues of \$6,704,443 for the year ended December 31, 2019.

Transfers to business-type activities (see Table 2) for the year ended December 31, 2020, were \$0. Transfers to business-type activities were \$811,118 for the year ended December 31, 2019.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2020, were \$7,650,108. This compares with total expenses of \$7,385,191 for the year ended December 31, 2019.

The County's Funds

As Polk County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$33,870,452, which is more than last year's total of \$33,780,986. The increase in fund balance is \$47,867. The overall fund balance change represented a 0.14 percent increase.

As you will note, there were more significant changes within individual funds. Included in this year's total fund balance is the General Fund balance of \$10,559,213, an increase of \$1,629,020 from 2019, due primarily to the sale of bonds for capital improvements. The General Fund balance is classified as either nonspendable – \$479,030, restricted for specific purposes – \$1,055,857, committed for specific purposes – \$502,135, assigned to specific uses – \$296,086, or unassigned – \$8,226,105.

An excess of expenditures over revenues of \$4,473,990, offset partially by capital lease other financing sources of \$313,192, caused a decrease in fund balance of \$4,160,798 in the Road and Bridge Special Revenue Fund. An excess of expenditures over revenues in the Social Services Special Revenue Fund caused a decrease of \$105,552. An excess of revenues over expenditures in the Public Safety Special Revenue Fund caused an increase of \$1,351,742. The fund balance in the Ditch Debt Service Fund had a decrease due to expenditures over revenues of \$1,788,458, offset by other financing sources from bonds issued of \$1,803,753.

General Fund Budgetary Highlights

The Polk County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year. In 2020, the Board of Commissioners did not make any changes to the 2020 budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 17, 2019, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Polk County's General Fund, the actual revenues exceeded the budgeted revenues by \$3,180,244. Total actual expenditures in the General Fund exceeded the budgeted expenditures by \$1,142,445.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, Polk County had \$156,915,707 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net decrease (including additions and deductions) of \$5,113,802, or a 3.2 percent increase, from last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 9,420,570	\$ 9,409,517	\$ 261,118	\$ 261,118	\$ 9,681,688	\$ 9,670,635
Construction in progress	1,500,594	1,944,553	-	24,671	1,500,594	1,969,224
Land improvements	579,608	714,246	60,317	70,007	639,925	784,253
Buildings and improvements	29,716,686	31,015,418	4,678,446	4,872,785	34,395,132	35,888,203
Machinery, furniture, and equipment	5,527,451	4,710,453	12,262,127	12,984,438	17,789,578	17,694,891
Infrastructure	91,703,099	94,428,394	-	-	91,703,099	94,428,394
Landfill	-	-	1,205,691	1,593,909	1,205,691	1,593,909
Totals	\$ 138,448,008	\$ 142,222,581	\$ 18,467,699	\$ 19,806,928	\$ 156,915,707	\$ 162,029,509

During calendar year 2020, Polk County's governmental activities' capital assets, net of depreciation, decreased a total of \$3,774,573. The decrease came in the categories of infrastructure and building improvements, due to depreciation. Road and bridge work in the year was mostly repairs and maintenance with limited new construction. More new construction that does reach the capitalization threshold is scheduled for the coming years.

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

Bonded Debt

As of December 31, 2020, Polk County had \$31,196,827 in bonds and notes outstanding, compared with \$31,514,004 as of December 31, 2019, an increase of 1.0 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Bonds payable						
General obligation bonds	\$ 29,720,000	\$ 30,570,000	\$ -	\$ -	\$ 29,720,000	\$ 30,570,000
Plus: Unamortized premium	1,476,827	944,004	-	-	1,476,827	944,004
Totals	\$ 31,196,827	\$ 31,514,004	\$ -	\$ -	\$ 31,196,827	\$ 31,514,004

The state limits the amount of net debt at three percent of the market value of all taxable property. Polk County's outstanding net debt is significantly below this \$177,678,252 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The County depends on financial resources flowing from, or associated with, both the federal government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- The unemployment rate for Polk County was 4.0 percent as of December 2020. This is slightly higher than the 2019 County rate of 3.9 percent, and lower than the Minnesota statewide December 2020 rate of 4.9 percent and the U.S. rate of 6.5 percent.
- Polk County's population in December 2019 was 31,192, a decrease of 408 since the 2010 census. This ranks Polk County 34th out of the 87 counties in the State of Minnesota.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Polk County programs and services will influence the development of future budgets.
- On December 22, 2020, Polk County set its 2021 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 31,692,392	\$ 1,652,456	\$ 33,344,848
Investments	1,130,358	-	1,130,358
Taxes receivable – delinquent	568,697	-	568,697
Special assessments receivable			
Delinquent	33,154	-	33,154
Noncurrent	3,266,852	-	3,266,852
Accounts receivable	424,348	300,520	724,868
Accrued interest receivable	15,872	-	15,872
Internal balances	(224,202)	224,202	-
Due from other governments	5,253,760	256,706	5,510,466
Inventories	817,342	-	817,342
Restricted assets			
Permanently restricted			
Cash and pooled investments	-	1,984,848	1,984,848
Capital assets			
Non-depreciable	10,921,164	261,118	11,182,282
Depreciable – net of accumulated depreciation	127,526,844	18,206,581	145,733,425
Total Assets	\$ 181,426,581	\$ 22,886,431	\$ 204,313,012
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 2,370,162	\$ 184,279	\$ 2,554,441
Deferred other postemployment benefits outflows	103,087	11,514	114,601
Total Deferred Outflows of Resources	\$ 2,473,249	\$ 195,793	\$ 2,669,042

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Accounts payable	\$ 1,209,785	\$ 226,643	\$ 1,436,428
Salaries payable	741,856	77,092	818,948
Contracts payable	254,172	-	254,172
Due to other governments	497,373	66,540	563,913
Accrued interest payable	375,570	-	375,570
Long-term liabilities			
Due within one year	4,280,851	142,444	4,423,295
Due in more than one year	29,268,722	2,118,747	31,387,469
Other postemployment benefits liability	824,968	71,216	896,184
Net pension liability	14,991,533	1,582,801	16,574,334
Total Liabilities	\$ 52,444,830	\$ 4,285,483	\$ 56,730,313
<u>Deferred Inflows of Resources</u>			
Prepaid taxes	\$ 42,318	\$ -	\$ 42,318
Prepaid special assessments	255,774	-	255,774
Deferred pension inflows	2,633,296	99,298	2,732,594
Deferred other postemployment benefits inflows	24,435	2,680	27,115
Total Deferred Inflows of Resources	\$ 2,955,823	\$ 101,978	\$ 3,057,801
<u>Net Position</u>			
Net investment in capital assets	\$ 115,907,513	\$ 18,244,440	\$ 134,151,953
Restricted for			
General government	317,897	-	317,897
Public safety	472,807	-	472,807
Highways and streets	1,007,316	-	1,007,316
Economic development	622,143	-	622,143
Closure/postclosure	-	387,463	387,463
Conservation of natural resources	1,583,405	-	1,583,405
Debt service	192,275	-	192,275
Held in trust for other purposes	15,701	-	15,701
Unrestricted	8,380,120	62,860	8,442,980
Total Net Position	\$ 128,499,177	\$ 18,694,763	\$ 147,193,940

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary Government		
Governmental activities		
General government	\$ 14,381,657	\$ 1,080,436
Public safety	11,447,657	1,468,710
Highways and streets	23,591,771	722,096
Sanitation	2,214,263	2,092,438
Human services	15,918,771	1,269,401
Health	3,062,394	723,820
Culture and recreation	667,554	146,071
Conservation of natural resources	1,029,473	882,958
Economic development	8,600	-
Interest	1,004,433	-
	\$ 73,326,573	\$ 8,385,930
Total governmental activities		
Business-type activities		
Resource Recovery	\$ 5,333,433	\$ 4,188,333
Landfill	2,316,675	2,512,411
	\$ 7,650,108	\$ 6,700,744
Total business-type activities		
	\$ 80,976,681	\$ 15,086,674
Total Primary Government		

General Revenues

Property taxes
Taxes – other
Grants and contributions not restricted to
specific programs
Payments in lieu of tax
Investment earnings
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position – Beginning, as restated (Note 1.E)

Net Position – Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 3,477,420	\$ -	\$ (9,823,801)	\$ -	\$ (9,823,801)
1,144,411	-	(8,834,536)	-	(8,834,536)
14,870,574	-	(7,999,101)	-	(7,999,101)
263,321	126,992	268,488	-	268,488
9,922,807	-	(4,726,563)	-	(4,726,563)
2,047,994	-	(290,580)	-	(290,580)
89,902	-	(431,581)	-	(431,581)
312,342	-	165,827	-	165,827
-	-	(8,600)	-	(8,600)
-	-	(1,004,433)	-	(1,004,433)
\$ 32,128,771	\$ 126,992	\$ (32,684,880)	\$ -	\$ (32,684,880)
\$ -	\$ -	\$ -	\$ (1,145,100)	\$ (1,145,100)
-	-	-	195,736	195,736
\$ -	\$ -	\$ -	\$ (949,364)	\$ (949,364)
\$ 32,128,771	\$ 126,992	\$ (32,684,880)	\$ (949,364)	\$ (33,634,244)
		\$ 23,436,142	\$ -	\$ 23,436,142
		1,375,154	-	1,375,154
		3,179,620	60,240	3,239,860
		244,196	-	244,196
		223,446	22,596	246,042
		763,799	-	763,799
		333,681	(333,681)	-
		\$ 29,556,038	\$ (250,845)	\$ 29,305,193
		\$ (3,128,842)	\$ (1,200,209)	\$ (4,329,051)
		131,628,019	19,894,972	151,522,991
		\$ 128,499,177	\$ 18,694,763	\$ 147,193,940

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge	Social Services
<u>Assets</u>			
Cash and pooled investments	\$ 9,635,189	\$ 6,100,452	\$ 4,638,853
Petty cash and change funds	3,850	-	-
Investments	176,818	-	-
Taxes receivable – delinquent	523,330	12,988	26,820
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts receivable	36,030	108	136,278
Accrued interest receivable	4,169	-	-
Due from other funds	96,770	115,997	-
Due from other governments	814,379	1,578,762	2,232,246
Advance to other funds	463,329	-	-
Inventories	-	817,342	-
	\$ 11,753,864	\$ 8,625,649	\$ 7,034,197
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 155,733	\$ 517,470	\$ 246,808
Salaries payable	194,439	76,742	236,608
Contracts payable	72,598	181,574	-
Due to other funds	128,799	1,474	123,334
Due to other governments	258,195	1,549	107,094
Advance from other funds	-	-	-
	\$ 809,764	\$ 778,809	\$ 713,844
 Deferred Inflows of Resources			
Unavailable revenue	\$ 367,157	\$ 674,014	\$ 1,401,538
Prepaid taxes	11,030	4,196	9,711
Prepaid special assessments	6,700	-	-
	\$ 384,887	\$ 678,210	\$ 1,411,249

EXHIBIT 3

<u>Public Safety</u>	<u>Ditch Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,514,926	\$ 978,545	\$ -	\$ 4,819,557	\$ 31,687,522
250	-	-	770	4,870
98,225	511,226	-	344,089	1,130,358
-	-	-	5,559	568,697
-	11,549	-	21,605	33,154
-	3,040,642	-	226,210	3,266,852
9,264	-	-	242,668	424,348
-	-	-	11,703	15,872
-	-	-	1,347,813	1,560,580
49,492	-	126,992	413,270	5,215,141
-	-	-	-	463,329
-	-	-	-	817,342
<u>\$ 5,672,157</u>	<u>\$ 4,541,962</u>	<u>\$ 126,992</u>	<u>\$ 7,433,244</u>	<u>\$ 45,188,065</u>
\$ 77,337	\$ -	\$ 101,963	\$ 110,474	\$ 1,209,785
120,206	-	-	113,861	741,856
-	-	-	-	254,172
9,417	-	1,201,505	281,631	1,746,160
1,735	-	94,550	34,250	497,373
-	7,855	-	455,477	463,332
<u>\$ 208,695</u>	<u>\$ 7,855</u>	<u>\$ 1,398,018</u>	<u>\$ 995,693</u>	<u>\$ 4,912,678</u>
\$ -	\$ 3,042,817	\$ 126,992	\$ 494,325	\$ 6,106,843
14,620	-	-	2,761	42,318
-	249,074	-	-	255,774
<u>\$ 14,620</u>	<u>\$ 3,291,891</u>	<u>\$ 126,992</u>	<u>\$ 497,086</u>	<u>\$ 6,404,935</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)</u>			
Fund Balances			
Nonspendable			
Inventories	\$ -	\$ 817,342	\$ -
Advances to other funds	463,329	-	-
Missing heirs	15,701	-	-
Restricted			
Debt service	115,817	-	-
DARE	-	-	-
Ditch maintenance and construction	-	-	-
Aquatic species	-	-	-
Buffer enforcement	-	-	-
Dive rescue team	-	-	-
Drug task force	-	-	-
Project lifesavers	-	-	-
DWI forfeitures	-	-	-
Civil process fees	-	-	-
E-911	-	-	-
Economic development	622,143	-	-
Gravel pit restoration	-	365,742	-
Administering the carrying of weapons	-	-	-
Law library	58,463	-	-
Recorder's compliance	124,206	-	-
Recorder's technology equipment	135,228	-	-
Committed			
Insurance	502,135	-	-
Assigned			
Forfeited tax sales	296,086	-	-
Public safety	-	-	-
Highways and streets	-	5,985,546	-
Human services	-	-	4,909,104
Health	-	-	-
Sanitation	-	-	-
Culture and recreation	-	-	-
Unassigned	8,226,105	-	-
Total Fund Balances	\$ 10,559,213	\$ 7,168,630	\$ 4,909,104
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 11,753,864	\$ 8,625,649	\$ 7,034,197

EXHIBIT 3
(Continued)

<u>Public Safety</u>	<u>Ditch Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 817,342
-	-	-	-	463,329
-	-	-	-	15,701
-	1,252,629	-	192,275	1,560,721
4,347	-	-	-	4,347
-	-	-	1,057,357	1,057,357
-	-	-	87,845	87,845
-	-	-	438,203	438,203
1,538	-	-	-	1,538
661	-	-	-	661
817	-	-	-	817
36,786	-	-	-	36,786
44,086	-	-	-	44,086
221,992	-	-	-	221,992
-	-	-	-	622,143
-	-	-	-	365,742
162,580	-	-	-	162,580
-	-	-	-	58,463
-	-	-	-	124,206
-	-	-	-	135,228
-	-	-	-	502,135
-	-	-	-	296,086
4,976,035	-	-	-	4,976,035
-	-	-	-	5,985,546
-	-	-	-	4,909,104
-	-	-	1,593,199	1,593,199
-	-	-	2,990,622	2,990,622
-	-	-	16,012	16,012
-	(10,413)	(1,398,018)	(435,048)	6,382,626
<u>\$ 5,448,842</u>	<u>\$ 1,242,216</u>	<u>\$ (1,398,018)</u>	<u>\$ 5,940,465</u>	<u>\$ 33,870,452</u>
<u>\$ 5,672,157</u>	<u>\$ 4,541,962</u>	<u>\$ 126,992</u>	<u>\$ 7,433,244</u>	<u>\$ 45,188,065</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Fund balances – total governmental funds (Exhibit 3)	\$	33,870,452
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		138,448,008
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		6,106,843
Deferred outflows of resources resulting from pension and other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.		2,473,249
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	\$ (29,720,000)	
Other postemployment benefits liability	(824,968)	
Bond premiums	(1,476,827)	
Capital leases	(673,350)	
Accrued interest payable	(375,570)	
Compensated absences	(1,679,396)	
Net pension liability	<u>(14,991,533)</u>	(49,741,644)
Deferred inflows resulting from pension and other postemployment obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(2,657,731)</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u>128,499,177</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Road and Bridge	Social Services
Revenues			
Taxes	\$ 5,902,165	\$ 3,474,409	\$ 5,389,959
Special assessments	-	-	-
Licenses and permits	4,955	56,570	-
Intergovernmental	6,230,797	14,424,856	8,988,041
Charges for services	920,914	79,516	996,020
Fines and forfeits	9,562	-	-
Investment earnings	277,599	-	71
Gifts and contributions	-	-	481
Miscellaneous	547,373	585,787	272,900
	\$ 13,893,365	\$ 18,621,138	\$ 15,647,472
Expenditures			
Current			
General government	\$ 13,005,490	\$ -	\$ -
Public safety	192,385	-	-
Highways and streets	-	20,241,326	-
Sanitation	-	-	-
Human services	-	-	15,775,207
Health	7,315	-	-
Culture and recreation	299,591	-	-
Conservation of natural resources	440,684	-	-
Economic development	8,600	-	-
Intergovernmental			
Highways and streets	-	1,427,929	-
Debt service			
Principal	1,332,390	1,124,269	12,307
Interest	241,667	301,604	2,430
Bond issuance costs	40,338	-	-
	\$ 15,568,460	\$ 23,095,128	\$ 15,789,944
Excess of Revenues Over (Under) Expenditures	\$ (1,675,095)	\$ (4,473,990)	\$ (142,472)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(16,557)	-	-
Capital lease	177,703	313,192	36,920
Bonds issued	2,515,000	-	-
Premium on bonds issued	627,969	-	-
	\$ 3,304,115	\$ 313,192	\$ 36,920
Net Change in Fund Balance	\$ 1,629,020	\$ (4,160,798)	\$ (105,552)
Fund Balance – January 1, as restated (Note 1.E)	8,930,193	11,263,422	5,014,656
Increase (decrease) in inventories	-	66,006	-
Fund Balance – December 31	\$ 10,559,213	\$ 7,168,630	\$ 4,909,104

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

EXHIBIT 5

Public Safety	Ditch Debt Service	Capital Projects	Other Governmental Funds	Total
\$ 8,415,789	\$ -	\$ -	\$ 1,552,148	\$ 24,734,470
-	539,429	-	189,610	729,039
-	-	-	56,125	117,650
1,507,269	-	222,506	2,930,741	34,304,210
372,098	-	-	2,712,690	5,081,238
4,588	-	-	-	14,150
1,856	2,799	-	788	283,113
6,252	-	-	-	6,733
1,512,380	337,638	-	56,267	3,312,345
\$ 11,820,232	\$ 879,866	\$ 222,506	\$ 7,498,369	\$ 68,582,948
\$ -	\$ -	\$ -	\$ 450,765	\$ 13,456,255
10,638,150	-	-	-	10,830,535
-	-	-	-	20,241,326
-	-	185,440	1,943,092	2,128,532
-	-	-	-	15,775,207
-	-	-	3,065,211	3,072,526
-	-	-	274,020	573,611
-	39,024	-	501,709	981,417
-	-	-	-	8,600
-	-	-	-	1,427,929
39,509	2,305,000	275,000	86,235	5,174,710
8,706	283,634	182,350	4,560	1,024,951
-	40,666	-	-	81,004
\$ 10,686,365	\$ 2,668,324	\$ 642,790	\$ 6,325,592	\$ 74,776,603
\$ 1,133,867	\$ (1,788,458)	\$ (420,284)	\$ 1,172,777	\$ (6,193,655)
\$ 16,557	\$ -	\$ 490,000	\$ -	\$ 506,557
-	-	-	(140,000)	(156,557)
201,318	-	-	53,927	783,060
-	1,700,000	-	-	4,215,000
-	103,753	-	-	731,722
\$ 217,875	\$ 1,803,753	\$ 490,000	\$ (86,073)	\$ 6,079,782
\$ 1,351,742	\$ 15,295	\$ 69,716	\$ 1,086,704	\$ (113,873)
4,097,100	1,226,921	(1,467,734)	4,853,761	33,918,319
-	-	-	-	66,006
\$ 5,448,842	\$ 1,242,216	\$ (1,398,018)	\$ 5,940,465	\$ 33,870,452

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

Net change in fund balance – total governmental funds (Exhibit 5) \$ (113,873)

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred inflows of resources – December 31	\$ 6,106,843	
Deferred inflows of resources – January 1	<u>(5,217,769)</u>	889,074

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 3,146,528	
Current year depreciation	<u>(6,921,101)</u>	(3,774,573)

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

Proceeds of new debt		
General obligation bonds issued	\$ (4,215,000)	
Capital lease	(783,060)	
Premium on bonds issued	<u>(731,722)</u>	(5,729,782)

Principal repayments		
General obligation bonds	\$ 5,065,000	
Capital lease	<u>109,710</u>	5,174,710

**POLK COUNTY
CROOKSTON, MINNESOTA**

***EXHIBIT 6
(Continued)***

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	\$	(152,780)	
Change in compensated absences		(247,565)	
Change in other postemployment benefits liability		(22,640)	
Change in net pension liability		(1,417,454)	
Change in deferred pension outflows		(1,304,350)	
Change in deferred pension inflows		3,276,862	
Change in deferred other postemployment benefits outflows		34,542	
Change in deferred other postemployment benefits inflows		(5,918)	
Change in unamortized premiums on general obligation bonds		198,899	
Change in inventories		66,006	425,602
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ (3,128,842)</u></u>

PROPRIETARY FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2020**

	Resource Recovery	Landfill	Totals
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ -	\$ 1,652,256	\$ 1,652,256
Petty cash and change funds	-	200	200
Accounts receivable	249,635	50,885	300,520
Due from other funds	231,957	66,411	298,368
Due from other governments	162,806	93,900	256,706
Advance to other funds	-	175,402	175,402
Total current assets	\$ 644,398	\$ 2,039,054	\$ 2,683,452
Restricted assets			
Cash and pooled investments	\$ -	\$ 1,984,848	\$ 1,984,848
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 11,085	\$ 250,033	\$ 261,118
Depreciable – net	14,949,621	3,256,960	18,206,581
Total noncurrent assets	\$ 14,960,706	\$ 3,506,993	\$ 18,467,699
Total Assets	\$ 15,605,104	\$ 7,530,895	\$ 23,135,999
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 166,159	\$ 18,120	\$ 184,279
Deferred other postemployment benefits outflows	10,075	1,439	11,514
Total Deferred Outflows of Resources	\$ 176,234	\$ 19,559	\$ 195,793

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2020**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 145,359	\$ 81,284	\$ 226,643
Salaries payable	68,302	8,790	77,092
Compensated absences payable	97,956	14,852	112,808
Due to other funds	45,716	28,450	74,166
Due to other governments	64,986	1,554	66,540
Capital leases payable	-	29,636	29,636
Total current liabilities	\$ 422,319	\$ 164,566	\$ 586,885
Noncurrent liabilities			
Compensated absences payable	\$ 275,434	\$ 48,381	\$ 323,815
Advance from other funds	175,402	-	175,402
Capital leases payable	-	193,623	193,623
Closure care costs payable	-	654,686	654,686
Postclosure care costs payable	-	678,665	678,665
Contingency costs payable	-	267,958	267,958
Other postemployment benefits liability	65,222	5,994	71,216
Net pension liability	1,366,965	215,836	1,582,801
Total noncurrent liabilities	\$ 1,883,023	\$ 2,065,143	\$ 3,948,166
Total Liabilities	\$ 2,305,342	\$ 2,229,709	\$ 4,535,051
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	\$ 63,441	\$ 35,857	\$ 99,298
Deferred other postemployment benefits inflows	2,339	341	2,680
Total Deferred Inflows of Resources	\$ 65,780	\$ 36,198	\$ 101,978
<u>Net Position</u>			
Net investment in capital assets	\$ 14,960,706	\$ 3,283,734	\$ 18,244,440
Restricted for postclosure care costs	-	387,463	387,463
Unrestricted	(1,550,490)	1,613,350	62,860
Total Net Position	\$ 13,410,216	\$ 5,284,547	\$ 18,694,763

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Resource Recovery	Landfill	Totals
Operating Revenues			
Charges for services	\$ 3,559,335	\$ 2,498,987	\$ 6,058,322
Miscellaneous	628,998	13,424	642,422
Total Operating Revenues	\$ 4,188,333	\$ 2,512,411	\$ 6,700,744
Operating Expenses			
Personnel services	\$ 2,149,604	\$ 444,432	\$ 2,594,036
Other services and charges	388,904	1,146,658	1,535,562
Supplies	383,815	9,957	393,772
Utilities	685,934	12,403	698,337
Repairs and maintenance	192,819	-	192,819
Transportation and disposal	302,451	105,059	407,510
Asset purchases	29,674	20,717	50,391
Closure/postclosure/contingency	-	(109,503)	(109,503)
Depreciation	1,200,232	680,082	1,880,314
Total Operating Expenses	\$ 5,333,433	\$ 2,309,805	\$ 7,643,238
Operating Income (Loss)	\$ (1,145,100)	\$ 202,606	\$ (942,494)
Nonoperating Revenues (Expenses)			
Intergovernmental	\$ 38,492	\$ 21,748	\$ 60,240
Interest income restricted for sanitation	9,816	12,780	22,596
Interest expense	-	(6,870)	(6,870)
Total Nonoperating Revenues (Expenses)	\$ 48,308	\$ 27,658	\$ 75,966
Income (loss) before contributions and transfers	\$ (1,096,792)	\$ 230,264	\$ (866,528)
Capital contributions	16,319	-	16,319
Transfers in	764,967	-	764,967
Transfers out	(280,000)	(834,967)	(1,114,967)
Change in Net Position	\$ (595,506)	\$ (604,703)	\$ (1,200,209)
Net Position – January 1	14,005,722	5,889,250	19,894,972
Net Position – December 31	\$ 13,410,216	\$ 5,284,547	\$ 18,694,763

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

	Resource Recovery	Landfill	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 4,031,081	\$ 2,544,430	\$ 6,575,511
Payments to suppliers	(1,953,657)	(1,306,345)	(3,260,002)
Payments to employees	(2,220,731)	(410,266)	(2,630,997)
	\$ (143,307)	\$ 827,819	\$ 684,512
Cash Flows from Noncapital Financing Activities			
Intergovernmental	\$ 38,492	\$ 21,748	\$ 60,240
Transfers in	764,967	-	764,967
Transfers out	(280,000)	(834,967)	(1,114,967)
	\$ 523,459	\$ (813,219)	\$ (289,760)
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	\$ -	\$ (28,931)	\$ (28,931)
Interest paid on long-term debt	-	(6,870)	(6,870)
Purchases of capital assets	(392,216)	(128,100)	(520,316)
	\$ (392,216)	\$ (163,901)	\$ (556,117)
Cash Flows from Investing Activities			
Investment earnings received	\$ 12,064	\$ 12,780	\$ 24,844
Accrued interest	-	-	-
	\$ 12,064	\$ 12,780	\$ 24,844
Net Increase (Decrease) in Cash and Cash Equivalents	\$ -	\$ (136,521)	\$ (136,521)
Cash and Cash Equivalents at January 1	-	3,773,825	3,773,825
Cash and Cash Equivalents at December 31	\$ -	\$ 3,637,304	\$ 3,637,304
Cash and Cash Equivalents – Exhibit 7			
Cash and pooled investments	\$ -	\$ 1,652,256	\$ 1,652,256
Petty cash and change funds	-	200	200
Restricted cash and pooled investments	-	1,984,848	1,984,848
	\$ -	\$ 3,637,304	\$ 3,637,304
Total Cash and Cash Equivalents	\$ -	\$ 3,637,304	\$ 3,637,304

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

	Resource Recovery	Landfill	Totals
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (1,145,100)	\$ 202,606	\$ (942,494)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 1,200,232	\$ 680,082	\$ 1,880,314
(Increase) decrease in accounts receivable	(114,283)	(27,650)	(141,933)
(Increase) decrease in interest receivable	-	19,623	19,623
(Increase) decrease in due from other governments	(38,455)	42,892	4,437
(Increase) decrease in due from other funds	(4,514)	(2,846)	(7,360)
(Increase) decrease in deferred pension outflows	(21,579)	8,024	(13,555)
(Increase) decrease in deferred other postemployment benefits outflows	(3,865)	(483)	(4,348)
Increase (decrease) in accounts payable	56,938	(12,482)	44,456
Increase (decrease) in salaries payable	15,941	8,700	24,641
Increase (decrease) in compensated absences – current	20,193	3,064	23,257
Increase (decrease) in due to other funds	(39,251)	482	(38,769)
Increase (decrease) in due to other governments	12,253	449	12,702
Increase (decrease) in compensated absences – long-term	(79,762)	(15,790)	(95,552)
Increase (decrease) in other postemployment benefits liability	2,533	317	2,850
Increase (decrease) in net pension liability	160,808	32,793	193,601
Increase (decrease) in deferred pension inflows	(166,058)	(2,542)	(168,600)
Increase (decrease) in deferred other postemployment benefits inflows	662	83	745
Increase (decrease) in landfill closure/postclosure care costs	-	(109,503)	(109,503)
Total adjustments	\$ 1,001,793	\$ 625,213	\$ 1,627,006
Net Cash Provided by (Used in) Operating Activities	\$ (143,307)	\$ 827,819	\$ 684,512
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets from Capital Projects Fund to Resource Recovery Fund	\$ 16,319	\$ -	

FIDUCIARY FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 73,500	\$ 3,237,167
Taxes receivable for other governments	-	1,180,705
Accounts receivable	-	117,040
Due from other governments	-	399,099
	\$ 73,500	\$ 4,934,011
<u>Liabilities</u>		
Due to other funds	\$ -	\$ 38,622
Due to other governments	-	1,801,346
Due to others	95	66,132
	\$ 95	\$ 1,906,100
<u>Net Position</u>		
Restricted for Individuals, organizations, other governments	\$ 73,405	\$ 3,027,911

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	\$ 75,519	\$ 628,322
Investment earnings		
Interest, dividends, and other	-	6,301
Property tax collections for other governments	-	33,071,742
Grants received	-	2,313,514
Contributions from participants	-	3,600
Fees collected for services	-	11,279,477
License and fees collected for state	-	519,876
	\$ 75,519	\$ 47,822,832
Deductions		
Beneficiary payments to individuals	\$ 26,167	\$ -
Payments of property tax to other governments	-	29,867,651
Payments to other entities	-	46,246
Payments to state	-	4,866,902
Grant payments	-	115,516
Administrative expense	-	10,515,436
Distributions to participants	-	2,575,047
	\$ 26,167	\$ 47,986,798
Change in net position	\$ 49,352	\$ (163,966)
Net Position – January 1, as restated (Note 1.E)	24,053	3,191,877
Net Position – December 31	\$ 73,405	\$ 3,027,911

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Polk County was established January 20, 1858, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures, Jointly-Governed Organizations, and Related Organizations

The County participates in several joint ventures described in Note 7.B. The County also participates in the jointly-governed organizations and related organizations described in Notes 7.C and 7.D, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways. Revenues include property taxes, intergovernmental assistance, and charges for services.

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

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

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

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

The County reports the following major enterprise funds:

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund types:

The Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that the County acts on behalf of individuals as representative payee.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Shared revenues are generally recognized in the period the appropriation goes into effect. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Polk County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2020, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Landfill and Resource Recovery Enterprise Funds. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2020 were \$140,719.

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

3. Receivables and Payables

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

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

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable delinquent. No provision has been made for an estimated uncollectible amount.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments, payable in the years 2011 through 2020, and noncurrent special assessments payable in 2021 and after. No provision has been made for an estimated uncollectible amount.

5. Inventories and Prepaid Items

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Inventories and Prepaid Items (Continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

6. Restricted Assets

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

7. Capital Assets

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

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

The County landfill is depreciated based on capacity used.

8. Unearned Revenue

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

9. Compensated Absences

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are immediately expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. In both governmental and proprietary funds, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures/expenses.

11. Pension Plan

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

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

13. Classification of Net Position

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

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

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

14. Classification of Fund Balances

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

Nonspendable – amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items not expected to be converted to cash.

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

Committed – amounts that can be used for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

Assigned – amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Administrator and/or County Finance Director, as delegated by the County Board.

Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

15. Minimum Fund Balance

Polk County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Polk County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than six months of the General Fund operating expenditures. At December 31, 2020, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Restatement of Net Position

1. Change in Accounting Principles

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by adding cash and revenue to the General Fund and Ditch Debt Service Fund and the governmental activities that relate to the County's own source revenue, recording the Social Welfare Private-Purpose Trust Fund that was not previously reported, and including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

The effect of the restatements on net position and fund balance is disclosed in Note 1.E.3.

2. Prior Period Adjustment

The January 1, 2020, governmental activities and Capital Projects Fund net position/fund balance were increased by \$17,656 to correct prior year payables that were overstated in the Capital Projects Fund.

The effect of the restatements on net position and fund balance is disclosed in Note 1.E.3.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Net Position (Continued)

3. Restatement of Fund Balance/Net Position

Restatements of fund balance/net position are as follows:

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Ditch Debt Service Fund</u>
Net Position/Fund Balance January 1, 2020, as previously reported	\$ 131,490,686	\$ 8,813,644	\$ 1,223,793
Change in accounting principles	119,677	116,549	3,128
Prior period adjustment	<u>17,656</u>	<u>-</u>	<u>-</u>
Net Position/Fund Balance, January 1, 2020, as restated	<u>\$ 131,628,019</u>	<u>\$ 8,930,193</u>	<u>\$ 1,226,921</u>
	<u>Capital Projects Fund</u>	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
Net Position/Fund Balance January 1, 2020, as previously reported	\$ (1,485,390)	\$ -	\$ -
Change in accounting principles	-	24,053	3,191,877
Prior period adjustment	<u>17,656</u>	<u>-</u>	<u>-</u>
Net Position/Fund Balance, January 1, 2020, as restated	<u>\$ (1,467,734)</u>	<u>\$ 24,053</u>	<u>\$ 3,191,877</u>

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Capital Projects Fund

The Capital Projects Fund had a deficit fund balance of \$1,398,018. The fund balance deficit will be eliminated with the closeout of the related project.

**POLK COUNTY
CROOKSTON, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Ditch Fund Deficits

Of 180 drainage systems, 46 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the County Ditch Special Revenue Fund and the Ditch Debt Service Fund as of December 31, 2020:

	Ditch Special Revenue	Ditch Debt Service
Ditches with positive fund balances	\$ 1,057,357	\$ 1,252,629
Ditches with deficit fund balances	(435,048)	(10,413)
Total Fund Balances	\$ 622,309	\$ 1,242,216

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental and business-type activities totals		
Cash and pooled investments	\$	33,344,848
Investments		1,130,358
Restricted assets		
Cash and pooled investments		1,984,848
Fiduciary assets		
Cash and pooled investments		
Fiduciary funds		3,310,667
Total Cash and Investments	\$	39,770,721
Deposits	\$	13,259,038
Petty cash and change funds		5,070
Investments		26,506,613
Total Cash and Investments	\$	39,770,721

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to obtain collateral or bond for all uninsured amounts on deposit. As of December 31, 2020, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County invests only in securities that meet the ratings requirements set by state statute. At December 31, 2020, the County's investments were in an external investment pool and, therefore, not subject to credit risk disclosure.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2020, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. At December 31, 2020, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2020, the County had recurring fair value measurements discussed as follows.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments

Fair Value Measurement (Continued)

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

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical. At December 31, 2020, the County had \$26,506,613 invested in the MAGIC Portfolio.

2. Receivables

Receivables as of December 31, 2020, 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	\$ 568,697	\$ -
Special assessments	3,300,006	3,266,852
Accounts	424,348	-
Interest	15,872	-
Due from other governments	5,253,760	-
Total Governmental Activities	\$ 9,562,683	\$ 3,266,852

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

2. Receivables (Continued)

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Business-Type Activities		
Accounts	\$ 300,520	\$ -
Due from other governments	256,706	-
Total Business-Type Activities	\$ 557,226	\$ -

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2020, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 9,409,517	\$ 16,257	\$ 5,204	\$ 9,420,570
Construction in progress	1,944,553	335,199	779,158	1,500,594
Total capital assets not depreciated	\$ 11,354,070	\$ 351,456	\$ 784,362	\$ 10,921,164
Capital assets depreciated				
Land improvements	\$ 2,128,635	\$ -	\$ -	\$ 2,128,635
Buildings and improvements	49,980,594	729,072	-	50,709,666
Machinery, furniture, and equipment	15,957,855	2,488,985	1,277,818	17,169,022
Infrastructure	157,520,019	361,377	-	157,881,396
Total capital assets depreciated	\$ 225,587,103	\$ 3,579,434	\$ 1,277,818	\$ 227,888,719

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Land improvements	\$ 1,414,389	\$ 134,638	\$ -	\$ 1,549,027
Buildings and improvements	18,965,176	2,027,804	-	20,992,980
Machinery, furniture, and equipment	11,247,402	1,671,987	1,277,818	11,641,571
Infrastructure	63,091,625	3,086,672	-	66,178,297
Total accumulated depreciation	<u>\$ 94,718,592</u>	<u>\$ 6,921,101</u>	<u>\$ 1,277,818</u>	<u>\$ 100,361,875</u>
Total capital assets depreciated, net	<u>\$ 130,868,511</u>	<u>\$ (3,341,667)</u>	<u>\$ -</u>	<u>\$ 127,526,844</u>
Governmental Activities Capital Assets, Net	<u>\$ 142,222,581</u>	<u>\$ (2,990,211)</u>	<u>\$ 784,362</u>	<u>\$ 138,448,008</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 261,118	\$ -	\$ -	\$ 261,118
Construction in progress	24,671	-	24,671	-
Total capital assets not depreciated	<u>\$ 285,789</u>	<u>\$ -</u>	<u>\$ 24,671</u>	<u>\$ 261,118</u>
Capital assets depreciated				
Buildings and improvements	\$ 8,117,941	\$ 15,198	\$ -	\$ 8,133,139
Landfill	6,384,945	29,197	-	6,414,142
Machinery, furniture, and equipment	25,321,562	521,361	-	25,842,923
Improvements other than buildings	324,342	-	-	324,342
Total capital assets depreciated	<u>\$ 40,148,790</u>	<u>\$ 565,756</u>	<u>\$ -</u>	<u>\$ 40,714,546</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,245,156	\$ 209,537	\$ -	\$ 3,454,693
Landfill	4,791,036	417,415	-	5,208,451
Machinery, furniture, and equipment	12,337,124	1,243,672	-	13,580,796
Improvements other than buildings	254,335	9,690	-	264,025
 Total accumulated depreciation	 \$ 20,627,651	 \$ 1,880,314	 \$ -	 \$ 22,507,965
 Total capital assets depreciated, net	 \$ 19,521,139	 \$ (1,314,558)	 \$ -	 \$ 18,206,581
 Business-Type Activities Capital Assets, Net	 \$ 19,806,928	 \$ (1,314,558)	 \$ 24,671	 \$ 18,467,699

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

Governmental Activities	
General government	\$ 1,379,325
Public safety	949,353
Highways and streets, including depreciation of infrastructure assets	4,069,496
Human services	118,865
Health	802
Culture and recreation	94,045
Sanitation	295,404
Conservation of natural resources	13,811
Total Depreciation Expense – Governmental Activities	\$ 6,921,101
 Business-Type Activities	
Resource Recovery	\$ 1,200,232
Landfill	680,082
Total Depreciation Expense – Business-Type Activities	\$ 1,880,314

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2020, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Road and Bridge Special Revenue Fund	\$ 1,467
	Social Services Special Revenue Fund	56,681
	Tax and Penalties Custodial Fund	38,622
	Total due to General Fund	\$ 96,770
Road and Bridge Special Revenue Fund	General Fund	\$ 105,041
	Public Safety Special Revenue Fund	9,417
	Environmental Services Special Revenue Fund	1,258
	Landfill Enterprise Fund	281
	Total due to Road and Bridge Special Revenue Fund	\$ 115,997
Public Health Special Revenue Fund	Social Services Special Revenue Fund	\$ 66,653
Agassiz Regional Library Special Revenue Fund	General Fund	\$ 5,577
Environmental Services Special Revenue Fund	General Fund	\$ 186
	Road and Bridge Special Revenue Fund	7
	Capital Projects Fund	1,201,505
	Resource Recovery Enterprise Fund	45,716
	Landfill Enterprise Fund	28,169
Total due to Environmental Services Special Revenue Fund	\$ 1,275,583	
Resource Recovery Enterprise Fund	General Fund	\$ 120
	Environmental Services Special Revenue Fund	231,837
Total due to Resource Recovery Enterprise Fund	\$ 231,957	
Landfill Enterprise Fund	General Fund	\$ 17,875
	Environmental Services Special Revenue Fund	48,536
Total due to Landfill Enterprise Fund	\$ 66,411	
Total Due To/From Other Funds	\$ 1,858,948	

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

1. Due To/From Other Funds (Continued)

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ditch Debt Service Fund	\$ 7,855
	Ditch Special Revenue Fund	436,076
	Union Lake/Lake Sarah Debt Service Fund	<u>19,401</u>
Total advances from General Fund		\$ 463,329
Landfill Enterprise Fund	Resource Recovery Enterprise Fund	<u>175,402</u>
Total Advances From/To Other Funds		<u>\$ 638,731</u>

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

Transfer to Public Safety Special Revenue Fund from General Fund	\$ 16,557	To transfer insurance payments
Transfer to Capital Projects Fund from Environmental Services Special Revenue Fund	140,000	To transfer bond payments
Transfer to Capital Projects Fund from Resource Recovery Enterprise Fund	280,000	To transfer bond payments
Transfer to Capital Projects Fund from Landfill Enterprise Fund	70,000	To transfer bond payments
Transfer to Resource Recovery Fund from Landfill Enterprise Fund	<u>764,967</u>	To cover cash deficit
Total	<u>\$ 1,271,524</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2020, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 1,209,785	\$ 226,643
Salaries	741,856	77,092
Contracts	254,172	-
Due to other governments	497,373	66,540
Interest	<u>375,570</u>	<u>-</u>
Total Payables	<u>\$ 3,078,756</u>	<u>\$ 370,275</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Capital Leases

Governmental Activities

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Payments on these lease agreements are made from the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, and the Environmental Services Special Revenue Fund. These capital leases consist of the following at December 31, 2020:

Lease	Maturity	Installment	Payment Amount	Original	Balance
2020 Nissan Rogue	2022	Monthly	\$ 513	\$ 18,460	\$ 12,307
2020 Nissan Rogue	2022	Monthly	513	18,460	12,307
2020 Chevrolet Silverado	2025	Monthly	359	21,566	17,972
2020 Chevrolet Silverado	2025	Monthly	359	21,524	17,937
2020 Chevrolet Traverse	2025	Monthly	373	22,379	18,649
2020 Chevrolet Traverse	2025	Monthly	371	22,284	18,570
2020 Chevrolet Silverado	2025	Monthly	359	21,524	17,937
2020 Dodge Ram	2024	Monthly	562	26,964	21,346
2020 Dodge Ram	2024	Monthly	562	26,964	21,346
2020 Chevrolet Silverado	2025	Monthly	456	27,374	23,268
2020 Chevrolet Silverado	2025	Monthly	422	25,325	21,526
2020 Chevrolet Silverado	2025	Monthly	360	21,586	18,348
2020 Chevrolet Silverado	2025	Monthly	380	22,812	19,390
2020 Chevrolet Silverado	2025	Monthly	362	21,695	18,802
2020 Chevrolet Silverado	2025	Monthly	460	27,578	23,901
2020 Chevrolet Silverado	2025	Monthly	460	27,578	23,901
2020 Chevrolet Silverado	2025	Monthly	642	38,497	36,572
2021 Chevrolet Silverado	2025	Monthly	413	24,795	24,382
2021 Chevrolet Silverado	2025	Monthly	505	24,244	23,739
2021 Chevrolet Silverado	2025	Monthly	413	24,795	24,382
2021 Chevrolet Traverse	2025	Monthly	378	22,709	22,331
2020 Chevrolet Silverado	2025	Monthly	414	24,872	24,872
2021 Chevrolet Silverado	2025	Monthly	340	20,392	20,392
2021 Chevrolet Silverado	2025	Monthly	456	27,366	27,366
2020 Chevrolet Silverado	2023	Monthly	652	23,489	16,964
2020 Chevrolet Silverado	2023	Monthly	659	23,737	17,143
2020 Chevrolet Silverado	2024	Monthly	534	25,609	20,807
2020 Chevrolet Tahoe	2023	Monthly	768	27,651	20,738
2020 Chevrolet Silverado	2024	Monthly	518	24,867	20,722
2020 Chevrolet Silverado	2024	Monthly	518	24,867	20,723
2020 Ford F-250	2024	Monthly	484	23,234	20,330
2020 Ford Transit-250 Cargo	2024	Monthly	580	27,863	24,380
Total				\$	673,350

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Capital Leases

Governmental Activities (Continued)

Year Ending December 31	Capital Lease	
	Principal	Interest
2021	\$ 181,749	\$ 45,636
2022	181,749	45,636
2023	149,411	39,253
2024	113,265	30,239
2025	47,176	12,033
Total	<u>\$ 673,350</u>	<u>\$ 172,797</u>

Business-Type Activities

The County entered into a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The County entered into a lease-purchase arrangement with Kinetic Leasing to purchase a Komptech Crambo Grinder in 2017. The original lease balance totaled \$304,300 at an interest rate of 2.89 percent. Payments on the capital lease are made from the Landfill Enterprise Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2020, were as follows:

Year Ending December 31	Capital Lease	
	Principal	Interest
2021	\$ 29,636	\$ 6,024
2022	30,359	5,157
2023	31,099	4,269
2024	31,857	3,359
2025	32,634	2,427
2026 - 2027	67,674	1,968
Total	<u>\$ 223,259</u>	<u>\$ 23,204</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt

Governmental Activities

Bond payments are made from the General Fund, the Road and Bridge Special Revenue Fund, and the Ditch Debt Service Fund. Information on individual bonds payable was as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2020
General obligation bonds					
2020A G.O. Capital Improvement Plan Bonds	2031	\$200,000 - \$310,000	5.00	\$ 2,515,000	\$ 2,515,000
2020B G.O. Watershed District Refunding Bonds	2033	\$125,000 - \$135,000	2.00 - 3.00	1,700,000	1,700,000
2019A G.O. Watershed Bonds	2040	\$160,000 - \$225,000	3.00 - 4.00	3,825,000	3,825,000
2019B G.O. State Aid Highway Bonds	2024	\$1,100,000	5.00	5,500,000	4,400,000
2017A G.O. Solid Waste Bonds	2037	\$265,000 - \$450,000	2.50 - 3.00	6,810,000	6,120,000
2015B G.O. Watershed Bonds	2036	\$55,000 - \$105,000	1.00 - 3.40	1,495,000	1,270,000
2015C G.O. Capital Improvement Plan Bonds	2026	\$265,000 - \$315,000	2.00	2,985,000	1,810,000
2014 G.O. Jail Refunding Bonds	2026	\$1,020,000 - \$1,165,000	2.00 - 2.25	9,675,000	6,635,000
2012B G.O. Refunding Bonds	2025	\$140,000 - \$160,000	1.7573	1,805,000	715,000
2009 G.O. Drainage Bonds	2030	\$45,000 - \$50,000	3.98	925,000	450,000
2006 G.O. Watershed District Bonds	2027	\$40,000 - \$45,000	3.60 - 4.30	865,000	280,000
Total general obligation bonds				<u>\$ 38,100,000</u>	<u>\$ 29,720,000</u>
Add: unamortized premium					<u>1,476,827</u>
Total General Obligation Bonds, Net					<u>\$ 31,196,827</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2021	\$ 3,305,000	\$ 878,196
2022	3,540,000	789,286
2023	3,590,000	670,572
2024	3,645,000	550,108
2025	2,605,000	453,443
2026 - 2030	6,815,000	1,469,283
2031 - 2035	4,150,000	611,040
2036 - 2040	2,070,000	110,910
Total	<u>\$ 29,720,000</u>	<u>\$ 5,532,838</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 30,570,000	\$ 4,215,000	\$ 5,065,000	\$ 29,720,000	\$ 3,305,000
Add: unamortized premium	944,004	731,722	198,899	1,476,827	-
Total bonds payable	\$ 31,514,004	\$ 4,946,722	\$ 5,263,899	\$ 31,196,827	\$ 3,305,000
Capital leases	-	783,060	109,710	673,350	181,749
Compensated absences	1,431,831	1,842,987	1,595,422	1,679,396	794,102
Governmental Activities Long-Term Liabilities	<u>\$ 32,945,835</u>	<u>\$ 7,572,769</u>	<u>\$ 6,969,031</u>	<u>\$ 33,549,573</u>	<u>\$ 4,280,851</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease	\$ 252,190	\$ -	\$ 28,931	\$ 223,259	\$ 29,636
Estimated liability for landfill closure/postclosure care costs	1,710,812	-	109,503	1,601,309	-
Compensated absences	508,918	190,816	263,111	436,623	112,808
Business-Type Activities Long-Term Liabilities	\$ 2,471,920	\$ 190,816	\$ 401,545	\$ 2,261,191	\$ 142,444

6. Governmental Funds – Deferred Inflows of Resources

Deferred inflows of resources consist of taxes and special assessments receivable and state grants and other revenues not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2020, are summarized below by fund:

	Taxes and Special Assessments	Grants and Allotments	Other	Total
Major governmental funds				
General	\$ 384,887	\$ -	\$ -	\$ 384,887
Road and Bridge Special Revenue	16,908	661,302	-	678,210
Social Services Special Revenue	35,999	1,375,250	-	1,411,249
Public Safety Special Revenue	14,620	-	-	14,620
Ditch Debt Service	3,291,891	-	-	3,291,891
Capital Projects	-	126,992	-	126,992
Nonmajor governmental funds				
Agassiz Regional Library Special Revenue	3,931	-	-	3,931
Ditch Special Revenue	244,644	16,014	11,703	272,361
Environmental Services Special Revenue	193,147	25,000	-	218,147
Public Health Special Revenue	2,020	-	-	2,020
Rhinehart Project Debt Service	328	-	-	328
Union Lake/Lake Sarah Debt Service	299	-	-	299
Total Deferred Inflows of Resources	\$ 4,188,674	\$ 2,204,558	\$ 11,703	\$ 6,404,935

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

6. Governmental Funds – Deferred Inflows of Resources (Continued)

	<u>Taxes and Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Deferred inflows of resources				
Unavailable revenue	\$ 3,890,582	\$ 2,204,558	\$ 11,703	\$ 6,106,843
Prepaid taxes	42,318	-	-	42,318
Prepaid special assessments	<u>255,774</u>	<u>-</u>	<u>-</u>	<u>255,774</u>
Total Deferred Inflows of Resources	<u>\$ 4,188,674</u>	<u>\$ 2,204,558</u>	<u>\$ 11,703</u>	<u>\$ 6,404,935</u>

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2020, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active plan participants	<u>322</u>
Total	<u>331</u>

2. Total OPEB Liability

The County's total OPEB liability of \$896,184 was determined by an actuarial valuation as of January 1, 2020.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

The total OPEB liability in the fiscal year-end December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.50 percent, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.90 percent based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.

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

3. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2020	\$ 870,694
Changes for the year	
Service cost	\$ 50,553
Interest	33,564
Assumption changes	29,787
Differences between expected and actual experience	(11,751)
Benefit payments	<u>(76,663)</u>
Net change	<u>\$ 25,490</u>
Balance at December 31, 2020	<u>\$ 896,184</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

3. Changes in the Total OPEB Liability (Continued)

OPEB liability is liquidated by the General Fund and other funds that have personal services.

4. OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	\$ 947,677
Current	2.90	896,184
1% Increase	3.90	847,208

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 826,747
Current	6.50% Decreasing to 5.00%	896,184
1% Increase	7.50% Decreasing to 6.00%	977,013

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$(6,737). The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ 25,531	\$ 17,043
Liability gains	-	10,072
Contributions made subsequent to the measurement date	89,070	-
Total	\$ 114,601	\$ 27,115

The \$89,070 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2021	\$ (832)
2022	(832)
2023	(832)
2024	(832)
2025	(830)
2026	2,574

6. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2020:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

6. Changes in Actuarial Assumptions (Continued)

- The mortality tables were updated from the RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

E. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Polk County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost sharing, multiple employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

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

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020. Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2020, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	17.70

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	\$ 1,271,714
Police and Fire Plan	401,480

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

4. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of \$13,939,438 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.2325 percent. It was 0.2309 percent measured as of June 30, 2019. The County recognized pension expense of \$1,215,112 for its proportionate share of the General Employees Plan's pension expense.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The County also recognized \$37,399 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$	13,939,438
State of Minnesota's proportionate share of the net pension liability associated with the County		429,718
Total	\$	14,369,156

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 126,227	\$ 52,741
Changes in actuarial assumptions	-	515,109
Difference between projected and actual investment earnings	211,500	-
Changes in proportion	91,224	241,437
Contributions paid to PERA subsequent to the measurement date	643,237	-
Total	\$ 1,072,188	\$ 809,287

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The \$643,237 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2021	\$ (1,007,457)
2022	3,343
2023	286,996
2024	336,782

Police and Fire Plan

At December 31, 2020, the County reported a liability of \$2,634,896 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.200 percent. It was 0.206 percent measured as of June 30, 2019. The County recognized pension expense of \$417,721 for its proportionate share of the Police and Fire Plan's pension expense.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$19,096 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	\$ 2,634,896
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>62,071</u>
Total	<u>\$ 2,696,967</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$17,991 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 117,802	\$ 119,558
Changes in actuarial assumptions	843,695	1,690,904
Difference between projected and actual investment earnings	74,278	-
Changes in proportion	247,558	112,845
Contributions paid to PERA subsequent to the measurement date	198,920	-
Total	\$ 1,482,253	\$ 1,923,307

The \$198,920 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (177,429)
2022	(667,672)
2023	100,548
2024	114,272
2025	(9,693)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2020, was \$1,632,833.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans (Continued)

5. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	General Employees Fund	Police and Fire Fund
Inflation	2.25% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the RP 2014 mortality tables for the Police and Fire Plan, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated August 30, 2016. Inflation and investment assumptions for both plans were reviewed in the experience study report for the General Employees Plan.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

General Employees Plan

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

General Employees Plan (Continued)

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

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

8. Pension Liability Sensitivity

The following presents the County’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 22,340,083	6.50%	\$ 5,251,727
Current	7.50	13,939,438	7.50	2,634,896
1% Increase	8.50	7,009,580	8.50	469,927

9. Pension Plan Fiduciary Net Position

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

F. Defined Contribution Plan

Five board members of Polk County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Polk County during the year ended December 31, 2020, were:

	Employee	Employer
Contribution amount	\$ 9,234	\$ 9,234
Percentage of covered payroll	5.00%	5.00%

4. Landfill Closure and Postclosure Care Costs

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

4. Landfill Closure and Postclosure Care Costs

The \$1,601,309 landfill closure, postclosure care, and contingency costs payable at December 31, 2020, represent the cumulative amount reported to date based on the use of 39.4 percent of the estimated capacity of the municipal solid waste portion of the landfill and 37.6 percent of the estimated capacity of the ash portion of the landfill. The County will recognize the remaining estimated cost of closure, postclosure care, and contingency costs of \$1,461,702 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2020. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2073 and ash in 2156. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2020, investments of \$1,984,848 are held for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Enterprise Fund. These are reported as restricted assets on the statement of net position. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POLK COUNTY
CROOKSTON, MINNESOTA**

5. Risk Management (Continued)

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

6. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Marshall and Polk Rural Water System

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

General obligation debt issued by Marshall and Polk Counties to be retired from special assessments is reported both by Marshall and Polk Counties. The long-term debt at December 31, 2020, is \$935,000, of which Polk County's share is \$715,000. Polk County made contributions of \$82,465 in settlement payouts in 2020.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Marshall and Polk Rural Water System (Continued)

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

Northwest Minnesota Household Hazardous Waste Management Group

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

The governing body of the Waste Management Group is composed of one County Commissioner from each of the member counties. Responsibility for budgeted expenditures is shared, with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution of the Waste Management Group, the net position shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Polk County paid an assessment of \$16,873 to the Waste Management Group in 2020. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

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

Northwest Minnesota Regional Emergency Communications Board

The Northwest Minnesota Regional Emergency Communications Board (formerly known as the Northwest Minnesota Regional Radio Board) was formed in 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau, and the White Earth Reservation.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Emergency Communications Board (Continued)

The purpose of the Northwest Minnesota Regional Emergency Communications Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

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

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

The Northwest Minnesota Regional Emergency Communications Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Polk County did not make any contributions during 2020.

Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

Northwest Minnesota Six County Joint Powers Board

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Six County Joint Powers Board (Continued)

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

Financing is provided by grants from the State of Minnesota or contributions, and no member realizes an additional financial benefit or burden. In 2020, Polk County did not make a contribution to the Board.

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

Northwest Service Cooperative

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

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that member counties do not experience an additional financial benefit or burden. Polk County made contributions of \$250 to the NWSC in 2020.

Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. 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, Mahnomon, Marshall, Pennington, Polk, Roseau, and Wadena Counties. Mahnomon County withdrew from the NCDPSA in 2017. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and backup system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which is composed of one County Commissioner appointed by each member County Board. In the event of dissolution, the net position of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Polk County did not contribute to the NCDPSA for the year ended 2020. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund on its financial statements.

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

Polk County Collaborative

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk County Collaborative (Continued)

Financing is provided by state and local grants and appropriations from the participating agencies. Adequate rates are charged so that members do not experience an additional benefit or burden. Polk County acts as fiscal agent for the Polk County Collaborative and reports the cash transactions of the Collaborative as an agency fund in its financial statements. Polk County paid the Collaborative \$106,511 in 2020.

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

Tri-County Community Corrections

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

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

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

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

Polk County, in a custodial fund, reports the transactions of Tri-County Community Corrections on its financial statements. Polk County did not make any contributions in 2020.

Complete financial information can be obtained from Tri-County Community Corrections, 600 Bruce Street, Crookston, Minnesota 56716.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Pine to Prairie Drug and Violent Crime Task Force

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

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

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

Financing is provided by state and federal grants, charges for services, appropriations from members, and donations. Members do not experience any additional financial benefit or burden. The City of Crookston is designated as the coordinating agency.

Polk County did not make any contributions to this organization in 2020.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Polk-Norman-Mahnomen-Community Health Board

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

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

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

Financing is provided by state and federal grants. Polk County acts as fiscal agent for the Board and reports the cash transactions of the Community Health Board as an agency fund on its annual financial statements. Polk County did not make a contribution in 2020.

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

Northwest Workforce Service Area

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Workforce Service Area (Continued)

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

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

Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

C. Jointly-Governed Organizations

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

Job Training Partnership Act Joint Powers Agreement

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

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

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

Separate financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Lake Agassiz Regional Library

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

In 2020, Polk County provided \$274,020 in the form of an appropriation.

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

Middle River-Snake River-Tamarac Watershed District

The Middle River-Snake River-Tamarac Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 28, 1970, and 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.

Minnesota Rural Counties Caucus

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Northwest Minnesota Multi-County Housing and Redevelopment Authority

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

Red Lake River Corridor

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

The Red Lake River Corridor Joint Powers Board is composed of one member from each participating entity. Each participant may also have an alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net position shall be distributed to the respective members in proportion to the contribution of each. Financing is provided by contributions from members. Polk County did not contribute to the Board in 2020.

Complete financial information can be obtained from Pembina Trail RC&D, 2605 Wheat Drive, Red Lake Falls, Minnesota 56750.

Wild Rice Watershed District

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

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

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

Minnesota Red River Basin of the North Joint Powers Board

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. In 2020, Polk County provided \$87,024 in the form of an appropriation.

Complete financial statements can be obtained from The International Coalition for Land/Water Stewardship in the Red River Basin, 119 – 5th Street South, Moorhead, Minnesota 56560.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

The Region Three – Northwest Minnesota Homeland Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Polk County's responsibility does not extend beyond making this appointment.

Complete financial information can be obtained from the Clay County Sheriff's Office, 911 – 11th Street North, Moorhead, Minnesota 56560.

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Polk County did not make any contributions in 2020.

D. Related Organizations

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomen, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident uses of natural resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers that is composed of five members appointed by the Polk County Board of Commissioners for staggered terms of three years each. Polk County's responsibility does not extend beyond making the appointments.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

Red Lake Watershed District

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

7. Subsequent Events

COVID Pandemic

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in America. The U.S Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments, for which every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50 percent in 2021 and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60 days after enactment. Polk County's projected allocation of the State and Local Coronavirus Recovery Funds is \$6,092,089.

Bond Issue

The County approved issuance of \$4,040,000 General Obligation Jail Refunding Bonds on October 19, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,067,672	\$ 7,067,672	\$ 5,902,165	\$ (1,165,507)
Licenses and permits	7,275	7,275	4,955	(2,320)
Intergovernmental	2,276,037	2,276,037	6,230,797	3,954,760
Charges for services	712,375	712,375	920,914	208,539
Fines and forfeits	9,000	9,000	9,562	562
Investment earnings	180,000	180,000	277,599	97,599
Miscellaneous	460,762	460,762	547,373	86,611
Total Revenues	\$ 10,713,121	\$ 10,713,121	\$ 13,893,365	\$ 3,180,244
Expenditures				
Current				
General government				
Commissioners	\$ 296,071	\$ 296,071	\$ 326,406	\$ (30,335)
Courts services	191,900	191,900	148,853	43,047
Law library	-	-	33,442	(33,442)
County administration	264,273	264,273	256,638	7,635
Taxpayer service center	765,480	765,480	754,158	11,322
Motor vehicle	188,231	188,231	166,082	22,149
County assessor	631,102	631,102	598,328	32,774
Elections	247,127	247,127	294,249	(47,122)
Finance	504,206	504,206	463,900	40,306
Accounting and auditing	75,000	75,000	133,362	(58,362)
Data processing	936,760	936,760	895,188	41,572
Central services	384,800	519,800	422,344	97,456
Personnel	433,683	433,683	414,668	19,015
Attorney	1,217,577	1,217,577	1,185,032	32,545
Victim services	500	500	94,017	(93,517)
Recorder	105,505	105,505	202,474	(96,969)
Surveyor	253,616	253,616	264,874	(11,258)
Buildings and grounds	4,541,892	4,541,892	3,675,883	866,009
Veterans service officer	187,649	187,649	182,151	5,498
Insurance	16,000	16,000	(1,516)	17,516
Appropriations	-	-	134,396	(134,396)
Other general government	676,400	676,400	2,360,561	(1,684,161)
Total general government	\$ 11,917,772	\$ 12,052,772	\$ 13,005,490	\$ (952,718)

**POLK COUNTY
CROOKSTON, MINNESOTA**

*EXHIBIT A-1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Ambulance	\$ 58,775	\$ 58,775	\$ 58,775	\$ -
Coroner	80,316	80,316	83,241	(2,925)
Victim assistance	155,494	155,494	50,369	105,125
Total public safety	\$ 294,585	\$ 294,585	\$ 192,385	\$ 102,200
Health				
Occupational Development Center	\$ 9,900	\$ 9,900	\$ 7,315	\$ 2,585
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
County fairs	20,000	20,000	20,000	-
Heritage Center	10,000	10,000	10,000	-
Parks	95,950	95,950	160,164	(64,214)
Celebrations	800	800	800	-
Snowmobile and ski trails	10,000	10,000	93,627	(83,627)
Total culture and recreation	\$ 151,750	\$ 151,750	\$ 299,591	\$ (147,841)
Conservation of natural resources				
Agricultural inspection	\$ 59,233	\$ 59,233	\$ 3,761	\$ 55,472
Cooperative extension	158,861	158,861	154,346	4,515
Soil and water conservation	119,114	119,114	95,438	23,676
Gravel taxes	-	-	166,365	(166,365)
Forfeited tax sale	-	-	20,774	(20,774)
Total conservation of natural resources	\$ 337,208	\$ 337,208	\$ 440,684	\$ (103,476)
Economic development				
Red River Valley Development Association	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Tri-Valley Opportunity Council	7,000	7,000	7,000	-
Total economic development	\$ 8,600	\$ 8,600	\$ 8,600	\$ -

**POLK COUNTY
CROOKSTON, MINNESOTA**

***EXHIBIT A-1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ 1,310,000	\$ 1,310,000	\$ 1,332,390	\$ (22,390)
Interest	261,200	261,200	241,667	19,533
Bond issuance costs	-	-	40,338	(40,338)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total debt service	<u>\$ 1,571,200</u>	<u>\$ 1,571,200</u>	<u>\$ 1,614,395</u>	<u>\$ (43,195)</u>
Total Expenditures	<u>\$ 14,291,015</u>	<u>\$ 14,426,015</u>	<u>\$ 15,568,460</u>	<u>\$ (1,142,445)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (3,577,894)</u>	<u>\$ (3,712,894)</u>	<u>\$ (1,675,095)</u>	<u>\$ 2,037,799</u>
Other Financing Sources (Uses)				
Transfers in	\$ 7,500	\$ 7,500	\$ -	\$ (7,500)
Transfers out	-	-	(16,557)	(16,557)
Bonds issued	2,977,500	2,977,500	2,515,000	(462,500)
Premium on bonds issued	-	-	627,969	627,969
Proceeds from capital lease	-	-	177,703	177,703
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	<u>\$ 2,985,000</u>	<u>\$ 2,985,000</u>	<u>\$ 3,304,115</u>	<u>\$ 319,115</u>
Net Change in Fund Balance	<u>\$ (592,894)</u>	<u>\$ (727,894)</u>	<u>\$ 1,629,020</u>	<u>\$ 2,356,914</u>
Fund Balance – January 1, as restated (Note 1.E)	<u>8,930,193</u>	<u>8,930,193</u>	<u>8,930,193</u>	<u>-</u>
Fund Balance – December 31	<u>\$ 8,337,299</u>	<u>\$ 8,202,299</u>	<u>\$ 10,559,213</u>	<u>\$ 2,356,914</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,400,594	\$ 3,400,594	\$ 3,474,409	\$ 73,815
Licenses and permits	40,000	40,000	56,570	16,570
Intergovernmental	13,354,590	13,354,590	14,424,856	1,070,266
Charges for services	250,000	250,000	79,516	(170,484)
Miscellaneous	80,000	80,000	585,787	505,787
Total Revenues	\$ 17,125,184	\$ 17,125,184	\$ 18,621,138	\$ 1,495,954
Expenditures				
Current				
Highways and streets				
Administration	\$ 470,615	\$ 470,615	\$ 162,975	\$ 307,640
Maintenance	4,114,603	4,114,603	5,507,392	(1,392,789)
Construction	12,475,296	12,475,296	12,900,189	(424,893)
Equipment maintenance and shop	1,203,670	1,203,670	1,383,935	(180,265)
Other highways and streets	100,000	100,000	286,835	(186,835)
Total highways and streets	\$ 18,364,184	\$ 18,364,184	\$ 20,241,326	\$ (1,877,142)
Intergovernmental				
Highways and streets	\$ 1,146,000	\$ 1,146,000	\$ 1,427,929	\$ (281,929)
Debt service				
Principal retirement	\$ 1,215,000	\$ 1,215,000	\$ 1,124,269	\$ 90,731
Interest	-	-	301,604	(301,604)
Total debt service	\$ 1,215,000	\$ 1,215,000	\$ 1,425,873	\$ (210,873)
Total Expenditures	\$ 20,725,184	\$ 20,725,184	\$ 23,095,128	\$ (2,369,944)
Excess of Revenues Over (Under) Expenditures	\$ (3,600,000)	\$ (3,600,000)	\$ (4,473,990)	\$ (873,990)
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	313,192	313,192
Net Change in Fund Balance	\$ (3,600,000)	\$ (3,600,000)	\$ (4,160,798)	\$ (560,798)
Fund Balance – January 1, as restated (Note 1.E)	11,263,422	11,263,422	11,263,422	-
Increase (decrease) in inventories	-	-	66,006	66,006
Fund Balance – December 31	\$ 7,663,422	\$ 7,663,422	\$ 7,168,630	\$ (494,792)

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,387,423	\$ 5,387,423	\$ 5,389,959	\$ 2,536
Intergovernmental	10,320,677	10,320,677	8,988,041	(1,332,636)
Charges for services	869,400	869,400	996,020	126,620
Investment earnings	-	-	71	71
Gifts and contributions	-	-	481	481
Miscellaneous	263,279	263,279	272,900	9,621
Total Revenues	\$ 16,840,779	\$ 16,840,779	\$ 15,647,472	\$ (1,193,307)
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,709,606	\$ 4,709,606	\$ 4,144,282	\$ 565,324
Social services	12,249,555	12,249,555	11,630,925	618,630
Total human services	\$ 16,959,161	\$ 16,959,161	\$ 15,775,207	\$ 1,183,954
Debt service				
Principal retirement	\$ -	\$ -	\$ 12,307	\$ (12,307)
Interest	-	-	2,430	(2,430)
Total debt services	\$ -	\$ -	\$ 14,737	\$ (14,737)
Total Expenditures	\$ 16,959,161	\$ 16,959,161	\$ 15,789,944	\$ 1,169,217
Excess of Revenues Over (Under) Expenditures	\$ (118,382)	\$ (118,382)	\$ (142,472)	\$ (24,090)
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	36,920	36,920
Net Change in Fund Balance	\$ (118,382)	\$ (118,382)	\$ (105,552)	\$ 12,830
Fund Balance – January 1	5,014,656	5,014,656	5,014,656	-
Fund Balance – December 31	\$ 4,896,274	\$ 4,896,274	\$ 4,909,104	\$ 12,830

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,415,789	\$ 8,415,789	\$ 8,415,789	\$ -
Intergovernmental	458,901	458,901	1,507,269	1,048,368
Charges for services	303,473	303,473	372,098	68,625
Fines and forfeitures	500	500	4,588	4,088
Investment earnings	300	300	1,856	1,556
Gifts and contributions	27,400	27,400	6,252	(21,148)
Miscellaneous	1,359,313	1,359,313	1,512,380	153,067
Total Revenues	\$ 10,565,676	\$ 10,565,676	\$ 11,820,232	\$ 1,254,556
Expenditures				
Current				
Public safety				
Sheriff	\$ 5,024,786	\$ 5,024,786	\$ 4,837,354	\$ 187,432
Narcotics task force	119,256	119,256	101,662	17,594
Body armor	4,000	4,000	9,367	(5,367)
Safe and sober	5,883	5,883	2,448	3,435
DWI assessments	2,500	2,500	-	2,500
Boat and water safety	18,586	18,586	17,915	671
Snowmobile safety	-	-	338	(338)
Emergency services	100,887	100,887	97,362	3,525
Municipal police contract	200,473	200,473	183,251	17,222
Enhanced 911 system	100,325	100,325	116,956	(16,631)
Community corrections	5,271,497	5,271,497	5,271,497	-
Total public safety	\$ 10,848,193	\$ 10,848,193	\$ 10,638,150	\$ 210,043
Debt service				
Principal retirement	\$ -	\$ -	\$ 39,509	\$ (39,509)
Interest	-	-	8,706	(8,706)
Total debt services	\$ -	\$ -	\$ 48,215	\$ (48,215)
Total Expenditures	\$ 10,848,193	\$ 10,848,193	\$ 10,686,365	\$ 161,828
Excess of Revenues Over (Under)				
Expenditures	\$ (282,517)	\$ (282,517)	\$ 1,133,867	\$ 1,464,599

**POLK COUNTY
CROOKSTON, MINNESOTA**

*EXHIBIT A-4
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Bonds issued	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	16,557	16,557
Proceeds from capital lease	-	-	201,318	201,318
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 217,875</u>	<u>\$ 217,875</u>
Net Change in Fund Balance	\$ (282,517)	\$ (282,517)	\$ 1,351,742	\$ 1,682,474
Fund Balance – January 1	<u>4,097,100</u>	<u>4,097,100</u>	<u>4,097,100</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 3,814,583</u></u>	<u><u>\$ 3,814,583</u></u>	<u><u>\$ 5,448,842</u></u>	<u><u>\$ 1,682,474</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 50,553	\$ 41,224	\$ 43,449
Interest	33,564	29,553	29,382
Differences between expected and actual experience	(11,751)	-	-
Changes of assumption or other inputs	29,787	(23,861)	-
Benefit payments	<u>(76,663)</u>	<u>(60,605)</u>	<u>(70,181)</u>
Net change in total OPEB liability	\$ 25,490	\$ (13,689)	\$ 2,650
Total OPEB Liability – Beginning	<u>870,694</u>	<u>884,383</u>	<u>881,733</u>
Total OPEB Liability – Ending	<u><u>\$ 896,184</u></u>	<u><u>\$ 870,694</u></u>	<u><u>\$ 884,383</u></u>
Covered-employee payroll	\$ 18,567,070	\$ 17,928,896	\$ 17,406,695
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.83%	4.86%	5.08%

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Polk County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.2325 %	\$ 13,939,438	\$ 429,718	\$ 14,369,156	\$ 16,579,373	84.08 %	79.06 %
2019	0.2309	12,765,943	396,649	13,162,592	16,337,627	78.14	80.23
2018	0.2314	12,837,123	421,098	13,258,221	15,670,603	81.92	79.53
2017	0.2441	15,583,182	195,948	15,779,130	15,696,364	99.28	75.90
2016	0.2200	17,862,909	233,324	18,096,233	13,652,766	130.84	68.91
2015	0.2262	11,722,858	N/A	11,722,858	13,291,603	88.20	78.19

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 1,271,714	\$ 1,271,714	\$ -	\$ 16,956,182	7.50 %
2019	1,235,446	1,235,446	-	16,472,610	7.50
2018	1,199,787	1,199,787	-	15,997,162	7.50
2017	1,152,077	1,152,077	-	15,361,026	7.50
2016	1,102,765	1,102,765	-	14,703,539	7.50
2015	1,029,642	1,029,642	-	13,728,560	7.50

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Polk County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.2000 %	\$ 2,634,896	\$ 62,071	\$ 2,696,967	\$ 2,361,417	111.58 %	87.19 %
2019	0.2060	2,197,336	N/A	2,197,336	2,227,128	98.66	89.26
2018	0.2000	2,129,662	N/A	2,129,662	2,107,310	101.06	88.84
2017	0.2060	2,781,245	N/A	2,781,245	2,114,403	131.54	85.43
2016	0.1910	7,665,162	N/A	7,665,162	1,893,219	404.87	63.88
2015	0.1980	2,249,743	N/A	2,249,743	1,807,508	124.47	86.61

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 401,480	\$ 401,480	\$ -	\$ 2,368,611	16.95 %
2019	372,977	372,977	-	2,200,453	16.95
2018	352,009	352,009	-	2,172,895	16.20
2017	330,824	330,824	-	2,042,124	16.20
2016	320,367	320,367	-	1,977,572	16.20
2015	305,142	305,142	-	1,883,593	16.20

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

1. Budgetary Information

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

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

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

2. Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December, 31, 2020:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 15,568,460	\$ 14,426,015	\$ 1,142,445
Road and Bridge Special Revenue Fund	23,095,128	20,725,184	2,369,944

3. Other Postemployment Benefits

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

4. Employer Contributions to Other Postemployment Benefits

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

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

The following are changes in actuarial assumptions:

2020

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.

2019

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

2018

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

2018 (Continued)

- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumption was changed from 30 percent to 20 percent.

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association (PERA) for the fiscal year June 30:

General Employees Retirement Plan

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019, and returns to \$6 million annually through calendar year 2031.

2016

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

Public Employees Police and Fire Plan

2020

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

2019

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.
- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

2017

- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan

2016 (Continued)

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

SUPPLEMENTARY INFORMATION

**POLK COUNTY
CROOKSTON, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

DEBT SERVICE FUNDS

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 4,752,118	\$ 67,439	\$ 4,819,557
Petty cash and change funds	770	-	770
Investments	200,000	144,089	344,089
Taxes receivable – delinquent	5,559	-	5,559
Special assessments receivable			
Delinquent	20,830	775	21,605
Noncurrent	226,210	-	226,210
Accounts receivable	242,668	-	242,668
Accrued interest receivable	11,703	-	11,703
Due from other funds	1,347,813	-	1,347,813
Due from other governments	413,270	-	413,270
	\$ 7,220,941	\$ 212,303	\$ 7,433,244
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 110,474	\$ -	\$ 110,474
Salaries payable	113,861	-	113,861
Due to other funds	281,631	-	281,631
Due to other governments	34,250	-	34,250
Advance from other funds	436,076	19,401	455,477
	\$ 976,292	\$ 19,401	\$ 995,693
 Deferred Inflows of Resources			
Unavailable revenue	\$ 493,698	\$ 627	\$ 494,325
Prepaid property taxes	2,761	-	2,761
	\$ 496,459	\$ 627	\$ 497,086

**POLK COUNTY
CROOKSTON, MINNESOTA**

***EXHIBIT B-1
(Continued)***

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)			
Fund Balances			
Restricted			
Debt service	\$ -	\$ 192,275	\$ 192,275
Ditch maintenance and construction	1,057,357	-	1,057,357
Aquatic species	87,845	-	87,845
Buffer enforcement	438,203	-	438,203
Assigned			
Health	1,593,199	-	1,593,199
Sanitation	2,990,622	-	2,990,622
Culture and recreation	16,012	-	16,012
Unassigned	(435,048)	-	(435,048)
Total Fund Balances	\$ 5,748,190	\$ 192,275	\$ 5,940,465
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,220,941	\$ 212,303	\$ 7,433,244

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ 1,550,305	\$ 1,843	\$ 1,552,148
Special assessments	189,610	-	189,610
Licenses and permits	56,125	-	56,125
Intergovernmental	2,930,741	-	2,930,741
Charges for services	2,712,690	-	2,712,690
Investment earnings	-	788	788
Miscellaneous	56,267	-	56,267
	\$ 7,495,738	\$ 2,631	\$ 7,498,369
Expenditures			
Current			
General government	\$ 450,765	\$ -	\$ 450,765
Sanitation	1,943,092	-	1,943,092
Health	3,065,211	-	3,065,211
Culture and recreation	274,020	-	274,020
Conservation of natural resources	501,209	500	501,709
Debt service			
Principal	11,235	75,000	86,235
Interest	3,197	1,363	4,560
	\$ 6,248,729	\$ 76,863	\$ 6,325,592
Excess of Revenues Over (Under)			
Expenditures	\$ 1,247,009	\$ (74,232)	\$ 1,172,777
Other Financing Sources (Uses)			
Transfers out	\$ (140,000)	\$ -	\$ (140,000)
Capital lease	53,927	-	53,927
	\$ (86,073)	\$ -	\$ (86,073)
Net Change in Fund Balance	\$ 1,160,936	\$ (74,232)	\$ 1,086,704
Fund Balance – January 1	4,587,254	266,507	4,853,761
Fund Balance – December 31	\$ 5,748,190	\$ 192,275	\$ 5,940,465

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2020**

	<u>Agassiz Regional Library</u>	<u>Ditch</u>	<u>Environmental Services</u>	<u>Public Health</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 8,828	\$ 865,669	\$ 2,614,379	\$ 1,263,242	\$ 4,752,118
Petty cash and change funds	-	-	620	150	770
Investments	-	200,000	-	-	200,000
Taxes receivable – delinquent	5,538	-	21	-	5,559
Special assessments receivable					
Delinquent	-	20,830	-	-	20,830
Noncurrent	-	226,210	-	-	226,210
Accounts receivable	-	-	220,737	21,931	242,668
Accrued interest receivable	-	11,703	-	-	11,703
Due from other funds	5,577	-	1,275,583	66,653	1,347,813
Due from other governments	-	16,014	26,489	370,767	413,270
Total Assets	\$ 19,943	\$ 1,340,426	\$ 4,137,829	\$ 1,722,743	\$ 7,220,941
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 9,680	\$ 68,647	\$ 32,147	\$ 110,474
Salaries payable	-	-	20,484	93,377	113,861
Due to other funds	-	-	281,631	-	281,631
Due to other governments	-	-	32,250	2,000	34,250
Advance from other funds	-	436,076	-	-	436,076
Total Liabilities	\$ -	\$ 445,756	\$ 403,012	\$ 127,524	\$ 976,292
Deferred Inflows of Resources					
Unavailable revenue	\$ 3,456	\$ 272,361	\$ 217,881	\$ -	\$ 493,698
Prepaid property taxes	475	-	266	2,020	2,761
Total Deferred Inflows of Resources	\$ 3,931	\$ 272,361	\$ 218,147	\$ 2,020	\$ 496,459
Fund Balances					
Restricted					
Ditch maintenance and construction	\$ -	\$ 1,057,357	\$ -	\$ -	\$ 1,057,357
Aquatic species	-	-	87,845	-	87,845
Buffer enforcement	-	-	438,203	-	438,203
Assigned					
Health	-	-	-	1,593,199	1,593,199
Sanitation	-	-	2,990,622	-	2,990,622
Culture and recreation	16,012	-	-	-	16,012
Unassigned	-	(435,048)	-	-	(435,048)
Total Fund Balances	\$ 16,012	\$ 622,309	\$ 3,516,670	\$ 1,593,199	\$ 5,748,190
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 19,943	\$ 1,340,426	\$ 4,137,829	\$ 1,722,743	\$ 7,220,941

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
Revenues					
Taxes	\$ 267,626	\$ -	\$ 269,653	\$ 1,013,026	\$ 1,550,305
Special assessments	-	189,610	-	-	189,610
Licenses and permits	-	-	56,125	-	56,125
Intergovernmental	7,691	70,551	715,492	2,137,007	2,930,741
Charges for services	-	32,518	2,083,122	597,050	2,712,690
Miscellaneous	-	14,694	3,816	37,757	56,267
Total Revenues	\$ 275,317	\$ 307,373	\$ 3,128,208	\$ 3,784,840	\$ 7,495,738
Expenditures					
Current					
General government	\$ -	\$ -	\$ 450,765	\$ -	\$ 450,765
Sanitation	-	-	1,943,092	-	1,943,092
Health	-	-	-	3,065,211	3,065,211
Culture and recreation	274,020	-	-	-	274,020
Conservation of natural resources	-	451,955	49,254	-	501,209
Debt service					
Principal	-	-	11,235	-	11,235
Interest	-	-	3,197	-	3,197
Total Expenditures	\$ 274,020	\$ 451,955	\$ 2,457,543	\$ 3,065,211	\$ 6,248,729
Excess of Revenues Over (Under) Expenditures	\$ 1,297	\$ (144,582)	\$ 670,665	\$ 719,629	\$ 1,247,009
Other Financing Sources (Uses)					
Transfers out	\$ -	\$ -	\$ (140,000)	\$ -	\$ (140,000)
Capital lease	-	-	53,927	-	53,927
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (86,073)	\$ -	\$ (86,073)
Net Change in Fund Balance	\$ 1,297	\$ (144,582)	\$ 584,592	\$ 719,629	\$ 1,160,936
Fund Balance – January 1	14,715	766,891	2,932,078	873,570	4,587,254
Fund Balance – December 31	\$ 16,012	\$ 622,309	\$ 3,516,670	\$ 1,593,199	\$ 5,748,190

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-5

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2020**

	Rhinehart Project	Union Lake/ Lake Sarah	Total
<u>Assets</u>			
Cash and pooled investments	\$ 65,849	\$ 1,590	\$ 67,439
Investments	-	144,089	144,089
Special assessments receivable – delinquent	328	447	775
	\$ 66,177	\$ 146,126	\$ 212,303
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Advance from other funds	\$ -	\$ 19,401	\$ 19,401
 Deferred Inflows of Resources			
Unavailable revenue	328	299	627
 Fund Balances			
Restricted for Debt service	65,849	126,426	192,275
	\$ 66,177	\$ 146,126	\$ 212,303

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-6

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Rhinehart Project	Union Lake/ Lake Sarah	Total
Revenues			
Taxes	\$ -	\$ 1,843	\$ 1,843
Investment earnings	-	788	788
Total Revenues	\$ -	\$ 2,631	\$ 2,631
Expenditures			
Current			
Conservation of natural resources	\$ -	\$ 500	\$ 500
Debt service			
Principal	-	75,000	75,000
Interest	-	1,363	1,363
Total Expenditures	\$ -	\$ 76,863	\$ 76,863
Net Change in Fund Balance	\$ -	\$ (74,232)	\$ (74,232)
Fund Balance – January 1	65,849	200,658	266,507
Fund Balance – December 31	\$ 65,849	\$ 126,426	\$ 192,275

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 274,020	\$ 274,020	\$ 267,626	\$ (6,394)
Intergovernmental	-	-	7,691	7,691
Total Revenues	\$ 274,020	\$ 274,020	\$ 275,317	\$ 1,297
Expenditures				
Current				
Culture and recreation				
Regional library	274,020	274,020	274,020	-
Net Change in Fund Balance	\$ -	\$ -	\$ 1,297	\$ 1,297
Fund Balance – January 1	14,715	14,715	14,715	-
Fund Balance – December 31	\$ 14,715	\$ 14,715	\$ 16,012	\$ 1,297

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 269,652	\$ 269,652	\$ 269,653	\$ 1
Licenses and permits	51,500	51,500	56,125	4,625
Intergovernmental	431,120	431,120	715,492	284,372
Charges for services	2,010,450	2,010,450	2,083,122	72,672
Miscellaneous	2,000	2,000	3,816	1,816
	<u>2,764,722</u>	<u>2,764,722</u>	<u>3,128,208</u>	<u>363,486</u>
Total Revenues	\$ 2,764,722	\$ 2,764,722	\$ 3,128,208	\$ 363,486
Expenditures				
Current				
General government				
Planning and zoning	\$ 563,709	\$ 563,709	\$ 450,765	\$ 112,944
Sanitation				
Solid waste	\$ 1,086,660	\$ 1,086,660	\$ 1,157,121	\$ (70,461)
Recycling	503,685	503,685	439,158	64,527
Hazardous waste	89,509	89,509	60,004	29,505
Transfer station	422,246	422,246	286,809	135,437
Asset replacement	16,858	16,858	-	16,858
	<u>2,118,958</u>	<u>2,118,958</u>	<u>1,943,092</u>	<u>175,866</u>
Total sanitation	\$ 2,118,958	\$ 2,118,958	\$ 1,943,092	\$ 175,866
Conservation of natural resources				
Aquatic invasive species program	\$ 65,563	\$ 65,563	\$ 49,254	\$ 16,309
Debt service				
Principal	\$ -	\$ -	\$ 11,235	\$ (11,235)
Interest	-	-	3,197	(3,197)
	<u>-</u>	<u>-</u>	<u>14,432</u>	<u>(14,432)</u>
Total debt service	\$ -	\$ -	\$ 14,432	\$ (14,432)
Total Expenditures	\$ 2,748,230	\$ 2,748,230	\$ 2,457,543	\$ 290,687
Excess of Revenues Over (Under) Expenditures	\$ 16,492	\$ 16,492	\$ 670,665	\$ 654,173

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT B-8
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 48,700	\$ 48,700	\$ -	\$ (48,700)
Transfers out	(184,000)	(184,000)	(140,000)	44,000
Capital lease	-	-	53,927	53,927
	<u>-</u>	<u>-</u>	<u>53,927</u>	<u>53,927</u>
Total Other Financing Sources (Uses)	<u>\$ (135,300)</u>	<u>\$ (135,300)</u>	<u>\$ (86,073)</u>	<u>\$ 49,227</u>
Net Change in Fund Balance	<u>\$ (118,808)</u>	<u>\$ (118,808)</u>	<u>\$ 584,592</u>	<u>\$ 703,400</u>
Fund Balance – January 1	<u>2,932,078</u>	<u>2,932,078</u>	<u>2,932,078</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 2,813,270</u></u>	<u><u>\$ 2,813,270</u></u>	<u><u>\$ 3,516,670</u></u>	<u><u>\$ 703,400</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,013,026	\$ 1,013,026	\$ 1,013,026	\$ -
Intergovernmental	1,528,681	1,528,681	2,137,007	608,326
Charges for services	599,015	599,015	597,050	(1,965)
Miscellaneous	150,900	150,900	37,757	(113,143)
Total Revenues	\$ 3,291,622	\$ 3,291,622	\$ 3,784,840	\$ 493,218
Expenditures				
Current				
Health				
Nursing service	3,291,622	3,291,622	3,065,211	226,411
Net Change in Fund Balance	\$ -	\$ -	\$ 719,629	\$ 719,629
Fund Balance – January 1	873,570	873,570	873,570	-
Fund Balance – December 31	\$ 873,570	\$ 873,570	\$ 1,593,199	\$ 719,629

**POLK COUNTY
CROOKSTON, MINNESOTA**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

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

Dairy Grant – to account for the receipt and disbursement of funds for the Minnesota Dairy Initiative Northwest Region.

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

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

Recoveries – to account for the State of Minnesota’s share of estate recoveries associated with various Social Services programs.

Tri-County Community Corrections – to account for the receipts and disbursements of funds for Tri-County Community Corrections, which is a regional corrections and law enforcement center.

State Revenue – to account for the collection and payment of amounts due to the state.

Taxes and Penalties – to account for the collection of taxes and penalties and their payment to the various taxing districts.

Sheriff’s Evidence - to account for the receipt and disbursement of cash (coin and currency) held by the County Sheriff because it is evidence, confiscated in a crime, or found property.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

	<u>Polk County Collaborative</u>	<u>Dairy Grant</u>	<u>Multi-County Data Planning</u>	<u>Polk-Norman- Mahnomen Community Health Board</u>
<u>Assets</u>				
Cash and pooled investments	\$ 139,816	\$ 38,095	\$ 16,360	\$ 113,432
Taxes receivable for other governments	-	-	-	-
Accounts receivable	-	-	-	1,375
Due from other governments	-	-	-	399,099
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	\$ 139,816	\$ 38,095	\$ 16,360	\$ 513,906
<u>Liabilities</u>				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	421,260
Due to others	1,250	5,422	-	58,448
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 1,250	\$ 5,422	\$ -	\$ 479,708
<u>Net Position</u>				
Restricted for Individuals, organizations, other governments	\$ 138,566	\$ 32,673	\$ 16,360	\$ 34,198

EXHIBIT C-1

<u>Recoveries</u>	<u>Tri-County Community Corrections</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Sheriff's Evidence</u>	<u>Watershed District</u>	<u>Total Custodial Funds</u>
\$ 363,356	\$ 1,520,132	\$ 192,872	\$ 846,932	\$ 1,050	\$ 5,122	\$ 3,237,167
-	-	-	1,180,705	-	-	1,180,705
12,181	103,159	325	-	-	-	117,040
-	-	-	-	-	-	399,099
\$ 375,537	\$ 1,623,291	\$ 193,197	\$ 2,027,637	\$ 1,050	\$ 5,122	\$ 4,934,011
\$ -	\$ -	\$ -	\$ 38,622	\$ -	\$ -	38,622
375,537	-	192,185	807,242	-	5,122	1,801,346
-	-	1,012	-	-	-	66,132
\$ 375,537	\$ -	\$ 193,197	\$ 845,864	\$ -	\$ 5,122	\$ 1,906,100
\$ -	\$ 1,623,291	\$ -	\$ 1,181,773	\$ 1,050	\$ -	\$ 3,027,911

**POLK COUNTY
CROOKSTON, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Polk County Collaborative</u>	<u>Dairy Grant</u>	<u>Multi-County Data Planning</u>	<u>Polk-Norman- Mahnomens Community Health Board</u>
Additions				
Contributions				
Individuals	\$ -	\$ -	\$ -	\$ -
Investment earnings				
Interest, dividends, and other	-	-	-	-
Property tax collections for other governments				
Grants received	110,473	32,103	-	2,170,938
Fees collected for services	-	-	-	-
Contributions from participants	3,600	-	-	-
License and fees collected for state	-	-	-	-
Total Additions	\$ 114,073	\$ 32,103	\$ -	\$ 2,170,938
Deductions				
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -
Payments to other entities	-	-	-	-
Payments to state	-	-	-	-
Grant payments	73,984	41,532	-	-
Administrative expense	16,688	-	-	-
Distributions to participants	-	-	-	2,575,047
Total Deductions	\$ 90,672	\$ 41,532	\$ -	\$ 2,575,047
Change in net position	\$ 23,401	\$ (9,429)	\$ -	\$ (404,109)
Net Position – January 1, as restated (Note 1.E)	115,165	42,102	16,360	438,307
Net Position – December 31	\$ 138,566	\$ 32,673	\$ 16,360	\$ 34,198

EXHIBIT C-2

<u>Recoveries</u>	<u>Tri-County Community Corrections</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Sheriff's Evidence</u>	<u>Watershed District</u>	<u>Total Custodial Funds</u>
\$ 628,322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 628,322
-	6,301	-	-	-	-	6,301
-	-	3,122,748	29,301,199	-	647,795	33,071,742
-	-	-	-	-	-	2,313,514
-	10,679,804	599,673	-	-	-	11,279,477
-	-	-	-	-	-	3,600
-	-	519,876	-	-	-	519,876
\$ 628,322	\$ 10,686,105	\$ 4,242,297	\$ 29,301,199	\$ -	\$ 647,795	\$ 47,822,832
\$ -	\$ -	\$ 3,717	\$ 29,216,139	\$ -	\$ 647,795	\$ 29,867,651
-	-	-	46,246	-	-	46,246
628,322	-	4,238,580	-	-	-	4,866,902
-	-	-	-	-	-	115,516
-	10,498,748	-	-	-	-	10,515,436
-	-	-	-	-	-	2,575,047
\$ 628,322	\$ 10,498,748	\$ 4,242,297	\$ 29,262,385	\$ -	\$ 647,795	\$ 47,986,798
\$ -	\$ 187,357	\$ -	\$ 38,814	\$ -	\$ -	\$ (163,966)
-	1,435,934	-	1,142,959	1,050	-	3,191,877
\$ -	\$ 1,623,291	\$ -	\$ 1,181,773	\$ 1,050	\$ -	\$ 3,027,911

OTHER SCHEDULES

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2020**

	<u>Number of Accounts</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments			
Cash on hand	N/A	N/A	\$ 5,070
Noninterest-bearing checking	Four	Continuous	3,059,513
Interest-bearing checking	Eleven	Continuous	1,952,617
Certificates of deposit	Three	July 19, 2021 to June 19, 2022	550,000
Money market savings	Eight	Continuous	7,696,908
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	Three	Continuous	<u>26,506,613</u>
Total Cash and Pooled Investments			<u><u>\$ 39,770,721</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 11,271,020	\$ -	\$ 11,271,020
County program aid	1,231,720	-	1,231,720
Police aid	297,708	-	297,708
Market value credit	402,382	-	402,382
Disparity reduction aid	76,558	-	76,558
Disparity reduction credit	684,728	-	684,728
Out-of-home placement reimbursement aid	25,538	-	25,538
SCORE	90,141	-	90,141
E-911	109,024	-	109,024
Riparian protection aid	160,000	-	160,000
Border city reimbursement	12,830	-	12,830
Pension contribution	68,958	60,240	129,198
Aquatic invasive species aid	65,777	-	65,777
	<u>14,496,384</u>	<u>60,240</u>	<u>14,556,624</u>
Total appropriations and shared revenue	\$ 14,496,384	\$ 60,240	\$ 14,556,624
Reimbursement for Services			
State			
Minnesota Department of Human Services	<u>\$ 2,276,732</u>	<u>\$ -</u>	<u>\$ 2,276,732</u>
Payments			
Local			
Local contributions	\$ 96,000	\$ -	\$ 96,000
Payments in lieu of taxes	244,196	-	244,196
	<u>340,196</u>	<u>-</u>	<u>340,196</u>
Total payments	\$ 340,196	\$ -	\$ 340,196
Grants			
State			
Minnesota Department/Board of			
Public Safety	\$ 86,283	\$ -	\$ 86,283
Health	661,121	-	661,121
Employment and Economic Development	622,143	-	622,143
Veterans Affairs	10,000	-	10,000
Natural Resources	103,423	-	103,423
Human Services	3,127,495	-	3,127,495
Water and Soil Resources	234,005	-	234,005
Secretary of State	94,808	-	94,808
Peace Officer Standards and Training Board	29,168	-	29,168
Minnesota Pollution Control Agency	464,446	-	464,446
	<u>5,432,892</u>	<u>-</u>	<u>5,432,892</u>
Total state	\$ 5,432,892	\$ -	\$ 5,432,892

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 658,172	\$ -	\$ 658,172
Justice	92,187	-	92,187
Transportation	3,102,367	-	3,102,367
Treasury	3,986,481	-	3,986,481
Education	11,866	-	11,866
Health and Human Services	3,795,219	-	3,795,219
Homeland Security	84,601	-	84,601
Election Assistance Commission	27,113	-	27,113
Total federal	\$ 11,758,006	\$ -	\$ 11,758,006
Total state and federal grants	\$ 17,190,898	\$ -	\$ 17,190,898
Total Intergovernmental Revenue	\$ 34,304,210	\$ 60,240	\$ 34,364,450

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Polk-Norman-Mahnomen Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	\$ 340,567	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	202MN101S2514	308,722	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$317,605)	10.561	202MN127Q7503	8,883	-
Total U.S. Department of Agriculture			\$ 658,172	\$ -
U.S. Department of Justice				
Direct				
Bulletproof Vest Partnership Program	16.607		\$ 448	\$ -
Passed Through Minnesota Department of Public Safety Crime Victim Assistance				
	16.575	A-CVS-2020-POLKAO-076	91,739	-
Total U.S. Department of Justice			\$ 92,187	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction				
	20.205	00060	\$ 3,102,367	\$ 14,514
U.S. Department of the Treasury				
Passed Through City of Climax, Minnesota COVID-19 – Coronavirus Relief Fund				
	21.019	Not provided	\$ 1,235	\$ -
Passed Through Minnesota Management and Budget COVID-19 – Coronavirus Relief Fund (Total COVID-19 – Coronavirus Relief Fund 21.109 \$3,986,481)				
	21.019	SLT0016	3,985,246	673,085
Total U.S. Department of the Treasury			\$ 3,986,481	\$ 673,085
U.S. Department of Education				
Passed Through Polk-Norman-Mahnomen Community Health Board Special Education – Grants for Infants and Families				
	84.181	Not provided	\$ 11,866	\$ -
U.S. Election Assistance Commission				
Passed Through Office of the Minnesota Secretary of State COVID-19 – 2018 HAVA Election Security Grants				
	90.404	Not provided	\$ 27,113	\$ -

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Polk-Norman-Mahnomen Community Health Board				
Public Health Emergency Preparedness	93.069	Not provided	\$ 16,037	\$ -
Early Hearing Detection and Intervention	93.251	Not provided	225	-
Immunization Cooperative Agreements	93.268	Not provided	550	-
Drug-Free Communities Support Program Grants	93.276	Not provided	22,859	-
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	Not provided	375	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$715,936)	93.558	Not provided	54,077	-
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	Not provided	45,430	-
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	52,082	-
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2001MNFPS	7,118	-
Promoting Safe and Stable Families (Total Promoting Safe and Stable Families 93.556 \$12,118)	93.556	Not provided	5,000	-
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$715,936)	93.558	2001MNTANF	661,859	-
Child Support Enforcement	93.563	2001MNCEST	496,951	-
Child Support Enforcement (Total Child Support Enforcement 93.563 \$689,976)	93.563	2001MNCSES	193,025	-
Refugee and Entrant Assistance – State Administered Programs	93.566	2001MNRDMA	502	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2001MNCCDF	6,621	-
Community-Based Child Abuse Prevention Grants	93.590	2001MNBCAP	9,881	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	5,210	-
Foster Care – Title IV-E	93.658	2001MNFOST	205,273	-
Social Services Block Grant	93.667	2001MNSOSR	274,480	-
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2001MNCILP	58,823	-
Children's Health Insurance Program	93.767	2005MN5021	752	-
Medicaid Cluster				
Medical Assistance Program	93.778	2005MN5ADM	1,455,756	-
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,472,401)	93.778	2005MN5MAP	16,645	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI010027/B08TI083047	122,370	-
Total U.S. Department of Health and Human Services			\$ 3,711,901	\$ -

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMPG-20200408-2370	\$ 9,295	\$ -
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMPG-20200408-2371	7,609	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMPG-20200415-2470	3,040	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMPG-20200617-2858	39,428	-
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMPG-20210322-3838	12,319	-
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters 97.036 \$71,691)				
Emergency Management Performance Grants	97.042	F-EMPG-2019-POLKCO-3176	25,229	-
Total U.S. Department of Homeland Security			\$ 96,920	\$ -
Total Federal Awards			\$ 11,687,007	\$ 687,599
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 317,605	
Total expenditures for Highway Planning and Construction Cluster			3,102,367	
Total expenditures for CCDF Cluster			6,621	
Total expenditures for Medicaid Cluster			1,472,401	

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Polk County under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Polk County.

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

2. De Minimis Cost Rate

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 11,758,006
Grants received more than 60 days after year-end, unavailable in 2020	
Temporary Assistance for Needy Families	242,750
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	12,319
Unavailable in 2019, recognized as revenue in 2020	
Temporary Assistance for Needy Families	(283,630)
Promoting Safe and Stable Families	(1,933)
Community-Based Child Abuse Prevention Grants	(2,738)
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	(734)
Stephanie Tubbs Jones Child Welfare Services Program	(1,595)
Foster Care – Title IV-E	(28,457)
John H. Chafee Foster Care Program for Successful Transition to Adulthood	(6,969)
Children’s Health Insurance Program	(12)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 11,687,007</u>



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

Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 22, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Polk County's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings Questioned Costs, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-003 to be a material weakness and items 2020-001 and 2020-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Polk County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, we noted that Polk County failed to comply with the provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as item 2020-008. Also, in connection with our audit, nothing came to our attention that caused us to believe that Polk County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

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

Polk County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 22, 2021

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Polk County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2020. Polk County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004, 2020-005, 2020-006, and 2020-007. Our opinion on each major federal program is not modified with respect to these matters

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2020-004, 2020-005, 2020-006, and 2020-007, that we consider to be significant deficiencies.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 22, 2021

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major federal programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
COVID-19 – Coronavirus Relief Fund	CFDA No. 21.019
Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

Repeat Finding Since: 1996

Segregation of Duties

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

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

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

View of Responsible Official: Concur

Finding Number: 2020-002

Prior Year Finding Number: 2019-002

Repeat Finding Since: 2015

Documenting and Monitoring Internal Controls

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

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

Context: Local governments tend to establish controls but fail to periodically review those controls to ensure they are appropriate for all of the changes that take place over time. The County has established an Internal Control Committee; however, the Committee meetings are on hold as the County evaluates options to replace existing financial and accounting software systems.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Cause: Until recently, the County had not considered establishing a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring those controls. The County is continuing to discuss and evaluate options to replace its existing financial and accounting software systems with a completely different one. With anticipated changes in application software and processes, the Internal Control Committee has not been meeting.

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

View of Responsible Official: Concur

Finding Number: 2020-003

Prior Year Finding Number: 2019-003

Repeat Finding Since: 2017

Audit Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

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

Effect: The audit adjustment increased the Social Services Special Revenue Fund's receivables and deferred inflows of resources – unavailable revenue by \$1,375,250 for state and federal funding received after February 2021 that was related to 2020. The audit adjustment was reviewed and approved by management and is reflected in the financial statements.

Cause: Social Services staff did not flag receipts relating to 2020 revenues that were received after February 2021 in the general ledger.

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

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-004

Prior Year Finding Number: 2019-004

Repeat Finding Since: 2017

Eligibility – Intake Function

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 2005MN5ADM, 2020

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Pass-Through Agency: Minnesota Department of Human Services

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

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

- One instance in which income was documented in MAXIS but current paystubs were not included in the case file to verify the income. In addition, the bank account in which this income was deposited was not documented in MAXIS or on the application in the casefile.
- One instance in which a burial plot was listed in MAXIS but no verification of the value was in the casefile.

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

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

View of Responsible Official: Concur

Finding Number: 2020-005

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 2005MN5ADM, 2020

Pass-Through Agency: Minnesota Department of Human Services (DHS)

Criteria: The Department of Human Services' Second Quarter 2020 Fiscal Memo directed County staff to report payroll and other administrative expenses as normal. Any federal revenue received by the County related to COVID-19 work performed should be reported as a revenue offset on the DHS-2550 Income Maintenance Quarterly Expense Report.

Condition: The County's third quarter DHS-2550 Income Maintenance Quarterly Expense Report was submitted without expenditures related to COVID-19 or the offsetting revenue.

Questioned Costs: None.

Context: The COVID-19-related costs totaled \$452,959, and the offsetting federal revenue totaled \$185,508.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

Effect: The County did not follow the guidance from the Department of Human Services' Second Quarter 2020 Fiscal Memo.

Cause: County staff was not aware of the guidance provided by the Department of Human Services. At the time the third quarter DHS-2550 report was being completed, staff were not sure how much of the COVID-19 coded costs would be reimbursed with CARES Act funds. The expenditures were left off the report to prevent double billing to two different federal awards.

Recommendation: We recommend the County work with the Department of Human Services to correct the report.

View of Responsible Official: Acknowledge

Finding Number: 2020-006

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Report Submission

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. For County federal awards received from Minnesota Management and Budget (MMB), internal control should be established and maintained to provide assurance that program reports submitted

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

to MMB are completed in accordance with reporting instructions. As part of the County's reporting requirements, the County is required to submit the Local Government Expenditure Report no later than seven business days after the end of each month to provide the spent status of allotted Coronavirus Relief Funds (CRF), CFDA Number 21.019, awarded by the State of Minnesota.

Condition: One of the two MMB Local Government Expenditure Reports tested was submitted 27 days after the due date. The September report was required to be submitted by October 9, 2020, but it was submitted on November 5, 2020. The auditor expanded the testing and reviewed the remaining reports. There were two additional reports that were submitted after their due dates. The July report was required to be submitted by August 11, 2020, but it was submitted on September 9, 2020, 29 days after the due date. The October report was required to be submitted by November 10, 2020, but was submitted on November 16, 2020, 6 days after the due date.

Questioned Costs: None.

Context: The County received the CRF funds in July 2020, with the first report due in August 2020.

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

Effect: The County did not submit its reports by the dates required by MMB.

Cause: The County was not aware of the submission date requirements for the program.

Recommendation: We recommend the County implement procedures to ensure reports are submitted timely.

View of Responsible Official: Acknowledge

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-007

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. Code of Federal Regulations § 200.332, such as evaluating the subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award.

Condition: For three subrecipients tested, the County did not document risk assessment procedures or monitoring activities (i.e., on-site visits or phone conversations) performed in relation to its subrecipients. Additionally, the County does not have documented policies and procedures for subrecipient monitoring.

Questioned Costs: None.

Context: Polk County passed funds to local governments, which the County is familiar with, who have been operating for many years.

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

Effect: The County is not meeting federal regulations pertaining to subrecipient monitoring.

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Cause: Polk County does not generally provide federal awards to subrecipients and, therefore, did not have policies and procedures in place for subrecipient monitoring activities. Additionally, the County was not aware of the full extent of requirements for subrecipient monitoring.

Recommendation: We recommend the County establish policies and procedures for completing risk assessments and monitoring procedures over federal programs passed through to subrecipients, as well as creating and maintaining proper documentation to meet the requirements of federal programs.

View of Responsible Official: Acknowledge

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-008

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Publication of Board Minutes

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

Condition: Based on a review of the affidavits of publication related to the publishing of a summary of the County Board minutes for 2020, the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the four published summaries reviewed, two were not published within the 30-day requirement.

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Effect: Noncompliance with Minn. Stat. § 375.12.

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

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

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

Finding Number: 2020-009

Prior Year Finding Number: 2019-006

Repeat Finding Since: 2001

Capital Assets Accounting System

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

Cause: There is not a policy on how capital assets should be tracked. Accounting for each department's capital assets is left to each individual department.

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

View of Responsible Official: Concur

Finding Number: 2020-010

Prior Year Finding Number: 2019-007

Repeat Finding Since: 2007

Ditch Fund Balance Deficits

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

Condition: As of December 31, 2020, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Context: Forty-three of the 158 individual Ditch Special Revenue Fund ditch systems had deficit fund balances at December 31, 2020. The deficit fund balances ranged from \$11 to \$163,532, for a total of \$435,048. Three of the 22 Ditch Debt Service Fund ditch systems had deficit fund balances at December 31, 2020. The deficit fund balances ranged from \$2,240 to \$5,615, for a total of \$10,413.

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

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

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

View of Responsible Official: Concur



POLK COUNTY FINANCE DEPARTMENT
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**REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:
Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:
December 2023

Finding Number: 2020-002
Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:
Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:
December 2023

Finding Number: 2020-003
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:
Ron Denison

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

Anticipated Completion Date:
December 2021

Finding Number: 2020-004
Finding Title: Eligibility – Intake Function
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:
Randy Beggs

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

Anticipated Completion Date:
12-31-2020

Finding Number: 2020-005
Finding Title: Reporting
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:
Randy Beggs

Corrective Action Planned:
The report has been reviewed, corrected, and resubmitted to the State.

Anticipated Completion Date:
November 2021

Finding Number: 2020-006
Finding Title: Report Submission
Program: Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:
Ron Denison

Corrective Action Planned:
The County will better monitor the dates of reporting requirements for funds received and strive to complete all required reports in a timely manner.

Anticipated Completion Date:
December 2020

Finding Number: 2020-007
Finding Title: Subrecipient Monitoring
Program: Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:
Chuck Whiting

Corrective Action Planned:
The County will establish documented policies for subrecipient monitoring and also document the Counties monitoring and risk assessment procedures.

Anticipated Completion Date:
June 2022

Finding Number: 2020-008
Finding Title: Publication of Board Minutes

Name of Contact Person Responsible for Corrective Action:
Chuck Whiting

Corrective Action Planned:
The County intends to comply with the statute

Anticipated Completion Date:
December 2021

Finding Number: 2020-009

Finding Title: Capital Assets Accounting System

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County will find a centralized capital asset system and procedure adequate to resolve the finding.

Anticipated Completion Date:

June 2023

Finding Number: 2020-010

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

December 2023



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**REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2019-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties

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

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

Status: Partially Corrected. *In 2019, this condition was partially corrected, as the limited personnel condition continued and Polk County continued to mitigate the risk using the corrective actions previously reported. Due to circumstances with COVID, CARES Act funds, and the 2020 elections, no further corrective action were completed in 2020.*

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

Yes _____ No X

Finding Number: 2019-002
Repeat Finding Since: 2015
Finding Title: Documenting and Monitoring Internal Controls

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

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

Status: Partially Corrected. *The process of reviewing system changes for finance and accounting processes is still ongoing. The internal control committee will resume the process of documenting when the County's decision becomes better defined. Due to circumstances with COVID, CARES Act funds, and the 2020 elections, no further corrective action were completed in 2020.*

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2019-003
Repeat Finding Since: 2017
Finding Title: Audit Adjustments

Summary of Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements. One material adjustment was approved for the Capital Projects Fund and one material adjustment was approved for the Social Services Special Revenue Fund.

Summary of Corrective Action Previously Reported: The County will document and review its policies and procedures for recording year end payable and receivable items and communicate it to departments.

Status: Partially Corrected. *The Social Services department did not identify receivables for amounts collected outside the County's revenue recognition policy, but which could be material. The County's Capital Projects Fund properly identified receivables as of 12/31/2020.*

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Social Services is following policy for receivables and payables. However, we did not identify the receivables collected beyond the first 60 days of the subsequent year.

The uniqueness and large dollar amounts involved in the Capital Projects Fund has presented several unfamiliar accounting situations. The County has corrected the errors. The Capital Projects will soon be at an end and the County does not expect any recurrence of the errors.

Finding Number: 2019-004

Repeat Finding Since: 2017

Finding Title: Eligibility - Intake Function

Program: Medicaid Cluster (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services maintains the computer systems, MAXIS and METS, which are used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets or income were verified or correctly entered into METS and MAXIS to support participant eligibility. Of 50 Medical Assistance (MA) Program case files tested, we noted nine instances in which documentation in the case file did not agree with information input into MAXIS or METS, or the information provided was not verified.

Summary of Corrective Action Previously Reported: The County will review the findings with the Eligibility Supervisor, and suggest timely and complete review of casefiles and documentation. Supervisor will instruct Eligibility workers on these practices

Status: Partially Corrected. *We have implemented procedures to improve on the verification of income, assets, and other items to be documented in the case files. However, there is a possibility that a document could have been missed, as there are numerous case files for each caseworker.*

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

Yes _____ No X

Finding Number: 2019-005

Repeat Finding Since: N/A

Finding Title: Procurement, Suspension, and Debarment

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

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

- None of the small purchases had written documentation to support the rationale for the method of procurement or full and open competition. For two of the three small purchases in which full and open competition was not documented, the rationale to limit competition was not justified.
- The one covered transaction did not have verification of whether vendors were debarred, suspended, or otherwise excluded.

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

Status: Not Corrected. *Social Services made a policy to review prices each year and document the findings. They also review SAM for large purchases but were unaware, at the time, of the specific needs for documentation. However, these procedures were not put into place until 2021.*

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

Social Services has a new policy in place to review prices, but it didn't go into effect until 2021.

Finding Number: 2017-004

Repeat Finding Since: 2017

Finding Title: Procurement, Suspension, and Debarment

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

Summary of Condition: For procurements tested over \$3,000, the client was not maintaining documentation of the vendor selection process, including cost/price analysis. In addition, there was only one vendor applicable to test over \$100,000, and it was found that the client still was not reviewing the SAM website to verify that the vendor/contractor was not on the suspended/debarred list.

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

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

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

Finding Number: 2019-006

Repeat Finding Since: 2001

Finding Title: Capital Assets Accounting System

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

Summary of Corrective Action Previously Reported: The County is currently exploring options for replacing essentially all the current accounting systems with different systems. This new system with likely include a centralized capital asset program.

Status: Not Corrected. *The County is still in the process of looking into purchasing other software, that would include a centralized capital asset program.*

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

Yes _____ No X

Finding Number: 2019-007

Repeat Finding Since: 2007

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2019, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

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

Status: Not Corrected. *The County is still working to establish modest fund balances in all ditches, but deficit spending will likely continue, and the County will raise special assessments to restore positive balances as quickly as possible without being an undue hardship to the landowners.*

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

Yes _____ No X