

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Polk County Crookston, Minnesota

Year Ended December 31, 2021

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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Polk County Crookston, Minnesota

Year Ended December 31, 2021



Office of the State Auditor

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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CROOKSTON, MINNESOTA**

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INTRODUCTORY SECTION

**POLK COUNTY
CROOKSTON, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2021**

		<u>Term Expires</u>
Elected		
Commissioners		
District 1	Gerald Jacobson ¹	January 2025
District 2	Warren Strandell	January 2023
District 3	Gary Willhite	January 2025
District 4	Joan Lee ²	January 2023
District 5	Mark Holy	January 2025
Attorney	Gregory A. Widseth	December 2022
County Sheriff	James Tadmam	December 2022
Appointed		
County Administrator	Charles S. Whiting	Indefinite
County Engineer	Richard Sanders	April 2023
Finance Director	Ron Denison	Indefinite
County Assessor	Mark Landsverk	December 2024
Director of Property Records	Michelle Cote	Indefinite
Veterans Service Officer	Kurtis Ellefson	November 2024
Solid Waste Director	Jon Steiner	Indefinite
Medical Examiner	Mary Ann Sens, M.D. ³	December 2021
Surveyor	Garrett Borowicz	Indefinite
Welfare Board		
Commissioner	Warren Strandell ²	January 2023
Commissioner	Gerald Jacobson	January 2025
Commissioner	Mark Holy	January 2025
Commissioner	Joan Lee ¹	January 2023
Commissioner	Gary Willhite	January 2025
Lay-Board Member	Paula Waters	July 2023
Lay-Board Member	Cathryn Gutterud	July 2022

¹Chair for 2021

²Vice Chair for 2021

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

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2021, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules for the General Fund and the Road and Bridge, Social Services, and Public Safety Special Revenue Funds; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The combining nonmajor fund financial statements; Budgetary Comparison Schedules for the Agassiz Regional Library, Environmental Services, and Public Health Special Revenue Funds; combining fiduciary fund financial statements; Schedule of Deposits and Investments; Schedule of Intergovernmental Revenue; and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above 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 March 14, 2023, on our consideration of the 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 the 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 the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 14, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

**POLK COUNTY
CROOKSTON, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(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, 2021. 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 \$129,687,963, of which Polk County has a net investment in capital assets of \$119,723,020, and \$3,952,967 is restricted to specific purposes or uses.
- Business-type activities' total net position is \$18,714,896. Net investment in capital assets represents \$17,318,122, and \$78,439 is restricted to specific purposes and uses.
- Polk County's net position (governmental activities and business-type activities) totals \$148,402,859 for the year ended December 31, 2021. Net investment in capital assets represents \$137,041,142 of the total, \$4,031,406 of the total net position is restricted for specific uses, and \$7,330,311 is unrestricted.
- The net cost of Polk County's governmental activities for the year ended December 31, 2021, was \$29,201,929. General property tax revenues and other revenue sources totaling \$30,390,715 exceeded the total net cost of \$29,201,929.
- Polk County's governmental funds' fund balances increased by \$1,582,484. This increase was the result of a combined General Fund balance increase of \$3,132,129, a Road and Bridge Special Revenue Fund balance decrease of \$4,328,108, a Social Services Special Revenue Fund balance increase of \$2,077,899, a Public Safety Special Revenue Fund balance increase of \$19,776, a Ditch Debt Service Fund balance increase of \$306,309, and an increase in other governmental fund's fund balance of \$374,479.

- The General Fund balance increased by \$3,132,129. The increase was mostly due to an excess of expenditures over revenues of \$1,422,390, which was more than offset by other financing sources totaling \$4,554,519 comprised of \$4,040,000 bonds issued and \$514,519 premium on bonds issued.
- The Road and Bridge Special Revenue Fund balance decreased by \$4,328,108 due to an excess of expenditures over revenues of \$4,732,421 caused by the use of State Aid Highway Bonds received in 2019 and the planned spending of accumulated wheelage and transit tax funds as well as an offsetting increase in other financing sources of \$442,208 due to leasing.
- The Social Services Special Revenue Fund balance increased by \$2,077,899 due to excess of revenues over expenditures of \$2,077,899.
- The Public Safety Special Revenue Fund balance increased by \$19,776 due to an excess of expenditures over revenues of \$188,542 offset by \$208,318 in other financing sources due to leasing.
- The Ditch Debt Service Fund balance increased by \$306,309. The increase was due to an excess of revenues over expenditures of \$306,309.
- The fund balance as of December 31, 2021, for all other governmental funds increased by \$374,479 caused by an excess of revenues over expenditures of \$24,479 and the addition of other financing sources totaling \$350,000 resulting from net transfers in of \$350,000.

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 and Related Ratios – Other Postemployment Benefits, schedules of the County's proportionate share of net pension liability and of the County's contributions for the defined benefit pension plans, and Notes to the Required Supplementary Information 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—the Statement of Net Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of the County's finances. The fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how the County financed these services in the short-term as well as what remains for future spending. Fund financial statements also report the operations in more detail than the government-wide statements by providing information about the most significant/major funds. For proprietary activities, these statements provide detailed financial information relating to the waste management operations and facilities.

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

The County reports four governmental fund types: general, special revenue, debt service, and capital projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Road and Bridge Special Revenue Fund, the Social Services Special Revenue Fund, the Public Safety Special Revenue Fund, and the Ditch Debt Service Fund, all of which are considered to be major funds. Data from the other four special revenue funds, the other two debt service funds, and the Capital Projects Fund 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, Union Lake/Lake Sarah Debt Service Fund, and the Capital Projects Fund. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

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

Notes to the Financial Statements

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

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The County also provides supplementary information including combining statements, budgetary comparison schedules, Schedule of Deposits and Investments, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes.

THE COUNTY AS A WHOLE

Polk County's combined net position for the year ended December 31, 2021, was \$148,402,859. 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	
	2021	2020	2021	2020	2021	2020
Assets						
Current and other assets	\$ 46,477,755	\$ 42,978,573	\$ 5,549,888	\$ 4,418,732	\$ 52,027,643	\$ 47,397,305
Capital assets	138,612,626	138,448,008	17,511,745	18,467,699	156,124,371	156,915,707
Total Assets	\$ 185,090,381	\$ 181,426,581	\$ 23,061,633	\$ 22,886,431	\$ 208,152,014	\$ 204,313,012
Deferred Outflows of Resources						
Deferred pension outflows	\$ 9,406,902	\$ 2,370,162	\$ 863,753	\$ 184,279	\$ 10,270,655	\$ 2,554,441
Deferred OPEB outflows	107,805	103,087	12,108	11,514	119,913	114,601
Total Deferred Outflows of Resources	\$ 9,514,707	\$ 2,473,249	\$ 875,861	\$ 195,793	\$ 10,390,568	\$ 2,669,042
Liabilities						
Long-term debt outstanding	\$ 46,335,034	\$ 49,366,074	\$ 3,702,848	\$ 3,915,208	\$ 50,037,882	\$ 53,281,282
Other liabilities	6,252,727	3,078,756	432,085	370,275	6,684,812	3,449,031
Total Liabilities	\$ 52,587,761	\$ 52,444,830	\$ 4,134,933	\$ 4,285,483	\$ 56,722,694	\$ 56,730,313
Deferred Inflows of Resources						
Prepaid taxes	\$ 31,188	\$ 42,318	\$ -	\$ -	\$ 31,188	\$ 42,318
Deferred pension inflows	12,278,260	2,633,296	1,085,554	99,298	13,363,814	2,732,594
Deferred OPEB inflows	19,916	24,435	2,111	2,680	22,027	27,115
Prepaid special assessments	-	255,774	-	-	-	255,774
Total Deferred Inflows of Resources	\$ 12,329,364	\$ 2,955,823	\$ 1,087,665	\$ 101,978	\$ 13,417,029	\$ 3,057,801
Net Position						
Net investment in capital assets	\$ 119,723,020	\$ 115,907,513	\$ 17,318,122	\$ 18,244,440	\$ 137,041,142	\$ 134,151,953
Restricted	3,952,967	4,211,544	78,439	387,463	4,031,406	4,599,007
Unrestricted	6,011,976	8,380,120	1,318,335	62,860	7,330,311	8,442,980
Total Net Position	\$ 129,687,963	\$ 128,499,177	\$ 18,714,896	\$ 18,694,763	\$ 148,402,859	\$ 147,193,940

Polk County's total net position for the year ended December 31, 2021, is \$148,402,859. Unrestricted net position totaling \$7,330,311 is available to finance day-to-day operations. Of the unrestricted net position, \$6,011,976 is available for governmental activities, and \$1,318,335 is available for business-type activities. As of December 31, 2020, Polk County's total net position was \$147,193,940. The \$1,208,919 increase is due to an increase in total assets of \$3,839,002 and an offsetting decrease of \$2,637,702 due to the net changes in deferred outflows and deferred inflows.

Table 2
Changes in Net Position

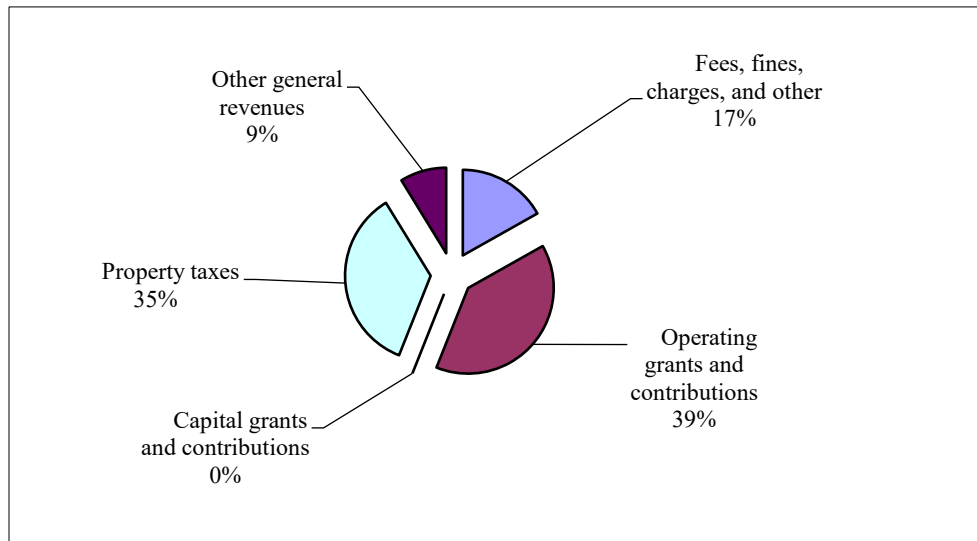
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues						
Fees, fines charges, and other	\$ 11,545,918	\$ 8,385,930	\$ 9,141,598	\$ 6,700,744	\$ 20,687,516	\$ 15,086,674
Operating grants and contributions	26,858,086	32,128,771	-	-	26,858,086	32,128,771
Capital grants and contributions	-	126,992	-	-	-	126,992
General revenues						
Property taxes	24,136,641	23,436,142	-	-	24,136,641	23,436,142
Other taxes	1,522,060	1,375,154	-	-	1,522,060	1,375,154
Grants and contributions	3,285,570	3,179,620	35,738	60,240	3,321,308	3,239,860
Other general revenues	1,198,407	1,231,441	1,239	22,596	1,199,646	1,254,037
Total Revenues	\$ 68,546,682	\$ 69,864,050	\$ 9,178,575	\$ 6,783,580	\$ 77,725,257	\$ 76,647,630
Transfers	\$ 248,037	\$ 333,681	\$ (248,037)	\$ (333,681)	\$ -	\$ -
Expenditures						
Program Expenses						
General Government	\$ 10,156,542	\$ 14,381,657	\$ -	\$ -	\$ 10,156,542	\$ 14,381,657
Public Safety	11,899,055	11,447,657	-	-	11,899,055	11,447,657
Highways and Streets	21,185,710	23,591,771	-	-	21,185,710	23,591,771
Sanitation	2,093,276	2,214,263	-	-	2,093,276	2,214,263
Human Services	16,935,729	15,918,771	-	-	16,935,729	15,918,771
Health	3,056,586	3,062,394	-	-	3,056,586	3,062,394
Culture and Recreation	616,476	667,554	-	-	616,476	667,554
Conservation of Natural Resources	993,231	1,029,473	-	-	993,231	1,029,473
Economic Development	8,600	8,600	-	-	8,600	8,600
Interest	660,728	1,004,433	-	-	660,728	1,004,433
Resource Recovery	-	-	5,791,934	5,333,433	5,791,934	5,333,433
Landfill	-	-	3,118,471	2,316,675	3,118,471	2,316,675
Total Program Expenses	\$ 67,605,933	\$ 73,326,573	\$ 8,910,405	\$ 7,650,108	\$ 76,516,338	\$ 80,976,681
Increase (Decrease) in Net Position	\$ 1,188,786	\$ (3,128,842)	\$ 20,133	\$ (1,200,209)	\$ 1,208,919	\$ (4,329,051)

Polk County's total revenues for the year ended December 31, 2021, were \$77,725,257, which is an increase of \$1,077,627 from the total revenues in 2020. The total cost of programs and services for the year ended December 31, 2021, was \$76,516,338, which is a decrease of \$4,460,343 from the total cost of programs in 2020. In 2021, the net position for governmental activities increased by \$1,188,786, and the net position for business-type activities increased by \$20,133, for a total County increase of \$1,208,919.

In 2021, the total governmental activities program expenses decreased by \$5,720,640 due mostly to a general government program expense decrease of \$4,225,115, a highways and streets decrease of \$2,406,061, and a human services program expense increase of \$1,016,958. Total revenues decreased in governmental activities by \$1,317,368 due mostly to a \$5,270,685 decrease in operating grants and contributions, offset by an increase of \$700,499 in property taxes and an increase of \$3,159,988 in fees and fines.

The business-type activities had an increase in total revenues of \$2,394,995 due to an increase in fees and other charges relative to the prior year. The business-type activities had an increase in total program expenses of \$1,260,297.

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



Governmental Activities

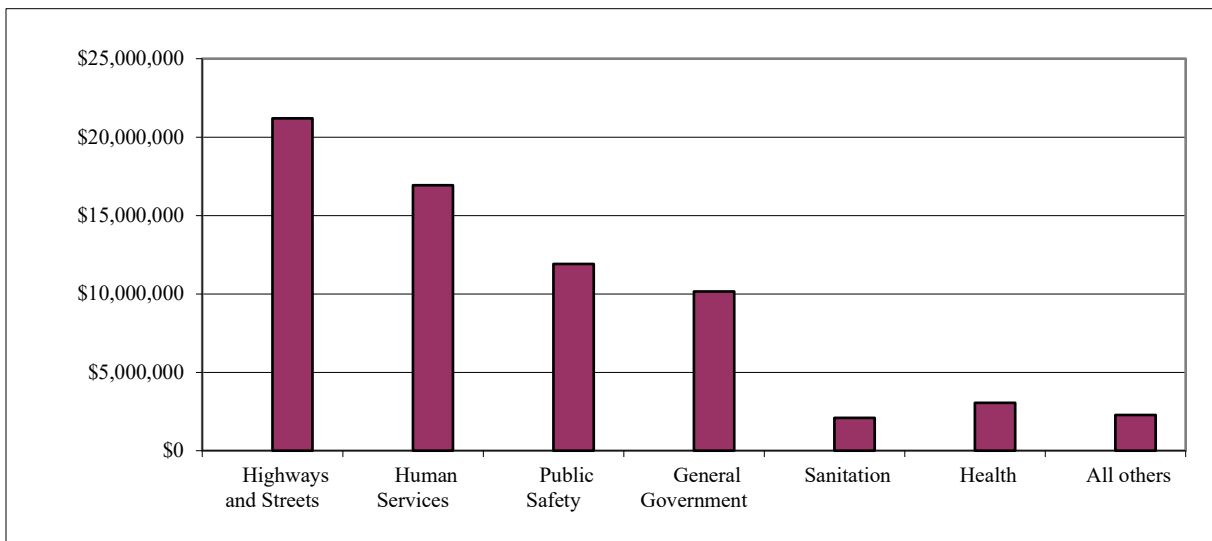
Revenues for Polk County's governmental activities for the year ended December 31, 2021, were \$68,546,682. Costs for all governmental activities for the year ended December 31, 2021, were \$67,605,933. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was \$24,136,641, because \$11,545,918 of the costs were paid by those who directly benefited from the programs, and \$26,858,086 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 \$6,006,037 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 2021	Net Cost of Services 2021
Program Expenses		
Highways and Streets	\$ 21,185,710	\$ 6,298,408
Human Services	16,935,729	4,709,396
Public Safety	11,899,055	10,026,503
General Government	10,156,542	7,432,413
Health	3,056,586	452,805
Sanitation	2,093,276	(406,502)
All others	2,279,035	688,906
Total Program Expenses	\$ 67,605,933	\$ 29,201,929

**Governmental Activities Expenses
2021**



Business-Type Activities

Revenues of Polk County's business-type activities (see Table 2) for the year ended December 31, 2021, were \$9,178,575. This compares with total revenues of \$6,783,580 for the year ended December 31, 2020.

Expenses of business-type activities (see Table 2) for the year ended December 31, 2021, were \$8,910,405. This compares with total expenses of \$7,650,108 for the year ended December 31, 2020.

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 \$35,452,936, which is more than last year's total of \$33,870,452. The increase in fund balance is \$1,582,484. The overall fund balance change represented a 4.7 percent increase.

As you will note, there were significant changes within individual funds. Included in this year's total fund balance is the General Fund balance of \$13,691,342, with an increase of \$3,132,129 from 2020, due primarily to the sale of new bonds to refund the existing higher interest jail bonds. The General Fund balance is classified as either nonspendable – \$477,036, restricted for specific purposes – \$5,725,410 (primarily debt service), committed for specific purposes – \$528,215, assigned to specific uses – \$472,832, or unassigned – \$6,487,849.

An excess of expenditures over revenues of \$4,732,421, offset partially by capital lease other financing sources of \$442,208, caused a decrease in fund balance of \$4,290,213 in the Road and Bridge Special Revenue Fund. This was primarily due to the Road and Bridge Fund spending of bond funds issued in a prior year for current year construction projects.

An excess of revenues over expenditures in the Social Services Special Revenue Fund caused an increase of \$2,077,899. An excess of expenditures over revenues of \$188,542 offset by capital lease other financing sources of \$208,318 in the Public Safety Special Revenue Fund caused an increase of \$19,776. The fund balance in the Ditch Debt Service Fund had an increase due to excess of revenues over expenditures of \$306,309.

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 2021, the Board of Commissioners made no significant changes to the 2021 budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 22, 2020, 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 2021 actual revenues exceeded the budgeted revenues by \$1,612,550. Total actual expenditures in the General Fund exceeded the budgeted expenditures by \$2,290,994.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, Polk County had \$156,124,371 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net decrease (including additions and deductions) of \$791,336, or 0.5 percent, from last year.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Land	\$ 9,457,885	\$ 9,420,570	\$ 310,183	\$ 261,118	\$ 9,768,068	\$ 9,681,688
Construction in progress	1,478,689	1,500,594	-	-	1,478,689	1,500,594
Land improvements	931,756	579,608	50,627	60,317	982,383	639,925
Buildings and improvements	29,896,235	29,716,686	4,585,745	4,678,446	34,481,980	34,395,132
Machinery, furniture, and equipment	5,447,789	5,527,451	11,573,916	12,262,127	17,021,705	17,789,578
Infrastructure	91,400,272	91,703,099	-	-	91,400,272	91,703,099
Landfill	-	-	991,274	1,205,691	991,274	1,205,691
Totals	\$ 138,612,626	\$ 138,448,008	\$ 17,511,745	\$ 18,467,699	\$ 156,124,371	\$ 156,915,707

During calendar year 2021, Polk County's governmental activities' capital assets, net of depreciation, increased a total of \$164,618. The increase came primarily in the categories of land improvements, and building improvements, due to improvement projects. Road and bridge work in the year was mostly repairs and maintenance with limited new construction. More new construction that does reach the capitalization threshold is scheduled for the coming years.

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

Bonded Debt

As of December 31, 2021, Polk County had \$32,150,973 in bonds and notes outstanding, compared with \$31,196,827 as of December 31, 2020, an increase of 3.0 percent, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Bonds payable						
General obligation bonds	\$ 30,455,000	\$ 29,720,000	\$ -	\$ -	\$ 30,455,000	\$ 29,720,000
Plus: Unamortized premium	1,695,973	1,476,827	-	-	1,695,973	1,476,827
Totals	\$ 32,150,973	\$ 31,196,827	\$ -	\$ -	\$ 32,150,973	\$ 31,196,827

The state limits the amount of net debt at three percent of the market value of all taxable property. Polk County's outstanding net debt is significantly below this \$177,886,800 state-imposed limit. The County's financial advisor annually reviews the outstanding debt issues to determine which, if any, issues should be considered for refinancing.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

- The County depends on financial resources flowing from, or associated with, both the federal government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and state laws and federal and state appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly-held U.S. Treasury Securities.
- The unemployment rate for Polk County was 2.9 percent as of December 2021. This was down from the County's December 2020 rate of 4.2 percent, and slightly lower than the Minnesota statewide December 2020 rate of 3.0 percent and the U.S. rate of 3.9 percent.
- Polk County's population in December 2019 was 31,192, a decrease of 408 since the 2010 census. This ranks Polk County 34th out of the 87 counties in the State of Minnesota.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Polk County programs and services will influence the development of future budgets.
- On December 21, 2021, Polk County set its 2022 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 35,229,863	\$ 2,590,673	\$ 37,820,536
Investments	1,075,367	-	1,075,367
Taxes receivable – delinquent	568,447	-	568,447
Special assessments receivable			
Delinquent	37,846	-	37,846
Noncurrent	2,917,803	-	2,917,803
Accounts receivable	2,387,040	273,848	2,660,888
Accrued interest receivable	13,881	-	13,881
Internal balances	(227,844)	227,844	-
Due from other governments	5,617,267	388,002	6,005,269
Inventories	779,447	-	779,447
Restricted assets			
Permanently restricted			
Cash and pooled investments	-	2,069,521	2,069,521
Capital assets			
Non-depreciable	10,936,574	310,183	11,246,757
Depreciable – net of accumulated depreciation	127,676,052	17,201,562	144,877,614
Total Assets	\$ 187,011,743	\$ 23,061,633	\$ 210,073,376
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 9,406,902	\$ 863,753	\$ 10,270,655
Deferred other postemployment benefits outflows	107,805	12,108	119,913
Total Deferred Outflows of Resources	\$ 9,514,707	\$ 875,861	\$ 10,390,568

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2021**

	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Accounts payable	\$ 638,701	\$ 278,321	\$ 917,022
Salaries payable	825,211	90,255	915,466
Contracts payable	541,332	-	541,332
Due to other governments	486,022	63,509	549,531
Accrued interest payable	331,907	-	331,907
Unearned revenue	3,429,554	-	3,429,554
Long-term liabilities			
Due within one year	4,477,516	140,375	4,617,891
Due in more than one year	30,376,826	2,317,133	32,693,959
Other postemployment benefits liability	856,909	75,237	932,146
Net pension liability	10,623,783	1,170,103	11,793,886
Total Liabilities	\$ 52,587,761	\$ 4,134,933	\$ 56,722,694
<u>Deferred Inflows of Resources</u>			
Prepaid taxes	\$ 31,188	\$ -	\$ 31,188
Deferred pension inflows	12,278,260	1,085,554	13,363,814
Deferred other postemployment benefits inflows	19,916	2,111	22,027
Total Deferred Inflows of Resources	\$ 12,329,364	\$ 1,087,665	\$ 13,417,029
<u>Net Position</u>			
Net investment in capital assets	\$ 119,723,020	\$ 17,318,122	\$ 137,041,142
Restricted for			
General government	357,109	-	357,109
Public safety	497,554	-	497,554
Highways and streets	1,310,084	-	1,310,084
Closure/postclosure	-	78,439	78,439
Conservation of natural resources	1,595,429	-	1,595,429
Debt service	192,791	-	192,791
Unrestricted	7,933,338	1,318,335	9,251,673
Total Net Position	\$ 131,609,325	\$ 18,714,896	\$ 150,324,221

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Fees, Charges, Fines, and Other</u>
Primary Government		
Governmental activities		
General government	\$ 10,156,542	\$ 1,144,574
Public safety	11,899,055	1,594,679
Highways and streets	21,185,710	2,536,497
Sanitation	2,093,276	2,376,828
Human services	16,935,729	1,918,294
Health	3,056,586	682,971
Culture and recreation	616,476	152,471
Conservation of natural resources	993,231	1,139,604
Economic development	8,600	-
Interest	660,728	-
Total governmental activities	<u>\$ 67,605,933</u>	<u>\$ 11,545,918</u>
Business-type activities		
Resource Recovery	\$ 5,791,934	\$ 5,631,057
Landfill	3,118,471	3,510,541
Total business-type activities	<u>\$ 8,910,405</u>	<u>\$ 9,141,598</u>
Total Primary Government	<u>\$ 76,516,338</u>	<u>\$ 20,687,516</u>

General Revenues

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

Transfers

Total general revenues and transfers

Change in net position

Net Position – Beginning

Net Position – Ending

EXHIBIT 2

Revenues	Net (Expense) Revenue and Change in Net Position		
	Governmental Activities	Business-Type Activities	Total
Operating Grants and Contributions			
\$ 1,579,555	\$ (7,432,413)	\$ -	\$ (7,432,413)
277,873	(10,026,503)	-	(10,026,503)
12,350,805	(6,298,408)	-	(6,298,408)
122,950	406,502	-	406,502
10,308,039	(4,709,396)	-	(4,709,396)
1,920,810	(452,805)	-	(452,805)
72,400	(391,605)	-	(391,605)
225,654	372,027	-	372,027
-	(8,600)	-	(8,600)
-	(660,728)	-	(660,728)
\$ 26,858,086	\$ (29,201,929)	\$ -	\$ (29,201,929)
\$ -	\$ -	\$ (160,877)	\$ (160,877)
-	-	392,070	392,070
\$ -	\$ -	\$ 231,193	\$ 231,193
\$ 26,858,086	\$ (29,201,929)	\$ 231,193	\$ (28,970,736)
	\$ 24,136,641	\$ -	\$ 24,136,641
	1,522,060	-	1,522,060
	3,285,570	35,738	3,321,308
	346,017	-	346,017
	14,251	677	14,928
	838,139	562	838,701
	248,037	(248,037)	-
	\$ 30,390,715	\$ (211,060)	\$ 30,179,655
	\$ 1,188,786	\$ 20,133	\$ 1,208,919
	128,499,177	18,694,763	147,193,940
	\$ 129,687,963	\$ 18,714,896	\$ 148,402,859

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 15,763,252	\$ 2,197,152
Petty cash and change funds	3,850	-
Investments	121,670	-
Taxes receivable – delinquent	529,081	11,353
Special assessments		
Delinquent	-	-
Noncurrent	-	-
Accounts receivable	39,017	9,597
Accrued interest receivable	1,311	-
Due from other funds	735,415	126,168
Due from other governments	87,957	1,910,064
Advance to other funds	461,335	-
Inventories	-	779,447
Total Assets	<u>\$ 17,742,888</u>	<u>\$ 5,033,781</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 186,415	\$ 121,845
Salaries payable	195,711	86,776
Contracts payable	-	498,849
Due to other funds	144,269	7
Due to other governments	170,764	48,960
Unearned revenue	2,990,123	329,858
Advance from other funds	-	-
Total Liabilities	<u>\$ 3,687,282</u>	<u>\$ 1,086,295</u>
Deferred Inflows of Resources		
Unavailable revenue	\$ 355,763	\$ 1,103,938
Prepaid taxes	8,501	3,026
Total Deferred Inflows of Resources	<u>\$ 364,264</u>	<u>\$ 1,106,964</u>

EXHIBIT 3

Social Services	Public Safety	Ditch Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 5,482,541	\$ 5,521,859	\$ 1,033,229	\$ 5,226,960	\$ 35,224,993
-	250	-	770	4,870
-	98,245	511,333	344,119	1,075,367
23,385	-	-	4,628	568,447
-	-	18,841	19,005	37,846
-	-	2,768,204	149,599	2,917,803
156,909	3,704	-	256,451	465,678
-	5	-	12,565	13,881
1,824	385	-	174,434	1,038,226
2,349,303	112,941	-	434,803	4,895,068
-	-	-	-	461,335
-	-	-	-	779,447
\$ 8,013,962	\$ 5,737,389	\$ 4,331,607	\$ 6,623,334	\$ 47,482,961
\$ 174,823	\$ 61,564	\$ -	\$ 94,054	\$ 638,701
237,491	189,674	-	115,559	825,211
-	-	-	42,483	541,332
104,133	5,445	-	290,017	543,871
136,161	1,900	-	128,237	486,022
-	-	-	109,573	3,429,554
-	-	7,855	453,480	461,335
\$ 652,608	\$ 258,583	\$ 7,855	\$ 1,233,403	\$ 6,926,026
\$ 367,609	\$ -	\$ 2,775,227	\$ 470,274	\$ 5,072,811
6,742	10,188	-	2,731	31,188
\$ 374,351	\$ 10,188	\$ 2,775,227	\$ 473,005	\$ 5,103,999

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)</u>		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 779,447
Advances to other funds	461,335	-
Missing heirs	15,701	-
Restricted		
Debt service	5,384,002	-
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	-	310,185
Administering the carrying of weapons	-	-
Law library	12,849	-
Recorder's compliance	195,651	-
Recorder's technology equipment	132,908	-
Committed		
Insurance	499,305	-
Maple Lake Park reforestation	28,910	-
Assigned		
Forfeited tax sales	472,832	-
Public safety	-	-
Highways and streets	-	1,750,890
Human services	-	-
Health	-	-
Sanitation	-	-
Culture and recreation	-	-
Unassigned	6,487,849	-
Total Fund Balances	\$ 13,691,342	\$ 2,840,522
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,742,888	\$ 5,033,781

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Public Safety</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 779,447
-	-	-	-	461,335
-	-	-	-	15,701
-	-	1,558,938	192,791	7,135,731
-	4,347	-	-	4,347
-	-	-	1,000,022	1,000,022
-	-	-	76,759	76,759
-	-	-	518,648	518,648
-	1,538	-	-	1,538
-	662	-	-	662
-	867	-	-	867
-	46,229	-	-	46,229
-	44,433	-	-	44,433
-	247,295	-	-	247,295
-	-	-	-	310,185
-	152,183	-	-	152,183
-	-	-	-	12,849
-	-	-	-	195,651
-	-	-	-	132,908
-	-	-	-	499,305
-	-	-	-	28,910
-	-	-	-	472,832
-	4,971,064	-	-	4,971,064
-	-	-	-	1,750,890
6,987,003	-	-	-	6,987,003
-	-	-	2,208,459	2,208,459
-	-	-	1,423,559	1,423,559
-	-	-	19,131	19,131
-	-	(10,413)	(522,443)	5,954,993
<u>\$ 6,987,003</u>	<u>\$ 5,468,618</u>	<u>\$ 1,548,525</u>	<u>\$ 4,916,926</u>	<u>\$ 35,452,936</u>
<u><u>\$ 8,013,962</u></u>	<u><u>\$ 5,737,389</u></u>	<u><u>\$ 4,331,607</u></u>	<u><u>\$ 6,623,334</u></u>	<u><u>\$ 47,482,961</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021**

Fund balances – total governmental funds (Exhibit 3)	\$ 35,452,936
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	138,612,626
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	5,072,811
Deferred outflows of resources resulting from pension and other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds.	9,514,707
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General obligation bonds	\$ (30,455,000)
Other postemployment benefits liability	(856,909)
Bond premiums	(1,695,973)
Capital leases	(1,098,668)
Accrued interest payable	(331,907)
Compensated absences	(1,604,701)
Net pension liability	<u>(10,623,783)</u> (46,666,941)
Deferred inflows resulting from pension and other postemployment obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(12,298,176)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 129,687,963</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 5,917,403	\$ 3,580,773
Special assessments	15,200	-
Licenses and permits	4,215	86,380
Intergovernmental	4,637,000	11,943,133
Charges for services	929,200	81,956
Fines and forfeits	11,732	-
Investment earnings	11,983	-
Gifts and contributions	-	-
Miscellaneous	748,101	2,344,293
Total Revenues	\$ 12,274,834	\$ 18,036,535
Expenditures		
Current		
General government	\$ 11,023,300	\$ -
Public safety	178,246	-
Highways and streets	-	20,070,639
Sanitation	-	-
Human services	-	-
Health	9,900	-
Culture and recreation	243,971	-
Conservation of natural resources	498,531	-
Economic development	8,600	-
Intergovernmental		
Highways and streets	-	1,315,241
Debt service		
Principal	1,375,540	1,170,713
Interest	295,964	212,363
Bond issuance costs	63,172	-
Total Expenditures	\$ 13,697,224	\$ 22,768,956
Excess of Revenues Over (Under) Expenditures	\$ (1,422,390)	\$ (4,732,421)
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	-	-
Capital lease	-	442,208
Bonds issued	4,040,000	-
Premium on bonds issued	514,519	-
Total Other Financing Sources (Uses)	\$ 4,554,519	\$ 442,208
Net Change in Fund Balance	\$ 3,132,129	\$ (4,290,213)
Fund Balance – January 1	10,559,213	7,168,630
Increase (decrease) in inventories	-	(37,895)
Fund Balance – December 31	\$ 13,691,342	\$ 2,840,522

EXHIBIT 5

Social Services	Public Safety	Ditch Debt Service	Other Governmental Funds	Total
\$ 5,740,492	\$ 8,636,920	\$ -	\$ 1,627,030	\$ 25,502,618
-	-	1,070,517	221,816	1,307,533
-	-	-	67,585	158,180
11,345,871	600,935	-	2,447,809	30,974,748
852,306	376,370	-	2,953,828	5,193,660
-	11,562	-	-	23,294
119	84	106	30	12,322
600	24,564	-	-	25,164
1,059,319	1,726,256	153,288	58,697	6,089,954
\$ 18,998,707	\$ 11,376,691	\$ 1,223,911	\$ 7,376,795	\$ 69,287,473
\$ -	\$ -	\$ -	\$ 531,889	\$ 11,555,189
-	11,450,631	-	-	11,628,877
-	-	-	-	20,070,639
-	-	-	2,484,713	2,484,713
16,906,071	-	-	-	16,906,071
-	-	-	3,161,325	3,171,225
-	-	-	280,570	524,541
-	-	94,049	417,551	1,010,131
-	-	-	-	8,600
-	-	-	-	1,315,241
12,307	95,368	580,000	298,482	3,532,410
2,430	19,234	243,553	177,786	951,330
-	-	-	-	63,172
\$ 16,920,808	\$ 11,565,233	\$ 917,602	\$ 7,352,316	\$ 73,222,139
\$ 2,077,899	\$ (188,542)	\$ 306,309	\$ 24,479	\$ (3,934,666)
\$ -	\$ -	\$ -	\$ 1,716,337	\$ 1,716,337
-	-	-	(1,366,337)	(1,366,337)
-	208,318	-	-	650,526
-	-	-	-	4,040,000
-	-	-	-	514,519
\$ -	\$ 208,318	\$ -	\$ 350,000	\$ 5,555,045
\$ 2,077,899	\$ 19,776	\$ 306,309	\$ 374,479	\$ 1,620,379
4,909,104	5,448,842	1,242,216	4,542,447	33,870,452
-	-	-	-	(37,895)
\$ 6,987,003	\$ 5,468,618	\$ 1,548,525	\$ 4,916,926	\$ 35,452,936

**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, 2021**

Net change in fund balance – total governmental funds (Exhibit 5)	\$	1,620,379
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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	\$ 5,072,811	
Deferred inflows of resources – January 1	<u>(6,106,843)</u>	(1,034,032)

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	\$ 7,027,840	
Current year depreciation	<u>(6,863,222)</u>	164,618

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

Proceeds of new debt		
General obligation bonds issued	\$ (4,040,000)	
Capital lease	(652,728)	
Premium on bonds issued	<u>(514,519)</u>	(5,207,247)
Principal repayments		
General obligation bonds	\$ 3,305,000	
Capital lease	<u>227,410</u>	3,532,410

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021**

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	\$ 43,663	
Change in compensated absences	74,695	
Change in other postemployment benefits liability	(31,941)	
Change in net pension liability	4,367,750	
Change in deferred pension outflows	7,036,740	
Change in deferred pension inflows	(9,644,964)	
Change in deferred other postemployment benefits outflows	4,718	
Change in deferred other postemployment benefits inflows	4,519	
Amortization of premiums on general obligation bonds	295,373	
Change in inventories	<u>(37,895)</u>	<u>2,112,658</u>
Change in Net Position of Governmental Activities (Exhibit 2)		<u>\$ 1,188,786</u>

ENTERPRISE FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2021**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ -	\$ 2,590,473	\$ 2,590,473
Petty cash and change funds	-	200	200
Accounts receivable	235,574	38,274	273,848
Due from other funds	267,353	34,899	302,252
Due from other governments	262,098	125,904	388,002
Advance to other funds	-	175,402	175,402
Total current assets	<u>\$ 765,025</u>	<u>\$ 2,965,152</u>	<u>\$ 3,730,177</u>
Restricted assets			
Cash and pooled investments	<u>\$ -</u>	<u>\$ 2,069,521</u>	<u>\$ 2,069,521</u>
Noncurrent assets			
Capital assets			
Nondepreciable	\$ 11,085	\$ 299,098	\$ 310,183
Depreciable – net	<u>14,270,945</u>	<u>2,930,617</u>	<u>17,201,562</u>
Total noncurrent assets	<u>\$ 14,282,030</u>	<u>\$ 3,229,715</u>	<u>\$ 17,511,745</u>
Total Assets	<u>\$ 15,047,055</u>	<u>\$ 8,264,388</u>	<u>\$ 23,311,443</u>
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 751,983	\$ 111,770	\$ 863,753
Deferred other postemployment benefits outflows	<u>10,603</u>	<u>1,505</u>	<u>12,108</u>
Total Deferred Outflows of Resources	<u>\$ 762,586</u>	<u>\$ 113,275</u>	<u>\$ 875,861</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2021**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 164,758	\$ 113,563	\$ 278,321
Salaries payable	78,380	11,875	90,255
Compensated absences payable	94,509	15,507	110,016
Due to other funds	44,192	30,216	74,408
Due to other governments	60,905	2,604	63,509
Capital leases payable	-	30,359	30,359
Total current liabilities	\$ 442,744	\$ 204,124	\$ 646,868
Noncurrent liabilities			
Compensated absences payable	\$ 145,078	\$ 17,709	\$ 162,787
Advance from other funds	175,402	-	175,402
Capital leases payable	-	163,264	163,264
Closure care costs payable	-	681,044	681,044
Postclosure care costs payable	-	1,023,323	1,023,323
Contingency costs payable	-	286,715	286,715
Other postemployment benefits liability	68,796	6,441	75,237
Net pension liability	1,012,096	158,007	1,170,103
Total noncurrent liabilities	\$ 1,401,372	\$ 2,336,503	\$ 3,737,875
Total Liabilities	\$ 1,844,116	\$ 2,540,627	\$ 4,384,743
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	\$ 924,163	\$ 161,391	\$ 1,085,554
Deferred other postemployment benefits inflows	1,833	278	2,111
Total Deferred Inflows of Resources	\$ 925,996	\$ 161,669	\$ 1,087,665
<u>Net Position</u>			
Net investment in capital assets	\$ 14,282,030	\$ 3,036,092	\$ 17,318,122
Restricted for postclosure care costs	-	78,439	78,439
Unrestricted	(1,242,501)	2,560,836	1,318,335
Total Net Position	\$ 13,039,529	\$ 5,675,367	\$ 18,714,896

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
Operating Revenues			
Charges for services	\$ 4,428,692	\$ 3,420,120	\$ 7,848,812
Miscellaneous	1,202,927	90,421	1,293,348
Total Operating Revenues	\$ 5,631,619	\$ 3,510,541	\$ 9,142,160
Operating Expenses			
Personnel services	\$ 1,914,750	\$ 387,627	\$ 2,302,377
Other services and charges	740,872	1,597,867	2,338,739
Supplies	445,439	11,064	456,503
Utilities	672,397	11,296	683,693
Repairs and maintenance	202,571	-	202,571
Transportation and disposal	374,673	52,616	427,289
Asset purchases	4,560	31,515	36,075
Closure/postclosure/contingency	-	389,773	389,773
Depreciation	1,254,050	630,689	1,884,739
Total Operating Expenses	\$ 5,609,312	\$ 3,112,447	\$ 8,721,759
Operating Income (Loss)	\$ 22,307	\$ 398,094	\$ 420,401
Nonoperating Revenues (Expenses)			
Intergovernmental	\$ 30,912	\$ 4,826	\$ 35,738
Interest income restricted for sanitation	220	457	677
Interest expense	-	(6,024)	(6,024)
Total Nonoperating Revenues (Expenses)	\$ 31,132	\$ (741)	\$ 30,391
Income (loss) before contributions and transfers	\$ 53,439	\$ 397,353	\$ 450,792
Capital contributions	101,963	-	101,963
Loss on disposal of assets	(182,622)	-	(182,622)
Transfers in	-	63,467	63,467
Transfers out	(343,467)	(70,000)	(413,467)
Change in Net Position	\$ (370,687)	\$ 390,820	\$ 20,133
Net Position – January 1	13,410,216	5,284,547	18,694,763
Net Position – December 31	\$ 13,039,529	\$ 5,675,367	\$ 18,714,896

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 5,508,744	\$ 3,521,599	\$ 9,030,343
Payments to suppliers	(2,425,598)	(1,670,183)	(4,095,781)
Payments to employees	(2,115,906)	(438,205)	(2,554,111)
Net cash provided by (used in) operating activities	<u>\$ 967,240</u>	<u>\$ 1,413,211</u>	<u>\$ 2,380,451</u>
Cash Flows from Noncapital Financing Activities			
Intergovernmental	\$ 30,912	\$ 4,826	\$ 35,738
Transfers in	-	63,467	63,467
Transfers out	(343,467)	(70,000)	(413,467)
Net cash provided by (used in) noncapital financing activities	<u>\$ (312,555)</u>	<u>\$ (1,707)</u>	<u>\$ (314,262)</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on long-term debt	\$ -	\$ (29,636)	\$ (29,636)
Interest paid on long-term debt	-	(6,024)	(6,024)
Purchases of capital assets	(657,153)	(353,411)	(1,010,564)
Net cash provided by (used in) capital and related financing activities	<u>\$ (657,153)</u>	<u>\$ (389,071)</u>	<u>\$ (1,046,224)</u>
Cash Flows from Investing Activities			
Investment earnings received	\$ 2,468	\$ 457	\$ 2,925
Net cash provided by (used in) investing activities	<u>\$ 2,468</u>	<u>\$ 457</u>	<u>\$ 2,925</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>\$ -</u>	<u>\$ 1,022,890</u>	<u>\$ 1,022,890</u>
Cash and Cash Equivalents at January 1	<u>-</u>	<u>3,637,304</u>	<u>3,637,304</u>
Cash and Cash Equivalents at December 31	<u><u>\$ -</u></u>	<u><u>\$ 4,660,194</u></u>	<u><u>\$ 4,660,194</u></u>
Cash and Cash Equivalents – Exhibit 7			
Cash and pooled investments	\$ -	\$ 2,590,473	\$ 2,590,473
Petty cash and change funds	-	200	200
Restricted cash and pooled investments	-	2,069,521	2,069,521
Total Cash and Cash Equivalents	<u><u>\$ -</u></u>	<u><u>\$ 4,660,194</u></u>	<u><u>\$ 4,660,194</u></u>

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Resource Recovery</u>	<u>Landfill</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	<u>\$ 22,307</u>	<u>\$ 398,094</u>	<u>\$ 420,401</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 1,254,050	\$ 630,689	\$ 1,884,739
(Increase) decrease in accounts receivable	11,813	12,611	24,424
(Increase) decrease in due from other governments	(99,292)	(32,004)	(131,296)
(Increase) decrease in due from other funds	(35,396)	31,512	(3,884)
(Increase) decrease in deferred pension outflows	(585,824)	(93,650)	(679,474)
(Increase) decrease in deferred other postemployment benefits outflows	(528)	(66)	(594)
Increase (decrease) in accounts payable	20,519	32,279	52,798
Increase (decrease) in salaries payable	10,078	3,085	13,163
Increase (decrease) in compensated absences – current	(3,447)	655	(2,792)
Increase (decrease) in due to other funds	(1,524)	1,766	242
Increase (decrease) in due to other governments	(4,081)	1,050	(3,031)
Increase (decrease) in compensated absences – long-term	(130,356)	(30,672)	(161,028)
Increase (decrease) in other postemployment benefits liability	3,574	447	4,021
Increase (decrease) in net pension liability	(354,869)	(57,829)	(412,698)
Increase (decrease) in deferred pension inflows	860,722	125,534	986,256
Increase (decrease) in deferred other postemployment benefits inflows	(506)	(63)	(569)
Increase (decrease) in landfill closure/postclosure care costs	<u>-</u>	<u>389,773</u>	<u>389,773</u>
Total adjustments	<u>\$ 944,933</u>	<u>\$ 1,015,117</u>	<u>\$ 1,960,050</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 967,240</u>	<u>\$ 1,413,211</u>	<u>\$ 2,380,451</u>
Noncash Investing, Capital, and Financing Activities			
Contributions of capital assets from Capital Projects Fund to Resource Recovery Fund	\$ 16,319	\$ -	\$ -
Loss on disposal of capital assets	182,622	-	-

FIDUCIARY FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
<u>Assets</u>		
Cash and pooled investments	\$ 48,253	\$ 3,191,587
Taxes receivable for other governments	-	1,277,544
Accounts receivable	-	224,227
Due from other governments	-	581,388
Total Assets	\$ 48,253	\$ 5,274,746
<u>Liabilities</u>		
Due to other funds	\$ -	\$ 722,199
Due to other governments	-	796,616
Due to others	99	13,313
Total Liabilities	\$ 99	\$ 1,532,128
<u>Deferred Inflows of Resources</u>		
Prepaid Taxes	\$ -	\$ 25,397
<u>Net Position</u>		
Restricted for Individuals, organizations, other governments	\$ 48,154	\$ 3,717,221

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	\$ 320,972	\$ 642,479
Investment earnings		
Interest, dividends, and other	-	238
Property tax collections for other governments	-	33,794,328
Grants received	-	3,131,134
Contributions from participants	-	8,640
Fees collected for services	-	10,857,256
License and fees collected for state	-	800,705
Total Additions	\$ 320,972	\$ 49,234,780
Deductions		
Beneficiary payments to individuals	\$ 346,223	\$ -
Payments of property tax to other governments	-	31,320,040
Payments to state	-	4,266,988
Grant payments	-	113,504
Administrative expense	-	10,374,647
Distributions to participants	-	2,470,291
Total Deductions	\$ 346,223	\$ 48,545,470
Change in net position	\$ (25,251)	\$ 689,310
Net Position – January 1	73,405	3,027,911
Net Position – December 31	\$ 48,154	\$ 3,717,221

**POLK COUNTY
CROOKSTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

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, 2021. 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 6.B. The County also participates in the jointly-governed organizations and related organizations described in Notes 6.C and 6.D, respectively.

B. Basic Financial Statements

1. Government-Wide Statements

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

The County reports the following major enterprise funds:

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund types:

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

Custodial funds are custodial in nature. These funds account for activity that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2021, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Landfill and Resource Recovery Enterprise Funds. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2021 were \$12,623.

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

3. Receivables and Payables

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

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

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

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments, payable in the years 2012 through 2021, and noncurrent special assessments payable in 2022 and after. No provision has been made for an estimated uncollectible amount.

5. Inventories and Prepaid Items

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Inventories and Prepaid Items (Continued)

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

6. Restricted Assets

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

7. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

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

The County landfill is depreciated based on capacity used.

8. Unearned Revenue

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

9. Compensated Absences

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

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

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

11. Pension Plan

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets 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 four types of deferred inflows, unavailable revenue, prepaid property taxes, deferred pension inflows, and OPEB, that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, special assessments receivable, grants receivable, and miscellaneous receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Prepaid property taxes arise under both the modified and full accrual basis of accounting and, accordingly, are reported in both the governmental funds balance sheet and the statement of net position. The unavailable revenue, and prepaid property taxes are deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

13. Classification of Net Position

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

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

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

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

14. Classification of Fund Balances

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

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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

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

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

15. Minimum Fund Balance

Polk County is committed to maintaining a prudent level of financial resources to protect against the need to reduce service levels because of temporary revenue shortfalls or unpredicted expenditures. Polk County has adopted a minimum fund balance policy to address cash flow or working capital needs. The County is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County will maintain an unrestricted fund balance level of no less than six months of the General Fund operating expenditures. At December 31, 2021, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

16. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Capital Projects Fund

At December 31, 2021, the Capital Projects Fund had a deficit fund balance of \$94,550. The fund balance deficit will be eliminated with the closeout of the related project.

B. Ditch Fund Deficits

Of the 182 drainage systems, 44 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, 2021:

	Ditch Special Revenue	Ditch Debt Service
Ditches with positive fund balances	\$ 1,000,022	\$ 1,558,938
Ditches with deficit fund balances	(427,893)	(10,413)
Total Fund Balances	<u>\$ 572,129</u>	<u>\$ 1,548,525</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

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	\$ 37,820,536
Investments	1,075,367
Restricted assets	
Cash and pooled investments	2,069,521
Fiduciary assets	
Cash and pooled investments	
Fiduciary funds	<u>3,239,840</u>
Total Cash and Investments	<u>\$ 44,205,264</u>
Deposits	\$ 21,935,976
Petty cash and change funds	5,070
Investments	<u>22,264,218</u>
Total Cash and Investments	<u>\$ 44,205,264</u>

a. Deposits

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to obtain collateral or bond for all uninsured amounts on deposit. As of December 31, 2021, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

Interest Rate Risk

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

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, 2021, 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, 2021, none of the County's investments were exposed to custodial credit risk.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. At December 31, 2021, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. At December 31, 2021, the County had recurring fair value measurements discussed as follows.

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

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical. At December 31, 2021, the County had \$22,264,218 invested in the MAGIC Portfolio.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2021, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 568,447	\$ -
Special assessments	2,955,649	2,501,403
Accounts	465,678	-
Interest	13,881	-
Due from other governments	5,617,267	-
Total Governmental Activities	\$ 9,620,922	\$ 2,501,403
Business-Type Activities		
Accounts	\$ 273,848	\$ -
Due from other governments	388,002	-
Total Business-Type Activities	\$ 661,850	\$ -

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2021, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 9,420,570	\$ 37,315	\$ -	\$ 9,457,885
Construction in progress	1,500,594	458,844	480,749	1,478,689
Total capital assets not depreciated	\$ 10,921,164	\$ 496,159	\$ 480,749	\$ 10,936,574
Capital assets depreciated				
Land improvements	\$ 2,128,635	\$ 489,673	\$ -	\$ 2,618,308
Buildings and improvements	50,709,666	2,218,100	-	52,927,766
Machinery, furniture, and equipment	17,169,022	1,463,999	928,980	17,704,041
Infrastructure	157,881,396	2,840,658	-	160,722,054
Total capital assets depreciated	\$ 227,888,719	\$ 7,012,430	\$ 928,980	\$ 233,972,169
Less: accumulated depreciation for				
Land improvements	\$ 1,549,027	\$ 137,525	\$ -	\$ 1,686,552
Buildings and improvements	20,992,980	2,038,551	-	23,031,531
Machinery, furniture, and equipment	11,641,571	1,543,661	928,980	12,256,252
Infrastructure	66,178,297	3,143,485	-	69,321,782
Total accumulated depreciation	\$ 100,361,875	\$ 6,863,222	\$ 928,980	\$ 106,296,117
Total capital assets depreciated, net	\$ 127,526,844	\$ 149,208	\$ -	\$ 127,676,052
Governmental Activities Capital Assets, Net	\$ 138,448,008	\$ 645,367	\$ 480,749	\$ 138,612,626

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 261,118	\$ 49,065	\$ -	\$ 310,183
Total capital assets not depreciated	\$ 261,118	\$ 49,065	\$ -	\$ 310,183
Capital assets depreciated				
Buildings and improvements	\$ 8,133,139	\$ 116,001	\$ -	\$ 8,249,140
Landfill	6,414,142	159,427	-	6,573,569
Machinery, furniture, and equipment	25,842,923	786,914	1,448,518	25,181,319
Improvements other than buildings	324,342	-	-	324,342
Total capital assets depreciated	\$ 40,714,546	\$ 1,062,342	\$ 1,448,518	\$ 40,328,370
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,454,693	\$ 208,702	\$ -	\$ 3,663,395
Landfill	5,208,451	373,844	-	5,582,295
Machinery, furniture, and equipment	13,580,796	1,292,503	1,265,896	13,607,403
Improvements other than buildings	264,025	9,690	-	273,715
Total accumulated depreciation	\$ 22,507,965	\$ 1,884,739	\$ 1,265,896	\$ 23,126,808
Total capital assets depreciated, net	\$ 18,206,581	\$ (822,397)	\$ 182,622	\$ 17,201,562
Business-Type Activities Capital Assets, Net	\$ 18,467,699	\$ (773,332)	\$ 182,622	\$ 17,511,745

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

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

Governmental Activities	
General government	\$ 1,385,981
Public safety	873,657
Highways and streets, including depreciation of infrastructure assets	4,055,368
Human services	145,950
Health	3,084
Culture and recreation	92,378
Sanitation	303,866
Conservation of natural resources	2,938
Total Depreciation Expense – Governmental Activities	\$ 6,863,222
Business-Type Activities	
Resource Recovery	\$ 1,254,050
Landfill	630,689
Total Depreciation Expense – Business-Type Activities	\$ 1,884,739

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

The composition of interfund balances as of December 31, 2021, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Social Services Special Revenue Fund	\$ 47,157
	Environmental Services Special Revenue Fund	1,280
	Resource Recovery Enterprise Fund	348
	Landfill Enterprise Fund	256
	State Revenue Custodial Fund	686,374
Total due to General Fund		\$ 735,415
Road and Bridge Special Revenue Fund	General Fund	\$ 119,061
	Public Safety Special Revenue Fund	5,445
	Environmental Services Special Revenue Fund	1,595
	Landfill Enterprise Fund	67
Total due to Road and Bridge Special Revenue Fund		\$ 126,168
Social Services Special Revenue Fund	Public Health Special Revenue Fund	\$ 1,824
Public Safety Special Revenue Fund	Social Services Special Revenue Fund	\$ 385
Environmental Services Special Revenue Fund	General Fund	\$ 8,274
	Road and Bridge Special Revenue Fund	7
	Resource Recovery Enterprise Fund	43,844
	Landfill Enterprise Fund	29,893
Total due to Environmental Services Special Revenue Fund		\$ 82,018
Public Health Special Revenue Fund	Social Services Special Revenue Fund	\$ 56,591
	Polk-Norman-Mahnomen Community Health Board Custodial Fund	35,825
Total due to Public Health Special Revenue Fund		\$ 92,416
Resource Recovery Enterprise Fund	General Fund	\$ 120
	Environmental Services Special Revenue Fund	267,233
Total due to Resource Recovery Enterprise Fund		\$ 267,353
Landfill Enterprise Fund	General Fund	\$ 16,814
	Environmental Services Special Revenue Fund	18,085
Total due to Landfill Enterprise Fund		\$ 34,899
Total Due To/From Other Funds		\$ 1,340,478

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables

1. Due To/From Other Funds (Continued)

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

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Ditch Special Revenue Fund	\$ 434,079
	Ditch Debt Service Fund	7,855
	Union Lake/Lake Sarah Debt Service Fund	19,401
Total advances from General Fund		\$ 461,335
Landfill Enterprise Fund	Resource Recovery Enterprise Fund	175,402
Total Advances From/To Other Funds		<u>\$ 636,737</u>

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2021, consisted of the following:

Transfer to Capital Projects Fund from Environmental Services Special Revenue Fund	\$ 1,226,337	To eliminate interfund accruals for financial reporting
Transfer to Capital Projects Fund from Environmental Services Special Revenue Fund	140,000	To transfer bond payments
Transfer to Capital Projects Fund from Resource Recovery Enterprise Fund	280,000	To transfer bond payments
Transfer to Capital Projects Fund from Landfill Enterprise Fund	<u>70,000</u>	To transfer bond payments
Total transfers to governmental funds	\$ 1,716,337	
Transfer to Landfill Enterprise Fund from Resource Recovery Enterprise Fund	<u>63,467</u>	Reimbursement
Total transfers	<u>\$ 1,779,804</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2021, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 638,701	\$ 278,321
Salaries	825,211	90,255
Contracts	541,332	-
Due to other governments	486,022	63,509
Interest	<u>331,907</u>	<u>-</u>
Total Payables	<u>\$ 2,823,173</u>	<u>\$ 432,085</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Capital Leases

Governmental Activities

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment and vehicles. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Payments on these lease agreements are made from the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, Environmental Services Special Revenue Fund, and the Public Safety Special Revenue Fund. These capital leases consist of various vehicles and major equipment. The leases mature between the years of 2022 and 2028. Original balances for these range from \$18,460 to \$384,221 with outstanding balances ranging from \$6,153 to \$384,221. The total outstanding balance at year-end were \$1,098,668. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2022	\$ 362,272
2023	323,551
2024	233,014
2025	112,209
2026	43,229
2027-2028	<u>256,400</u>
Total minimum lease payments	\$ 1,330,675
Less: amount representing interest	<u>(232,007)</u>
Present Value of Minimum Lease Payments	<u>\$ 1,098,668</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Capital Leases (Continued)

Business-Type Activities

The County entered into a lease agreement that qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The County entered into a lease-purchase arrangement with Kinetic Leasing to purchase a Komptech Crambo Grinder in 2017. The original lease balance totaled \$304,300 at an interest rate of 2.89 percent. Payments on the capital lease are made from the Landfill Enterprise Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2021, were as follows:

<u>Year Ending December 31</u>	<u>Business-Type Activities</u>
2022	\$ 35,516
2023	35,368
2024	35,216
2025	35,061
2026	34,902
2027	<u>34,740</u>
Total minimum lease payments	\$ 210,803
Less: amount representing interest	<u>(17,180)</u>
Present Value of Minimum Lease Payments	<u>\$ 193,623</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt

Governmental Activities

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2021
General obligation bonds					
2021A G.O. Jail Refunding Bonds	2026	\$920,000 - \$1,105,000	5.00	\$ 4,040,000	\$ 4,040,000
2020A G.O. Capital Improvement Plan Bonds	2031	\$200,000 - \$310,000	5.00	2,515,000	2,515,000
2020B G.O. Watershed District Refunding Bonds	2033	\$125,000 - \$135,000	2.00 - 3.00	1,700,000	1,565,000
2019A G.O. Watershed Bonds	2040	\$160,000 - \$225,000	3.00 - 4.00	3,825,000	3,665,000
2019B G.O. State Aid Highway Bonds	2024	\$1,100,000	5.00	5,500,000	3,300,000
2017A G.O. Solid Waste Bonds	2037	\$265,000 - \$450,000	2.50 - 3.00	6,810,000	5,835,000
2015B G.O. Watershed Bonds	2036	\$55,000 - \$105,000	1.00 - 3.40	1,495,000	1,210,000
2015C G.O. Capital Improvement Plan Bonds	2026	\$265,000 - \$315,000	2.00	2,985,000	1,530,000
2014 G.O. Jail Refunding Bonds	2026	\$1,020,000 - \$1,165,000	2.00 - 2.25	9,675,000	5,575,000
2012B G.O. Refunding Bonds	2025	\$140,000 - \$160,000	1.7573	1,805,000	575,000
2009 G.O. Drainage Bonds	2030	\$45,000 - \$50,000	3.98	925,000	405,000
2006 G.O. Watershed District Bonds	2027	\$40,000 - \$45,000	3.60 - 4.30	865,000	240,000
Total general obligation bonds				<u>\$ 42,140,000</u>	\$ 30,455,000
Add: unamortized premium					<u>1,695,973</u>
Total General Obligation Bonds, Net					<u>\$ 32,150,973</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2022	\$ 3,540,000	\$ 935,736
2023	4,510,000	849,572
2024	4,630,000	681,483
2025	3,635,000	534,443
2026	3,620,000	410,058
2027 - 2031	5,395,000	1,267,040
2032 - 2036	3,800,000	481,985
2037 - 2040	1,325,000	59,775
Total	<u>\$ 30,455,000</u>	<u>\$ 5,220,092</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 29,720,000	\$ 4,040,000	\$ 3,305,000	\$ 30,455,000	\$ 3,540,000
Add: unamortized premium	1,476,827	514,519	295,373	1,695,973	-
Total bonds payable	\$ 31,196,827	\$ 4,554,519	\$ 3,600,373	\$ 32,150,973	\$ 3,540,000
Capital leases	673,350	652,728	227,410	1,098,668	289,340
Compensated absences	1,679,396	1,788,920	1,863,615	1,604,701	648,176
Governmental Activities Long-Term Liabilities	<u>\$ 33,549,573</u>	<u>\$ 6,996,167</u>	<u>\$ 5,691,398</u>	<u>\$ 34,854,342</u>	<u>\$ 4,477,516</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital lease	\$ 223,259	\$ -	\$ 29,636	\$ 193,623	\$ 30,359
Estimated liability for landfill closure/postclosure care costs	1,601,309	389,773	-	1,991,082	-
Compensated absences	436,623	195,332	359,152	272,803	110,016
Business-Type Activities Long-Term Liabilities	<u>\$ 2,261,191</u>	<u>\$ 585,105</u>	<u>\$ 388,788</u>	<u>\$ 2,457,508</u>	<u>\$ 140,375</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Governmental Funds – Deferred Inflows of Resources

Deferred inflows of resources consist of taxes and special assessments receivable and state grants and other revenues not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2021, are summarized below by fund:

	Taxes and Special Assessments	Grants and Allotments	Other	Total
Major governmental funds				
General	\$ 363,197	\$ -	\$ 1,067	\$ 364,264
Road and Bridge Special Revenue	14,157	1,068,974	23,833	1,106,964
Social Services Special Revenue	29,678	336,119	8,554	374,351
Public Safety Special Revenue	10,188	-	-	10,188
Ditch Debt Service	2,775,227	-	-	2,775,227
Nonmajor governmental funds				
Agassiz Regional Library Special Revenue	3,437	-	-	3,437
Ditch Special Revenue	167,972	-	12,565	180,537
Environmental Services Special Revenue	185,161	-	-	185,161
Public Health Special Revenue	715	-	20,368	21,083
Union Lake/Lake Sarah Debt Service	153			153
Capital Projects	-	82,634	-	82,634
Total Deferred Inflows of Resources	<u>\$ 3,549,885</u>	<u>\$ 1,487,727</u>	<u>\$ 66,387</u>	<u>\$ 5,103,999</u>
Deferred inflows of resources				
Unavailable revenue	\$ 3,518,697	\$ 1,487,727	\$ 66,387	\$ 5,072,811
Prepaid taxes	31,188	-	-	31,188
Total Deferred Inflows of Resources	<u>\$ 3,549,885</u>	<u>\$ 1,487,727</u>	<u>\$ 66,387</u>	<u>\$ 5,103,999</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

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

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

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

2. Total OPEB Liability

The County's total OPEB liability of \$932,146 was determined by an actuarial valuation as of January 1, 2020, with a measurement date as of January 1, 2021.

The total OPEB liability in the fiscal year-end December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.25 percent, grading to 5.00 percent over 5 years and then to 4.00 percent over the next 48 years

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

The current year discount rate is 2.00 percent based on the estimated yield of 20-Year AA-rated municipal bonds.

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

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

3. Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2021	\$ 896,184
Changes for the year	
Service cost	\$ 59,973
Interest	26,441
Assumption changes	38,955
Benefit payments	<u>(89,407)</u>
Net change	<u>\$ 35,962</u>
Balance at December 31, 2021	<u>\$ 932,146</u>

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

4. OPEB Liability Sensitivity

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

	<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% Decrease	1.00%	\$ 986,540
Current	2.00	932,146
1% Increase	3.00	880,099

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:

	<u>Health Care Trend Rate</u>	<u>Total OPEB Liability</u>
1% Decrease	5.25% Decreasing to 4.00%	\$ 845,641
Current	6.25% Decreasing to 5.00%	932,146
1% Increase	7.25% Decreasing to 6.00%	1,034,099

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

For the year ended December 31, 2021, the County recognized OPEB expense of \$25,562. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Assumption changes	\$ 54,665	\$ 13,634
Liability gains	-	8,393
Contributions made subsequent to the measurement date	65,248	-
Total	\$ 119,913	\$ 22,027

The \$62,248 reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows

Year Ended December 31	OPEB Expense Amount
2022	\$ 4,733
2023	4,733
2024	4,733
2025	4,735
2026	8,139
2027	5,565

6. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2021:

- The discount rate was changed from 2.90 percent to 2.00 percent.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. 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. Rates did not change from 2020.

In 2021, the County and members were required to contribute the following percentages of annual covered salary:

	<u>Member Required Contribution</u>	<u>Employer Required Contribution</u>
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80	17.70

The County's contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	\$ 1,310,646
Police and Fire Plan	404,069

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of \$10,291,780 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.2410 percent. It was 0.2325 percent measured as of June 30, 2020. The County recognized pension expense of \$293,075 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$25,362 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	\$ 10,291,780
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>314,341</u>
Total	<u>\$ 10,606,121</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

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	\$ 60,579	\$ 313,672
Changes in actuarial assumptions	6,283,947	219,152
Difference between projected and actual investment earnings	-	8,940,734
Changes in proportion	443,025	23,520
Contributions paid to PERA subsequent to the measurement date	652,447	-
Total	\$ 7,439,998	\$ 9,497,078

The \$652,447 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, 2022. 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
2022	\$ (298,518)
2023	(14,861)
2024	34,925
2025	(2,431,073)

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2021, the County reported a liability of \$1,502,106 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.195 percent. It was 0.200 percent measured as of June 30, 2020. The County recognized pension expense of (\$48,668) for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1, 2020, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$12,295 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	\$ 1,502,106
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>67,514</u>
Total	<u>\$ 1,569,620</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$17,514 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 291,510	\$ -
Changes in actuarial assumptions	2,207,702	871,809
Difference between projected and actual investment earnings	-	2,862,621
Changes in proportion	135,504	132,306
Contributions paid to PERA subsequent to the measurement date	<u>195,941</u>	<u>-</u>
Total	<u>\$ 2,830,657</u>	<u>\$ 3,866,736</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$195,941 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2022	\$ (977,954)
2023	(209,738)
2024	(196,014)
2025	(319,979)
2026	471,665

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was \$244,407.

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>
Inflation	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%

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

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. For both plans a review of inflation and investment assumptions dated June 24, 2021, was utilized.

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equities	33.50%	5.10%
International equities	16.50	5.30
Fixed income	25.00	0.75
Private markets	25.00	5.90

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions (Continued)

Police and Fire Plan

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

h. Pension Liability Sensitivity

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

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	\$ 20,989,977	5.50%	\$ 4,768,932
Current	6.50	10,291,780	6.50	1,502,106
1% Increase	7.50	1,513,256	7.50	(1,175,882)

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. 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.

2. Defined Contribution Plan

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

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

Total contributions by dollar amount and percentage of covered payroll made by Polk County during the year ended December 31, 2021, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,278	\$ 9,278
Percentage of covered payroll	5.00%	5.00%

**POLK COUNTY
CROOKSTON, MINNESOTA**

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 \$1,991,082 landfill closure, postclosure care, and contingency costs payable at December 31, 2021, represent the cumulative amount reported to date based on the use of 40.7 percent of the estimated capacity of the municipal solid waste portion of the landfill and 36.3 percent of the estimated capacity of the ash portion of the landfill. The County will recognize the remaining estimated cost of closure, postclosure care, and contingency costs of \$1,930,225 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2021. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2068 and ash in 2160. 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, 2021, investments of \$2,069,521 are held for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Enterprise Fund. These are reported as restricted assets on the statement of net position. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

5. Risk Management

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

5. Risk Management (Continued)

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 2021 and 2022. 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. 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Marshall and Polk Rural Water System (Continued)

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, 2021, is \$895,000, of which Polk County's share is \$575,000. Polk County made contributions of \$85,406 in settlement payouts in 2021.

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

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

Northwest Minnesota Household Hazardous Waste Management Group

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

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

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 \$19,583 to the Waste Management Group in 2021. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as a custodial fund on its financial statements.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Minnesota Regional Emergency Communications Board

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

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

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

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

The Northwest Minnesota Regional Emergency Communications Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Polk County did not make any contributions during 2021.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 2021, Polk County did not make a contribution to the Board.

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

Northwest Service Cooperative

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

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that member counties do not experience an additional financial benefit or burden. Polk County made contributions of \$829 to the NWSC in 2021.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Service Cooperative (Continued)

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

Northwestern Counties Data Processing Security Association

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

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 2021. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as a custodial fund on its financial statements.

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

Polk County Collaborative

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk County Collaborative (Continued)

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 a custodial fund in its financial statements. Polk County paid the Collaborative \$94,472 in 2021.

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
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

Polk County, in a custodial fund, reports the transactions of Tri-County Community Corrections on its financial statements. Polk County did not make any contributions in 2021.

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 U.S. Customs and Border Protection and Homeland Security Investigations Department. Associate members are Red Lake County and the City of Ada, and liaison members are Kittson and Marshall Counties. The purpose of the Task Force is to coordinate efforts to investigate, apprehend, and prosecute drug, gang, and violent crime offenders.

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

Polk County did not make any contributions to this organization in 2021.

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

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 a custodial fund on its annual financial statements. Polk County did not make a contribution in 2021.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Workforce Service Area

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

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

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

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

C. Jointly-Governed Organizations

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

Job Training Partnership Act Joint Powers Agreement

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement (Continued)

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

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

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, Mahnommen, Norman, Polk, and Wilkin Counties, as well as the Cities of Breckenridge, Crookston, Detroit Lakes, Mahnommen, 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 2021, Polk County provided \$280,570 in the form of an appropriation.

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

Middle River-Snake River-Tamarac Watershed District

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. 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.

Red Lake River Corridor

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

The Red Lake River Corridor Joint Powers Board is composed of one member from each participating entity. Each participant may also have an alternate who, in the absence of the appointed member, may attend meetings and have all the duties and rights of the member. In the event of dissolution, the net position shall be distributed to the respective members in proportion to the contribution of each. Financing is provided by contributions from members. Polk County did not contribute to the Board in 2021.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Wild Rice Watershed District

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

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

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

Minnesota Red River Basin of the North Joint Powers Board

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

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

In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. In 2021, Polk County provided \$784 in the form of an appropriation.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

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

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

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Polk County did not make any contributions in 2021.

D. Related Organizations

Sand Hill River Watershed District

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

Red Lake Watershed District

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

7. Subsequent Events

COVID Pandemic

On March 11, 2021, the President of the United States signed an amended version of the COVID Relief Package, the American Rescue Plan, which includes \$65.1 billion in direct, flexible aid for counties in the United States of America. The U.S. Department of the Treasury will oversee and administer payments of the State and Local Coronavirus Recovery Funds to state and local governments; every county is eligible to receive a direct allocation from the Treasury. Counties will receive funds in two tranches – 50 percent in 2021 and the remaining 50 percent no earlier than 12 months from the first payment. The U.S. Treasury is required to pay the first tranche to counties no later than 60 days after enactment. Polk County's projected allocation of the State and Local Coronavirus Recovery Funds is \$6,092,089. The first tranche of \$3,046,045 was received on May 21, 2021.

Opioid Settlement

During 2022, the final settlement agreements were reached with pharmaceutical companies and distributors as part of the National Prescription Opiate Litigation. For Polk County, the amount to be received as a result of this litigation is \$1,921,362 to be received over 18 years. The Minnesota Opioids State-Subdivision Memorandum of Agreement was signed January 24, 2022.

**POLK COUNTY
CROOKSTON, MINNESOTA**

7. Subsequent Events (Continued)

Bond Issue

The County approved issuance of \$3,900,000 General Obligation Capital Improvement Plan Bonds on March 1, 2022.

REQUIRED SUPPLEMENTARY INFORMATION

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 7,121,676	\$ 7,121,676	\$ 5,917,403	\$ (1,204,273)
Special assessments	-	-	15,200	15,200
Licenses and permits	7,275	7,275	4,215	(3,060)
Intergovernmental	2,256,293	2,256,293	4,637,000	2,380,707
Charges for services	694,425	694,425	929,200	234,775
Fines and forfeits	10,000	10,000	11,732	1,732
Investment earnings	120,000	120,000	11,983	(108,017)
Miscellaneous	452,615	452,615	748,101	295,486
Total Revenues	\$ 10,662,284	\$ 10,662,284	\$ 12,274,834	\$ 1,612,550
Expenditures				
Current				
General government				
Commissioners	\$ 300,252	\$ 300,252	\$ 339,505	\$ (39,253)
Courts services	176,700	176,700	174,422	2,278
Law library	-	-	134,914	(134,914)
County administration	271,072	271,072	265,466	5,606
Taxpayer service center	769,534	769,534	761,561	7,973
Motor vehicle	192,592	192,592	190,047	2,545
County assessor	675,426	675,426	636,590	38,836
Elections	(2,485)	(2,485)	9,677	(12,162)
Finance	518,027	518,027	538,689	(20,662)
Accounting and auditing	65,000	65,000	83,810	(18,810)
Data processing	881,727	881,727	871,294	10,433
Central services	301,200	436,200	392,034	44,166
Personnel	413,247	413,247	461,793	(48,546)
Attorney	1,273,916	1,273,916	1,264,673	9,243
Victim services	500	500	115,126	(114,626)
Recorder	99,175	99,175	109,008	(9,833)
Surveyor	261,750	261,750	265,625	(3,875)
Buildings and grounds	1,616,955	1,616,955	2,070,746	(453,791)
Veterans service officer	190,384	190,384	191,999	(1,615)
Insurance	62,000	62,000	2,829	59,171
Appropriations	-	-	35,109	(35,109)
Other general government	662,900	662,900	2,108,383	(1,445,483)
Total general government	\$ 8,729,872	\$ 8,864,872	\$ 11,023,300	\$ (2,158,428)

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Ambulance	\$ 58,775	\$ 58,775	\$ 58,775	\$ -
Coroner	80,316	80,316	70,565	9,751
Victim assistance	162,449	162,449	48,906	113,543
Total public safety	\$ 301,540	\$ 301,540	\$ 178,246	\$ 123,294
Health				
Occupational Development Center	\$ 9,900	\$ 9,900	\$ 9,900	\$ -
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
County fairs	20,000	20,000	20,000	-
Heritage Center	10,000	10,000	10,000	-
Parks	95,950	95,950	108,713	(12,763)
Celebrations	800	800	800	-
Snowmobile and ski trails	10,000	10,000	89,458	(79,458)
Total culture and recreation	\$ 151,750	\$ 151,750	\$ 243,971	\$ (92,221)
Conservation of natural resources				
Agricultural inspection	\$ 61,800	\$ 61,800	\$ 5,156	\$ 56,644
Cooperative extension	173,285	173,285	154,974	18,311
Soil and water conservation	103,092	103,092	95,550	7,542
Gravel taxes	-	-	211,221	(211,221)
Forfeited tax sale	-	-	31,630	(31,630)
Total conservation of natural resources	\$ 338,177	\$ 338,177	\$ 498,531	\$ (160,354)
Economic development				
Red River Valley Development Association	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Tri-Valley Opportunity Council	7,000	7,000	7,000	-
Total economic development	\$ 8,600	\$ 8,600	\$ 8,600	\$ -

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures (Continued)				
Debt service				
Principal	\$ 1,340,000	\$ 1,340,000	\$ 1,375,540	\$ (35,540)
Interest	388,891	388,891	295,964	92,927
Bond issuance costs	2,500	2,500	63,172	(60,672)
Total debt service	\$ 1,731,391	\$ 1,731,391	\$ 1,734,676	\$ (3,285)
Total Expenditures	\$ 11,271,230	\$ 11,406,230	\$ 13,697,224	\$ (2,290,994)
Excess of Revenues Over (Under)				
Expenditures	\$ (608,946)	\$ (743,946)	\$ (1,422,390)	\$ (678,444)
Other Financing Sources (Uses)				
Transfers in	\$ 7,500	\$ 7,500	\$ -	\$ (7,500)
Bonds issued	-	-	4,040,000	4,040,000
Premium on bonds issued	-	-	514,519	514,519
Total Other Financing Sources (Uses)	\$ 7,500	\$ 7,500	\$ 4,554,519	\$ 4,547,019
Net Change in Fund Balance	\$ (601,446)	\$ (736,446)	\$ 3,132,129	\$ 3,868,575
Fund Balance – January 1	10,559,213	10,559,213	10,559,213	-
Fund Balance – December 31	\$ 9,957,767	\$ 9,822,767	\$ 13,691,342	\$ 3,868,575

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 4,298,094	\$ 4,298,094	\$ 3,580,773	\$ (717,321)
Licenses and permits	40,000	40,000	86,380	46,380
Intergovernmental	9,901,000	9,901,000	11,943,133	2,042,133
Charges for services	250,000	250,000	81,956	(168,044)
Miscellaneous	80,000	80,000	2,344,293	2,264,293
Total Revenues	\$ 14,569,094	\$ 14,569,094	\$ 18,036,535	\$ 3,467,441
Expenditures				
Current				
Highways and streets				
Administration	\$ 487,386	\$ 487,386	\$ 548,888	\$ (61,502)
Maintenance	4,146,171	4,146,171	4,687,722	(541,551)
Construction	6,282,859	6,282,859	13,400,048	(7,117,189)
Equipment maintenance and shop	1,163,678	1,163,678	1,221,455	(57,777)
Other highways and streets	50,000	50,000	212,526	(162,526)
Total highways and streets	\$ 12,130,094	\$ 12,130,094	\$ 20,070,639	\$ (7,940,545)
Intergovernmental				
Highways and streets	\$ 1,146,000	\$ 1,146,000	\$ 1,315,241	\$ (169,241)
Debt service				
Principal retirement	\$ 1,100,000	\$ 1,100,000	\$ 1,170,713	\$ (70,713)
Interest	193,000	193,000	212,363	(19,363)
Total debt service	\$ 1,293,000	\$ 1,293,000	\$ 1,383,076	\$ (90,076)
Total Expenditures	\$ 14,569,094	\$ 14,569,094	\$ 22,768,956	\$ (8,199,862)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (4,732,421)	\$ (4,732,421)
Other Financing Sources (Uses)				
Proceeds from capital lease	\$ -	\$ -	\$ 442,208	\$ 442,208
Net Change in Fund Balance	\$ -	\$ -	\$ (4,290,213)	\$ (4,290,213)
Fund Balance – January 1	7,168,630	7,168,630	7,168,630	-
Increase (decrease) in inventories	-	-	(37,895)	(37,895)
Fund Balance – December 31	\$ 7,168,630	\$ 7,168,630	\$ 2,840,522	\$ (4,328,108)

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 5,737,156	\$ 5,737,156	\$ 5,740,492	\$ 3,336
Intergovernmental	10,626,877	10,626,877	11,345,871	718,994
Charges for services	920,700	920,700	852,306	(68,394)
Investment earnings	-	-	119	119
Gifts and contributions	-	-	600	600
Miscellaneous	365,300	365,300	1,059,319	694,019
Total Revenues	\$ 17,650,033	\$ 17,650,033	\$ 18,998,707	\$ 1,348,674
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,812,088	\$ 4,812,088	\$ 4,849,157	\$ (37,069)
Social services	12,889,295	12,889,295	12,056,914	832,381
Total human services	\$ 17,701,383	\$ 17,701,383	\$ 16,906,071	\$ 795,312
Debt service				
Principal retirement	\$ -	\$ -	\$ 12,307	\$ (12,307)
Interest	-	-	2,430	(2,430)
Total debt services	\$ -	\$ -	\$ 14,737	\$ (14,737)
Total Expenditures	\$ 17,701,383	\$ 17,701,383	\$ 16,920,808	\$ 780,575
Net Change in Fund Balance	\$ (51,350)	\$ (51,350)	\$ 2,077,899	\$ 2,129,249
Fund Balance – January 1	4,909,104	4,909,104	4,909,104	-
Fund Balance – December 31	\$ 4,857,754	\$ 4,857,754	\$ 6,987,003	\$ 2,129,249

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 8,636,920	\$ 8,636,920	\$ 8,636,920	\$ -
Intergovernmental	467,855	467,855	600,935	133,080
Charges for services	318,601	318,601	376,370	57,769
Fines and forfeitures	500	500	11,562	11,062
Investment earnings	300	300	84	(216)
Gifts and contributions	400	400	24,564	24,164
Miscellaneous	1,386,654	1,386,654	1,726,256	339,602
Total Revenues	\$ 10,811,230	\$ 10,811,230	\$ 11,376,691	\$ 565,461
Expenditures				
Current				
Public safety				
Sheriff	\$ 5,293,324	\$ 5,293,324	\$ 5,316,232	\$ (22,908)
Narcotics task force	116,194	116,194	109,601	6,593
Body armor	4,000	4,000	2,990	1,010
Safe and sober	5,883	5,883	4,139	1,744
DWI assessments	2,500	2,500	216	2,284
Boat and water safety	20,326	20,326	75,209	(54,883)
Snowmobile safety	6,942	6,942	-	6,942
Emergency services	103,952	103,952	95,731	8,221
Municipal police contract	212,601	212,601	215,521	(2,920)
Enhanced 911 system	109,617	109,617	138,713	(29,096)
Community corrections	5,492,279	5,492,279	5,492,279	-
Total public safety	\$ 11,367,618	\$ 11,367,618	\$ 11,450,631	\$ (83,013)
Debt service				
Principal retirement	\$ -	\$ -	\$ 95,368	\$ (95,368)
Interest	-	-	19,234	(19,234)
Total debt services	\$ -	\$ -	\$ 114,602	\$ (114,602)
Total Expenditures	\$ 11,367,618	\$ 11,367,618	\$ 11,565,233	\$ (197,615)
Excess of Revenues Over (Under)				
Expenditures	\$ (556,388)	\$ (556,388)	\$ (188,542)	\$ 482,448

**POLK COUNTY
CROOKSTON, MINNESOTA**

***EXHIBIT A-4
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Proceeds from capital lease	\$ -	\$ -	\$ 208,318	\$ 208,318
Net Change in Fund Balance	\$ (556,388)	\$ (556,388)	\$ 19,776	\$ 690,766
Fund Balance – January 1	<u>5,448,842</u>	<u>5,448,842</u>	<u>5,448,842</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 4,892,454</u></u>	<u><u>\$ 4,892,454</u></u>	<u><u>\$ 5,468,618</u></u>	<u><u>\$ 690,766</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 59,973	\$ 50,553	\$ 41,224	\$ 43,449
Interest	26,441	33,564	29,553	29,382
Differences between expected and actual experience	-	(11,751)	-	-
Changes of assumption or other inputs	38,955	29,787	(23,861)	-
Benefit payments	<u>(89,407)</u>	<u>(76,663)</u>	<u>(60,605)</u>	<u>(70,181)</u>
Net change in total OPEB liability	\$ 35,962	\$ 25,490	\$ (13,689)	\$ 2,650
Total OPEB Liability – Beginning	<u>896,184</u>	<u>870,694</u>	<u>884,383</u>	<u>881,733</u>
Total OPEB Liability – Ending	<u><u>\$ 932,146</u></u>	<u><u>\$ 896,184</u></u>	<u><u>\$ 870,694</u></u>	<u><u>\$ 884,383</u></u>
 Covered-employee payroll	 \$ 19,170,500	 \$ 18,567,070	 \$ 17,928,896	 \$ 17,406,695
Total OPEB liability (asset) as a percentage of covered-employee payroll	4.86%	4.83%	4.86%	5.08%

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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
2021	0.2410 %	\$ 10,291,780	\$ 314,341	\$ 10,606,121	\$ 17,352,480	59.31 %	87.00 %
2020	0.2325	13,939,438	429,718	14,369,156	16,579,373	84.08	79.06
2019	0.2309	12,765,943	396,649	13,162,592	16,337,627	78.14	80.23
2018	0.2314	12,837,123	421,098	13,258,221	15,670,603	81.92	79.53
2017	0.2441	15,583,182	195,948	15,779,130	15,696,364	99.28	75.90
2016	0.2200	17,862,909	233,324	18,096,233	13,652,766	130.84	68.91
2015	0.2262	11,722,858	N/A	11,722,858	13,291,603	88.20	78.19

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

The measurement date for each year is June 30.

N/A – Not Applicable

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021**

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)
2021	\$ 1,310,646	\$ 1,310,646	\$ -	\$ 17,475,280	7.50 %
2020	1,271,714	1,271,714	-	16,956,182	7.50
2019	1,235,446	1,235,446	-	16,472,610	7.50
2018	1,199,787	1,199,787	-	15,997,162	7.50
2017	1,152,077	1,152,077	-	15,361,026	7.50
2016	1,102,765	1,102,765	-	14,703,539	7.50
2015	1,029,642	1,029,642	-	13,728,560	7.50

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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
2021	0.1946 %	\$ 1,502,106	\$ 67,514	\$ 1,569,620	\$ 2,401,462	62.55 %	93.66 %
2020	0.2000	2,634,896	62,071	2,696,967	2,361,417	111.58	87.19
2019	0.2060	2,197,336	N/A	2,197,336	2,227,128	98.66	89.26
2018	0.2000	2,129,662	N/A	2,129,662	2,107,310	101.06	88.84
2017	0.2060	2,781,245	N/A	2,781,245	2,114,403	131.54	85.43
2016	0.1910	7,665,162	N/A	7,665,162	1,893,219	404.87	63.88
2015	0.1980	2,249,743	N/A	2,249,743	1,807,508	124.47	86.61

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

The measurement date for each year is June 30.

N/A – Not Applicable

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021**

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)
2021	\$ 404,069	\$ 404,069	\$ -	\$ 2,383,888	16.95 %
2020	401,480	401,480	-	2,368,611	16.95
2019	372,977	372,977	-	2,200,453	16.95
2018	352,009	352,009	-	2,172,895	16.20
2017	330,824	330,824	-	2,042,124	16.20
2016	320,367	320,367	-	1,977,572	16.20
2015	305,142	305,142	-	1,883,593	16.20

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Budgetary Information

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

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

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

2. Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December 31, 2021:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 13,697,224	\$ 11,406,230	\$ 2,290,994
Road and Bridge Special Revenue Fund	22,768,956	14,569,094	8,199,862
Public Safety Special Revenue Fund	11,565,233	11,367,618	197,615

3. Other Postemployment Benefits

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

4. Employer Contributions to Other Postemployment Benefits

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

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

The following are changes in actuarial assumptions:

2021

- The discount rate was changed from 2.90 percent to 2.00 percent.

2020

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

2019

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

2018

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

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

2018 (Continued)

- The mortality tables were updated from the RP-2014 White Collar Mortality tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The retiree plan participation assumption was changed from 30 percent to 20 percent.

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

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

General Employees Retirement Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

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

General Employees Retirement Plan (Continued)

2019

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

2018

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2017

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

2016

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

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

Public Employees Police and Fire Plan

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2020

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

2019

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

2018

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2017

- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

**POLK COUNTY
CROOKSTON, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

DEBT SERVICE FUNDS

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

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

CAPITAL PROJECTS FUND

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Capital Projects Fund	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 5,158,995	\$ 67,965	\$ -	\$ 5,226,960
Petty cash and change funds	770	-	-	770
Investments	200,000	144,119	-	344,119
Taxes receivable – delinquent	4,628	-	-	4,628
Special assessments receivable				
Delinquent	18,744	261	-	19,005
Noncurrent	149,599	-	-	149,599
Accounts receivable	256,451	-	-	256,451
Accrued interest receivable	12,565	-	-	12,565
Due from other funds	174,434	-	-	174,434
Due from other governments	352,169	-	82,634	434,803
Total Assets	\$ 6,328,355	\$ 212,345	\$ 82,634	\$ 6,623,334
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 94,054	\$ -	\$ -	\$ 94,054
Salaries payable	115,559	-	-	115,559
Contracts payable	42,483	-	-	42,483
Due to other funds	290,017	-	-	290,017
Due to other governments	33,687	-	94,550	128,237
Unearned revenue	109,573	-	-	109,573
Advance from other funds	434,079	19,401	-	453,480
Total Liabilities	\$ 1,119,452	\$ 19,401	\$ 94,550	\$ 1,233,403
Deferred Inflows of Resources				
Unavailable revenue	\$ 387,487	\$ 153	\$ 82,634	\$ 470,274
Prepaid property taxes	2,731	-	-	2,731
Total Deferred Inflows of Resources	\$ 390,218	\$ 153	\$ 82,634	\$ 473,005

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT B-1
(Continued)**

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2021**

	<u>Special Revenue (Exhibit B-3)</u>	<u>Debt Service (Exhibit B-5)</u>	<u>Capital Projects Fund</u>	<u>Total (Exhibit 3)</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)				
Fund Balances				
Restricted				
Debt service	\$ -	\$ 192,791	\$ -	\$ 192,791
Ditch maintenance and construction	1,000,022	-	-	1,000,022
Aquatic species	76,759	-	-	76,759
Buffer enforcement	518,648	-	-	518,648
Assigned				
Health	2,208,459	-	-	2,208,459
Sanitation	1,423,559	-	-	1,423,559
Culture and recreation	19,131	-	-	19,131
Unassigned	(427,893)	-	(94,550)	(522,443)
Total Fund Balances	<u>\$ 4,818,685</u>	<u>\$ 192,791</u>	<u>\$ (94,550)</u>	<u>\$ 4,916,926</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,328,355</u>	<u>\$ 212,345</u>	<u>\$ 82,634</u>	<u>\$ 6,623,334</u>

**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, 2021**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Capital Projects	Total (Exhibit 5)
Revenues				
Taxes	\$ 1,626,544	\$ 486	\$ -	\$ 1,627,030
Special assessments	221,816	-	-	221,816
Licenses and permits	67,585	-	-	67,585
Intergovernmental	2,403,451	-	44,358	2,447,809
Charges for services	2,953,828	-	-	2,953,828
Investment earnings	-	30	-	30
Miscellaneous	55,449	-	3,248	58,697
Total Revenues	\$ 7,328,673	\$ 516	\$ 47,606	\$ 7,376,795
Expenditures				
Current				
General government	\$ 531,889	\$ -	\$ -	\$ 531,889
Sanitation	2,483,188	-	1,525	2,484,713
Health	3,161,325	-	-	3,161,325
Culture and recreation	280,570	-	-	280,570
Conservation of natural resources	417,551	-	-	417,551
Debt service				
Principal	13,482	-	285,000	298,482
Interest	3,836	-	173,950	177,786
Total Expenditures	\$ 6,891,841	\$ -	\$ 460,475	\$ 7,352,316
Excess of Revenues Over (Under) Expenditures	\$ 436,832	\$ 516	\$ (412,869)	\$ 24,479
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,716,337	\$ 1,716,337
Transfers out	(1,366,337)	-	-	(1,366,337)
Total Other Financing Sources (Uses)	\$ (1,366,337)	\$ -	\$ 1,716,337	\$ 350,000
Net Change in Fund Balance	\$ (929,505)	\$ 516	\$ 1,303,468	\$ 374,479
Fund Balance – January 1	5,748,190	192,275	(1,398,018)	4,542,447
Fund Balance – December 31	\$ 4,818,685	\$ 192,791	\$ (94,550)	\$ 4,916,926

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2021**

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
<u>Assets</u>					
Cash and pooled investments	\$ 17,961	\$ 806,839	\$ 2,412,985	\$ 1,921,210	\$ 5,158,995
Petty cash and change funds	-	-	620	150	770
Investments	-	200,000	-	-	200,000
Taxes receivable – delinquent	4,607	-	21	-	4,628
Special assessments receivable					
Delinquent	-	18,744	-	-	18,744
Noncurrent	-	149,599	-	-	149,599
Accounts receivable	-	-	217,402	39,049	256,451
Accrued interest receivable	-	12,565	-	-	12,565
Due from other funds	-	-	82,018	92,416	174,434
Due from other governments	-	-	46,407	305,762	352,169
Total Assets	\$ 22,568	\$ 1,187,747	\$ 2,759,453	\$ 2,358,587	\$ 6,328,355
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 1,002	\$ 57,777	\$ 35,275	\$ 94,054
Salaries payable	-	-	23,613	91,946	115,559
Contracts payable	-	-	42,483	-	42,483
Due to other funds	-	-	288,193	1,824	290,017
Due to other governments	-	-	33,687	-	33,687
Unearned revenue	-	-	109,573	-	109,573
Advance from other funds	-	434,079	-	-	434,079
Total Liabilities	\$ -	\$ 435,081	\$ 555,326	\$ 129,045	\$ 1,119,452
Deferred Inflows of Resources					
Unavailable revenue	\$ 3,110	\$ 180,442	\$ 183,567	\$ 20,368	\$ 387,487
Prepaid property taxes	327	95	1,594	715	2,731
Total Deferred Inflows of Resources	\$ 3,437	\$ 180,537	\$ 185,161	\$ 21,083	\$ 390,218
Fund Balances					
Restricted					
Ditch maintenance and construction	\$ -	\$ 1,000,022	\$ -	\$ -	\$ 1,000,022
Aquatic species	-	-	76,759	-	76,759
Buffer enforcement	-	-	518,648	-	518,648
Assigned					
Health	-	-	-	2,208,459	2,208,459
Sanitation	-	-	1,423,559	-	1,423,559
Culture and recreation	19,131	-	-	-	19,131
Unassigned	-	(427,893)	-	-	(427,893)
Total Fund Balances	\$ 19,131	\$ 572,129	\$ 2,018,966	\$ 2,208,459	\$ 4,818,685
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 22,568	\$ 1,187,747	\$ 2,759,453	\$ 2,358,587	\$ 6,328,355

**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, 2021**

	Agassiz Regional Library	Ditch	Environmental Services	Public Health	Total
Revenues					
Taxes	\$ 274,560	\$ 1,700	\$ 157,112	\$ 1,193,172	\$ 1,626,544
Special assessments	-	221,816	-	-	221,816
Licenses and permits	-	-	67,585	-	67,585
Intergovernmental	9,129	16,015	393,527	1,984,780	2,403,451
Charges for services	-	30,278	2,350,871	572,679	2,953,828
Miscellaneous	-	6,836	22,659	25,954	55,449
Total Revenues	\$ 283,689	\$ 276,645	\$ 2,991,754	\$ 3,776,585	\$ 7,328,673
Expenditures					
Current					
General government	\$ -	\$ -	\$ 531,889	\$ -	\$ 531,889
Sanitation	-	-	2,483,188	-	2,483,188
Health	-	-	-	3,161,325	3,161,325
Culture and recreation	280,570	-	-	-	280,570
Conservation of natural resources	-	326,825	90,726	-	417,551
Debt service					
Principal	-	-	13,482	-	13,482
Interest	-	-	3,836	-	3,836
Total Expenditures	\$ 280,570	\$ 326,825	\$ 3,123,121	\$ 3,161,325	\$ 6,891,841
Excess of Revenues Over (Under) Expenditures	\$ 3,119	\$ (50,180)	\$ (131,367)	\$ 615,260	\$ 436,832
Other Financing Sources (Uses)					
Transfers out	\$ -	\$ -	\$ (1,366,337)	\$ -	\$ (1,366,337)
Net Change in Fund Balance	\$ 3,119	\$ (50,180)	\$ (1,497,704)	\$ 615,260	\$ (929,505)
Fund Balance – January 1	16,012	622,309	3,516,670	1,593,199	5,748,190
Fund Balance – December 31	\$ 19,131	\$ 572,129	\$ 2,018,966	\$ 2,208,459	\$ 4,818,685

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-5

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2021**

	<u>Rhinehart Project</u>	<u>Union Lake/ Lake Sarah</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 66,375	\$ 1,590	\$ 67,965
Investments	-	144,119	144,119
Special assessments receivable – delinquent	-	261	261
Total Assets	<u>\$ 66,375</u>	<u>\$ 145,970</u>	<u>\$ 212,345</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Advance from other funds	\$ -	\$ 19,401	\$ 19,401
Deferred Inflows of Resources			
Unavailable revenue	-	153	153
Fund Balances			
Restricted for Debt service	<u>66,375</u>	<u>126,416</u>	<u>192,791</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 66,375</u>	<u>\$ 145,970</u>	<u>\$ 212,345</u>

**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, 2021**

	<u>Rhinehart Project</u>	<u>Union Lake/ Lake Sarah</u>	<u>Total</u>
Revenues			
Taxes	\$ 526	\$ (40)	\$ 486
Investment earnings	<u>-</u>	<u>30</u>	<u>30</u>
Net Change in Fund Balance	\$ 526	\$ (10)	\$ 516
Fund Balance – January 1	<u>65,849</u>	<u>126,426</u>	<u>192,275</u>
Fund Balance – December 31	<u><u>\$ 66,375</u></u>	<u><u>\$ 126,416</u></u>	<u><u>\$ 192,791</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 280,570	\$ 280,570	\$ 274,560	\$ (6,010)
Intergovernmental	-	-	9,129	9,129
Total Revenues	\$ 280,570	\$ 280,570	\$ 283,689	\$ 3,119
Expenditures				
Current				
Culture and recreation				
Regional library	280,570	280,570	280,570	-
Net Change in Fund Balance	\$ -	\$ -	\$ 3,119	\$ 3,119
Fund Balance – January 1	16,012	16,012	16,012	-
Fund Balance – December 31	\$ 16,012	\$ 16,012	\$ 19,131	\$ 3,119

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 157,112	\$ 157,112	\$ 157,112	\$ -
Licenses and permits	51,500	51,500	67,585	16,085
Intergovernmental	408,500	408,500	393,527	(14,973)
Charges for services	2,429,000	2,429,000	2,350,871	(78,129)
Miscellaneous	30,000	30,000	22,659	(7,341)
Total Revenues	\$ 3,076,112	\$ 3,076,112	\$ 2,991,754	\$ (84,358)
Expenditures				
Current				
General government				
Planning and zoning	\$ 508,612	\$ 508,612	\$ 531,889	\$ (23,277)
Sanitation				
Solid waste	\$ 1,336,772	\$ 1,336,772	\$ 1,198,870	\$ 137,902
Recycling	550,743	550,743	670,628	(119,885)
Hazardous waste	92,390	92,390	82,014	10,376
Transfer station	488,305	488,305	479,549	8,756
Asset replacement	129,830	129,830	52,127	77,703
Total sanitation	\$ 2,598,040	\$ 2,598,040	\$ 2,483,188	\$ 114,852
Conservation of natural resources				
Aquatic invasive species program	\$ 65,000	\$ 65,000	\$ 90,726	\$ (25,726)
Debt service				
Principal	\$ -	\$ -	\$ 13,482	\$ (13,482)
Interest	-	-	3,836	(3,836)
Total debt service	\$ -	\$ -	\$ 17,318	\$ (17,318)
Total Expenditures	\$ 3,171,652	\$ 3,171,652	\$ 3,123,121	\$ 48,531
Excess of Revenues Over (Under)				
Expenditures	\$ (95,540)	\$ (95,540)	\$ (131,367)	\$ (35,827)

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT B-8
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Transfers in	\$ 36,500	\$ 36,500	\$ -	\$ (36,500)
Transfers out	(215,000)	(215,000)	(1,366,337)	(1,151,337)
Total Other Financing Sources (Uses)	\$ (178,500)	\$ (178,500)	\$ (1,366,337)	\$ (1,187,837)
Net Change in Fund Balance	\$ (274,040)	\$ (274,040)	\$ (1,497,704)	\$ (1,223,664)
Fund Balance – January 1	3,516,670	3,516,670	3,516,670	-
Fund Balance – December 31	\$ 3,242,630	\$ 3,242,630	\$ 2,018,966	\$ (1,223,664)

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,193,172	\$ 1,193,172	\$ 1,193,172	\$ -
Intergovernmental	1,556,621	1,556,621	1,984,780	428,159
Charges for services	659,836	659,836	572,679	(87,157)
Miscellaneous	29,100	29,100	25,954	(3,146)
Total Revenues	\$ 3,438,729	\$ 3,438,729	\$ 3,776,585	\$ 337,856
Expenditures				
Current				
Health				
Nursing service	3,488,729	3,488,729	3,161,325	327,404
Net Change in Fund Balance	\$ (50,000)	\$ (50,000)	\$ 615,260	\$ 665,260
Fund Balance – January 1	1,593,199	1,593,199	1,593,199	-
Fund Balance – December 31	\$ 1,543,199	\$ 1,543,199	\$ 2,208,459	\$ 665,260

**POLK COUNTY
CROOKSTON, MINNESOTA**

FIDUCIARY FUNDS

CUSTODIAL FUNDS

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

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

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

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

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

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

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

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

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021**

	Polk County Collaborative	Dairy Grant	Multi-County Data Planning
<u>Assets</u>			
Cash and pooled investments	\$ 146,608	\$ 25,703	\$ 16,360
Taxes receivable for other governments	-	-	-
Accounts receivable	-	1,039	-
Due from other governments	-	-	-
Total Assets	\$ 146,608	\$ 26,742	\$ 16,360
<u>Liabilities</u>			
Due to other funds	\$ -	\$ -	\$ -
Due to other governments	-	-	-
Due to others	1,250	-	-
Total Liabilities	\$ 1,250	\$ -	\$ -
<u>Deferred Inflows of Resources</u>			
Prepaid taxes	\$ -	\$ -	\$ -
<u>Net Position</u>			
Restricted for			
Individuals, organizations, other governments	\$ 145,358	\$ 26,742	\$ 16,360

EXHIBIT C-1

Polk-Norman- Mahnomon Community Health Board	Recoveries	Tri-County Community Corrections	State Revenue	Taxes and Penalties	Sheriff's Evidence	Total Custodial Funds
\$ 44,420	\$ 22,460	\$ 1,454,984	\$ 849,477	\$ 630,525	\$ 1,050	\$ 3,191,587
-	-	-	-	1,277,544	-	1,277,544
-	135,296	87,892	-	-	-	224,227
581,368	20	-	-	-	-	581,388
\$ 625,788	\$ 157,776	\$ 1,542,876	\$ 849,477	\$ 1,908,069	\$ 1,050	\$ 5,274,746
\$ 35,825	\$ -	\$ -	\$ 686,374	\$ -	\$ -	722,199
6,993	22,460	-	156,613	610,550	-	796,616
12,063	-	-	-	-	-	13,313
\$ 54,881	\$ 22,460	\$ -	\$ 842,987	\$ 610,550	\$ -	\$ 1,532,128
\$ -	\$ -	\$ -	\$ 6,490	\$ 18,907	\$ -	\$ 25,397
\$ 570,907	\$ 135,316	\$ 1,542,876	\$ -	\$ 1,278,612	\$ 1,050	\$ 3,717,221

**POLK COUNTY
CROOKSTON, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

	Polk County Collaborative	Dairy Grant	Multi-County Data Planning	Polk-Norman- Mahnomen Community Health Board
Additions				
Contributions				
Individuals	\$ -	\$ -	\$ -	\$ -
Investment earnings				
Interest, dividends, and other	-	-	-	-
Property tax collections for other governments	-	-	-	-
Grants received	93,752	30,382	-	3,007,000
Fees collected for services	-	-	-	-
Contributions from participants	8,640	-	-	-
License and fees collected for state	-	-	-	-
Total Additions	\$ 102,392	\$ 30,382	\$ -	\$ 3,007,000
Deductions				
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -
Payments to state	-	-	-	-
Grant payments	77,191	36,313	-	-
Administrative expense	18,409	-	-	-
Distributions to participants	-	-	-	2,470,291
Total Deductions	\$ 95,600	\$ 36,313	\$ -	\$ 2,470,291
Change in net position	\$ 6,792	\$ (5,931)	\$ -	\$ 536,709
Net Position – January 1	138,566	32,673	16,360	34,198
Net Position – December 31	\$ 145,358	\$ 26,742	\$ 16,360	\$ 570,907

EXHIBIT C-2

Recoveries	Tri-County Community Corrections	State Revenue	Taxes and Penalties	Sheriff's Evidence	Watershed District	Total Custodial Funds
\$ 642,479	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 642,479
-	238	-	-	-	-	238
-	-	2,383,939	30,807,882	-	602,507	33,794,328
-	-	-	-	-	-	3,131,134
-	10,275,585	581,671	-	-	-	10,857,256
-	-	-	-	-	-	8,640
-	-	800,705	-	-	-	800,705
\$ 642,479	\$ 10,275,823	\$ 3,766,315	\$ 30,807,882	\$ -	\$ 602,507	\$ 49,234,780
\$ -	\$ -	\$ 6,490	\$ 30,711,043	\$ -	\$ 602,507	\$ 31,320,040
507,163	-	3,759,825	-	-	-	4,266,988
-	-	-	-	-	-	113,504
-	10,356,238	-	-	-	-	10,374,647
-	-	-	-	-	-	2,470,291
\$ 507,163	\$ 10,356,238	\$ 3,766,315	\$ 30,711,043	\$ -	\$ 602,507	\$ 48,545,470
\$ 135,316	\$ (80,415)	\$ -	\$ 96,839	\$ -	\$ -	\$ 689,310
-	1,623,291	-	1,181,773	1,050	-	3,027,911
\$ 135,316	\$ 1,542,876	\$ -	\$ 1,278,612	\$ 1,050	\$ -	\$ 3,717,221

-

OTHER SCHEDULES

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2021**

	<u>Number of Accounts</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Cash and Pooled Investments			
Cash on hand	N/A	N/A	\$ 5,070
Noninterest-bearing checking	Four	N/A	3,930,251
Interest-bearing checking	Eleven	N/A	1,958,817
Certificates of deposit	Three	January 26, 2022 to July 18, 2022	550,000
Money market savings	Eight	N/A	15,496,908
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	Three	N/A	<u>22,264,218</u>
Total Cash and Pooled Investments			<u><u>\$ 44,205,264</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 10,105,647	\$ -	\$ 10,105,647
County program aid	1,430,689	-	1,430,689
Police aid	288,034	-	288,034
Market value credit	410,023	-	410,023
Disparity reduction aid	76,558	-	76,558
Disparity reduction credit	716,635	-	716,635
Out-of-home placement reimbursement aid	6,588	-	6,588
SCORE	90,611	-	90,611
E-911	160,736	-	160,736
Riparian protection aid	160,000	-	160,000
Border city reimbursement	11,450	-	11,450
Pension contribution	69,204	35,738	104,942
Aquatic invasive species aid	65,653	-	65,653
Total appropriations and shared revenue	\$ 13,591,828	\$ 35,738	\$ 13,627,566
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 2,309,847	\$ -	\$ 2,309,847
Payments			
Local			
Local contributions	\$ 96,000	\$ -	\$ 96,000
Payments in lieu of taxes	346,017	-	346,017
Total payments	\$ 442,017	\$ -	\$ 442,017
Grants			
State			
Minnesota Department/Board of			
Public Safety	\$ 65,063	\$ -	\$ 65,063
Revenue	1,166,654	-	1,166,654
Transportation	1,321,808	-	1,321,808
Health	806,170	-	806,170
Veterans Affairs	10,000	-	10,000
Natural Resources	79,319	-	79,319
Human Services	5,377,724	-	5,377,724
Water and Soil Resources	67,448	-	67,448
Peace Officer Standards and Training Board	28,850	-	28,850
Minnesota Pollution Control Agency	69,508	-	69,508
Total state	\$ 8,992,544	\$ -	\$ 8,992,544

**POLK COUNTY
CROOKSTON, MINNESOTA**

***EXHIBIT D-2
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 713,900	\$ -	\$ 713,900
Justice	67,163	-	67,163
Transportation	372,147	-	372,147
Treasury	105,322	-	105,322
Education	2,118	-	2,118
Health and Human Services	4,180,205	-	4,180,205
Homeland Security	197,657	-	197,657
Total federal	<u>\$ 5,638,512</u>	<u>\$ -</u>	<u>\$ 5,638,512</u>
Total state and federal grants	<u>\$ 14,631,056</u>	<u>\$ -</u>	<u>\$ 14,631,056</u>
Total Intergovernmental Revenue	<u><u>\$ 30,974,748</u></u>	<u><u>35,738</u></u>	<u><u>\$ 31,010,486</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Polk-Norman-Mahnomen Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	\$ 210,448
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	484,299
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN127Q7503	9,476
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2520	608
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$494,383)			
Passed Through Polk-Norman-Mahnomen Community Health Board Food Distribution Cluster Commodity Supplemental Food Program	10.565	Not provided	9,069
Total U.S. Department of Agriculture			\$ 713,900
U.S. Department of Justice			
Direct Bulletproof Vest Partnership Program	16.607		\$ 1,398
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	A-CVS-2020-POLKAO- 076	65,765
Total U.S. Department of Justice			\$ 67,163
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030060	\$ 372,147
U.S. Department of the Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 25,846
Passed Through Polk-Norman-Mahnomen Community Health Board COVID-19 – Coronavirus Relief Fund	21.019	Not provided	\$ 79,476
Total U.S. Department of the Treasury			\$ 105,322

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Education			
Passed Through Polk-Norman-Mahnomen Community Health Board			
Special Education – Grants for Infants and Families	84.181	Not provided	\$ 2,118
U.S. Department of Health and Human Services			
Passed Through Polk-Norman-Mahnomen Community Health Board			
Public Health Emergency Preparedness	93.069	Not provided	\$ 28,167
Early Hearing Detection and Intervention	93.251	Not provided	1,025
Immunization Cooperative Agreements	93.268	Not provided	72,492
Drug-Free Communities Support Program Grants	93.276	Not provided	90,595
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Not provided	62,535
Temporary Assistance for Needy Families	93.558	Not provided	62,695
(Total Temporary Assistance for Needy Families 93.558 \$734,855)			
Maternal, Infant and Early Childhood Home Visiting Grant	93.870	Not provided	42,144
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	44,726
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPS	9,339
Temporary Assistance for Needy Families	93.558	2101MNTANF	672,160
(Total Temporary Assistance for Needy Families 93.558 \$734,855)			
Child Support Enforcement	93.563	2001MNCEST	708,925
Child Support Enforcement	93.563	2101MNCSES	148,078
(Total Child Support Enforcement 93.563 \$857,003)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2101MNRCSA	965
CCDF Cluster			
Child Care and Development Block Grant	93.575	2101MNCDF	7,474
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	6,259
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	3,779
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	3,165
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 \$6,944)			
Foster Care – Title IV-E	93.658	2101MNFOS	237,893
Social Services Block Grant	93.667	2101MNSOSR	279,123
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	2,068
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILP	62,711
COVID-19 – John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2101MNCILC	24,730
(Total John H. Chafee Foster Care Program for Successful Transition to Adulthood 93.674 \$87,441)			
Children's Health Insurance Program	93.767	2105MN5021	2,099
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	1,488,027
Medical Assistance Program	93.778	2105MN5MAP	13,409
(Total Medical Assistance Program 93.778 \$1,501,436)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI010027/B08TI083047	138,119
Total U.S. Department of Health and Human Services			\$ 4,212,702

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

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**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT D-3
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 52,535
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	EMGP-20210312-3809	107,648
Emergency Management Performance Grants	97.042	F-EMPG-2020-POLKCO- 3440	25,155
Total U.S. Department of Homeland Security			\$ 185,338
Total Federal Awards			\$ 5,658,690

The County did not pass on any federal awards through to subrecipients during the year ended December 31, 2021.

Totals by Cluster		
Total expenditures for SNAP Cluster	\$	494,383
Total expenditures for Food Distribution Cluster		9,069
Total expenditures for Highway Planning and Construction Cluster		372,147
Total expenditures for CCDF Cluster		7,474
Total expenditures for Medicaid Cluster		1,501,436

**POLK COUNTY
CROOKSTON, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Polk County under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Polk County.

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

2. De Minimis Cost Rate

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 5,638,512
Grants received more than 60 days after year-end, unavailable in 2021	
Temporary Assistance for Needy Families	214,827
Child Support Enforcement	24,300
Community-Based Child Abuse Prevention Grants	1,736
Foster Care – Title IV-E	32,985
Children’s Health Insurance Program	1,399
Unavailable in 2020, recognized as revenue in 2021	
Temporary Assistance for Needy Families	(242,750)
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	<u>(12,319)</u>
 Expenditures Per Schedule of Expenditures of Federal Awards	 <u>\$ 5,658,690</u>

MANAGEMENT AND COMPLIANCE SECTION



**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, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 14, 2023.

Report on Internal Control Over Financial Reporting

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

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

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001 and 2021-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, we noted that Polk County failed to comply with the provisions of the miscellaneous provisions section of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, as described in the Schedule of Findings and Questioned Costs as item 2021-005. Also, in connection with our audit, nothing came to our attention that caused us to believe that Polk County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, public indebtedness, and claims and disbursements sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Items

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

Polk County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 14, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of County Commissioners
Polk County
Crookston, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Polk County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Polk County's major federal programs for the year ended December 31, 2021. 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.

In our opinion, Polk complied, in all material respects, with the 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, 2021.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Polk County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Polk County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Polk County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Polk County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance, and therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Polk County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Polk County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Polk County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Polk County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

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 2021-003 and 2021-004. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Polk County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Polk County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 a 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 a 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 attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2021-003 and 2021-004 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Polk County's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Polk County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

March 14, 2023

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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? **No**
- 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:

Assistance Listing Number	Name of Federal Program or Cluster
93.563	Child Support Enforcement
93.778	Medicaid Cluster

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

2021-001 Segregation of Duties

Prior Year Finding Number: 2020-001

Repeat Finding Since: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

View of Responsible Official: Concur

2021-002 Documenting and Monitoring Internal Controls

Prior Year Finding Number: 2020-002

Repeat Finding Since: 2015

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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 meetings are on hold as the County evaluates options to replace existing financial and accounting software systems.

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Recommendation: As the County is making changes to its application software and processes, we recommend Polk County management 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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-003 Eligibility – Intake Function

Prior Year Finding Number: 2020-004

Repeat Finding Since: 2017

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Dept of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2105MN5ADM; 2021

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

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

Condition: The Minnesota DHS maintains the computer systems, MAXIS and METS, which are used by Polk 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 documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 MAXIS and 40 METS case files tested:

- Five case files had information in MAXIS that did not agree to documentation in the case file;

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

- One MAXIS case file did not have documentation of verification of citizenship;
- One case file included documentation of assets that did not match MAXIS;
- Two METS case files did not have documentation for social security numbers; and
- Three METS case files did not have the documentation to support citizenship verifications.

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 DHS maintains MAXIS and METS, which supports the eligibility determination process and actually pays the benefits to participants.

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

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

Cause: County program personnel entering case information into MAXIS and METS 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 determination is obtained and properly updated in MAXIS and METS. In addition, consideration should be given to providing further training to program personnel.

View of Responsible Official: Concur

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

2021-004 Reporting

Prior Year Finding Number: 2020-005

Repeat Finding Since: 2020

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Dept of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2105MN5ADM; 2021

Pass-Through Agency: Minnesota Department of Human Services

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

For County federal awards received from the Minnesota Department of Human Services (DHS), internal control should be established and maintained to provide assurance that program reports submitted to DHS are completed accurately and in accordance with DHS reporting instructions. As part of the County's reporting requirements, the County submits the DHS Social Services DHS-2550 Income Maintenance Quarterly Expense Report.

Condition: The County's first and second quarter DHS-2550 Income Maintenance Quarterly Expense Reports were submitted without all expenditures.

Questioned Costs: None

Context: DHS relies on accurate reporting of program costs to ensure that resulting grant funds paid to the County are for applicable federal program activities/costs, and provide detailed information necessary for maintaining proper oversight over federal programs.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

Effect: Errors in the submission of costs on the quarterly reports can impair DHS's ability to provide required oversight over federal programs, and can result in the County receiving either more or less federal funds than can be justified based on the actual underlying activity. The County under-reported \$66,184 on the first quarter and \$31,984 on the second quarter DHS-2550 report.

Cause: A portion of the County payroll was miscoded and was not included in the DHS-2550 report.

Recommendation: We recommend Polk County implement controls to ensure that DHS reports are completed accurately and in accordance with DHS guidance.

View of Responsible Official: Acknowledge

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-005 Publication of Board Minutes

Prior Year Finding Number: 2020-008

Repeat Finding Since: 2020

Type of Finding: Minnesota Legal Compliance

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

Condition: Based on a review of the affidavits of publication related to the publishing of a summary of the County Board minutes for 2021, the summaries were not published in the County's official newspaper within the 30-day requirement.

Context: Of the four published summaries reviewed, three were not 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

2021-006 Capital Assets Accounting System

Prior Year Finding Number: 2020-009

Repeat Finding Since: 2001

Type of Finding: Management Practice

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. This lead to additions and deletions detected during the audit which hadn't been reflected in the capital asset listing. Adding this activity caused additional time and audit costs.

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2021**

View of Responsible Official: Concur

2021-007 Ditch Fund Balance Deficits

Prior Year Finding Number: 2020-010

Repeat Finding Since: 2007

Type of Finding: Management Practice

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, 2021, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balance amounts.

Context: Forty-four of the 159 individual Ditch Special Revenue Fund ditch systems had deficit fund balances at December 31, 2021. The deficit fund balances ranged from \$101 to \$210,539, for a total of \$427,893. Three of the 23 Ditch Debt Service Fund ditch systems had deficit fund balances at December 31, 2021. 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: We recommend the County levy assessments in sufficient amounts to maintain current expenditures and to cover expenditures already made in advance from other funds.

View of Responsible Official: Concur



POLK COUNTY FINANCE DEPARTMENT
612 N BROADWAY, SUITE 207
CROOKSTON MN 56716
218-281-2554

**REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2021-001

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

December 2024

Finding Number: 2021-002

Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The County has established an internal control committee to begin the process of documenting significant internal controls and accounting processes. The committee has not been meeting but the committee will now resume the process. It is the County's intention to create all the controls and documentation necessary to resolve this issue in the near future.

Anticipated Completion Date:

December 2024

Finding Number: 2021-003

Finding Title: Eligibility – Intake Function

Program: Medical Assistance Program (Assistance Listing # 93.778)

Name of Contact Person Responsible for Corrective Action:

Randy Beggs

Corrective Action Planned:

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

Anticipated Completion Date:

January 2023

Finding Number: 2021-004

Finding Title: Reporting

Program: Medical Assistance Program (Assistance Listing # 93.778)

Name of Contact Person Responsible for Corrective Action:

Randy Beggs

Corrective Action Planned:

The reporting problem was due to some items being coded separately using COVID 19 service codes. The accounts using COVID19 service codes have now been eliminated so that the problem cannot occur again. The State would not allow the previous report to be revised.

Anticipated Completion Date:

January 2023

Finding Number: 2021-005

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. The County feels it has addressed the delay caused within the County but has also experienced delay in publishing caused by the publisher of the County's official newspaper. The County will work with the publisher to help them recognize the importance of timely publication.

Anticipated Completion Date:

December 2022

Finding Number: 2021-006

Finding Title: Capital Assets Accounting System

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

The Finance Department now plans to utilize the capital asset software available at our Highway department as a centralized system for all County assets or purchase different one sufficient to remove this finding.

Anticipated Completion Date:

December 2023

Finding Number: 2021-007

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Ron Denison

Corrective Action Planned:

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

Anticipated Completion Date:

December 2024



POLK COUNTY FINANCE DEPARTMENT
612 N BROADWAY, SUITE 207
CROOKSTON MN 56716
218-281-2554

**REPRESENTATION OF POLK COUNTY
CROOKSTON, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding Number: 2020-001
Year of Finding Origination: 1996
Finding Title: Segregation of Duties

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

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

Status: Partially Corrected. *The condition of limited personnel in several offices is an ongoing situation. The County Finance Department will monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within staffing limitations and funding constraints.*

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

Finding Number: 2020-002
Year of Finding Origination: 2015
Finding Title: Documenting and Monitoring Internal Controls

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

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

Status: Partially Corrected. *The County did not implement the planned changes in the prior two years due primarily to employee constraints. It is the County's intention to create all of the controls and documentation necessary to resolve this issue in the near future.*

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

Yes _____ No X

Finding Number: 2020-003

Year of Finding Origination: 2017

Finding Title: Audit Adjustment

Summary of Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements. The material audit adjustment was approved for the Social Services Special Revenue Fund.

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

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

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

Yes _____ No X

Finding Number: 2020-004

Year of Finding Origination: 2017

Finding Title: Eligibility – Intake Function

Program: Medical Assistance Program (Assistance Listing #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. While periodic supervisory case reviews are performed to provide reasonable assurance of compliance with grant requirements for eligibility, not all assets or income were verified or correctly entered into MAXIS to support participant eligibility. Of 40 MAXIS (MA) Program case files tested, we noted two instances in which documentation in the case file did not agree with information input into MAXIS, or the information provided was not verified.

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

Status: Partially Corrected. *The issued recurred due to high staff turnover and the difficulty in keeping the new hires fully trained. The corrective action will need to be repeated with the Supervisors and workers to help prevent additional occurrences.*

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

Yes _____ No X

Finding Number: 2020-005

Year of Finding Origination: 2020

Finding Title: Reporting

Program: Medical Assistance Program (Assistance Listing #93.778)

Summary of Condition: The County's third quarter DHS-2550 Income Maintenance Quarterly Expense Report was submitted without expenditures related to COVID-19 or the offsetting revenue. The Department of Human Services' Second Quarter 2020 Fiscal Memo directed County staff to report payroll and other administrative expenses as normal. Any federal revenue received by the County related to COVID-19 work performed should be reported as a revenue offset on the DHS-2550 Income Maintenance Quarterly Expense Report.

Summary of Corrective Action Previously Reported: The report has been reviewed, corrected, and resubmitted to the State.

Status: Partially Corrected. *The State would not allow the report to be resubmitted. The additional accounts in our system for COVID 19 which caused the problem are no longer in use.*

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

Yes X No _____

We were unable to resubmit the report as we had originally intended.

Finding Number: 2020-006

Year of Finding Origination: 2020

Finding Title: Report Submission

Program: Coronavirus Relief Fund (Assistance Listing #21.019)

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

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

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

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

Yes _____ No X

Finding Number: 2020-007

Year of Finding Origination: 2020

Finding Title: Subrecipient Monitoring

Program: Coronavirus Relief Fund (Assistance Listing #21.019)

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

Summary of Corrective Action Previously Reported: The County will establish documented policies for subrecipient monitoring and also document the County's monitoring and risk assessment procedures.

Status: Fully Corrected.

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

Yes X No _____

Although no additional policies were created the County Attorney's office created new formal agreements for subrecipient organizations to help to ensure their compliance with the rules pertaining to the grants.

Finding Number: 2019-005

Year of Finding Origination: 2019

Finding Title: Procurement, Suspension, and Debarment

Program: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Assistance Listing #10.561)

Summary of Condition: For procurement transactions tested, none of the small purchases (over \$3,000) had written documentation to support the rationale for the method of procurement or full and open competition. Also, for two of three small purchases tested, the rationale to limit competition was not justified, and the one covered transaction did not have verification of whether the vendors were debarred, suspended, or otherwise excluded.

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

Status: Partially Corrected. *Social Services has implemented the policy to review prices in 2021. We have also registered for SAM.gov but are unable to navigate the site fully and we are seeking training from the federal government.*

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

Yes _____ No X

Finding Number: 2017-004

Year of Finding Origination: 2017

Finding Title: Procurement, Suspension, and Debarment

Program: Medicaid Cluster (Assistance Listing #93.778) and Temporary Assistance for Needy Families (Assistance Listing #93.558)

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

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

Status: Partially Corrected. *Social Services has implemented the policy to review prices in 2021. We have also registered for SAM.gov but are unable to navigate the site fully and we are seeking training from the federal government.*

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

Yes _____ No X

Finding Number: 2020-008
Year of Finding Origination: 2020
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 2020, 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 problem recurred because the publisher was not processing our requests in a timely manner.*

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

Yes _____ No X

In addition to discussion and evaluation of the internal processes that may have caused the delay the publisher was contacted to elicit their help in preventing any further delays in the publishing. Additionally, a file of correspondence with the publisher is now be maintained in the Administration office.

Finding Number: 2020-009
Year of Finding Origination: 2001
Finding Title: Capital Assets Accounting System

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

Summary of Corrective Action Previously Reported: The County will find a centralized capital asset system and procedure adequate to resolve the finding.

Status: Not Corrected. *The problem recurred because time and staff needed for developing or choosing a system has been delayed.*

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

Yes _____ No X

Finding Number: 2020-010

Year of Finding Origination: 2007

Finding Title: Ditch Fund Balance Deficits

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

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 problem recurred because ditch repairs in excess of ditch balances where needed throughout the year.*

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

Yes _____ No X