STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

POLK COUNTY
CROOKSTON, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 approximately 600 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, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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CROOKSTON, MINNESOTA

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Introductory Section

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POLK COUNTY
CROOKSTON, MINNESOTA

ORGANIZATION
DECEMBER 31, 2018

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

*Chair for 2018
**Vice Chair for 2018

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County as of December 31, 2018, 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 3.D. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Correction in Previously Issued Financial Statements

As discussed in Note 1.E. to the financial statements, the previously issued financial statements have been restated. 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 the purpose of additional analysis and is not a required part of the 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 September 11, 2019, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Polk County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Polk County's internal control over financial reporting and compliance.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 11, 2019

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $131,831,375, of which Polk County has a net investment in capital assets of $121,174,507, and $4,568,327 is restricted to specific purposes or uses.

- Business-type activities' total net position is $19,764,602. Net investment in capital assets represents $19,323,342.

- Polk County's net position (governmental activities and business-type activities) totals $151,595,977 for the year ended December 31, 2018. Net investment in capital assets represents $140,497,849 of the total, $4,673,475 of the total net position is restricted for specific uses, and $6,424,653 is unrestricted.

- The net cost of Polk County's governmental activities for the year ended December 31, 2018, was $28,776,603. General property tax revenues and other revenue sources totaling $23,243,129 funded the total net cost of $28,776,603.

- Polk County's governmental funds' fund balances decreased by $1,746,976. This decrease was the result of a combined General Fund balance decrease of $1,130,299, a Road and Bridge Special Revenue Fund balance increase of $1,045,553, a Social Services Special Revenue Fund balance increase of $1,013,177, a Public Safety Special Revenue Fund balance increase of $486,276, a Ditch Debt Service Fund balance decrease of $171,351, a Capital Projects Fund balance decrease of $3,312,591, and an increase in other governmental fund's fund balance of $322,259.

- The General Fund balance decreased by $1,130,299. The decrease was due to the planned capital project expenditures totaling $560,099 in the General Fund mostly in the buildings and information systems departments. In addition, expenditures in the Building Department exceeded budget by $312,415 due to needed remodeling and repairs to buildings. These additional 2018 capital projects were approved by the Board during the year and intended as uses of fund balance.

- The Road and Bridge Special Revenue Fund balance increased by $1,045,553 due primarily to an excess of revenues over expenditures of $1,055,535 and a decrease in inventories of $9,982.

- The Social Services Special Revenue Fund balance increased by $1,013,177 due to excess of revenues over expenditures of $1,013,177.

- The Public Safety Special Revenue Fund balance increased by $486,276 due to excess revenues over expenditures of $486,276. The expenditures in the Sheriff's Department for total pay and benefits came in under budget by approximately $516,000.

- The Ditch Debt Service Fund balance decreased by $171,351 due to the excess of debt service expenditures over annual revenues from special assessments.

- The Capital Projects Fund, which was new in 2017, was created for the Solid Waste Expansion – CAP Grant Project. The fund balance decreased in 2018 by $3,312,591 due to the use of the bond proceeds that were remaining in the fund from 2017 for additional project expenses as the Solid Waste Expansion project progresses toward completion.

- The fund balance as of December 31, 2018, for all other governmental funds increased by $322,259 due to excess of revenues over expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

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

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

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

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

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund 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 organization, other governments, or other funds. Polk County's fiduciary funds consist of one investment trust fund and five agency funds. Investment trust funds are used to account for the investment activities of the other funds that the County holds in a fiduciary capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

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

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

THE COUNTY AS A WHOLE

Polk County's combined net position for the year ended December 31, 2018, was $151,595,977. 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	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	$ 38,349,918	$ 41,251,292	$ 4,523,316	$ 6,126,562	$ 42,873,234	$ 47,377,854
Capital assets	139,842,624	145,288,724	19,760,446	9,325,729	159,603,070	154,614,453
Total Assets	$ 178,192,542	$ 186,540,016	$ 24,283,762	$ 15,452,291	$ 202,476,304	$ 201,992,307
Deferred Outflows of Resources						
Deferred pension outflows	$ 6,089,574	$ 8,679,242	$ 313,851	$ 462,323	$ 6,403,425	$ 9,141,565
Deferred OPEB outflows	54,869	-	5,736	-	60,605	-
Total Deferred Outflows of Resources	$ 6,144,443	$ 8,679,242	$ 319,587	$ 462,323	$ 6,464,030	$ 9,141,565
Liabilities						
Long-term debt outstanding	$ 39,739,711	$ 46,308,491	$ 3,915,377	$ 4,529,383	$ 43,655,088	$ 50,837,874
Other liabilities	4,769,624	3,919,298	558,837	230,216	5,328,461	4,149,514
Total Liabilities	$ 44,509,335	$ 50,227,789	$ 4,474,214	$ 4,759,599	$ 48,983,549	$ 54,987,388
Deferred Inflows of Resources						
Deferred pension inflows	$ 7,996,275	$ 7,397,868	$ 364,533	$ 273,232	$ 8,360,808	$ 7,671,100
Prepaid property taxes	-	228,752	-	-	-	228,752
Total Deferred Inflows of Resources	$ 7,996,275	$ 7,626,620	$ 364,533	$ 273,232	$ 8,360,808	$ 7,899,852
Net Position						
Net investment in capital assets	$ 121,174,507	$ 129,347,210	$ 19,323,342	$ 9,021,969	$ 140,497,849	$ 138,369,179
Restricted	4,568,327	5,236,551	105,148	-	4,673,475	5,236,551
Unrestricted	6,088,541	2,781,088	336,112	1,859,814	6,424,653	4,640,902
Total Net Position	$ 131,831,375	$ 137,364,849	$ 19,764,602	$ 10,881,783	$ 151,595,977	$ 148,246,632
Prior period adjustment*				3,170,049		3,170,049
Total Net Position, as restated				$ 14,051,832		$ 151,416,681

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

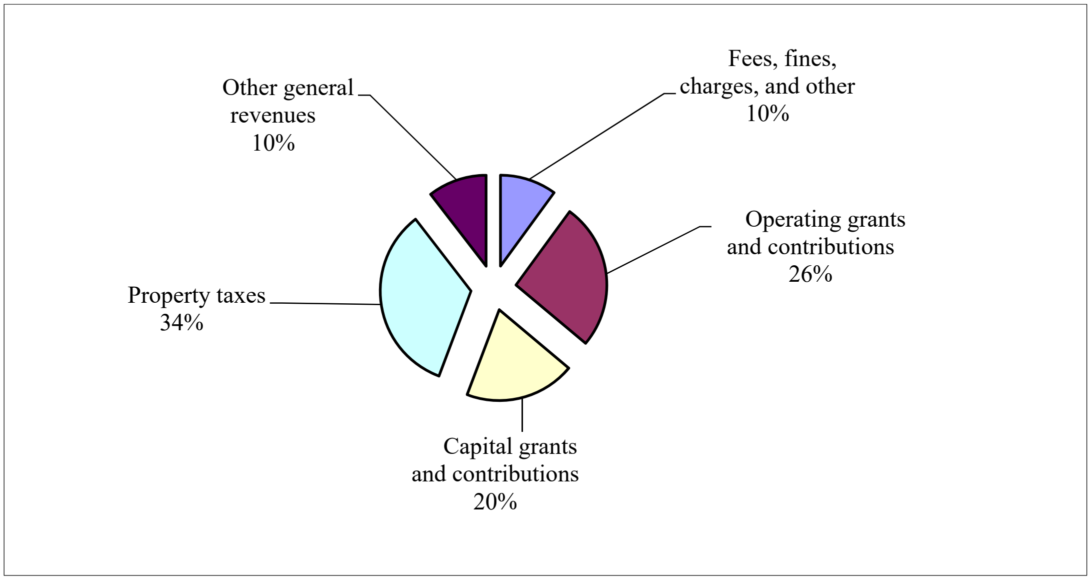
Polk County's total net position for the year ended December 31, 2018, is $151,595,977. Unrestricted net position totaling $6,424,653 is available to finance day-to-day operations. Of the unrestricted net position, $6,088,541 is available for governmental activities, and $336,112 is available for business-type activities. As of December 31, 2017, Polk County's total net position was $151,416,681. The $179,296 increase is due primarily to the increase in unrestricted net position resulting from less liabilities relative to assets.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Fees, fines charges, and other	$ 6,525,485	$ 8,436,420	$ 6,677,183	$ 6,688,516	$ 13,202,668	$ 15,124,936
Operating grants and contributions	16,933,743	17,232,616	-	202,500	16,933,743	17,435,116
Capital grants and contributions	12,759,209	11,691,083	-	-	12,759,209	11,691,083
General revenues						
Property taxes	21,950,232	21,069,098	-	-	21,950,232	21,069,098
Other taxes	3,151,713	3,017,570	-	-	3,151,713	3,017,570
Grants and contributions	2,550,440	2,318,215	13,366	141,065	2,563,806	2,459,280
Special item			-	-	-	-
Other general revenues	1,102,626	800,486	308,330	45,233	1,410,956	845,719
Total Revenues	$ 64,973,448	$ 64,565,488	$ 6,998,879	$ 7,077,314	$ 71,972,327	$ 71,642,802
Transfers	$ (5,511,882)	$ (3,071,241)	$ 5,511,882	$ 3,071,241	$ -	$ -
Expenses						
Program Expenses						
General Government	$ 10,571,510	$ 10,556,212	$ -	$ -	$ 10,571,510	$ 10,556,212
Public Safety	11,038,542	11,825,314	-	-	11,038,542	11,825,314
Highways and Streets	17,123,869	11,658,064	-	-	17,123,869	11,658,064
Sanitation	6,477,344	7,691,175	-	-	6,477,344	7,691,175
Human Services	15,296,796	17,021,528	-	-	15,296,796	17,021,528
Health	2,850,146	2,913,995	-	-	2,850,146	2,913,995
Culture and Recreation	634,498	595,889	-	-	634,498	595,889
Conservation of Natural Resources	536,202	1,193,051	-	-	536,202	1,193,051
Economic Development	7,550	10,530	-	-	7,550	10,530
Interest	458,583	455,849	-	-	458,583	455,849
Resource Recovery	-	-	4,798,871	3,960,334	4,798,871	3,960,334
Landfill	-	-	1,999,120	1,854,129	1,999,120	1,854,129
Total Program Expenses	$ 64,995,040	$ 63,921,607	$ 6,797,991	$ 5,814,463	$ 71,793,031	$ 69,736,070
Increase (Decrease) in Net Position	$ (5,533,474)	$ (2,427,360)	$ 5,712,770	$ 4,334,092	$ 179,296	$ 1,906,732

Polk County's total revenues for the year ended December 31, 2018, were $71,972,327, which is an increase over the total revenues from 2017 of $329,525. The total cost of programs and services for the year ended December 31, 2018, was $71,793,031, which is an increase over the total cost of programs in 2017 of $2,056,961. In 2018, the net position for governmental activities decreased by $5,533,474 and the net position for business-type activities increased by $5,712,770, for a total County increase of $179,296. The governmental activities program expenditures increased by $1,073,433 due mostly to increased project expenses in highways and streets offset by decreased expenditures in most other funds. Program revenues decreased in general government mostly due to a drop in fees, fines, and charges revenue. The business-type activities had a decrease in total revenues of $78,435 due mostly to a drop in grants and contribution relative to the prior year offset by an increase in other general revenues. Transfers of $5,511,882 needed to be shown between governmental activities and business-type activities for capital contributions from the Capital Projects fund to the Resource Recovery fund.

Governmental Activities Revenue
(Percent of Total)



Governmental Activities

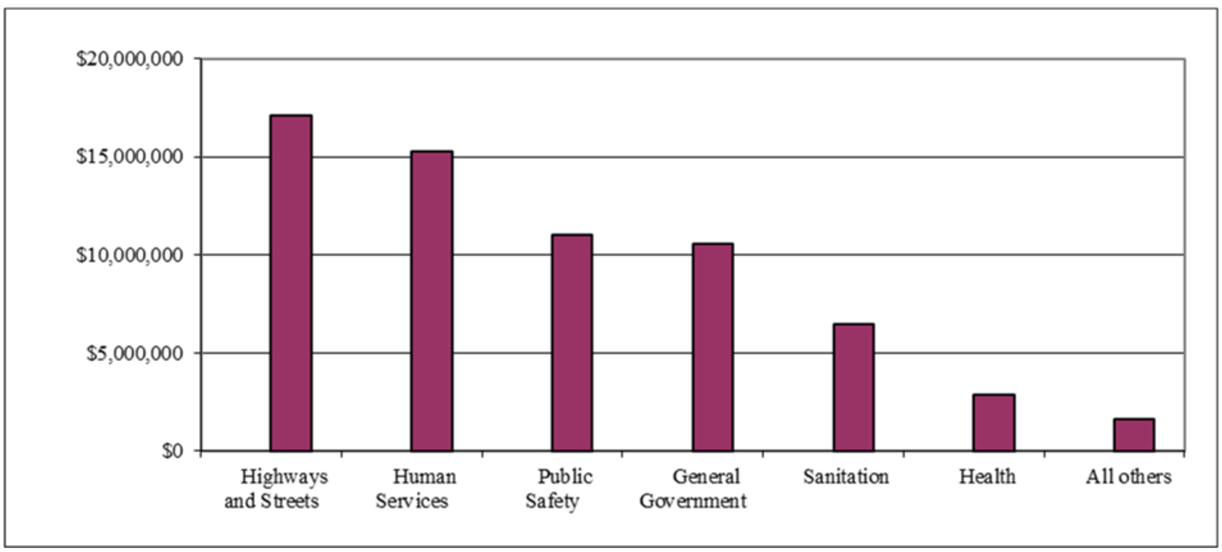
Revenues for Polk County's governmental activities for the year ended December 31, 2018, were $64,973,448. Costs for all governmental activities for the year ended December 31, 2018, were $64,995,040. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was $21,950,232, because $6,525,485 of the costs were paid by those who directly benefited from the programs, and $29,692,952 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Polk County paid for the remaining "public benefit" portion of governmental activities with $6,804,779 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 2018	Net Cost of Services 2018
Program Expenses		
Highways and Streets	$ 17,123,869	$ 5,586,916
Human Services	15,296,796	3,639,163
Public Safety	11,038,542	9,427,206
General Government	10,571,510	8,859,927
Sanitation	6,477,344	157,196
Health	2,850,146	871,215
All others	1,636,833	234,980
Total Program Expenses	$ 64,995,040	$ 28,776,603

Governmental Activities Expenses
2018



Business-Type Activities

Revenues of Polk County's business-type activities (see Table 2) for the year ended December 31, 2018, were $6,998,879. This compares with total revenues of $7,077,314 for the year ended December 31, 2017.

Transfers to business-type activities (see Table 2) for the year ended December 31, 2018, were $5,511,882. Transfers to business-type activities were $3,071,241 for the year ended December 31, 2017.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2018, were $6,797,991. This compares with total expenses of $5,814,463 for the year ended December 31, 2017.

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 $27,999,043, which is less than last year's total of $29,746,019. The decrease in fund balance of $1,746,976 is due primarily to the $3,312,591 decrease in the Capital Projects Fund caused by the spending down of the 2017 bond sale proceeds on capital project costs.

As you will note, there were changes within individual funds. The overall fund balance change represented a 5.9 percent decrease. Included in this year's total fund balance is the General Fund balance of $9,371,605, a decrease of $1,130,299 from 2017, due to intentional use of excess fund balance for building and other capital items. The General Fund balance is classified as either nonspendable – $291,601, restricted for specific purposes – $333,468, committed for specific purposes – $496,008, assigned to specific uses – $302,107, or unassigned – $7,948,421.

An excess of revenues over expenditures in the Road and Bridge Fund offset by a decrease in inventory caused an increase of $1,045,553. An excess of revenues over expenditures in the Social Services Fund caused an increase of $1,013,177. An excess of revenues over expenditures in the Public Safety Fund caused an increase of $486,276. The fund balance in the Ditch Debt Service Fund had a decrease due to expenditures over revenues of $171,351.

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 2018, the Board of Commissioners did not make any significant budget revisions to the General Fund budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 19, 2017, 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 $490,904. Total actual expenditures in the General Fund exceeded the budgeted expenditures by $1,013,604.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, Polk County had $159,603,070 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of $4,988,617, 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	
	2018	2017	2018	2017	2018	2017
Land	$ 9,404,313	$ 9,371,370	$ 261,118	$ 261,118	$ 9,665,431	$ 9,632,488
Construction in progress	776,536	5,027,232	1,659,071	2,561,112	2,435,607	7,588,344
Land improvements	848,884	983,522	79,192	82,309	928,076	1,065,831
Buildings and improvements	27,849,908	29,792,454	4,419,504	1,589,402	32,269,412	31,381,856
Machinery, furniture, and equipment	4,780,237	4,018,811	13,006,716	4,369,216	17,786,953	8,388,027
Infrastructure	96,182,746	96,095,335	-	-	96,182,746	96,095,335
Landfill	-	-	334,845	462,572	334,845	462,572
Totals	$ 139,842,624	$ 145,288,724	$ 19,760,446	$ 9,325,729	$ 159,603,070	$ 154,614,453

During calendar year 2018, Polk County's governmental activities' capital assets, net of depreciation, decreased a total of $5,446,100. Depreciation expenses for the year in the categories of land improvements, buildings and improvements, machinery, furniture, and equipment, and infrastructure exceeded the new additions. Road and bridge work in the year was mostly repairs and maintenance with limited new construction. More new construction that does reach the capitalization threshold is scheduled for the coming years.

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

Bonded Debt

As of December 31, 2018, Polk County had $23,798,668 in bonds and notes outstanding, compared with $27,465,016 as of December 31, 2017, a decrease of 13.3 percent—as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Bonds payable						
General obligation bonds	$ 23,430,000	$ 26,965,000	$ -	$ -	$ 23,430,000	$ 26,965,000
Plus: Unamortized premium	368,668	500,016	-	-	368,668	500,016
Totals	$ 23,798,668	$ 27,465,016	$ -	$ -	$ 23,798,668	$ 27,465,016

The State limits the amount of net debt that the County can issue up to three percent of the market value of all taxable property. Polk County's outstanding net debt is significantly below this $163,874,115 State-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

Other obligations include compensated absences, other postemployment benefits liability, and landfill closure and postclosure care costs. The notes to the financial statements (Notes 3.C.2. – 6.) provide detailed information about the County's long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

- The unemployment rate for Polk County was 3.7 percent as of December 2018. This is a slight improvement over the 2017 rate of 4.2 percent, higher than the statewide rate of 3.2 percent, and lower than the national average rate of 3.9 percent.

- Polk County's population at December 2018 was 31,627, an increase of 7 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 18, 2018, Polk County set its 2019 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and pooled investments	$ 23,703,804	$ 2,081,988	$ 25,785,792
Investments	1,269,612	-	1,269,612
Taxes receivable – delinquent	483,339	-	483,339
Special assessments receivable			
Delinquent	247,724	-	247,724
Noncurrent	3,872,419	-	3,872,419
Accounts receivable – net	188,861	270,294	459,155
Accrued interest receivable	101,090	76,839	177,929
Internal balances	(111,037)	111,037	-
Due from other governments	6,938,911	227,521	7,166,432
Inventories	782,432	-	782,432
Prepaid items	872,763	-	872,763
Restricted assets			
Permanently restricted			
Cash and pooled investments	-	1,755,637	1,755,637
Capital assets			
Non-depreciable	10,180,849	1,920,189	12,101,038
Depreciable – net of accumulated depreciation	129,661,775	17,840,257	147,502,032
Total Assets	**$ 178,192,542**	**$ 24,283,762**	**$ 202,476,304**
Deferred Outflows of Resources			
Deferred pension outflows	$ 6,089,574	$ 313,851	$ 6,403,425
Deferred other postemployment benefits outflows	54,869	5,736	60,605
Total Deferred Outflows of Resources	**$ 6,144,443**	**$ 319,587**	**$ 6,464,030**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-Type Activities	Total
Liabilities			
Accounts payable	$ 752,169	$ 293,266	$ 1,045,435
Salaries payable	561,493	48,320	609,813
Contracts payable	834,801	156,673	991,474
Due to other governments	2,344,426	60,578	2,405,004
Accrued interest payable	243,055	-	243,055
Unearned revenue	33,680	-	33,680
Long-term liabilities			
Due within one year	2,795,560	120,592	2,916,152
Due in more than one year	22,558,060	2,329,708	24,887,768
Other postemployment benefits liability	814,721	69,662	884,383
Net pension liability	13,571,370	1,395,415	14,966,785
Total Liabilities	**$ 44,509,335**	**$ 4,474,214**	**$ 48,983,549**
Deferred Inflows of Resources			
Deferred pension inflows	**$ 7,996,275**	**$ 364,533**	**$ 8,360,808**
Net Position			
Net investment in capital assets	$ 121,174,507	$ 19,323,342	$ 140,497,849
Restricted for			
General government	317,180	-	317,180
Public safety	439,573	-	439,573
Highways and streets	688,389	-	688,389
Closure/postclosure	-	105,148	105,148
Conservation of natural resources	1,499,452	-	1,499,452
Debt service	1,623,733	-	1,623,733
Unrestricted	6,088,541	336,112	6,424,653
Total Net Position	**$ 131,831,375**	**$ 19,764,602**	**$ 151,595,977**

POLK COUNTY
CROOKSTON, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary Government		
Governmental activities		
General government	$ 10,571,510	$ 1,067,880
Public safety	11,038,542	1,484,336
Highways and streets	17,123,869	575,774
Sanitation	6,477,344	134,699
Human services	15,296,796	1,565,473
Health	2,850,146	639,778
Culture and recreation	634,498	132,261
Conservation of natural resources	536,202	925,284
Economic development	7,550	-
Interest	458,583	-
Total governmental activities	**$ 64,995,040**	**$ 6,525,485**
Business-type activities		
Resource Recovery	$ 4,798,871	$ 4,079,689
Landfill	1,999,120	2,597,494
Total business-type activities	**$ 6,797,991**	**$ 6,677,183**
Total Primary Government	**$ 71,793,031**	**$ 13,202,668**

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

Total general revenues and transfers

Change in net position

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

Net Position – Ending

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

EXHIBIT 2

Program Revenues				
Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities	Business-Type Activities	Total
$ 643,703	$ -	$ (8,859,927)	$ -	$ (8,859,927)
127,000	-	(9,427,206)	-	(9,427,206)
4,182,129	6,779,050	(5,586,916)	-	(5,586,916)
205,290	5,980,159	(157,196)	-	(157,196)
10,092,160	-	(3,639,163)	-	(3,639,163)
1,339,153	-	(871,215)	-	(871,215)
79,235	-	(423,002)	-	(423,002)
265,073	-	654,155	-	654,155
-	-	(7,550)	-	(7,550)
-	-	(458,583)	-	(458,583)
$ 16,933,743	**$ 12,759,209**	**$ (28,776,603)**	**$ -**	**$ (28,776,603)**
$ -	$ -	$ -	$ (719,182)	$ (719,182)
-	-	-	598,374	598,374
$ -	**$ -**	**$ -**	**$ (120,808)**	**$ (120,808)**
$ 16,933,743	**$ 12,759,209**	**$ (28,776,603)**	**$ (120,808)**	**$ (28,897,411)**
		$ 21,950,232	$ -	$ 21,950,232
		3,139,338	-	3,139,338
		12,375	-	12,375
		2,550,440	13,366	2,563,806
		153,212	-	153,212
		490,727	90,562	581,289
		458,687	217,768	676,455
		(5,511,882)	5,511,882	-
		$ 23,243,129	**$ 5,833,578**	**$ 29,076,707**
		$ (5,533,474)	**$ 5,712,770**	**$ 179,296**
		137,364,849	**14,051,832**	**151,416,681**
		$ 131,831,375	**$ 19,764,602**	**$ 151,595,977**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Social Services
Assets			
Cash and pooled investments	$ 8,462,926	$ 2,368,891	$ 3,897,926
Petty cash and change funds	3,850	-	-
Undistributed cash in agency funds	443,397	610	1,237
Investments	159,372	-	-
Taxes receivable – delinquent	425,736	17,195	35,140
Special assessments			
Delinquent	-	-	-
Noncurrent	-	-	-
Accounts receivable – net	36,178	59	118,433
Accrued interest receivable	101,090	-	-
Due from other funds	23,613	13,846	-
Due from other governments	126,340	1,194,057	1,591,924
Advance to other funds	289,174	-	-
Inventories	-	782,432	-
Prepaid items	-	-	-
Total Assets	**$ 10,071,676**	**$ 4,377,090**	**$ 5,644,660**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 100,027	$ 190,812	$ 190,169
Salaries payable	134,704	51,342	147,847
Contracts payable	-	110,789	-
Due to other funds	7,279	144	23,005
Due to other governments	57,906	7,235	132,637
Unearned revenue	-	-	-
Advance from other funds	-	-	-
Total Liabilities	**$ 299,916**	**$ 360,322**	**$ 493,658**
Deferred Inflows of Resources			
Unavailable revenue	**$ 400,155**	**$ 422,472**	**$ 658,393**

EXHIBIT 3

Public Safety	Ditch Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ 3,945,404	$ 641,919	$ 1,853	$ 3,831,897	$ 23,150,816
250	-	-	770	4,870
-	26,362	-	76,512	548,118
95,599	651,380	-	363,261	1,269,612
-	-	-	5,268	483,339
-	9,099	-	238,625	247,724
-	3,703,557	-	168,862	3,872,419
5,092	-	-	29,099	188,861
-	-	-	-	101,090
-	-	-	1,170,407	1,207,866
25,081	-	3,635,664	365,319	6,938,385
-	-	-	-	289,174
-	-	-	-	782,432
-	-	872,763	-	872,763
$ 4,071,426	**$ 5,032,317**	**$ 4,510,280**	**$ 6,250,020**	**$ 39,957,469**
$ 54,902	$ -	$ 75,613	$ 140,646	$ 752,169
164,396	-	-	63,204	561,493
-	-	724,012	-	834,801
5,007	-	1,101,232	181,710	1,318,377
513	-	2,109,631	36,504	2,344,426
-	-	-	33,680	33,680
-	7,855	-	281,319	289,174
$ 224,818	**$ 7,855**	**$ 4,010,488**	**$ 737,063**	**$ 6,134,120**
$ -	**$ 3,711,669**	**$ 244,730**	**$ 386,887**	**$ 5,824,306**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge	Social Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ -	$ 782,432	$ -
Advances to other funds	289,174	-	-
Missing heirs	2,427	-	-
Restricted			
County state-aid highway system	-	52,522	-
Debt service	18,715	-	-
DARE	-	-	-
Ditch maintenance and construction	-	-	-
Aquatic species	-	-	-
Buffer enforcement	-	-	-
Dive rescue team	-	-	-
Drug task force	-	-	-
Project lifesavers	-	-	-
DWI forfeitures	-	-	-
Civil process fees	-	-	-
E-911	-	-	-
Gravel pit restoration	-	243,805	-
Administering the carrying of weapons	-	-	-
Law library	52,972	-	-
Recorder's compliance	105,150	-	-
Recorder's technology equipment	156,631	-	-
Capital projects	-	-	-
Committed			
Insurance	495,366	-	-
Maple Lake Park reforestation	642	-	-
Assigned			
Forfeited tax sales	302,107	-	-
Public safety	-	-	-
Highways and streets	-	2,515,537	-
Human services	-	-	4,492,609
Health	-	-	-
Sanitation	-	-	-
Culture and recreation	-	-	-
Unassigned	7,948,421	-	-
Total Fund Balances	**$ 9,371,605**	**$ 3,594,296**	**$ 4,492,609**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 10,071,676**	**$ 4,377,090**	**$ 5,644,660**

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

Public Safety	Ditch Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 782,432
-	-	-	-	289,174
-	-	-	-	2,427
-	-	-	-	52,522
-	1,323,206	-	281,812	1,623,733
4,320	-	-	-	4,320
-	-	-	1,202,582	1,202,582
-	-	-	39,863	39,863
-	-	-	257,007	257,007
1,538	-	-	-	1,538
630	-	-	-	630
975	-	-	-	975
18,743	-	-	-	18,743
12,869	-	-	-	12,869
199,672	-	-	-	199,672
-	-	-	-	243,805
200,826	-	-	-	200,826
-	-	-	-	52,972
-	-	-	-	105,150
-	-	-	-	156,631
-	-	255,062	-	255,062
-	-	-	-	495,366
-	-	-	-	642
-	-	-	-	302,107
3,407,035	-	-	-	3,407,035
-	-	-	-	2,515,537
-	-	-	-	4,492,609
-	-	-	991,944	991,944
-	-	-	2,621,810	2,621,810
-	-	-	12,779	12,779
-	(10,413)	-	(281,727)	7,656,281
$ 3,846,608	**$ 1,312,793**	**$ 255,062**	**$ 5,126,070**	**$ 27,999,043**
$ 4,071,426	**$ 5,032,317**	**$ 4,510,280**	**$ 6,250,020**	**$ 39,957,469**

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2018

Fund balances – total governmental funds (Exhibit 3)		**$ 27,999,043**
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.		139,842,624
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		5,824,306
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds.		6,089,574
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	$ (23,430,000)	
Other postemployment benefits liability	(814,721)	
Bond premiums	(368,668)	
Accrued interest payable	(243,055)	
Compensated absences	(1,554,952)	
Net pension liability	(13,571,370)	(39,982,766)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(7,996,275)
Deferred outflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.		54,869
Net Position of Governmental Activities (Exhibit 1)		**$ 131,831,375**

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

POLK COUNTY
CROOKSTON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Social Services
Revenues			
Taxes	$ 5,353,989	$ 3,221,359	$ 4,856,743
Special assessments	3,750	-	-
Licenses and permits	7,455	66,118	-
Intergovernmental	3,132,459	11,605,621	10,084,372
Charges for services	907,126	240,183	836,813
Fines and forfeits	13,653	-	-
Investment earnings	418,067	-	65
Gifts and contributions	-	-	15,000
Miscellaneous	311,044	269,473	715,102
Total Revenues	**$ 10,147,543**	**$ 15,402,754**	**$ 16,508,095**
Expenditures			
Current			
General government	$ 8,956,563	$ -	$ -
Public safety	270,487	-	-
Highways and streets	-	11,744,805	-
Sanitation	-	-	-
Human services	-	-	15,494,918
Health	12,400	-	-
Culture and recreation	307,267	-	-
Conservation of natural resources	225,862	-	-
Economic development	7,550	-	-
Intergovernmental			
Highways and streets	-	1,375,264	-
Debt service			
Principal	1,260,000	1,215,000	-
Interest	237,713	12,150	-
Total Expenditures	**$ 11,277,842**	**$ 14,347,219**	**$ 15,494,918**
Excess of Revenues Over (Under) Expenditures	**$ (1,130,299)**	**$ 1,055,535**	**$ 1,013,177**
Other Financing Sources (Uses)			
Transfers in	$ -	$ -	$ -
Transfers out	-	-	-
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ -**
Net Change in Fund Balance	**$ (1,130,299)**	**$ 1,055,535**	**$ 1,013,177**
Fund Balance – January 1	**10,501,904**	**2,548,743**	**3,479,432**
Increase (decrease) in inventories	**-**	**(9,982)**	**-**
Fund Balance – December 31	**$ 9,371,605**	**$ 3,594,296**	**$ 4,492,609**

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
	$ 8,237,947	$ -	$ -	$ 1,514,021	$ 23,184,059
	-	686,695	-	2,053,890	2,744,335
	-	-	-	46,870	120,443
	419,874	-	6,853,990	1,890,934	33,987,250
	416,251	-	-	677,751	3,078,124
	3,357	-	-	-	17,010
	5,471	12,036	-	3,697	439,336
	2,200	-	-	-	17,200
	1,410,660	384,890	-	82,378	3,173,547
	$ 10,495,760	**$ 1,083,621**	**$ 6,853,990**	**$ 6,269,541**	**$ 66,761,304**
	$ -	$ -	$ -	$ 400,742	$ 9,357,305
	10,009,484	-	-	-	10,279,971
	-	-	-	-	11,744,805
	-	-	10,325,931	1,912,808	12,238,739
	-	-	-	-	15,494,918
	-	-	-	2,818,317	2,830,717
	-	-	-	259,205	566,472
	-	291,454	-	298,425	815,741
	-	-	-	-	7,550
	-	-	-	-	1,375,264
	-	800,000	150,000	110,000	3,535,000
	-	163,518	180,650	7,785	601,816
	$ 10,009,484	**$ 1,254,972**	**$ 10,656,581**	**$ 5,807,282**	**$ 68,848,298**
	$ 486,276	**$ (171,351)**	**$ (3,802,591)**	**$ 462,259**	**$ (2,086,994)**
	$ -	$ -	$ 490,000	$ -	$ 490,000
	-	-	-	(140,000)	(140,000)
	$ -	**$ -**	**$ 490,000**	**$ (140,000)**	**$ 350,000**
	$ 486,276	**$ (171,351)**	**$ (3,312,591)**	**$ 322,259**	**$ (1,736,994)**
	3,360,332	**1,484,144**	**3,567,653**	**4,803,811**	**29,746,019**
	-	**-**	**-**	**-**	**(9,982)**
	$ 3,846,608	**$ 1,312,793**	**$ 255,062**	**$ 5,126,070**	**$ 27,999,043**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances – total governmental funds (Exhibit 5)		**$ (1,736,994)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.		
Deferred inflows of resources – December 31	$ 5,824,306	
Deferred inflows of resources – January 1	(7,612,162)	(1,787,856)
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	$ 1,359,599	
Net book value of assets sold	(513,954)	
Current year depreciation	(6,291,745)	(5,446,100)
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.		
Principal repayments		
General obligation bonds		3,535,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in accrued interest payable	$ 11,884	
Change in compensated absences	(143,711)	
Change in other postemployment benefits liability	(122,176)	
Change in net pension liability	3,168,319	
Change in deferred pension outflows	(2,589,668)	
Change in deferred pension inflows	(598,407)	
Change in deferred other postemployment benefits outflows	54,869	
Change in unamortized premiums on general obligation bonds	131,348	
Change in inventories	(9,982)	(97,524)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (5,533,474)**

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

PROPRIETARY FUNDS

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 7

STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2018

	Resource Recovery	Landfill	Totals
Assets			
Current assets			
Cash and pooled investments	$ 1,044,785	$ 1,037,003	$ 2,081,788
Petty cash and change funds	-	200	200
Accounts receivable	95,006	175,288	270,294
Accrued interest receivable	7,800	69,039	76,839
Due from other funds	156,453	24,096	180,549
Due from other governments	118,423	109,098	227,521
Advance to other funds	-	175,402	175,402
Total current assets	**$ 1,422,467**	**$ 1,590,126**	**$ 3,012,593**
Restricted assets			
Cash and pooled investments	**$ -**	**$ 1,755,637**	**$ 1,755,637**
Noncurrent assets			
Capital assets			
Nondepreciable	$ 495,274	$ 1,424,915	$ 1,920,189
Depreciable – net	14,836,461	3,003,796	17,840,257
Total noncurrent assets	**$ 15,331,735**	**$ 4,428,711**	**$ 19,760,446**
Total Assets	**$ 16,754,202**	**$ 7,774,474**	**$ 24,528,676**
Deferred Outflows of Resources			
Deferred pension outflows	$ 266,556	$ 47,295	$ 313,851
Deferred other postemployment benefits outflows	4,971	765	5,736
Total Deferred Outflows of Resources	**$ 271,527**	**$ 48,060**	**$ 319,587**

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

EXHIBIT 7
(Continued)

STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2018

	Resource Recovery	Landfill	Totals
Liabilities			
Current liabilities			
Accounts payable	$ 225,646	$ 67,620	$ 293,266
Salaries payable	41,993	6,327	48,320
Contracts payable	-	156,673	156,673
Compensated absences payable	76,769	15,583	92,352
Due to other funds	42,284	27,228	69,512
Due to other governments	59,881	697	60,578
Capital leases payable	-	28,240	28,240
Total current liabilities	**$ 446,573**	**$ 302,368**	**$ 748,941**
Noncurrent liabilities			
Compensated absences payable	$ 346,340	$ 80,689	$ 427,029
Advance from other funds	175,402	-	175,402
Capital leases payable	-	252,190	252,190
Closure costs payable	-	639,626	639,626
Postclosure care costs payable	-	763,576	763,576
Contingency costs payable	-	247,287	247,287
Other postemployment benefits liability	63,812	5,850	69,662
Net pension liability	1,211,453	183,962	1,395,415
Total noncurrent liabilities	**$ 1,797,007**	**$ 2,173,180**	**$ 3,970,187**
Total Liabilities	**$ 2,243,580**	**$ 2,475,548**	**$ 4,719,128**
Deferred Inflows of Resources			
Deferred pension inflows	**$ 310,426**	**$ 54,107**	**$ 364,533**
Net Position			
Net investment in capital assets	$ 15,331,735	$ 3,991,607	$ 19,323,342
Restricted for postclosure care costs	-	105,148	105,148
Unrestricted	(860,012)	1,196,124	336,112
Total Net Position	**$ 14,471,723**	**$ 5,292,879**	**$ 19,764,602**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Resource Recovery	Landfill	Totals
Operating Revenues			
Charges for services	$ 3,602,575	$ 2,579,663	$ 6,182,238
Miscellaneous	477,263	17,831	495,094
Total Operating Revenues	**$ 4,079,838**	**$ 2,597,494**	**$ 6,677,332**
Operating Expenses			
Personnel services	$ 2,070,253	$ 460,865	$ 2,531,118
Other services and charges	373,789	1,648,895	2,022,684
Supplies	343,140	11,847	354,987
Utilities	696,520	11,123	707,643
Repairs and maintenance	192,947	-	192,947
Transportation and disposal	194,099	32,768	226,867
Asset purchases	60,572	2,350	62,922
Closure/postclosure/contingency	-	(578,451)	(578,451)
Depreciation	703,260	345,698	1,048,958
Total Operating Expenses	**$ 4,634,580**	**$ 1,935,095**	**$ 6,569,675**
Operating Income (Loss)	**$ (554,742)**	**$ 662,399**	**$ 107,657**
Nonoperating Revenues (Expenses)			
Intergovernmental	$ 11,647	$ 1,719	$ 13,366
Interest income restricted for sanitation	53,352	37,210	90,562
Interest expense	-	(10,697)	(10,697)
Total Nonoperating Revenues (Expenses)	**$ 64,999**	**$ 28,232**	**$ 93,231**
Income (loss) before contributions and transfers	**$ (489,743)**	**$ 690,631**	**$ 200,888**
Capital contributions	5,175,984	685,898	5,861,882
Transfers out	(280,000)	(70,000)	(350,000)
Change in Net Position	**$ 4,406,241**	**$ 1,306,529**	**$ 5,712,770**
Net Position – January 1, as restated (Note 1.E.)	**10,065,482**	**3,986,350**	**14,051,832**
Net Position – December 31	**$ 14,471,723**	**$ 5,292,879**	**$ 19,764,602**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 9

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
Increase (Decrease) in Cash and Cash Equivalents

	Resource Recovery	Landfill	Totals
Cash Flows from Operating Activities			
Receipts from customers and users	$ 4,276,208	$ 2,459,584	$ 6,735,792
Payments to suppliers	(1,754,261)	(1,676,182)	(3,430,443)
Payments to employees	(1,893,209)	(404,822)	(2,298,031)
Net cash provided by (used in) operating activities	**$ 628,738**	**$ 378,580**	**$ 1,007,318**
Cash Flows from Noncapital Financing Activities			
Intergovernmental	$ 11,647	$ 1,719	$ 13,366
Transfers out	(280,000)	(70,000)	(350,000)
Net cash provided by (used in) noncapital financing activities	**$ (268,353)**	**$ (68,281)**	**$ (336,634)**
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	$ -	$ (23,870)	$ (23,870)
Interest paid on long-term debt	-	(10,697)	(10,697)
Purchases of capital assets	(523,783)	(1,747,709)	(2,271,492)
Net cash provided by (used in) capital and related financing activities	**$ (523,783)**	**$ (1,782,276)**	**$ (2,306,059)**
Cash Flows from Investing Activities			
Investment earnings received	**$ 48,363**	**$ 16,547**	**$ 64,910**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (115,035)**	**$ (1,455,430)**	**$ (1,570,465)**
Cash and Cash Equivalents at January 1	**1,159,820**	**4,248,270**	**5,408,090**
Cash and Cash Equivalents at December 31	**$ 1,044,785**	**$ 2,792,840**	**$ 3,837,625**
Cash and Cash Equivalents – Exhibit 7			
Cash and pooled investments	$ 1,044,785	$ 1,037,003	$ 2,081,788
Petty cash and change funds	-	200	200
Restricted cash and pooled investments	-	1,755,637	1,755,637
Total Cash and Cash Equivalents	**$ 1,044,785**	**$ 2,792,840**	**$ 3,837,625**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 9
(Continued)

STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018
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)	**$ (554,742)**	**$ 662,399**	**$ 107,657**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	$ 703,260	$ 345,698	$ 1,048,958
(Increase) decrease in accounts receivable	139,999	(122,675)	17,324
(Increase) decrease in due from other governments	(23,592)	(11,727)	(35,319)
(Increase) decrease in due from other funds	79,963	(3,509)	76,454
(Increase) decrease in deferred pension outflows	124,827	23,645	148,472
(Increase) decrease in deferred other postemployment benefits outflows	(4,971)	(765)	(5,736)
Increase (decrease) in accounts payable	48,536	29,437	77,973
Increase (decrease) in salaries payable	8,536	2,199	10,735
Increase (decrease) in compensated absences – current	6,625	2,445	9,070
Increase (decrease) in due to other funds	(1,287)	1,261	(26)
Increase (decrease) in due to other governments	59,557	104	59,661
Increase (decrease) in compensated absences – long-term	147,009	48,789	195,798
Increase (decrease) in other postemployment benefits liability	11,068	1,702	12,770
Increase (decrease) in net pension liability	(192,801)	(36,522)	(229,323)
Increase (decrease) in deferred pension inflows	76,751	14,550	91,301
Increase (decrease) in landfill closure/postclosure care costs	-	(578,451)	(578,451)
Total adjustments	**$ 1,183,480**	**$ (283,819)**	**$ 899,661**
Net Cash Provided by (Used in) Operating Activities	**$ 628,738**	**$ 378,580**	**$ 1,007,318**
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets from Capital Projects Fund to Resource Recovery and Landfill Funds	**$ 5,175,984**	**$ 685,898**	**$ 5,861,882**

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FIDUCIARY FUNDS

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Tri-County Community Corrections Investment Trust	Agency Funds
Assets		
Cash and pooled investments	$ 1,410,797	$ 1,221,409
Accounts receivable	-	201,228
Due from other governments	-	453,700
Total Assets	**$ 1,410,797**	**$ 1,876,337**
Liabilities		
Accounts payable	$ -	$ 12,503
Due to other funds	-	526
Due to other governments	-	1,863,308
Total Liabilities	**$ -**	**$ 1,876,337**
Net Position		
Net position, held in trust for pool participants	**$ 1,410,797**	

EXHIBIT 11

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRI-COUNTY COMMUNITY CORRECTIONS INVESTMENT TRUST FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

Additions		
Contributions from participants	$	9,972,221
Investment earnings		15,286
PERA rate reimbursement		11,235
Total Additions	**$**	**9,998,742**
Deductions		
Pool participant withdrawals		10,065,131
Change in Net Position	**$**	**(66,389)**
Net Position – Beginning of the Year		**1,477,186**
Net Position – End of the Year	**$**	**1,410,797**

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, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures, Jointly-Governed Organizations, and Related Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statement (Continued)

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

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

2. Fund Financial Statements

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

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

The County reports the following major enterprise funds:

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

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

      Additionally, the County reports the following fund types:

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

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

   C. Measurement Focus and Basis of Accounting

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

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

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, 2018, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Landfill Fund and the Resource Recovery Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were $235,359.

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).

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

Receivables have been shown net of an allowance of $172,015.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as taxes receivable delinquent.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments, payable in the years 2010 through 2018, and noncurrent special assessments payable in 2019 and after.

5. Inventories and Prepaid Items

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

1. Summary of Significant Accounting Policies

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

5. Inventories and Prepaid Items (Continued)

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

6. Restricted Assets

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

7. Capital Assets

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

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

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

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.

Assets	Years
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 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.

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

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

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

11. Pension Plan

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

1. Summary of Significant Accounting Policies

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

12. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County 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 financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has two types of deferred inflows, unavailable revenue and deferred pension inflows, that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

13. Classification of Net Position

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

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

1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

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

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

14. Classification of Fund Balances

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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

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

15. Minimum Fund Balance

Polk County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Polk County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than six months of the General Fund operating expenditures. At December 31, 2018, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

16. Use of Estimates

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

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustment

The January 1, 2018, Resource Recovery Enterprise Fund and business-type activities construction in progress increased $3,170,049, and the net position increased $3,170,049 for capital assets under construction.

	Business-Type Activities	Resource Recovery Enterprise Fund
Net Position, January 1, 2018, as previously reported	$ 10,881,783	$ 6,895,433
Change for construction in progress	3,170,049	3,170,049
Net Position, January 1, 2018, as restated	$ 14,051,832	$ 10,065,482

2. Stewardship, Compliance, and Accountability

Ditch Fund Deficits

Of 177 drainage systems (Special Revenue and Debt Service), 26 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, 2018:

	Ditch Special Revenue	Ditch Debt Service
Ditches with positive fund balances	$ 1,202,582	$ 1,323,206
Ditches with deficit fund balances	(281,727)	(10,413)
Total Fund Balances	$ 920,855	$ 1,312,793

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Governmental and business-type activities totals	
Cash and pooled investments	$ 25,785,792
Investments	1,269,612
Restricted assets	
Cash and pooled investments	1,755,637
Fiduciary assets	
Cash and pooled investments	
Investment Trust Fund	1,410,797
Agency funds	1,221,409
Total Cash and Investments	$ 31,443,247

Deposits	$ 13,743,689
Petty cash and change funds	5,070
Investments	17,694,488
Total Cash and Investments	$ 31,443,247

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.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2018, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(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.

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, 2018, 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, 2018, 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, 2018, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2018, the County had recurring fair value measurements as discussed as follows.

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

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical. At December 31, 2018, the County had $14,694,488 invested in MAGIC Portfolio.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any. At December 31, 2018, the County had $3,000,000 invested in MAGIC Term.

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, 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	$ 483,339	$ -
Special assessments	4,120,143	3,295,989
Accounts	188,861	-
Interest	101,090	-
Due from other governments	6,938,911	-
Total Governmental Activities	$ 11,832,344	$ 3,295,989
Business-Type Activities		
Accounts	$ 270,294	$ -
Interest	76,839	-
Due from other governments	227,521	-
Total Business-Type Activities	$ 574,654	$ -

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2018, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 9,371,370	$ 124,815	$ 91,872	$ 9,404,313
Construction in progress	5,027,232	762,251	5,012,947	776,536
Total capital assets not depreciated	$ 14,398,602	$ 887,066	$ 5,104,819	$ 10,180,849

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Land improvements	$ 2,141,566	$ -	$ 12,931	$ 2,128,635
Buildings and improvements	45,455,231	346,166	872,517	44,928,880
Machinery, furniture, and equipment	14,930,564	1,998,960	1,168,685	15,760,839
Infrastructure	153,054,572	3,140,354	-	156,194,926
Total capital assets depreciated	$ 215,581,933	$ 5,485,480	$ 2,054,133	$ 219,013,280
Less: accumulated depreciation for				
Land improvements	$ 1,158,044	$ 134,638	$ 12,931	$ 1,279,751
Buildings and improvements	15,662,777	1,866,630	450,435	17,078,972
Machinery, furniture, and equipment	10,911,753	1,237,534	1,168,685	10,980,602
Infrastructure	56,959,237	3,052,943	-	60,012,180
Total accumulated depreciation	$ 84,691,811	$ 6,291,745	$ 1,632,051	$ 89,351,505
Total capital assets depreciated, net	$ 130,890,122	$ (806,265)	$ 422,082	$ 129,661,775
Governmental Activities Capital Assets, Net	$ 145,288,724	$ 80,801	$ 5,526,901	$ 139,842,624

Business-Type Activities

	Beginning Balance, as Restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 261,118	$ -	$ -	$ 261,118
Construction in progress	5,731,161	1,659,071	5,731,161	1,659,071
Total capital assets not depreciated	$ 5,992,279	$ 1,659,071	$ 5,731,161	$ 1,920,189
Capital assets depreciated				
Buildings and improvements	$ 4,455,316	$ 3,002,275	$ -	$ 7,457,591
Landfill	4,774,882	28,296	-	4,803,178
Machinery, furniture, and equipment	14,937,051	9,349,077	14,878	24,271,250
Improvements other than buildings	318,274	6,068	-	324,342
Total capital assets depreciated	$ 24,485,523	$ 12,385,716	$ 14,878	$ 36,856,361

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance, as Restated	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings and improvements	$ 2,865,914	$ 172,173	$ -	$ 3,038,087
Landfill	4,312,310	156,023	-	4,468,333
Machinery, furniture, and equipment	10,567,835	711,577	14,878	11,264,534
Improvements other than buildings	235,965	9,185	-	245,150
Total accumulated depreciation	$ 17,982,024	$ 1,048,958	$ 14,878	$ 19,016,104
Total capital assets depreciated, net	$ 6,503,499	$ 11,336,758	$ -	$ 17,840,257
Business-Type Activities Capital Assets, Net	$ 12,495,778	$ 12,995,829	$ 5,731,161	$ 19,760,446

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

Governmental Activities	
General government	$ 1,448,064
Public safety	931,102
Highways and streets, including depreciation of infrastructure assets	3,701,379
Health	793
Culture and recreation	94,045
Human services	1,747
Sanitation	103,774
Ditch	10,841
Total Depreciation Expense – Governmental Activities	$ 6,291,745

Business-Type Activities	
Resource recovery	$ 703,260
Landfill	345,698
Total Depreciation Expense – Business-Type Activities	$ 1,048,958

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2018, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund		Amount
General Fund	Road and Bridge Special Revenue Fund	$	82
	Social Services Special Revenue Fund		23,005
	Agency Fund		526
Total due to General Fund		$	23,613
Road and Bridge Special Revenue Fund	General Fund	$	7,279
	Public Safety Special Revenue Fund		5,007
	Environmental Services Special Revenue Fund		1,161
	Landfill Enterprise Fund		399
Total due to Road and Bridge Special Revenue Fund		$	13,846
Environmental Services Special Revenue Fund	Road and Bridge Special Revenue Fund	$	62
	Capital Projects Fund		1,101,232
	Resource Recovery Enterprise Fund		42,284
	Landfill Enterprise Fund		26,829
Total due to Environmental Services Special Revenue Fund		$	1,170,407
Resource Recovery Enterprise Fund	Environmental Services Special Revenue Fund	$	156,453
Landfill Enterprise Fund	Environmental Services Special Revenue Fund	$	24,096
Total Due To/From Other Funds		$	1,388,415

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

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Ditch Debt Service Fund	$ 7,855
	Ditch Special Revenue Fund	281,319
Total General Fund		$ 289,174
Landfill Enterprise Fund	Resource Recovery Enterprise Fund	175,402
Total Advances From/To Other Funds		$ 464,576

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

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

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

During 2018, the governmental activities transferred purchased and constructed property and equipment of $5,175,984 and $685,898 to the Resource Recovery and Landfill Enterprise Funds, respectively.

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	$ 752,169	$ 293,266
Salaries	561,493	48,320
Contracts	834,801	156,673
Due to other governments	2,344,426	60,578
Interest	243,055	-
Total Payables	$ 4,735,944	$ 558,837

2. Construction Commitments

The County has active construction projects as of December 31, 2018. The projects include the following:

	Spent-to-Date	Remaining Commitment
Ground sample distance image project – Road and Bridge Special Revenue Fund	$ -	$ 187,555
Transfer Station – Capital Projects Special Revenue Fund	3,944,412	836,436
Separate Source Organic Material Facility – Capital Projects Special Revenue Fund	344,546	31,032
MSW Cell Phase 13 – Landfill Enterprise Fund	977,802	14,000
Total Construction Commitments	$ 5,266,760	$ 1,069,023

3. Capital Leases

The County entered into a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The County entered into a lease-purchase arrangement with Kinetic Leasing to purchase a Komptech

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Capital Leases (Continued)

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, 2018, were as follows:

Year Ending December 31	Capital Lease Principal	Capital Lease Interest
2019	$ 28,240	$ 7,696
2020	28,931	6,870
2021	29,636	6,024
2022	30,359	5,157
2023	31,099	4,269
2024 – 2027	132,165	7,754
Total	$ 280,430	$ 37,770

4. Long-Term Debt

Governmental Activities

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds					
2017A G.O Solid Waste Bonds	2037	$265,000 – $450,000	2.50 –3.00	$ 6,810,000	$ 6,660,000
2015A G.O. Watershed Bonds	2020	$120,000	3.00	2,855,000	240,000
2015B G.O. Watershed Bonds	2036	$55,000 – $105,000	1.00 – 3.40	1,495,000	1,385,000
2015C G.O. Capital Improvement Plan Bonds	2026	$265,000 – $315,000	2.00	2,985,000	2,355,000
2014 G.O. Jail Refunding Bonds	2026	$1,020,000 – $1,165,000	2.00 – 2.25	9,675,000	8,685,000

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General obligation bonds (Continued)					
2012 G.O. Watershed District Bonds	2033	$135,000	2.5303	2,710,000	2,025,000
2012B G.O. Refunding Bonds	2025	$140,000 – $160,000	1.7573	1,805,000	1,015,000
2009 G.O. Drainage Bonds	2030	$45,000 – $50,000	3.98	925,000	545,000
2009B G.O. Lake Improvement District Bonds	2020	$40,000	1.25 – 3.40	400,000	80,000
2008A Refunding Bonds	2020	$30,000	3.40 – 3.90	383,636	70,000
2006 G.O. Watershed District Bonds	2027	$40,000 – $45,000	3.60 – 4.30	865,000	370,000
Total general obligation bonds				$ 30,908,636	$ 23,430,000
Add: unamortized premium					368,668
Total General Obligation Bonds, Net					$ 23,798,668

5. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds Principal	General Obligation Bonds Interest
2019	$ 2,185,000	$ 555,080
2020	2,210,000	505,455
2021	2,045,000	457,980
2022	2,080,000	412,523
2023	2,115,000	365,758
2024 – 2028	7,710,000	1,140,751
2029 – 2033	3,070,000	538,441
2034 – 2037	2,015,000	120,565
Total	$ 23,430,000	$ 4,096,553

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	$ 26,965,000	$ -	$ 3,535,000	$ 23,430,000	$ 2,185,000
Add: unamortized premium	500,016	-	131,348	368,668	-
Total bonds payable	$ 27,465,016	$ -	$ 3,666,348	$ 23,798,668	$ 2,185,000
Compensated absences	1,411,241	1,809,860	1,666,149	1,554,952	610,560
Governmental Activities Long-Term Liabilities	$ 28,876,257	$ 1,809,860	$ 5,332,497	$ 25,353,620	$ 2,795,560

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease payments	$ 304,300	$ -	$ 23,870	$ 280,430	$ 28,240
Estimated liability for landfill closure/postclosure care costs	2,228,940	-	578,451	1,650,489	-
Compensated absences	314,513	220,762	15,894	519,381	92,352
Business-Type Activities Long-Term Liabilities	$ 2,847,753	$ 220,762	$ 618,215	$ 2,450,300	$ 120,592

7. Deferred Inflows of Resources – Unavailable Revenue

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

7. Deferred Inflows of Resources – Unavailable Revenue (Continued)

	Taxes	Special Assessments	Grants and Allotments	Total
Major governmental funds				
General	$ 348,764	$ -	$ 51,391	$ 400,155
Road and Bridge Special Revenue	16,746	-	405,726	422,472
Social Services Special Revenue	34,237	-	624,156	658,393
Ditch Debt Service	-	3,711,669	-	3,711,669
Capital Projects	-	-	244,730	244,730
Nonmajor governmental funds				
Agassiz Regional Library Special Revenue	4,487	-	-	4,487
Ditch Special Revenue	-	187,473	-	187,473
Environmental Services Special Revenue	21	190,337	-	190,358
Rhinehart Project Debt Service	-	328	-	328
Union Lake/Lake Sarah Debt Service	-	4,241	-	4,241
Total Unavailable Revenue	$ 404,255	$ 4,094,048	$ 1,326,003	$ 5,824,306

D. Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

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

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of $884,383 was measured as of January 1, 2018, and was determined by an actuarial valuation as of that date.

The total OPEB liability in the fiscal year-end December 31, 2018, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

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

The current year discount rate is 3.30 percent based on the estimated yield of 20-Year AA-rated municipal bonds.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

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

The method to develop starting claims costs, by age adjusting the premium information, was done under the Alternative Measurement Method.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018	$ 881,733
Changes for the year	
Service cost	$ 43,449
Interest	29,382
Benefit payments	(70,181)
Net change	$ 2,650
Balance at December 31, 2018	$ 884,383

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

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 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	$ 941,604
Current	3.30	884,383
1% Increase	4.30	830,674

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 1.00 percentage point lower or 1.00 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%	$ 814,194
Current	6.50% Decreasing to 5.00%	884,383
1% Increase	7.50% Decreasing to 6.00%	965,548

OPEB Expense and Deferred Outflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of $2,650. The County reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Contributions made subsequent to the measurement date	$ 60,605

3. Detailed Notes on All Funds

   D. Other Postemployment Benefits (OPEB)

      OPEB Expense and Deferred Outflows of Resources Related to OPEB (Continued)

      The $60,605 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, 2019.

      Changes in Actuarial Assumptions

      The following changes in actuarial assumptions occurred in 2018:

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

      - The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

      - The retirement and withdrawal tables for all employees were updated.

      - The retiree plan participation assumption was changed from 30 percent to 20 percent.

   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.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

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 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

3. Contributions (Continued)

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20

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

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	$ 1,199,787
Police and Fire Plan	352,009

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

4. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $12,837,123 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.2314 percent. It was 0.2441 percent measured as of June 30, 2017. The County recognized pension expense of $1,310,459 for its proportionate share of the General Employees Plan's pension expense.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The County also recognized $98,199 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$ 12,837,123
State of Minnesota's proportionate share of the net pension liability associated with the County	421,098
Total	$ 13,258,221

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	$ 357,590	$ 355,958
Changes in actuarial assumptions	1,165,857	1,496,574
Difference between projected and actual investment earnings	-	1,488,243
Changes in proportion	978,400	688,399
Contributions paid to PERA subsequent to the measurement date	604,852	-
Total	$ 3,106,699	$ 4,029,174

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The $604,852 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, 2019. 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
2019	$ 513,172
2020	(493,836)
2021	(1,278,731)
2022	(267,932)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $2,129,662 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.200 percent. It was 0.206 percent measured as of June 30, 2017. The County recognized pension expense of $271,543 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $17,982 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 87,379	$ 504,608
Changes in actuarial assumptions	2,531,084	3,230,215
Difference between projected and actual investment earnings	-	487,287
Changes in proportion	502,122	109,524
Contributions paid to PERA subsequent to the measurement date	176,141	-
Total	$ 3,296,726	$ 4,331,634

The $176,141 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, 2019. 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
2019	$ (1,974)
2020	(99,968)
2021	(298,944)
2022	(789,191)
2023	(20,972)

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $1,582,002.

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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 arithmetic real rates of return for each major asset class are summarized in the following table:

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan 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 2018:

General Employees Plan

- 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.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- 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.

8. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

8. Pension Liability Sensitivity (Continued)

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 20,861,969	6.50%	$ 4,566,129
Current	7.50	12,837,123	7.50	2,129,662
1% Increase	8.50	6,212,842	8.50	114,805

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.

F. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

3. Detailed Notes on All Funds

F. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by Polk County during the year ended December 31, 2018, were:

	Employee	Employer
Contribution amount	$ 8,957	$ 8,957
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.

The $1,650,489 landfill closure, postclosure care, and contingency costs payable at December 31, 2018, represent the cumulative amount reported to date based on the use of 37.0 percent of the estimated capacity of the municipal solid waste portion of the landfill and 39.1 percent of the estimated capacity of the ash portion of the landfill. The County will recognize the remaining estimated cost of closure care, postclosure care, and contingency costs of $1,711,764 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2018. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2037 and ash in 2085. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

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, 2018, investments of $1,755,637 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

4. Landfill Closure and Postclosure Care Costs (Continued)

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 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Conduit Debt

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

6. Conduit Debt (Continued)

manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2018, the outstanding principal amount payable was $2,530,000.

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

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, 2018, is $1,255,000, of which Polk County's share is $1,015,000. Polk County did not make any contributions in 2018.

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.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Marshall and Polk Rural Water System (Continued)

Complete financial information can be obtained from:

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

Northwest Minnesota Household Hazardous Waste Management Group

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 $8,288 to the Waste Management Group in 2018. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

Separate financial information can be obtained from:

Waste Management Group
PO Box 186
Bagley, Minnesota 56621

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Minnesota Regional Emergency Communication Board

The Northwest Minnesota Regional Emergency Communication 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, Mahnomen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau, and the White Earth Reservation.

The purpose of the Northwest Minnesota Regional Emergency Communication 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 Emergency Regional Emergency Communication 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 Communication Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Emergency Communication 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 Communication 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 2018.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Emergency Communication Board (Continued)

Complete financial information can be obtained from:

Headwaters Regional Development Commission
403 – 4th Street Northwest, Suite 310
Bemidji, Minnesota 56601

Northwest Minnesota Six County Joint Powers Board

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

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

Financing is provided by grants from the State of Minnesota or contributions, and no member realizes an additional financial benefit or burden. In 2018, Polk County did not make a contribution to the Board.

Complete financial information can be obtained from:

Red Lake Watershed District
PO Box 803
Thief River Falls, Minnesota 56701

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Service Cooperative

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

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that member counties do not experience an additional financial benefit or burden. Polk County made no contribution to the NWSC in 2018.

Complete financial information can be obtained from:

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

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. Mahnomen 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.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

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

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Polk County did not contribute to the NCDPSA for the year ended 2018. 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:

Clearwater County Auditor/Treasurer's Office
213 North Main Avenue
Bagley, Minnesota 56621

Polk County Collaborative

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

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

Financing is provided by state and local grants and appropriations from the participating agencies. Adequate rates are charged so that members do not experience an additional benefit or burden. Polk County acts as fiscal agent for the Polk County Collaborative and reports the cash transactions of the Collaborative as an agency fund in its financial statements. Polk County contributed $3,600 in 2018.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk County Collaborative (Continued)

Complete financial information can be obtained from:

Polk County Social Services
612 North Broadway
Crookston, Minnesota 56716

Tri-County Community Corrections

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

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

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

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

Polk County, in an investment trust fund, reports the transactions of Tri-County Community Corrections on its financial statements. Polk County did not make any contributions in 2018.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

Complete financial information can be obtained from:

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

Pine to Prairie Drug and Violent Crime Task Force

The Pine to Prairie Drug and Violent Crime Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The full members are Lake of the Woods, Norman, Pennington, Polk, and Roseau Counties; the Cities of Crookston, East Grand Forks, and Thief River Falls; and the federal agencies of the U.S. Customs and Border Protection and Homeland Security Investigations 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.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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

Polk County did not make any contributions to this organization in 2018.

Complete financial information can be obtain from:

City of Crookston
321 West Robert Street
Crookston, Minnesota 56716

C. Jointly-Governed Organizations

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

Job Training Partnership Act Joint Powers Agreement

The Job Training Partnership Act Joint Powers Agreement was formed in July 1994 under the authority of the Joint Powers Act, pursuant to 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’s Council for the Northwest Service Delivery Area, including specific duties as listed in the agreement.

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

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement (Continued)

Separate financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

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 2018, Polk County provided $259,205 in the form of an appropriation.

Financial information can be obtained from:

Lake Agassiz Regional Library Regional Office
118 – 5th Street South
Moorhead, Minnesota 56560

Middle River-Snake River-Tamarac Watershed District

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes 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.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

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

Northwest Workforce Service Area

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

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

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

Complete financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

Red Lake River Corridor

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

The Red Lake River Corridor Joint Powers Board is composed of one member from each participating entity. Each participant may also have an alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net position shall be distributed to the respective members in proportion to the contribution of each. Financing is provided by contributions from members. Polk County did not contribute to the Board in 2018.

Complete financial information can be obtained from:

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

Wild Rice Watershed District

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

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

Complete financial information can be obtained from:

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. During 2018, the County did not make a contribution to the Joint Powers Board.

Complete financial statements can be obtained from:

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

7. Summary of Significant Contingencies and Other Items

   C. Jointly-Governed Organizations (Continued)

      Polk-Norman-Mahnomen-Community Health Board

      The Polk-Norman-Mahnomen Community Health Board was established in 2012 under the authority of Minn. Stat. ch. 145A and Minn. Stat. § 471.59. The Community Health Board includes the Polk County 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 2018.

      Complete financial information can be obtained from:

      Polk County Public Health
      816 Marin Avenue, Suite 125
      Crookston, Minnesota 56716

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

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

Complete financial information can be obtained from:

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

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.

7. Summary of Significant Contingencies and Other Items

   D. Related Organizations (Continued)

   Red Lake Watershed District

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

8. Subsequent Event

   Bond Issue

   The County issued $3,825,000 General Obligation Drainage Watershed Bonds, Series 2019A, and $5,550,000 General Obligation State Highway Bonds, Series 2019B, on May 5, 2019.

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REQUIRED SUPPLEMENTARY INFORMATION

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 6,264,499	$ 6,264,499	$ 5,353,989	$ (910,510)
Special assessments	-	-	3,750	3,750
Licenses and permits	7,700	7,700	7,455	(245)
Intergovernmental	2,181,664	2,181,664	3,132,459	950,795
Charges for services	702,151	702,151	907,126	204,975
Fines and forfeits	10,000	10,000	13,653	3,653
Investment earnings	80,000	80,000	418,067	338,067
Miscellaneous	410,625	410,625	311,044	(99,581)
Total Revenues	**$ 9,656,639**	**$ 9,656,639**	**$ 10,147,543**	**$ 490,904**
Expenditures				
Current				
General government				
Commissioners	$ 280,928	$ 280,928	$ 375,788	$ (94,860)
Courts services	209,900	209,900	257,923	(48,023)
Law library	-	-	35,249	(35,249)
County administration	241,990	241,990	244,035	(2,045)
Taxpayer service center	774,259	774,259	689,366	84,893
Motor vehicle	144,429	144,429	155,855	(11,426)
County assessor	591,216	591,216	567,059	24,157
Elections	310,307	310,307	429,756	(119,449)
Finance	460,304	460,304	462,092	(1,788)
Accounting and auditing	80,000	80,000	97,233	(17,233)
Data processing	752,896	752,896	674,816	78,080
Central services	306,333	306,333	374,426	(68,093)
Personnel	457,173	457,173	353,487	103,686
Attorney	1,023,164	1,023,164	1,022,545	619
Recorder	99,880	99,880	196,240	(96,360)
Surveyor	226,482	226,482	268,302	(41,820)
Buildings and grounds	1,277,062	1,277,062	1,589,477	(312,415)
Veterans service officer	166,529	166,529	169,337	(2,808)
Insurance	40,000	40,000	65,589	(25,589)
Appropriations	-	-	67,198	(67,198)
Other general government	508,300	508,300	860,790	(352,490)
Total general government	**$ 7,951,152**	**$ 7,951,152**	**$ 8,956,563**	**$ (1,005,411)**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Ambulance	$ 58,775	$ 58,775	$ 58,775	$ -
Coroner	77,840	77,840	76,143	1,697
Victim assistance	141,783	141,783	135,569	6,214
Total public safety	**$ 278,398**	**$ 278,398**	**$ 270,487**	**$ 7,911**
Health				
Occupational Development Center	$ 7,500	$ 7,500	$ 7,500	$ -
Committee on Aging	2,500	2,500	2,500	-
Retired Senior Volunteer Program	2,400	2,400	2,400	-
Total health	**$ 12,400**	**$ 12,400**	**$ 12,400**	**$ -**
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	96,247	96,247	126,597	(30,350)
Celebrations	800	800	800	-
Snowmobile and ski trails	9,000	9,000	134,870	(125,870)
Total culture and recreation	**$ 151,047**	**$ 151,047**	**$ 307,267**	**$ (156,220)**
Conservation of natural resources				
Agricultural inspection	$ 45,188	$ 45,188	$ 1,385	$ 43,803
Cooperative extension	135,414	135,414	127,888	7,526
Soil and water conservation	110,490	110,490	86,418	24,072
Forfeited tax sale	-	-	10,171	(10,171)
Total conservation of natural resources	**$ 291,092**	**$ 291,092**	**$ 225,862**	**$ 65,230**
Economic development				
Red River Valley Development Association	$ 800	$ 800	$ 800	$ -
Tri-Valley Opportunity Council	6,750	6,750	6,750	-
Total economic development	**$ 7,550**	**$ 7,550**	**$ 7,550**	**$ -**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts				Actual		Variance with	
	Original		Final		Amounts		Final Budget	
Expenditures (Continued)								
Debt service								
Principal	$	1,334,886	$	1,334,886	$	1,260,000	$	74,886
Interest		237,713		237,713		237,713		-
Total debt service	**$**	**1,572,599**	**$**	**1,572,599**	**$**	**1,497,713**	**$**	**74,886**
Total Expenditures	**$**	**10,264,238**	**$**	**10,264,238**	**$**	**11,277,842**	**$**	**(1,013,604)**
Excess of Revenues Over (Under) Expenditures	**$**	**(607,599)**	**$**	**(607,599)**	**$**	**(1,130,299)**	**$**	**(522,700)**
Other Financing Sources (Uses)								
Transfers in		7,500		7,500		-		(7,500)
Net Change in Fund Balance	**$**	**(600,099)**	**$**	**(600,099)**	**$**	**(1,130,299)**	**$**	**(530,200)**
Fund Balance – January 1		**10,501,904**		**10,501,904**		**10,501,904**		**-**
Fund Balance – December 31	**$**	**9,901,805**	**$**	**9,901,805**	**$**	**9,371,605**	**$**	**(530,200)**

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

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,575,993	$ 2,575,993	$ 3,221,359	$ 645,366
Licenses and permits	40,000	40,000	66,118	26,118
Intergovernmental	9,782,043	9,782,043	11,605,621	1,823,578
Charges for services	250,000	250,000	240,183	(9,817)
Miscellaneous	80,000	80,000	269,473	189,473
Total Revenues	**$ 12,728,036**	**$ 12,728,036**	**$ 15,402,754**	**$ 2,674,718**
Expenditures				
Current				
Highways and streets				
Administration	$ 433,801	$ 433,801	$ 331,313	$ 102,488
Maintenance	4,119,962	4,119,962	4,195,497	(75,535)
Construction	4,470,053	4,470,053	5,665,148	(1,195,095)
Equipment maintenance and shop	1,119,300	1,119,300	1,425,814	(306,514)
Other highways and streets	150,000	150,000	127,033	22,967
Total highways and streets	**$ 10,293,116**	**$ 10,293,116**	**$ 11,744,805**	**$ (1,451,689)**
Intergovernmental				
Highways and streets	**$ 1,146,000**	**$ 1,146,000**	**$ 1,375,264**	**$ (229,264)**
Debt service				
Principal retirement	$ 1,215,000	$ 1,215,000	$ 1,215,000	$ -
Interest	73,920	73,920	12,150	61,770
Total debt service	**$ 1,288,920**	**$ 1,288,920**	**$ 1,227,150**	**$ 61,770**
Total Expenditures	**$ 12,728,036**	**$ 12,728,036**	**$ 14,347,219**	**$ (1,619,183)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 1,055,535**	**$ 1,055,535**
Fund Balance – January 1	**2,548,743**	**2,548,743**	**2,548,743**	**-**
Increase (decrease) in inventories	**-**	**-**	**(9,982)**	**(9,982)**
Fund Balance – December 31	**$ 2,548,743**	**$ 2,548,743**	**$ 3,594,296**	**$ 1,045,553**

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

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 4,844,538	$ 4,844,538	$ 4,856,743	$ 12,205
Intergovernmental	10,193,734	10,193,734	10,084,372	(109,362)
Charges for services	768,500	768,500	836,813	68,313
Gifts and contributions	16,000	16,000	15,000	(1,000)
Investment earnings	-	-	65	65
Miscellaneous	354,166	354,166	715,102	360,936
Total Revenues	**$ 16,176,938**	**$ 16,176,938**	**$ 16,508,095**	**$ 331,157**
Expenditures				
Current				
Human services				
Income maintenance	$ 4,268,441	$ 4,268,441	$ 4,314,703	$ (46,262)
Social services	11,908,497	11,908,497	11,180,215	728,282
Total Expenditures	**$ 16,176,938**	**$ 16,176,938**	**$ 15,494,918**	**$ 682,020**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 1,013,177**	**$ 1,013,177**
Fund Balance – January 1	**3,479,432**	**3,479,432**	**3,479,432**	**-**
Fund Balance – December 31	**$ 3,479,432**	**$ 3,479,432**	**$ 4,492,609**	**$ 1,013,177**

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

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 8,237,947	$ 8,237,947	$ 8,237,947	$ -
Intergovernmental	451,952	451,952	419,874	(32,078)
Charges for services	246,570	246,570	416,251	169,681
Fines and forfeitures	500	500	3,357	2,857
Investment earnings	70	70	5,471	5,401
Gifts and contributions	-	-	2,200	2,200
Miscellaneous	1,355,817	1,355,817	1,410,660	54,843
Total Revenues	**$ 10,292,856**	**$ 10,292,856**	**$ 10,495,760**	**$ 202,904**
Expenditures				
Current				
Public safety				
Sheriff	$ 4,931,396	$ 4,931,396	$ 4,494,807	$ 436,589
Narcotics task force	107,377	107,377	106,353	1,024
Body armor	4,000	4,000	8,294	(4,294)
Safe and sober	5,883	5,883	10,744	(4,861)
DWI assessments	2,500	2,500	12,279	(9,779)
Boat and water safety	23,470	23,470	15,861	7,609
Snowmobile safety	-	-	4,745	(4,745)
Emergency services	91,695	91,695	88,212	3,483
Municipal police contract	206,970	206,970	182,040	24,930
Enhanced 911 system	112,504	112,504	71,048	41,456
Community corrections	5,011,151	5,011,151	5,011,151	-
DARE	-	-	3,950	(3,950)
Total Expenditures	**$ 10,496,946**	**$ 10,496,946**	**$ 10,009,484**	**$ 487,462**
Net Change in Fund Balance	**$ (204,090)**	**$ (204,090)**	**$ 486,276**	**$ 690,366**
Fund Balance – January 1	**3,360,332**	**3,360,332**	**3,360,332**	**-**
Fund Balance – December 31	**$ 3,156,242**	**$ 3,156,242**	**$ 3,846,608**	**$ 690,366**

EXHIBIT A-5

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018

	2018
Total OPEB Liability	
Service cost	$ 43,449
Interest	29,382
Benefit payments	(70,181)
Net change in total OPEB liability	**$ 2,650**
Total OPEB Liability – Beginning	**881,733**
Total OPEB Liability – Ending	**$ 884,383**
Covered-employee payroll	$ 17,406,695
Total OPEB liability (asset) as a percentage of covered-employee payroll	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, 2018

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
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, 2018

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)
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, 2018

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.200 %	$ 2,129,662	$ 2,107,310	101.06 %	88.84 %
2017	0.206	2,781,245	2,114,403	131.54	85.43
2016	0.191	7,665,162	1,893,219	404.87	63.88
2015	0.198	2,249,743	1,807,508	124.47	86.61

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

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

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)
2018	$ 352,009	$ 352,009	$ -	$ 2,172,895	16.20 %
2017	330,824	330,824	-	2,042,124	16.20
2016	320,367	320,367	-	1,977,572	16.20
2015	305,142	305,142	-	1,883,593	16.20

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

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POLK COUNTY
CROOKSTON, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Budgetary Information

Budget Policy

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

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

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

2. Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December, 31, 2018:

	Expenditures	Final Budget	Excess
General Fund	$ 11,277,842	$ 10,264,238	$ 1,013,604
Road and Bridge	14,347,219	12,728,036	1,619,183

3. Other Postemployment Benefits

In 2018, Polk County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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

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

The following changes in actuarial assumptions occurred in 2018:

- The mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

- The retirement and withdrawal tables for all employees were updated.

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

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

General Employees Retirement Plan

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.

2017

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

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

General Employees Retirement Plan

2017 (Continued)

- 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

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 July1, 2048, if earlier.

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

Public Employees Police and Fire Plan

2018 (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.

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

2016

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

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

DEBT SERVICE FUNDS

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

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

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-1

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
Assets			
Cash and pooled investments	$ 3,716,227	$ 115,670	$ 3,831,897
Petty cash and change funds	770	-	770
Undistributed cash in agency funds	74,226	2,286	76,512
Investments	200,000	163,261	363,261
Taxes receivable – delinquent	5,268	-	5,268
Special assessments receivable			
Delinquent	233,461	5,164	238,625
Noncurrent	168,862	-	168,862
Accounts receivable	29,099	-	29,099
Due from other funds	1,170,407	-	1,170,407
Due from other governments	365,319	-	365,319
Total Assets	**$ 5,963,639**	**$ 286,381**	**$ 6,250,020**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 140,646	$ -	$ 140,646
Salaries payable	63,204	-	63,204
Due to other funds	181,710	-	181,710
Due to other governments	36,504	-	36,504
Unearned revenue	33,680	-	33,680
Advance from other funds	281,319	-	281,319
Total Liabilities	**$ 737,063**	**$ -**	**$ 737,063**
Deferred Inflows of Resources			
Unavailable revenue	**$ 382,318**	**$ 4,569**	**$ 386,887**
Fund Balances			
Restricted			
Debt service	$ -	$ 281,812	$ 281,812
Ditch maintenance and construction	1,202,582	-	1,202,582
Aquatic species	39,863	-	39,863
Buffer enforcement	257,007	-	257,007
Assigned			
Health	991,944	-	991,944
Sanitation	2,621,810	-	2,621,810
Culture and recreation	12,779	-	12,779
Unassigned	(281,727)	-	(281,727)
Total Fund Balances	**$ 4,844,258**	**$ 281,812**	**$ 5,126,070**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,963,639**	**$ 286,381**	**$ 6,250,020**

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, 2018

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	$ 1,450,179	$ 63,842	$ 1,514,021
Special assessments	2,053,890	-	2,053,890
Licenses and permits	46,870	-	46,870
Intergovernmental	1,890,934	-	1,890,934
Charges for services	677,751	-	677,751
Investment earnings	732	2,965	3,697
Miscellaneous	55,209	27,169	82,378
Total Revenues	**$ 6,175,565**	**$ 93,976**	**$ 6,269,541**
Expenditures			
Current			
General government	$ 400,742	$ -	$ 400,742
Sanitation	1,912,808	-	1,912,808
Health	2,818,317	-	2,818,317
Culture and recreation	259,205	-	259,205
Conservation of natural resources	298,425	-	298,425
Debt service			
Principal	-	110,000	110,000
Interest	-	7,785	7,785
Total Expenditures	**$ 5,689,497**	**$ 117,785**	**$ 5,807,282**
Excess of Revenues Over (Under) Expenditures	**$ 486,068**	**$ (23,809)**	**$ 462,259**
Other Financing Sources (Uses)			
Transfers out	(140,000)	-	(140,000)
Net Change in Fund Balance	**$ 346,068**	**$ (23,809)**	**$ 322,259**
Fund Balance – January 1	**4,498,190**	**305,621**	**4,803,811**
Fund Balance – December 31	**$ 4,844,258**	**$ 281,812**	**$ 5,126,070**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-3

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
Assets					
Cash and pooled investments	$ 6,856	$ 1,006,321	$ 2,006,693	$ 696,357	$ 3,716,227
Petty cash and change funds	-	-	620	150	770
Undistributed cash in agency funds	5,163	3,038	66,025	-	74,226
Investments	-	200,000	-	-	200,000
Taxes receivable – delinquent	5,247	-	21	-	5,268
Special assessments receivable					
Delinquent	-	18,796	214,665	-	233,461
Noncurrent	-	168,862	-	-	168,862
Accounts receivable	-	-	26,173	2,926	29,099
Due from other funds	-	-	1,170,407	-	1,170,407
Due from other governments	-	-	2,316	363,003	365,319
Total Assets	**$ 17,266**	**$ 1,397,017**	**$ 3,486,920**	**$ 1,062,436**	**$ 5,963,639**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ -	$ 7,370	$ 112,819	$ 20,457	$ 140,646
Salaries payable	-	-	14,989	48,215	63,204
Due to other funds	-	-	181,710	-	181,710
Due to other governments	-	-	34,684	1,820	36,504
Unearned revenue	-	-	33,680	-	33,680
Advance from other funds	-	281,319	-	-	281,319
Total Liabilities	**$ -**	**$ 288,689**	**$ 377,882**	**$ 70,492**	**$ 737,063**
Deferred Inflows of Resources					
Unavailable revenue	**$ 4,487**	**$ 187,473**	**$ 190,358**	**$ -**	**$ 382,318**
Fund Balances					
Restricted					
Ditch maintenance and construction	$ -	$ 1,202,582	$ -	$ -	$ 1,202,582
Aquatic species	-	-	39,863	-	39,863
Buffer enforcement	-	-	257,007	-	257,007
Assigned					
Health	-	-	-	991,944	991,944
Sanitation	-	-	2,621,810	-	2,621,810
Culture and recreation	12,779	-	-	-	12,779
Unassigned	-	(281,727)	-	-	(281,727)
Total Fund Balances	**$ 12,779**	**$ 920,855**	**$ 2,918,680**	**$ 991,944**	**$ 4,844,258**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 17,266**	**$ 1,397,017**	**$ 3,486,920**	**$ 1,062,436**	**$ 5,963,639**

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, 2018

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
Revenues					
Taxes	$ 251,762	$ 17,926	$ 268,434	$ 912,057	$ 1,450,179
Special assessments	-	164,807	1,889,083	-	2,053,890
Licenses and permits	-	-	46,870	-	46,870
Intergovernmental	6,385	-	470,363	1,414,186	1,890,934
Charges for services	-	39,355	109,051	529,345	677,751
Investment earnings	-	732	-	-	732
Miscellaneous	-	8	19,260	35,941	55,209
Total Revenues	**$ 258,147**	**$ 222,828**	**$ 2,803,061**	**$ 2,891,529**	**$ 6,175,565**
Expenditures					
Current					
General government	$ -	$ -	$ 400,742	$ -	$ 400,742
Sanitation	-	-	1,912,808	-	1,912,808
Health	-	-	-	2,818,317	2,818,317
Culture and recreation	259,205	-	-	-	259,205
Conservation of natural resources	-	249,614	48,811	-	298,425
Total Expenditures	**$ 259,205**	**$ 249,614**	**$ 2,362,361**	**$ 2,818,317**	**$ 5,689,497**
Excess of Revenues Over (Under) Expenditures	**$ (1,058)**	**$ (26,786)**	**$ 440,700**	**$ 73,212**	**$ 486,068**
Other Financing Sources (Uses)					
Transfers out	-	-	(140,000)	-	(140,000)
Net Change in Fund Balance	**$ (1,058)**	**$ (26,786)**	**$ 300,700**	**$ 73,212**	**$ 346,068**
Fund Balance – January 1	**13,837**	**947,641**	**2,617,980**	**918,732**	**4,498,190**
Fund Balance – December 31	**$ 12,779**	**$ 920,855**	**$ 2,918,680**	**$ 991,944**	**$ 4,844,258**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-5

COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2018

	Rhinehart Project	Union Lake/ Lake Sarah	Total
Assets			
Cash and pooled investments	$ 65,849	$ 49,821	$ 115,670
Undistributed cash in agency funds	-	2,286	2,286
Investments	-	163,261	163,261
Special assessments receivable – delinquent	328	4,836	5,164
Total Assets	**$ 66,177**	**$ 220,204**	**$ 286,381**
Deferred Inflows of Resources and Fund Balances			
Deferred Inflows of Resources			
Unavailable revenue	$ 328	$ 4,241	$ 4,569
Fund Balance			
Restricted for			
Debt service	65,849	215,963	281,812
Total Deferred Inflows of Resources and Fund Balances	**$ 66,177**	**$ 220,204**	**$ 286,381**

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, 2018

	Rhinehart Project	Union Lake/ Lake Sarah	Total
Revenues			
Taxes	$ 545	$ 63,297	$ 63,842
Investment earnings	-	2,965	2,965
Miscellaneous	-	27,169	27,169
Total Revenues	**$ 545**	**$ 93,431**	**$ 93,976**
Expenditures			
Debt service			
Principal	$ 40,000	$ 70,000	$ 110,000
Interest	170	7,615	7,785
Total Expenditures	**$ 40,170**	**$ 77,615**	**$ 117,785**
Net Change in Fund Balance	**$ (39,625)**	**$ 15,816**	**$ (23,809)**
Fund Balance – January 1	**105,474**	**200,147**	**305,621**
Fund Balance – December 31	**$ 65,849**	**$ 215,963**	**$ 281,812**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-7

BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 259,205	$ 259,205	$ 251,762	$ (7,443)
Intergovernmental	-	-	6,385	6,385
Total Revenues	**$ 259,205**	**$ 259,205**	**$ 258,147**	**$ (1,058)**
Expenditures				
Current				
Culture and recreation				
Regional library	259,205	259,205	259,205	-
Net Change in Fund Balance	**$ -**	**$ -**	**$ (1,058)**	**$ (1,058)**
Fund Balance – January 1	**13,837**	**13,837**	**13,837**	**-**
Fund Balance – December 31	**$ 13,837**	**$ 13,837**	**$ 12,779**	**$ (1,058)**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-8

BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 268,434	$ 268,434	$ 268,434	$ -
Special assessments	1,881,950	1,881,950	1,889,083	7,133
Licenses and permits	51,500	51,500	46,870	(4,630)
Intergovernmental	380,533	380,533	470,363	89,830
Charges for services	179,500	179,500	109,051	(70,449)
Miscellaneous	18,500	18,500	19,260	760
Total Revenues	**$ 2,780,417**	**$ 2,780,417**	**$ 2,803,061**	**$ 22,644**
Expenditures				
Current				
General government				
Planning and zoning	**$ 523,274**	**$ 523,274**	**$ 400,742**	**$ 122,532**
Sanitation				
Solid waste	$ 1,111,289	$ 1,111,289	$ 1,001,119	$ 110,170
Recycling	536,910	536,910	484,145	52,765
Hazardous waste	81,208	81,208	45,517	35,691
Transfer station	522,545	522,545	382,027	140,518
Asset replacement	53,472	53,472	-	53,472
Total sanitation	**$ 2,305,424**	**$ 2,305,424**	**$ 1,912,808**	**$ 392,616**
Conservation of natural resources				
Aquatic invasive species program	**$ 66,063**	**$ 66,063**	**$ 48,811**	**$ 17,252**
Total Expenditures	**$ 2,894,761**	**$ 2,894,761**	**$ 2,362,361**	**$ 532,400**
Excess of Revenues Over (Under) Expenditures	**$ (114,344)**	**$ (114,344)**	**$ 440,700**	**$ 555,044**
Other Financing Sources (Uses)				
Transfers in	$ 49,000	$ 49,000	$ -	$ (49,000)
Transfers out	(184,000)	(184,000)	(140,000)	44,000
Total Other Financing Sources (Uses)	**$ (135,000)**	**$ (135,000)**	**$ (140,000)**	**$ (5,000)**
Net Change in Fund Balance	**$ (249,344)**	**$ (249,344)**	**$ 300,700**	**$ 550,044**
Fund Balance – January 1	**2,617,980**	**2,617,980**	**2,617,980**	**-**
Fund Balance – December 31	**$ 2,368,636**	**$ 2,368,636**	**$ 2,918,680**	**$ 550,044**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT B-9

BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 912,057	$ 912,057	$ 912,057	$ -
Intergovernmental	1,298,540	1,298,540	1,414,186	115,646
Charges for services	629,875	629,875	529,345	(100,530)
Miscellaneous	21,389	21,389	35,941	14,552
Total Revenues	**$ 2,861,861**	**$ 2,861,861**	**$ 2,891,529**	**$ 29,668**
Expenditures				
Current				
Health				
Nursing service	2,861,861	2,861,861	2,818,317	43,544
Net Change in Fund Balance	**$ -**	**$ -**	**$ 73,212**	**$ 73,212**
Fund Balance – January 1	**918,732**	**918,732**	**918,732**	**-**
Fund Balance – December 31	**$ 918,732**	**$ 918,732**	**$ 991,944**	**$ 73,212**

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FIDUCIARY FUNDS

AGENCY FUNDS

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

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

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

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

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

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
AGENCY				
Assets				
Cash and pooled investments	$ 1,438,150	$ 89,700,423	$ 90,044,201	$ 1,094,372
Accounts receivable	31,648	201,228	31,648	201,228
Due from other governments	1,069	15,795	1,069	15,795
Total Assets	**$ 1,470,867**	**$ 89,917,446**	**$ 90,076,918**	**$ 1,311,395**
Liabilities				
Due to other funds	$ 1,215	$ 526	$ 1,215	$ 526
Due to other governments	1,469,652	89,916,920	90,075,703	1,310,869
Total Liabilities	**$ 1,470,867**	**$ 89,917,446**	**$ 90,076,918**	**$ 1,311,395**
POLK COUNTY COLLABORATIVE				
Assets				
Cash and pooled investments	$ 89,165	$ 143,670	$ 165,290	$ 67,545
Accounts receivable	21,973	-	21,973	-
Total Assets	**$ 111,138**	**$ 143,670**	**$ 187,263**	**$ 67,545**
Liabilities				
Due to other governments	**$ 111,138**	**$ 143,670**	**$ 187,263**	**$ 67,545**
POLK-NORMAN-MAHNOMEN COMMUNITY HEALTH SERVICE				
Assets				
Cash and pooled investments	$ 13,703	$ 2,151,199	$ 2,126,373	$ 38,529
Accounts receivable	223	-	223	-
Due from other governments	446,213	437,905	446,213	437,905
Total Assets	**$ 460,139**	**$ 2,589,104**	**$ 2,572,809**	**$ 476,434**
Liabilities				
Accounts payable	$ -	$ 12,503	$ -	$ 12,503
Due to other governments	460,139	2,576,601	2,572,809	463,931
Total Liabilities	**$ 460,139**	**$ 2,589,104**	**$ 2,572,809**	**$ 476,434**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
MULTI COUNTY DATA PLANNING				
Assets				
Cash and pooled investments	$ 18,788	$ 1,515	$ 2,591	$ 17,712
Liabilities				
Due to other governments	$ 18,788	$ 1,515	$ 2,591	$ 17,712
WATERSHED DISTRICT				
Assets				
Cash and pooled investments	$ 52,634	$ 457,393	$ 506,776	$ 3,251
Liabilities				
Due to other governments	$ 52,634	$ 457,393	$ 506,776	$ 3,251
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,612,440	$ 92,454,200	$ 92,845,231	$ 1,221,409
Accounts receivable	53,844	201,228	53,844	201,228
Due from other governments	447,282	453,700	447,282	453,700
Total Assets	**$ 2,113,566**	**$ 93,109,128**	**$ 93,346,357**	**$ 1,876,337**
Liabilities				
Accounts payable	$ -	$ 12,503	$ -	$ 12,503
Due to other funds	1,215	526	1,215	526
Due to other governments	2,112,351	93,096,099	93,345,142	1,863,308
Total Liabilities	**$ 2,113,566**	**$ 93,109,128**	**$ 93,346,357**	**$ 1,876,337**

OTHER SCHEDULES

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POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-1

SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2018

	Number of Accounts	Maturity Dates	Fair Value
Cash and Pooled Investments			
Cash on hand	N/A	N/A	$ 5,070
Noninterest-bearing checking	Four	Continuous	2,246,099
Interest-bearing checking	Fourteen	Continuous	2,201,956
Certificates of deposit	Nine	February 7, 2019 to June 19, 2020	1,912,000
Money market savings	Seven	Continuous	7,383,634
Minnesota Association of Governments (MAGIC) Investing for Counties Fund	Three	Continuous	14,694,488
MAGIC Term	Two	Continuous	3,000,000
Total Cash and Pooled Investments			**$ 31,443,247**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-2

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Governmental Funds	Enterprise Funds	Total
Appropriations and Shared Revenue			
State			
Highway users tax	$ 11,214,365	$ -	$ 11,214,365
County program aid	991,760	-	991,760
PERA rate reimbursement	43,810	5,165	48,975
Police aid	266,078	-	266,078
Market value credit	407,197	-	407,197
Disparity reduction aid	76,560	-	76,560
Disparity reduction credit	617,933	-	617,933
Out of home placement reimbursement aid	57,104	-	57,104
SCORE	89,681	-	89,681
E-911	109,024	-	109,024
Riparian protection aid	200,000	-	200,000
Border city reimbursement	73,643	-	73,643
Pension contribution	89,998	8,201	98,199
Aquatic invasive species aid	65,073	-	65,073
Total appropriations and shared revenue	**$ 14,302,226**	**$ 13,366**	**$ 14,315,592**
Reimbursement for Services			
State			
Minnesota Department of Human Services	**$ 2,115,214**	**$ -**	**$ 2,115,214**
Payments			
Local			
Local contributions	$ 5,475	$ -	$ 5,475
Payments in lieu of taxes	153,212	-	153,212
Total payments	**$ 158,687**	**$ -**	**$ 158,687**
Grants			
State			
Minnesota Department/Board of			
Public Safety	$ 29,503	$ -	$ 29,503
Health	508,649	-	508,649
Veterans Affairs	10,000	-	10,000
Natural Resources	90,542	-	90,542
Human Services	4,223,325	-	4,223,325
Water and Soil Resources	150,718	-	150,718
Secretary of State	152,357	-	152,357
Peace Officer Standards and Training Board	26,796	-	26,796
Minnesota Pollution Control Agency	6,862,494	-	6,862,494
Total state	**$ 12,054,384**	**$ -**	**$ 12,054,384**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

	Governmental Funds	Enterprise Funds	Total
Grants (Continued)			
Federal			
Department of			
Agriculture	$ 715,682	$ -	$ 715,682
Justice	110,209	-	110,209
Transportation	346,856	-	346,856
Education	2,263	-	2,263
Health and Human Services	4,154,061	-	4,154,061
Homeland Security	27,668	-	27,668
Total federal	**$ 5,356,739**	**$ -**	**$ 5,356,739**
Total state and federal grants	**$ 17,411,123**	**$ -**	**$ 17,411,123**
Total Intergovernmental Revenue	**$ 33,987,250**	**$ 13,366**	**$ 34,000,616**

POLK COUNTY
CROOKSTON, MINNESOTA

EXHIBIT D-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers		Expenditures
U.S. Department of Agriculture				
Passed Through Polk-Norman-Mahnomen Community Health Services				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	$	221,970
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	33312		31,606
(Total Special Supplemental Nutrition Program for Women, Infants, and Children 10.557 $253,576)				
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514		372,394
Total U.S. Department of Agriculture			**$**	**625,970**
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety				
Crime Victim Assistance	16.575	A-CVS-2018-POLKAO-00094	**$**	**110,209**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction	20.205	1002278	**$**	**346,856**
U.S. Department of Education				
Passed Through Polk-Norman-Mahnomen Community Health Services				
Special Education – Grants for Infants and Families	84.181	83869	**$**	**2,263**
U.S. Department of Health and Human Services				
Passed Through Polk-Norman-Mahnomen Community Health Services				
Public Health Emergency Preparedness	93.069	127907	$	20,868
Universal Newborn Hearing Screening	93.251	Not Provided		375
Immunization Cooperative Agreements	93.268	Not Provided		450
Drug-Free Communities Support Program Grants	93.276	5H79SP02011-03		84,543
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6NUR3DD000842-05-01		75
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	58583		6,500
TANF Cluster				
Temporary Assistance for Needy Families	93.558	127473		64,567
(Total Temporary Assistance for Needy Families 93.558 $699,342)				
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Maternal, Infant and Early Childhood Home Visiting Program	93.870	118491		24,806
Maternal and Child Health Services Block Grant to the States	93.994	86859		41,841

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

EXHIBIT D-3
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services (Continued)			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	7,995
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1801MNTANF	634,775
(Total Temporary Assistance for Needy Families 93.558 $699,342)			
Child Support Enforcement	93.563	1804MNCEST	578,336
Child Support Enforcement	93.563	1804MNCSES	212,456
(Total Child Support Enforcement 93.563 $790,792)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	12,028
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	4,289
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	6,677
Foster Care – Title IV-E	93.658	1801MNFOST	307,058
Social Services Block Grant	93.667	G-1801MNSOSR	274,567
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1801MNCILP	15,400
Children's Health Insurance Program	93.767	1805MN5R21	419
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	1,571,178
Medical Assistance Program	93.778	1805MN5MAP	10,555
(Total Medical Assistance Program 93.778 $1,581,733)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	2B08TI010027-17	129,948
Total U.S. Department of Health and Human Services			**$ 4,009,706**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-1982	**$ 27,668**
Total Federal Awards			**$ 5,122,672**

Polk County did not pass any federal awards to subrecipients in 2018.

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 372,394
Total expenditures for Highway Planning and Construction Cluster	346,856
Total expenditures for TANF Cluster	699,342
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster	24,806
Total expenditures for CCDF Cluster	4,289
Total expenditures for Medicaid Cluster	1,581,733

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

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POLK COUNTY
CROOKSTON, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

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

2. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Polk County under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Polk County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	5,356,739
Grants received more than 60 days after year-end, unavailable in 2018		
Temporary Assistance for Needy Families		292,913
Promoting Safe and Stable Families		1,999
Community-Based Child Abuse Prevention Grants		3,007
Stephanie Tubbs Jones Child Welfare Services Program		1,669
Chafee Foster Care Independence Program		3,850
Unavailable in 2017, recognized as revenue in 2018		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		(89,712)
Temporary Assistance for Needy Families		(309,824)
Promoting Safe and Stable Families		(2,780)
Child Support Enforcement		(125,217)
Community-Based Child Abuse Prevention Grants		(3,840)
Stephanie Tubbs Jones Child Welfare Services Program		(2,282)
Chafee Foster Care Independence Program		(3,850)
Expenditures Per Schedule of Expenditures of Federal Awards	$	5,122,672

Management and Compliance Section

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

Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 11, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that Polk County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2017-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Other Matters

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

Polk County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 11, 2019

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

Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Polk County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-003 and 2017-004. 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 2017-003 and 2017-004, 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 *//s/Greg Hierlinger*

JULIE BLAHA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 11, 2019

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POLK COUNTY
CROOKSTON, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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:

TANF Cluster – Temporary Assistance for Needy Families	CFDA No. 93.558
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**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 1996-006

Segregation of Duties

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

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

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

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

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

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

View of Responsible Official: Concur

Finding Number 2015-003

Documenting and Monitoring Internal Controls

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

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

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

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

Cause: Until recently, the County had not considered establishing a formal process for assessing risks, documenting the internal controls established to reduce those risks, and monitoring those controls. The County Board has approved funding for a process evaluation implementation agreement to be done by Abdo, Eick & Meyer as well as an agreement with US Bank for their Procurement Card Program. With anticipated changes in application software and processes, the risk assessment 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 2017-001

<u>Audit Adjustments</u>

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

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

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

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

Capital Projects Fund:

- Increased due from other governments $877,121, revenue $228,629, and decreased expenditures $648,492 for expenditures in 2018 for multiple County projects funded by a Capital Assistance Project (CAP) grant as well as a local share that were not reimbursed in 2018 by the state of Minnesota, Beltrami County, and Hubbard County.

- Increased due to other governments and intergovernmental sanitation expenditures by $745,701 to reflect additional payables for CAP grant portion payable to Beltrami and Hubbard Counties.

- Increased prepaid items and reduced expenditures by $872,763 for payments made in 2017 and 2018 for equipment not delivered until 2019. The contracts provide that the equipment would remain property of the vendors until final payment is received.

Resource Recovery Enterprise Fund:

- Decreased capital assets and capital contributions by $969,737 and accumulated depreciation and depreciation expense by $5,387 for capital assets not owned by the County until final payment was made in 2019.

Cause: Polk County applied for a CAP grant for a regional solid waste expansion project that included projects for Polk County, Beltrami County, and Hubbard County. The CAP funding is receipted into Polk County and distributed to the other two counties to reimburse them for their project costs. To obtain a reduced rate, Polk County paid all engineering costs and requested reimbursement from the other counties for their local share. The adjustments were necessary to correct for the timing differences in payments and receipts between the state and the three counties. Contracts for large equipment required scheduled payments and provided that the assets remained the property of the vendor until the final payment is received.

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

<u>PREVIOUSLY REPORTED ITEMS NOT RESOLVED</u>

Finding Number 2017-003

<u>Eligibility – Intake Function</u>

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

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

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

- One instance in which three life insurance policies were listed in MAXIS, however, the case file contained a note that two of the policies had lapsed due to no payment.

- One instance in which three vehicles were listed in MAXIS, however, the case file contained documentation of the valuation from an outside source for only one of the vehicles.

- One instance in which two vehicles were listed in MAXIS, and the case file contained verification from an outside source for the vehicle identified as the primary vehicle, however, there was no verification documented in the case file on the second vehicle.

- One instance in which a vehicle was listed in MAXIS, noting it was verified through the client's statement. The case file documents a request for information about whether the client still had that vehicle and a request for documentation on a different vehicle. If updated information was obtained, it was not updated in the case file or MAXIS.

- One instance in which MAXIS lists an off-road vehicle, however, there was no verification of value in the case file.

- One instance in which a checking account and a savings account were listed in MAXIS, however, the verified value of the checking account did not match the amount shown in MAXIS, and the savings account was not verified.

- One instance in which the amount for a burial account listed in MAXIS did not match the amount verified with an outside source as documented in the case file.

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

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

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

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

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

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

View of Responsible Official: Acknowledged

Finding Number 2017-004

Procurement, Suspension, and Debarment

Programs: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018; and Temporary Assistance for Needy Families (CFDA No. 93.558), Award No. 1801MNTANF, 2018

Pass-Through Agency: Minnesota Department of Human Services

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

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

- Four small purchases, tested for both the Medical Assistance Program and Temporary Assistance for Needy Families (TANF), did not have written documentation to support the rationale for the method of procurement, full and open competition, or the rationale to limit competition. This documentation was also missing for one additional small purchase tested only for the Medical Assistance Program and the one purchase over the simplified acquisition threshold tested only for TANF.

- The one purchase over the simplified acquisition threshold tested only for TANF did not have documentation that a cost or price analysis was performed.

- Three covered transactions, tested for both the Medical Assistance Program and TANF, did not have verification of whether vendors were debarred, suspended, or otherwise excluded. Documentation of this verification was also missing for the one purchase over the simplified acquisition threshold tested only for TANF.

Questioned Costs: None.

Context: The County has adopted policies to comply with federal regulations; however, the policies do not specify retaining the necessary documentation to demonstrate compliance with federal regulations.

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

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

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

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

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-006

Publication of Board Minutes

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

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

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

Effect: Noncompliance with Minn. Stat. § 375.12.

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

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

View of Responsible Official: Concur

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number 2001-005

Capital Assets Accounting System

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

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

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

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

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

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

View of Responsible Official: Concur

Finding Number 2007-002

Ditch Fund Balance Deficits

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

Condition: As of December 31, 2018, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

Context: Twenty-three of the 159 individual Ditch Special Revenue Fund ditch systems had deficit fund balances at December 31, 2018. The deficit fund balances ranged from $10 to $129,497, for a total of $281,727. Three of the 18 Ditch Debt Service Fund ditch systems had deficit fund balances at December 31, 2018. The deficit fund balances ranged from $2,240 to $5,615, for a total of $10,413.

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

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

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

View of Responsible Official: Concur

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2017-002 Credit Card – Itemized Receipts
2017-005 Activities Allowed or Unallowed and Allowable Costs/Cost Principles (CFDA No. 93.778)

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

REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

Not known

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

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

Not known

Finding Number: 2017-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

12-31-2019

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

Name of Contact Person Responsible for Corrective Action:

Randy Beggs

Corrective Action Planned:

The County has reviewed the findings with the Eligibility Supervisor, and suggested timely and thorough review of casefiles and documentation. Supervisor will instruct Eligibility workers on these practices.

Anticipated Completion Date:

8-21-2019

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

Name of Contact Person Responsible for Corrective Action:

Chuck Whiting

Corrective Action Planned:

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

Anticipated Completion Date:

12-31-2019

Finding Number: 2017-006
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:

12-31-2019

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

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

Not known.

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

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

Not known.

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

REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

Status: Not Corrected. *The limited personnel condition continues and Polk County will continue to mitigate the risk using the corrective actions previously reported.*

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

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

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

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

Status: Not Corrected.

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

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.

Finding Number: 2017-001
Finding Title: Audit Adjustments

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

Summary of Corrective Action Previously Reported: The County will document its revenue recognition policy and communicate it to departments. The County will better review specific wording in contracts regarding assets purchased and constructed.

Status: Not Corrected. *The uniqueness and large dollar amounts involved in our current Capital Improvement Project in our Solid Waste functions has presented a number unfamiliar accounting and contract situations which the County has handled incorrectly. The problem has now occurred in more than one audit year. The project will soon be completed.*

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

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

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

Summary of Corrective Action Previously Reported: The County will use affidavits from employees when a claim is missing detailed receipts and update its policy accordingly.

Status: Fully Corrected. Corrective action was taken.

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

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

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. Of 40 Medical Assistance (MA) Program case files tested, we noted one instance in which a retirement annuity account had not been removed in MAXIS after the funds were used to purchase a burial account; one instance in which the amount input into MAXIS for a bank account was an average balance, rather than the month end balance per the verification obtained; one instance in which a bank account balance was not verified; and one instance in which a vehicle valuation was not correctly entered into MAXIS and the documentation in Caseworks listed two additional vehicles not input into MAXIS.

Summary of Corrective Action Previously Reported: The County will follow the State recommendation.

Status: Not Corrected.

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

The findings have been reviewed with the Eligibility Supervisor, and a timely and thorough review of casefiles and documentation was recommended. Supervisor will instruct Eligibility workers on these practices.

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

Summary of Condition: For three procurement transactions tested that were over the $25,000 threshold, there was no verification performed by the County to determine 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.

Status: Not Corrected. *A SAM account has now been created under the County Administrator.*

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

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

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

Summary of Corrective Action Previously Reported: Submit revised 2556, DHS would correct SEAGR at State level adjusting disbursements. Revenue reported was corrected in Q417.

Status: Fully Corrected. Corrective action was taken.

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

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

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

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

Status: Not Corrected. *The intention has been to comply, the issue is the local paper missed at least one publication date and since the Administration office does not subscribe to the paper, we did not verify whether minutes had been published. The official newspaper was changed for 2019 and staff is determining how best to assure the paper publishes minutes in a timely fashion.*

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

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

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

Summary of Corrective Action Previously Reported: Polk County Finance is exploring purchase options for a centralized capital asset accounting software program and expects to make a purchase and begin implementation with the next year.

Status: Not Corrected.

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

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

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

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

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

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

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