

**POLK COUNTY  
CROOKSTON, MINNESOTA**

YEAR ENDED DECEMBER 31, 2022



Hoffman, Philipp, & Martell, PLLC

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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CROOKSTON, MINNESOTA**

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## **INTRODUCTORY SECTION**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

ORGANIZATION SCHEDULE  
DECEMBER 31, 2022

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1 <sup>st</sup> District	Gerald Jacobson <sup>i</sup>	January 2025
2 <sup>nd</sup> District	Warren Strandell – <b>Vice Chair</b>	January 2027
3 <sup>rd</sup> District	Gary Willhite	January 2025
4 <sup>th</sup> District	Joan Lee - <b>Chair</b>	January 2027
5 <sup>th</sup> District	Mark Holy	January 2025
 <b>Officers</b>		
<i>Elected:</i>		
Attorney	Gregory A. Widseth	December 2026
Sheriff	James Tadmam	December 2026
 <i>Appointed:</i>		
County Administrator	Charles S. Whiting	Indefinite
County Engineer	Richard Sanders	May 2027
County Assessor	Mark Landsverk	December 2024
Director of Property Records	Samuel Melbye	Indefinite
Finance Director	Ron Denison	Indefinite
Medical Examiner	Mary Ann Sens, M.D.	December 2023
Solid Waste Director	Jon Steiner	Indefinite
Surveyor	Garrett Borowicz	Indefinite
Veterans Service Officer	Kurt Ellefson	November 2024
 <i>Welfare Board:</i>		
Commissioner	Warren Strandell - <b>Chair</b>	January 2027
Commissioner	Gerald Jacobson	January 2025
Commissioner	Joan Lee	January 2027
Commissioner	Mark Holy	January 2025
Commissioner	Gary Wilhite – <b>Vice Chair</b>	January 2025
Lay-Board Member	Paula Waters	July 2027
Lay-Board Member	Cathy Gutterud - <b>Secretary</b>	July 2026

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<sup>i</sup> Gerald Jacobson passed away in January 2023; He was replaced by Paul Reese in August 2023.

## **FINANCIAL SECTION**

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



## Hoffman, Philipp, & Martell, PLLC

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### **INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Polk County

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2022, 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 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, 2022, 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 Opinion***

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.

##### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

##### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the 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 that raise substantial doubt about Polk 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 generally accepted auditing standards 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 they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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 Polk County's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used in the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events considered that raise substantial doubt about Polk 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 in our audit.

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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed in the table of contents, 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 accompanying combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards and related notes, as required by Title 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedule, and the Schedule of Expenditures of Federal Awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information is comprised of an introductory section and other schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 3, 2024, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



Hoffman, Philipp, & Martell, PLLC  
April 3, 2024



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#### **COMMISSIONERS**

PAUL REESE, Fertile  
WARREN STRANDELL, East Grand Forks  
GARY WILLHITE, Chair, Crookston  
JOAN LEE, McIntosh  
MARK HOLY, Vice-Chair, East Grand Forks

#### **COUNTY ADMINISTRATOR**

CHARLES S. WHITING

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** (Unaudited)

The management of Polk County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Polk County for the fiscal year ended December 31, 2022. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

The total net position of governmental activities is \$140,859,754, of which \$117,676,615 is the net investment in capital assets, \$7,011,460 is restricted for specific purposes, and \$16,171,679 is unrestricted. The total net position of governmental activities increased by \$11,171,791 for the year ended December 31, 2022. This is attributed mainly to the addition of capital assets funded by State Aid Highway Funds.

The total net position of business-type activities is \$16,000,007, of which \$17,669,342 is the net investment in capital assets, and a deficit of \$1,699,335 is unrestricted. The total net position of business-type activities decreased by \$2,714,889 for the year ended December 31, 2022. This is attributed mainly to significant operating losses in both the Resource Recovery and Landfill Enterprise Funds.

At the close of 2022, the County's governmental funds reported combined ending fund balances of \$38,578,787, an increase of \$3,125,851 from the prior year, as a result of American Rescue Plan funding and County State Aid Highway Funds. Of the total fund balance amount, \$1,608,745 is non-spendable, \$5,162,819 is legally or contractually restricted, \$472,335 is committed, \$22,671,678 is assigned for specific purposes, and \$8,663,210 is unassigned. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to Polk County's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) Notes to the Financial statements. This report also contains other supplementary information in addition to the basic financial statements.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all the County's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

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

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

The government-wide financial statements can be found as Exhibits 1 and 2 of this report.

## **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 Balances – 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 Balances* 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 nonmajor funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in combining statements after the Notes to the Financial Statements. Polk County adopts annual budgets for its

governmental funds. *Budgetary Comparison Schedules* have been provided for the General and Special Revenue 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 transfers from other funds. 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 user fees and sales of recyclable material. 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 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 which is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments, and five custodial funds which are used to report resources held by the County in a purely custodial capacity. The Social Welfare Private-Purpose Trust Fund is presented in the *Statement of Fiduciary Net Position – Fiduciary Funds* and the *Statement of Changes in Fiduciary Net Position – Fiduciary Funds*. Custodial funds do not involve measurement of results of operations. In addition, the Fiduciary 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. Custodial Fund activities are reported in Statement 7 and Statement 8.

## 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 on page 29 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 and other information including *Combining Statements*, *Budgetary Comparison Schedules*, a *Schedule of Intergovernmental Revenue*, and a *Schedule of Expenditures of Federal Awards*.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$156,859,761 at the close of 2022. The largest portion of the County's net position (approximately 86 percent) reflects its net investment in capital assets (i.e., land, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately four percent of the County's net position is restricted, and 10 percent of the County's net position is unrestricted. The unrestricted net position amount of \$14,472,344, as of December 31, 2022, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets increased by \$13,465,473 and deferred outflows of resources related to pensions and other post-employment benefits increased by \$664,498 from the prior year. Total liabilities increased by \$15,748,733 and deferred inflows of resources related to pensions and other post-employment benefits decreased by \$8,154,302 from the prior year. This resulted in an increased net position of \$8,456,902.

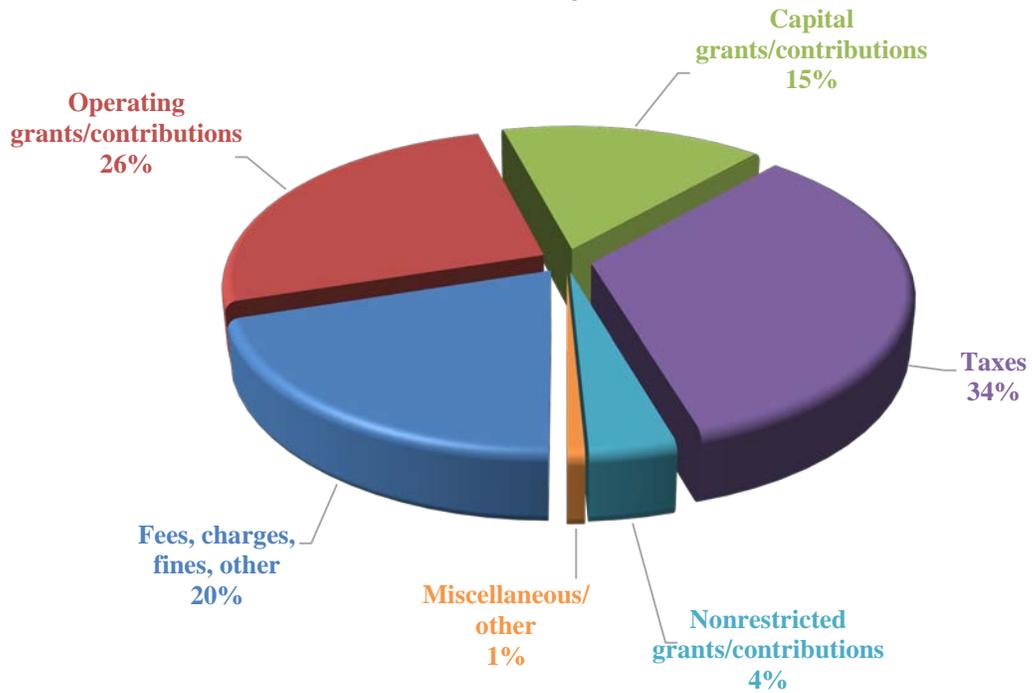
**NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 57,007,341	\$ 46,477,755	\$ 3,730,648	\$ 5,549,888	\$ 60,737,989	\$ 52,027,643
Capital assets	144,398,794	138,612,626	18,402,066	17,511,745	162,800,860	156,124,371
Total assets	\$ 201,406,135	\$ 185,090,381	\$ 22,132,714	\$ 23,061,633	\$ 223,538,849	\$ 208,152,014
Deferred outflows - pensions & OPEB	\$ 10,510,932	\$ 9,514,707	\$ 679,734	\$ 875,861	\$ 11,190,666	\$ 10,390,568
Other liabilities	\$ 10,003,322	\$ 6,252,727	\$ 703,054	\$ 432,085	\$ 10,706,376	\$ 6,684,812
Long-term liabilities outstanding	55,728,913	46,335,034	6,036,138	3,702,848	61,765,051	50,037,882
Total liabilities	\$ 65,732,235	\$ 52,587,761	\$ 6,739,192	\$ 4,134,933	\$ 72,471,427	\$ 56,722,694
Deferred inflows - pensions & OPEB	\$ 5,325,078	\$ 12,329,364	\$ 73,249	\$ 1,087,665	\$ 5,398,327	\$ 13,417,029
Net position						
Net investment in capital assets	\$ 117,676,615	\$ 119,723,020	\$ 17,699,342	\$ 17,318,122	\$ 135,375,957	\$ 137,041,142
Restricted for economic development	7,011,460	3,952,967	-	78,439	7,011,460	4,031,406
Unrestricted amounts	16,171,679	6,011,976	(1,699,335)	1,318,335	14,472,344	7,330,311
Total net position	\$ 140,859,754	\$ 129,687,963	\$ 16,000,007	\$ 18,714,896	\$ 156,859,761	\$ 148,402,859

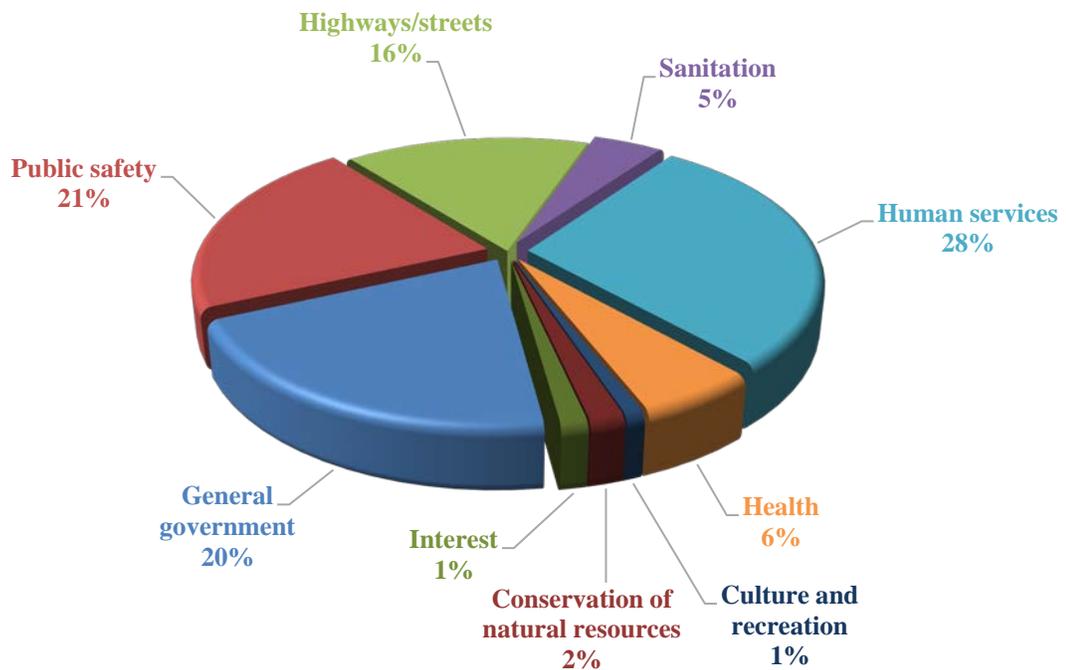
**CHANGES IN NET POSITION**

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 8,409,587	\$ 11,545,918	\$ 7,401,306	\$ 9,141,598	\$ 15,810,893	\$ 20,687,516
Operating grants and contributions	20,435,521	26,858,086	-	-	20,435,521	26,858,086
Capital grants and contributions	12,342,091	-	-	-	12,342,091	-
General Revenues and Transfers						
Property taxes/other taxes	26,759,684	25,658,701	-	-	26,759,684	25,658,701
Payments in lieu of taxes	-	346,017	-	-	-	346,017
Grants and contributions not restricted to specific programs	2,978,212	3,285,570	-	35,738	2,978,212	3,321,308
Investment earnings	354,484	14,251	29,705	677	384,189	14,928
Miscellaneous	222,797	838,139	-	562	222,797	838,701
Transfers	350,000	248,037	(350,000)	(248,037)	-	-
Total revenues	\$ 71,852,376	\$ 68,794,719	\$ 7,081,011	\$ 8,930,538	\$ 78,933,387	\$ 77,725,257
Expenses						
General government	\$ 12,391,511	\$ 10,156,542	\$ -	\$ -	\$ 12,391,511	\$ 10,156,542
Public safety	12,825,370	11,899,055	-	-	12,825,370	11,899,055
Highways and streets	9,675,273	21,185,710	-	-	9,675,273	21,185,710
Sanitation	2,776,586	2,093,276	-	-	2,776,586	2,093,276
Human services	17,285,726	16,935,729	-	-	17,285,726	16,935,729
Health	3,421,778	3,056,586	-	-	3,421,778	3,056,586
Culture and recreation	532,494	616,476	-	-	532,494	616,476
Conservation of natural resources	993,479	993,231	-	-	993,479	993,231
Economic development	8,600	8,600	-	-	8,600	8,600
Interest	769,768	660,728	-	-	769,768	660,728
Resource Recovery	-	-	6,527,744	5,791,934	6,527,744	5,791,934
Landfill	-	-	3,268,156	3,118,471	3,268,156	3,118,471
Total expenses	\$ 60,680,585	\$ 67,605,933	\$ 9,795,900	\$ 8,910,405	\$ 70,476,485	\$ 76,516,338
Increase (decrease) in net position	\$ 11,171,791	\$ 1,188,786	\$ (2,714,889)	\$ 20,133	\$ 8,456,902	\$ 1,208,919
Net position, January 1	\$ 129,687,963	\$ 128,499,177	\$ 18,714,896	\$ 18,694,763	\$ 148,402,859	\$ 147,193,940
Net position, December 31	\$ 140,859,754	\$ 129,687,963	\$ 16,000,007	\$ 18,714,896	\$ 156,859,761	\$ 148,402,859

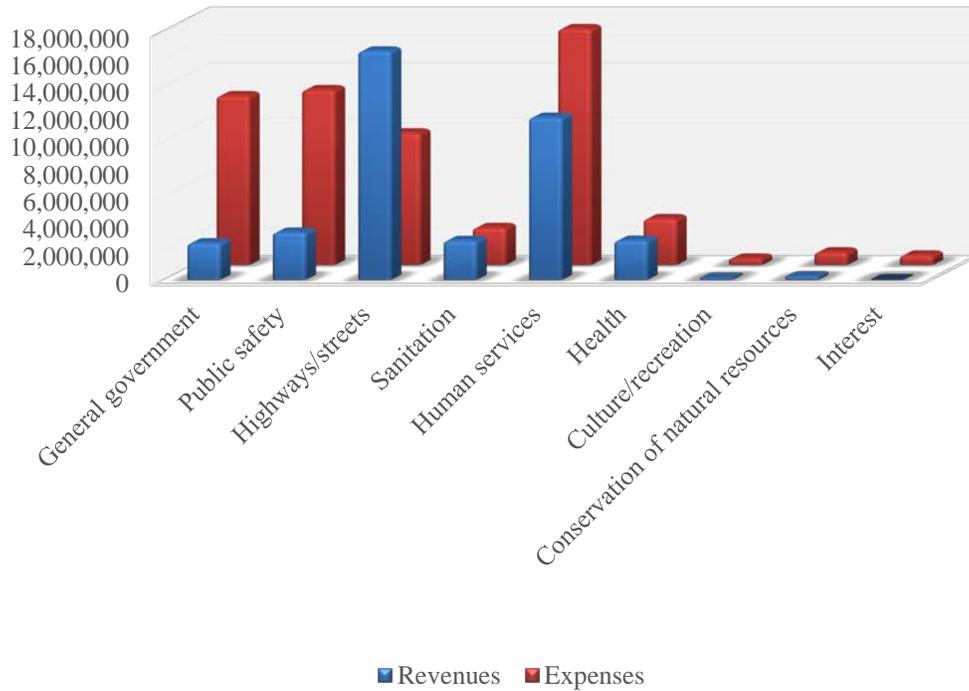
## Revenues by Source



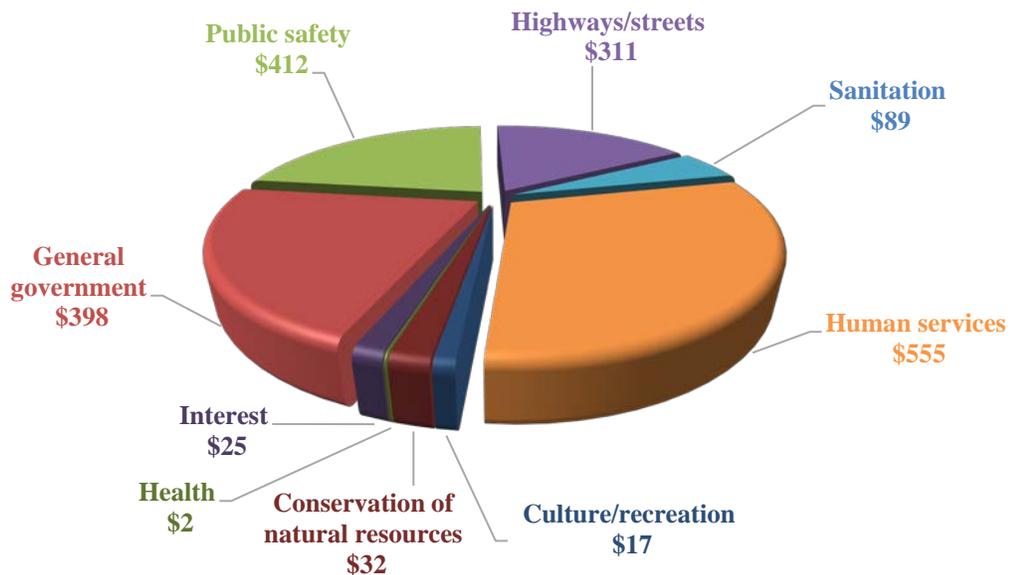
## Expenses by Function



## Program Revenues & Expenses



## Expenditure Per Capita 31,128 Population as of July 1, 2022



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows, outflows, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

### **Governmental Funds**

At the end of 2022, the County's governmental funds reported combined ending fund balances of \$38,578,787. Of this amount, approximately four percent constitutes non-spendable fund balance, 13 percent constitutes legally or contractually restricted fund balance, one percent constitutes the committed fund balance, 59 percent constitutes specifically assigned fund balance, and 23 percent constitutes the unassigned fund balance.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was \$11,298,740. The General Fund's restricted fund balance was \$896,627, the committed fund balance was \$472,335, and the unassigned fund balance was \$9,327,254. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2022. Unrestricted fund balance represents 48 percent of total General Fund expenditures, while total fund balance represents 56 percent of that same amount.

In 2022, the fund balance amount in the General Fund decreased by \$2,392,602, due to the payoff of jail refunding bonds in excess of proceeds received from capital improvement bonds.

The fund balance of the Road and Bridge Special Revenue Fund increased by \$3,386,329 in 2022, due to the receipt of County State Aid Highway funds.

The fund balance of the Social Services Special Revenue Fund increased by \$1,733,177 from the prior year, due to budgetary performance.

The fund balance of the Public Safety Special Revenue Fund decreased by \$91,458 from the prior year, due to equipment purchases.

### **Proprietary Funds**

The Resource Recovery Enterprise fund had an operating loss in 2022 of \$1,760,618, due to charges not being enough to cover operating expenses.

The Landfill Enterprise fund had an operating loss in 2022 of \$628,819, due to charges not being enough to cover operating expenses.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budgeted revenues and expenditures as approved for 2022.

Actual revenues were more than overall budgeted revenues by \$1,237,591, with the largest variance in intergovernmental revenue, and actual expenditures were more than overall final budgeted expenditures by \$6,972,453, with the largest variance in debt service, primarily due to the payoff of the jail refunding bonds.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, amounted to \$162,800,860 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately 4 percent. This was primarily due to multiple projects being added to construction in progress.

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land	\$ 9,473,140	\$ 9,457,885	\$ 310,183	\$ 310,183	\$ 9,783,323	\$ 9,768,068
Construction in progress	4,091,876	1,478,689	1,559,802	-	5,651,678	1,478,689
Land improvements	813,211	931,756	40,935	50,627	854,146	982,383
Buildings and improvements	28,017,441	29,896,235	4,412,287	4,585,745	32,429,728	34,481,980
Machinery, furniture, and equipme	4,855,711	5,447,789	11,464,627	11,573,916	16,320,338	17,021,705
Infrastructure	96,743,544	91,400,272	-	-	96,743,544	91,400,272
Landfill	-	-	614,232	991,274	614,232	991,274
Right to use leased assets	403,871	-	-	-	403,871	-
Total capital assets	\$ 144,398,794	\$ 138,612,626	\$ 18,402,066	\$ 17,511,745	\$ 162,800,860	\$ 156,124,371

Additional information on the County's capital assets can be found in the notes to the financial statements.

### Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$29,376,745 which is backed by the full faith and credit of the government.

	Governmental Activities		Total	
	2022	2021	2022	2021
General obligation bonds	\$ 25,550,000	\$ 30,455,000	\$ 25,550,000	\$ 30,455,000
Plus: Unamortized premium	1,951,842	1,695,973	1,951,842	1,695,973
Capital leases	1,874,903	-	1,874,903	-
	\$ 29,376,745	\$ 32,150,973	\$ 29,376,745	\$ 32,150,973

Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of 2022, overall debt of the County is below the three percent debt limit.

Polk County's bond rating is "AA-" from Standard & Poor's. Additional information on the County's long-term debt can be found in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- The unemployment rate for Polk County was 3.2 percent according to the Minnesota Department of Employment & Economic Development as of December 31, 2022. This is higher than the statewide rate of 2.9 percent and lower than the national average rate of 3.3 percent.
- Polk County's estimated population, according to the United States Census Bureau, was 30,725 as of July 1, 2022, a decrease of 32 since the 2021 census of 30,757. This ranks Polk County 34th of 87 in the State of Minnesota.
- On December 20, 2022, Polk County set its 2023 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**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET POSITION  
DECEMBER 31, 2022**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 38,552,155	\$ 948,817	\$ 39,500,972
Investments	1,099,217	-	1,099,217
Taxes receivable - prior	634,088	-	634,088
Special assessments receivable - prior	253,792	-	253,792
Accounts receivable	299,117	86,155	385,272
Accrued interest receivable	1,864	-	1,864
Leases receivable	4,564,960	-	4,564,960
Due from other governments	8,427,473	311,830	8,739,303
Inventories	1,006,221	-	1,006,221
Internal balances	(191,957)	191,957	-
Special assessments receivable - noncurrent	2,360,411	-	2,360,411
Restricted cash and pooled investments	-	2,191,889	2,191,889
Capital assets			
Non-depreciable	13,565,016	1,869,985	15,435,001
Depreciable - net of accumulated depreciation	130,833,778	16,532,081	147,365,859
<b>Total Assets</b>	<b>\$ 201,406,135</b>	<b>\$ 22,132,714</b>	<b>\$ 223,538,849</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 10,426,962	\$ 668,284	\$ 11,095,246
Related to other post employment benefits	83,970	11,450	95,420
<b>Total Deferred Outflows of Resources</b>	<b>\$ 10,510,932</b>	<b>\$ 679,734</b>	<b>\$ 11,190,666</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 1,090,265	\$ 547,737	\$ 1,638,002
Salaries payable	706,251	83,881	790,132
Contracts payable	440,375	-	440,375
Due to other governments	248,630	71,436	320,066
Accrued interest payable	406,143	-	406,143
Advanced County State Aid Highway Allotment	1,480,928	-	1,480,928
Unearned revenue	5,630,730	-	5,630,730
Long-term liabilities			
Due within one year	4,439,631	278,811	4,718,442
Due in more than one year	26,181,976	3,423,680	29,605,656
Net pension liability	24,428,283	2,241,053	26,669,336
Other post employment benefits	679,023	92,594	771,617
<b>Total Liabilities</b>	<b>\$ 65,732,235</b>	<b>\$ 6,739,192</b>	<b>\$ 72,471,427</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	\$ 614,290	\$ 53,364	\$ 667,654
Related to other post employment benefits	145,828	19,885	165,713
Related to leases	4,564,960	-	4,564,960
<b>Total Deferred Inflows of Resources</b>	<b>\$ 5,325,078</b>	<b>\$ 73,249</b>	<b>\$ 5,398,327</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 117,676,615	\$ 17,699,342	\$ 135,375,957
Amounts restricted for			
General government	896,627	-	896,627
Public safety	536,463	-	536,463
Highways and streets	2,330,787	-	2,330,787
Conservation of natural resources	1,494,686	-	1,494,686
Debt service	1,752,897	-	1,752,897
Unrestricted amounts	16,171,679	(1,699,335)	14,472,344
<b>Total Net Position</b>	<b>\$ 140,859,754</b>	<b>\$ 16,000,007</b>	<b>\$ 156,859,761</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

		Program Revenues	
Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	
<b>Functions/Programs</b>			
<b>Governmental activities</b>			
General government	\$ 12,391,511	\$ 1,527,814	\$ 90,073
Public safety	12,825,370	1,738,918	814,143
Highways and streets	9,675,273	1,665,625	6,714,478
Sanitation	2,776,586	396,520	503,346
Human services	17,285,726	1,331,042	10,568,473
Health	3,421,778	1,333,879	1,596,918
Culture and recreation	532,494	150,246	-
Conservation of natural resources	993,479	265,543	148,090
Economic development	8,600	-	-
Interest	769,768	-	-
<b>Total governmental activities</b>	<b>\$ 60,680,585</b>	<b>\$ 8,409,587</b>	<b>\$ 20,435,521</b>
<b>Business-type activities</b>			
Resource Recovery	\$ 6,527,744	\$ 4,767,126	\$ -
Landfill	3,268,156	2,634,180	-
<b>Total business-type activities</b>	<b>\$ 9,795,900</b>	<b>\$ 7,401,306</b>	<b>\$ -</b>
<b>Total</b>	<b>\$ 70,476,485</b>	<b>\$ 15,810,893</b>	<b>\$ 20,435,521</b>

**General revenues and transfers**

Taxes  
Grants and contributions not restricted to specific programs  
Investment earnings  
Miscellaneous  
Transfers

**Total general revenues and transfers**

**Change in net position**

**Net position - January 1**

**Net position - December 31**

**EXHIBIT 2**

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
\$ 1,121,578	\$ (9,652,046)	\$ -	\$ (9,652,046)
964,135	(9,308,174)	-	(9,308,174)
8,356,362	7,061,192	-	7,061,192
2,016,109	139,389	-	139,389
-	(5,386,211)	-	(5,386,211)
-	(490,981)	-	(490,981)
-	(382,248)	-	(382,248)
(116,093)	(695,939)	-	(695,939)
-	(8,600)	-	(8,600)
-	(769,768)	-	(769,768)
<b>\$ 12,342,091</b>	<b>\$ (19,493,386)</b>	<b>\$ -</b>	<b>\$ (19,493,386)</b>
\$ -	\$ -	\$ (1,760,618)	\$ (1,760,618)
-	-	(633,976)	(633,976)
<b>\$ -</b>	<b>\$ -</b>	<b>\$ (2,394,594)</b>	<b>\$ (2,394,594)</b>
<b>\$ 12,342,091</b>	<b>\$ (19,493,386)</b>	<b>\$ (2,394,594)</b>	<b>\$ (21,887,980)</b>
	\$ 26,759,684	\$ -	\$ 26,759,684
	2,978,212	-	2,978,212
	354,484	29,705	384,189
	222,797	-	222,797
	350,000	(350,000)	-
	<b>\$ 30,665,177</b>	<b>\$ (320,295)</b>	<b>\$ 30,344,882</b>
	<b>\$ 11,171,791</b>	<b>\$ (2,714,889)</b>	<b>\$ 8,456,902</b>
	<b>129,687,963</b>	<b>18,714,896</b>	<b>148,402,859</b>
	<b>\$ 140,859,754</b>	<b>\$ 16,000,007</b>	<b>\$ 156,859,761</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
<b><u>Assets</u></b>							
<b>Assets</b>							
Cash and pooled investments	\$ 15,703,356	\$ 4,420,655	\$ 6,358,876	\$ 5,346,068	\$ 1,215,716	\$ 5,507,484	\$ 38,552,155
Investments	130,680	-	-	98,536	512,849	357,152	1,099,217
Taxes receivable - prior	597,069	10,514	21,702	-	-	4,803	634,088
Special assessments receivable - prior	-	-	-	-	8,710	245,082	253,792
Accounts receivable	88,576	5,126	163,597	312	-	41,506	299,117
Accrued interest receivable	1,864	-	-	-	-	-	1,864
Due from other funds	9,444	24,044	1,824	5,120	-	173,678	214,110
Due from other governments	115,829	4,993,070	2,882,472	100,872	-	335,230	8,427,473
Inventories	-	1,006,221	-	-	-	-	1,006,221
Advance to other funds	602,524	-	-	-	-	-	602,524
Special assessments receivable - noncurrent	-	-	-	-	2,149,766	210,645	2,360,411
<b>Total Assets</b>	<b>\$ 17,249,342</b>	<b>\$ 10,459,630</b>	<b>\$ 9,428,471</b>	<b>\$ 5,550,908</b>	<b>\$ 3,887,041</b>	<b>\$ 6,875,580</b>	<b>\$ 53,450,972</b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>							
<b>Liabilities</b>							
Accounts payable	\$ 340,743	\$ 187,661	\$ 292,239	\$ 33,107	\$ -	\$ 236,515	\$ 1,090,265
Salaries payable	153,882	88,330	236,708	120,453	-	106,878	706,251
Contracts payable	-	440,375	-	-	-	-	440,375
Due to other funds	9,803	-	105,639	18,818	-	271,807	406,067
Due to other governments	116,517	9,664	60,731	1,370	-	60,348	248,630
Unearned revenue	4,972,711	658,019	-	-	-	-	5,630,730
Advanced County State Aid Highway Allotment	-	1,480,928	-	-	-	-	1,480,928
Advances from other funds	-	-	-	-	7,855	594,669	602,524
<b>Total Liabilities</b>	<b>\$ 5,593,656</b>	<b>\$ 2,864,977</b>	<b>\$ 695,317</b>	<b>\$ 173,748</b>	<b>\$ 7,855</b>	<b>\$ 1,270,217</b>	<b>\$ 10,605,770</b>
<b>Deferred Inflows of Resources</b>							
Taxes	\$ 356,946	\$ 6,286	\$ 12,974	\$ -	\$ -	\$ 2,872	\$ 379,078
Special assessments	-	-	-	-	2,156,516	369,305	2,525,821
County State Aid Highway Allotment	-	1,361,516	-	-	-	-	1,361,516
<b>Total Deferred Inflows of Resources</b>	<b>\$ 356,946</b>	<b>\$ 1,367,802</b>	<b>\$ 12,974</b>	<b>\$ -</b>	<b>\$ 2,156,516</b>	<b>\$ 372,177</b>	<b>\$ 4,266,415</b>
<b>Fund Balances</b>							
Nonspendable	\$ 602,524	\$ 1,006,221	\$ -	\$ -	\$ -	\$ -	\$ 1,608,745
Restricted	896,627	339,877	-	536,463	1,731,625	1,658,227	5,162,819
Committed	472,335	-	-	-	-	-	472,335
Assigned	-	4,880,753	8,720,180	4,840,697	-	4,230,048	22,671,678
Unassigned	9,327,254	-	-	-	(8,955)	(655,089)	8,663,210
<b>Total Fund Balances</b>	<b>\$ 11,298,740</b>	<b>\$ 6,226,851</b>	<b>\$ 8,720,180</b>	<b>\$ 5,377,160</b>	<b>\$ 1,722,670</b>	<b>\$ 5,233,186</b>	<b>\$ 38,578,787</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 17,249,342</b>	<b>\$ 10,459,630</b>	<b>\$ 9,428,471</b>	<b>\$ 5,550,908</b>	<b>\$ 3,887,041</b>	<b>\$ 6,875,580</b>	<b>\$ 53,450,972</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2022**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>38,578,787</b>
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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.		144,398,794
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		4,266,415
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Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	\$ (406,143)		
General obligation bonds	(27,501,842)		
Lease liability	(1,169,509)		
Compensated absences payable	(1,950,256)		(31,027,750)

Other post employment benefits and related outflows/inflows of resources represent the allocation of the other post employment benefit obligations to the County. Such balances are not reported in the governmental funds:

Deferred outflows of resources related to other post employment benefits	\$ 83,970		
Deferred inflows of resources related to other post employment benefits	(145,828)		
Other post employment benefits	(679,023)		(740,881)

Net pension liability and related outflows/inflows of resources represent the allocation of the pension obligations of the statewide plans to the County. Such balances are not reported in the governmental funds:

Deferred outflows of resources related to pensions	\$ 10,426,962		
Deferred inflows of resources related to pensions	(614,290)		
Net pension liability	(24,428,283)		(14,615,611)

<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>140,859,754</u></b>
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**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
<b>Revenues</b>							
Taxes	\$ 7,231,634	\$ 3,597,117	\$ 5,853,904	\$ 8,796,959	\$ -	\$ 1,256,755	\$ 26,736,369
Special assessments	9,005	-	-	-	963,394	2,581,356	3,553,755
Licenses and permits	6,010	48,635	-	-	-	47,115	101,760
Intergovernmental	4,283,738	15,143,120	10,789,287	649,863	150,767	2,158,747	33,175,522
Charges for services	842,611	179,276	836,841	152,126	-	1,186,887	3,197,741
Fines and forfeitures	38,170	-	-	11,696	-	-	49,866
Investment earnings	350,333	-	126	1,299	2,258	468	354,484
Gifts and contributions	-	-	300	6,725	-	-	7,025
Miscellaneous	1,412,282	1,437,714	494,201	1,557,268	-	142,233	5,043,698
<b>Total Revenues</b>	<b>\$ 14,173,783</b>	<b>\$ 20,405,862</b>	<b>\$ 17,974,659</b>	<b>\$ 11,175,936</b>	<b>\$ 1,116,419</b>	<b>\$ 7,373,561</b>	<b>\$ 72,220,220</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	\$ 11,158,283	\$ -	\$ -	\$ -	\$ -	\$ 576,378	\$ 11,734,661
Public safety	286,116	-	-	11,010,467	-	-	11,296,583
Highways and streets	-	15,883,492	-	-	-	-	15,883,492
Sanitation	-	-	-	-	-	2,186,189	2,186,189
Human services	-	-	16,190,859	-	-	-	16,190,859
Health	9,900	-	-	-	-	3,251,836	3,261,736
Culture and recreation	177,621	-	-	-	-	282,275	459,896
Conservation of natural resources	302,458	-	-	-	128,723	565,562	996,743
Economic development	8,600	-	-	-	-	-	8,600
<b>Debt service</b>							
Principal retirement	6,090,541	1,199,358	20,333	123,318	585,000	303,482	8,322,032
Interest	414,408	169,583	4,595	26,063	228,551	169,661	1,012,861
<b>Capital outlay</b>							
General government	378,987	-	-	-	-	-	378,987
Public safety	1,437,669	-	-	368,928	-	-	1,806,597
Highways and streets	-	27,871	-	-	-	-	27,871
Sanitation	-	-	-	-	-	71,918	71,918
Human services	-	-	95,859	-	-	-	95,859
<b>Total Expenditures</b>	<b>\$ 20,264,583</b>	<b>\$ 17,280,304</b>	<b>\$ 16,311,646</b>	<b>\$ 11,528,776</b>	<b>\$ 942,274</b>	<b>\$ 7,407,301</b>	<b>\$ 73,734,884</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (6,090,800)</b>	<b>\$ 3,125,558</b>	<b>\$ 1,663,013</b>	<b>\$ (352,840)</b>	<b>\$ 174,145</b>	<b>\$ (33,740)</b>	<b>\$ (1,514,664)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 5  
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
<b>Other Financing Sources (Uses)</b>							
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 512,255	\$ 512,255
Transfers out	-	-	-	-	-	(162,255)	(162,255)
Proceeds from issuance of debt	3,698,198	33,997	70,164	261,382	-	-	4,063,741
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 3,698,198</b>	<b>\$ 33,997</b>	<b>\$ 70,164</b>	<b>\$ 261,382</b>	<b>\$ -</b>	<b>\$ 350,000</b>	<b>\$ 4,413,741</b>
<b>Net Change in Fund Balance</b>	<b>\$ (2,392,602)</b>	<b>\$ 3,159,555</b>	<b>\$ 1,733,177</b>	<b>\$ (91,458)</b>	<b>\$ 174,145</b>	<b>\$ 316,260</b>	<b>\$ 2,899,077</b>
<b>Fund Balance - January 1</b>	<b>13,691,342</b>	<b>2,840,522</b>	<b>6,987,003</b>	<b>5,468,618</b>	<b>1,548,525</b>	<b>4,916,926</b>	<b>35,452,936</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>226,774</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>226,774</b>
<b>Fund Balance - December 31</b>	<b>\$ 11,298,740</b>	<b>\$ 6,226,851</b>	<b>\$ 8,720,180</b>	<b>\$ 5,377,160</b>	<b>\$ 1,722,670</b>	<b>\$ 5,233,186</b>	<b>\$ 38,578,787</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 6**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 2,899,077**

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

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

Expenditures for general capital assets and infrastructure	\$ 12,483,682	
Current year depreciation	<u>(6,697,514)</u>	5,786,168

Revenues in the Statement of Activities that do not provide current  
financial resources are not reported as revenues in the governmental funds.

Change in deferred inflows of resources		(806,396)
---	--	-----------

The issuance of long-term debt provides current financial resources to governmental funds,  
while the repayment of the principal of long-term debt consumes the current financial resources  
of governmental funds. Neither transaction, however, has any effect on net position.

Proceeds from issuance of debt		
General obligation bonds	\$ (3,125,000)	
Lease liability	(365,543)	
Principal repayments		
General obligation bonds	8,030,000	
Lease liability	<u>294,702</u>	4,834,159

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		
Amortization of premium	\$ (255,869)	
Accrued interest payable	(74,236)	
Compensated absences payable	(345,555)	
Inventories	<u>226,774</u>	(448,886)

Net pension asset and liability do not represent an impending source or use of current resources.  
Therefore, the change in the asset, liability, and related deferrals of resources are not  
reported in the governmental funds.

Change in		
Deferred outflows related to other post-employment benefits	\$ (23,835)	
Deferred inflows related to other post-employment benefits	(125,912)	
Other post-employment benefits	177,886	
Deferred outflows related to net pension liability	1,020,060	
Deferred inflows related to net pension liability	11,663,970	
Net pension liability	<u>(13,804,500)</u>	(1,092,331)

**Change in net position of governmental activities (Exhibit 2) \$ 11,171,791**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Resource Recovery</b>	<b>Landfill</b>	<b>Total</b>
<b><u>Assets</u></b>			
<b>Current Assets</b>			
Cash and pooled investments	\$ 93,406	\$ 855,411	\$ 948,817
Accounts receivable	61,183	24,972	86,155
Due from other funds	229,310	39,235	268,545
Due from other governments	204,685	107,145	311,830
Advance from other funds	-	175,402	175,402
<b>Total Current Assets</b>	<b>\$ 588,584</b>	<b>\$ 1,202,165</b>	<b>\$ 1,790,749</b>
<b>Restricted Assets</b>			
Cash and pooled investments	\$ -	\$ 2,191,889	\$ 2,191,889
<b>Noncurrent Assets</b>			
Capital assets			
Non-depreciable	\$ 11,085	\$ 1,858,900	\$ 1,869,985
Depreciable - net of accumulated depreciation	13,587,892	2,944,189	16,532,081
<b>Total Noncurrent Assets</b>	<b>\$ 13,598,977</b>	<b>\$ 4,803,089</b>	<b>\$ 18,402,066</b>
<b>Total Assets</b>	<b>\$ 14,187,561</b>	<b>\$ 8,197,143</b>	<b>\$ 22,384,704</b>
<b><u>Deferred Outflows of Resources</u></b>			
Related to pensions	\$ 556,903	\$ 111,381	\$ 668,284
Related to other post employment benefits	9,542	1,908	11,450
<b>Total Deferred Outflows of Resources</b>	<b>\$ 566,445</b>	<b>\$ 113,289</b>	<b>\$ 679,734</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 7  
(Continued)**

**STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2022**

	<b>Enterprise Funds</b>		
	<b>Resource Recovery</b>	<b>Landfill</b>	<b>Total</b>
<b><u>Liabilities</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 257,217	\$ 290,520	\$ 547,737
Salaries payable	73,694	10,187	83,881
Compensated absences payable	90,560	31,045	121,605
Due to other funds	45,375	31,213	76,588
Due to other governments	71,436	-	71,436
Capital lease payable	-	157,206	157,206
<b>Total Current Liabilities</b>	<b>\$ 538,282</b>	<b>\$ 520,171</b>	<b>\$ 1,058,453</b>
<b>Noncurrent Liabilities</b>			
Compensated absences payable	\$ 135,840	\$ 46,568	\$ 182,408
Advance from other funds	175,402	-	175,402
Other post employment benefits	77,162	15,432	92,594
Net pension liability	1,867,544	373,509	2,241,053
Capital lease payable	-	545,518	545,518
Closure costs payable	-	732,912	732,912
Postclosure care costs payable	-	1,648,432	1,648,432
Contingency costs payable	-	314,410	314,410
<b>Total Noncurrent Liabilities</b>	<b>\$ 2,255,948</b>	<b>\$ 3,676,781</b>	<b>\$ 5,932,729</b>
<b>Total Liabilities</b>	<b>\$ 2,794,230</b>	<b>\$ 4,196,952</b>	<b>\$ 6,991,182</b>
<b><u>Deferred Inflows of Resources</u></b>			
Related to pensions	\$ 44,470	\$ 8,894	\$ 53,364
Related to other post employment benefits	16,571	3,314	19,885
<b>Total Deferred Inflows of Resources</b>	<b>\$ 61,041</b>	<b>\$ 12,208</b>	<b>\$ 73,249</b>
<b><u>Net Position</u></b>			
Net investment in capital assets	\$ 13,598,977	\$ 4,100,365	\$ 17,699,342
Unrestricted amounts	(1,700,242)	907	(1,699,335)
<b>Total Net Position</b>	<b>\$ 11,898,735</b>	<b>\$ 4,101,272</b>	<b>\$ 16,000,007</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
<b>Operating Revenues</b>			
Charges for services	\$ 3,432,478	\$ 2,628,611	\$ 6,061,089
Miscellaneous	1,334,648	5,569	1,340,217
<b>Total Operating Revenues</b>	<b>\$ 4,767,126</b>	<b>\$ 2,634,180</b>	<b>\$ 7,401,306</b>
<b>Operating Expenses</b>			
Personnel services	\$ 2,714,853	\$ 623,855	\$ 3,338,708
Other services and charges	695,951	843,645	1,539,596
Supplies	629,161	151,189	780,350
Utilities	628,752	14,630	643,382
Repairs and maintenance	603,609	124,703	728,312
Transportation and disposal	424,607	145,146	569,753
Closure costs	-	51,868	51,868
Postclosure care costs	-	625,109	625,109
Contingency costs	-	27,695	27,695
Depreciation	830,811	655,159	1,485,970
<b>Total Operating Expenses</b>	<b>\$ 6,527,744</b>	<b>\$ 3,262,999</b>	<b>\$ 9,790,743</b>
<b>Operating Income (Loss)</b>	<b>\$ (1,760,618)</b>	<b>\$ (628,819)</b>	<b>\$ (2,389,437)</b>
<b>Nonoperating Revenues (Expenses)</b>			
Investment earnings	\$ 2,150	\$ 27,555	\$ 29,705
Interest expense	-	(5,157)	(5,157)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 2,150</b>	<b>\$ 22,398</b>	<b>\$ 24,548</b>
<b>Income (Loss) Before Transfers</b>	<b>\$ (1,758,468)</b>	<b>\$ (606,421)</b>	<b>\$ (2,364,889)</b>
Transfers in	\$ 1,526,222	\$ 628,548	\$ 2,154,770
Transfers out	(908,548)	(1,596,222)	(2,504,770)
<b>Total Transfers</b>	<b>\$ 617,674</b>	<b>\$ (967,674)</b>	<b>\$ (350,000)</b>
<b>Change in Net Position</b>	<b>\$ (1,140,794)</b>	<b>\$ (1,574,095)</b>	<b>\$ (2,714,889)</b>
<b>Net Position - January 1</b>	<b>13,039,529</b>	<b>5,675,367</b>	<b>18,714,896</b>
<b>Net Position - December 31</b>	<b>\$ 11,898,735</b>	<b>\$ 4,101,272</b>	<b>\$ 16,000,007</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 9**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers and users	\$ 5,036,973	\$ 2,661,905	\$ 7,698,878
Payments to employees	(2,537,726)	(506,128)	(3,043,854)
Payments to suppliers	(2,877,907)	(1,103,963)	(3,981,870)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (378,660)</b>	<b>\$ 1,051,814</b>	<b>\$ 673,154</b>
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers in	\$ 1,526,222	\$ 628,548	\$ 2,154,770
Transfers out	(908,548)	(1,596,222)	(2,504,770)
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 617,674</b>	<b>\$ (967,674)</b>	<b>\$ (350,000)</b>
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds of debt	\$ -	\$ 539,460	\$ 539,460
Purchases of capital assets	(147,758)	(2,075,742)	(2,223,500)
Proceeds from sale of capital assets	-	(152,051)	(152,051)
Debt service payments	-	(31,099)	(31,099)
Interest paid on long-term debt	-	(5,157)	(5,157)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (147,758)</b>	<b>\$ (1,724,589)</b>	<b>\$ (1,872,347)</b>
<b>Cash Flows from Investing Activities</b>			
Investment earnings received	\$ 2,150	\$ 27,555	\$ 29,705
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 93,406</b>	<b>\$ (1,612,894)</b>	<b>\$ (1,519,488)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>-</b>	<b>4,660,194</b>	<b>4,660,194</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 93,406</b>	<b>\$ 3,047,300</b>	<b>\$ 3,140,706</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 9  
(Continued)**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022  
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>			
Operating income (loss)	\$ (1,760,618)	\$ (628,819)	\$ (2,389,437)
<b>Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities</b>			
Depreciation expense	\$ 830,811	\$ 655,159	\$ 1,485,970
Decrease (increase) in assets			
Accounts receivable	174,391	13,302	187,693
Due from other governments	57,413	18,759	76,172
Due from other funds	38,043	(4,336)	33,707
Increase (decrease) in liabilities			
Accounts payable	92,459	176,957	269,416
Salaries payable	(4,686)	(1,688)	(6,374)
Compensated absences payable	(13,187)	44,397	31,210
Due to other governments	10,531	(2,604)	7,927
Due to other funds	1,183	997	2,180
Net pension liability	170,835	63,394	234,229
Other post employment benefits	24,165	11,624	35,789
Closure, post-closure, and contingency costs payable	-	704,672	704,672
<b>Total adjustments</b>	<b>\$ 1,381,958</b>	<b>\$ 1,680,633</b>	<b>\$ 3,062,591</b>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ (378,660)</b>	<b>\$ 1,051,814</b>	<b>\$ 673,154</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 10**

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2022**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds (Statement 5)</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 32,535	\$ 2,626,336	\$ 2,658,871
Due from other governments	-	780,874	780,874
Accounts receivable	-	90,753	90,753
<b>Total Assets</b>	<b>\$ 32,535</b>	<b>\$ 3,497,963</b>	<b>\$ 3,530,498</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ -	\$ 15,416	\$ 15,416
Due to other governments	-	786,897	786,897
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 802,313</b>	<b>\$ 802,313</b>
<b><u>Net Position</u></b>			
Restricted for Individuals, organizations, other governments	<b>\$ 32,535</b>	<b>\$ 2,695,650</b>	<b>\$ 2,728,185</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**EXHIBIT 11**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2022**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds (Statement 6)</b>	<b>Total</b>
<b>Additions</b>			
Contributions:			
Individuals	\$ 303,009	\$ -	\$ 303,009
Participants		6,480	6,480
Investment earnings:			
Interest, dividends, other		14,220	14,220
Intergovernmental receipts for other governments	-	2,483,992	2,483,992
Fees collected for services		9,621,832	9,621,832
Property tax collections for other governments	-	97,361,209	97,361,209
<b>Total Additions</b>	<b>\$ 303,009</b>	<b>\$ 109,487,733</b>	<b>\$ 109,790,742</b>
<b>Deductions</b>			
Payments of property tax to other governments	-	93,434,364	93,434,364
Payments to state	-	3,771,437	3,771,437
Administrative expense	318,628	10,248,214	10,566,842
Payments to other entities/individuals	-	3,055,289	3,055,289
<b>Total Deductions</b>	<b>\$ 318,628</b>	<b>\$ 110,509,304</b>	<b>\$ 110,827,932</b>
<b>Change in net position</b>	<b>\$ (15,619)</b>	<b>\$ (1,021,571)</b>	<b>\$ (1,037,190)</b>
<b>Net Position – January 1</b>	<b>48,154</b>	<b>3,717,221</b>	<b>3,765,375</b>
<b>Net Position – December 31</b>	<b>\$ 32,535</b>	<b>\$ 2,695,650</b>	<b>\$ 2,728,185</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

I. 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). 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 in 1858 and is an organized County having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 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 serves as the clerk of the Board but has no vote.

B. Joint Ventures

The County participates in several joint ventures, related organizations, and jointly-governed organizations which are described in Notes section VII, subdivisions D, and E, respectively.

C. Basic Financial Statements

1. Government-Wide Statements

In June 2017, the GASB issued Statement No. 87, Leases. This Statement requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right-to-use an underlying asset. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, which enhances the relevance and consistency of information about the County's leasing activities. The standard was implemented on January 1, 2022.

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) include the financial activities of the overall County government, except for the fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities.

In the government-wide Statement of Net Position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis; 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.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category—governmental, business-type, 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.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for and report 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. Financing is provided by annual tax levy, intergovernmental revenues, and charges for services restricted and assigned to various highways and streets purposes.

The Social Services Special Revenue Fund is used to account for and report on 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 on 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. Financing is provided by special assessments on benefitted properties.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 sales of recyclable material.

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 transfers from other funds.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes other than debt services or capital projects.

Debt Service Funds are used to account for and report the financial resources restricted for the payment of bonds, interest, and related costs.

Capital Project Fund is used to account for and report the financial resources for the improvement and expansion of the transfer station, resource recovery facility, and the compost station.

Fiduciary Funds are custodial in nature and do not present results of operations or have a measurement focus. The County reports the following fiduciary funds:

The Social Welfare Private Purpose Trust Fund is used to manage the day-to-day finances of Polk County citizens that are not able to manage their own finances.

Custodial Funds are used to report resources held by the reporting government in a purely custodial capacity.

D. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. 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. The County considers property taxes and special assessments to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, charges for

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Measurement Focus and Basis of Accounting (Continued)

services, fines and forfeitures, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2022, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Total pooled investment earnings for 2022 were \$384,189.

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 Minnesota Statute, § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

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

Taxes and special assessments receivable consist of uncollected taxes and special assessments payable in the years 2002 through 2021 and deferred special assessments collectible in 2022 and beyond. Taxes and special assessments receivable are offset by deferred inflows of resources for the amount not collected within 60 days of December 31 to indicate they are not available to finance current expenditures. No provision has been made for an estimated uncollectible amount.

Accounts receivable consist primarily of charges for services for landfill and resource recovery.

Leases receivable consists of payments due for three County owned buildings leased to various parties for scheduled periods in excess of one year.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances from/to other funds” (i.e., the non-current portion of interfund loans).

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

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

3. Inventories

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 at the government-wide level are recorded as expenses when consumed.

Inventories, as reported in the fund financial statements, are offset by a fund balance account to indicate that they do not constitute available spendable resources.

4. 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.

5. Capital Assets

Capital assets, which include land, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per asset of \$5,000, except all land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extended the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

<u>Assets</u>	<u>Years</u>
Infrastructure	50-75
Buildings and improvements	20-30
Machinery and equipment	5-15

6. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The County reports deferred outflows of resources in the government-wide Statement of Net Position in relation to other post-employment benefits and the activity of the pension funds in which County employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The County reports property taxes, special assessments levied for subsequent years, loans receivable, and County State Aid Highway Allotments as deferred inflows of resources in the governmental fund financial statements, in accordance with the modified accrual basis of accounting. In addition, the County reports deferred inflows of resources in the government-wide Statement of Net Position in relation to other post-employment benefits and the activity of the pension funds in which County employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

7. Unearned Revenue

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

8. Compensated Absences

The liability for compensated absences reported in 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 current and noncurrent portions of compensated absences. The current portion of the liability consists of vacation and comp time earned within the year for the

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Compensated Absences (Continued)

governmental activities, the compensated absences liability is liquidated by the General Fund and the Road and Bridge, Human Services, Public Safety, Public Health, and Environmental Services Special Revenue Funds. For the business-type activities, compensated absences are liquidated by the Resource Recovery Enterprise Fund, and the Landfill Enterprise Fund.

9. 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. Investments are reported at fair value. The pension liability is liquidated through funds that have personnel services.

10. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2022.

11. Long-Term Obligations

In the government-wide and proprietary fund types in the 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 effective interest 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 when issued. 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.

Long-term liabilities consist of vested compensated absences, leases payable, and estimated closure, post-closure care, and contingency costs to be paid from operations and amounts set aside for financial assurance.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance

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

Net investment in capital assets – represents 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 of capital assets.

In the fund financial statements, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by resolution of the County Board and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a resolution.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Administrator and/or County Finance Director.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year's budgeted expenditures of the General Fund. Unrestricted fund balance can be "spent down" if there is an anticipated budget shortfall in excess of zero dollars. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by property taxes or transfers from other funds within a three-year period of time. Stabilization arrangements are defined

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

12. Net Position and Fund Balance (Continued)

as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by resolution as deemed necessary that can only be expended when major flood or other natural disaster repairs exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County does not report an amount for stabilization at December 31, 2022.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

13. 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, deferred inflows of resources, and disclosure of contingent amounts 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.

II. Stewardship, Compliance, and Accountability

A. Individual Fund Deficits of Equity Accounts

58 of the 183 active ditch systems incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following shows the restricted fund balance as of December 31, 2022:

	<u>Ditch Special Revenue</u>		<u>Ditch Debt Service</u>
Restricted fund balance	\$ 969,604	Restricted fund balance	\$ 1,731,625
Unassigned fund balance	<u>(655,089)</u>	Unassigned fund balance	<u>(8,955)</u>
Total Fund Balances	<u>\$ 314,515</u>	Total Fund Balances	<u>\$ 1,722,670</u>

B. Deficit Unassigned Fund Balances

The following funds had deficit unassigned fund balances as of December 31, 2022, which will be eliminated with future charges for services:

Ditch Special Revenue	\$	665,089
Ditch Debt Service		8,955

**POLK COUNTY  
CROOKSTON, MINNESOTA**

II. Stewardship, Compliance, and Accountability (Continued)

C. Land Management

The County manages approximately 175 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Reconciliations of the County’s total deposits and investments to the basic financial statements, as of December 31, 2022, are as follows:

<b>Governmental funds</b>	
Cash and pooled investments	\$ 39,651,372
<b>Business-Type funds</b>	
Cash and pooled investments	3,140,706
<b>Fiduciary funds</b>	
Cash and pooled investments	2,658,871
Total cash and investments	\$ 45,450,949
Cash on hand	\$ 4,570
Checking accounts	9,498,930
Savings accounts	2,429
Certificates of Deposit	512,606
Investments	35,432,414
Total deposits, cash on hand, and investments	\$ 45,450,949

Deposits

Minnesota Statutes, §§118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, §118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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, revenue obligations rated “AA” or better; irrevocable standard 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**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Custodial Credit Risk

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. As of December 31, 2022, the County's policy will minimize risk of loss by limiting investments to savings associations, commercial banks, trust companies, credit unions, and/or industrial loan and thrift companies; and obtaining necessary documentation from financial institutions, broker/dealers, intermediaries, and advisors. At December 31, 2022, the County's deposits were not exposed to custodial credit risk.

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the County:

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

Interest Rate Risk

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Credit Risk

Generally, a 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. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. At December 31, 2022, 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 that are in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2022, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. At December 31, 2022, the County's investments were in an external investment pool, and therefore, were not subject to concentration of credit risk 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, 2022, 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.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical. At December 31, 2022, the County had \$35,432,414 invested in the MAGIC portfolio.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2022, for the County’s governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
<b>Governmental Activities</b>		
Taxes receivable	\$ 634,088	\$ -
Special assessments receivable	2,614,203	2,360,411
Accounts receivable	299,117	-
Accrued interest receivable	1,864	-
Due from other governments	8,427,473	-
Leases receivable	4,564,960	3,440,577
Total Governmental Activities	\$ 16,541,705	\$ 5,800,988
<b>Business-Type Activities</b>		
Accounts receivable	\$ 86,155	\$ -
Due from other governments	311,830	-
Total Business-Type Activities	\$ 397,985	\$ -

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2022, was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 9,457,885	\$ 15,255	\$ -	\$ 9,473,140
Construction in progress	1,478,689	2,613,187	-	4,091,876
Total capital assets not depreciated	<u>\$ 10,936,574</u>	<u>\$ 2,628,442</u>	<u>\$ -</u>	<u>\$ 13,565,016</u>
Capital assets being depreciated				
Infrastructure	\$ 160,722,054	\$ 8,645,577	\$ -	\$ 169,367,631
Buildings and improvements	52,927,766	141,986	-	53,069,752
Machinery and equipment	17,704,041	618,716	-	18,322,757
Land improvements	2,618,308	16,126	-	2,634,434
Right to use leased assets	-	432,835	-	432,835
Total capital assets being depreciated	<u>\$ 233,972,169</u>	<u>\$ 9,855,240</u>	<u>\$ -</u>	<u>\$ 243,827,409</u>
Less: accumulated depreciation for				
Infrastructure	\$ 69,321,782	\$ 3,302,305	\$ -	\$ 72,624,087
Buildings and improvements	23,031,531	2,020,780	-	25,052,311
Machinery and equipment	12,256,252	1,210,794	-	13,467,046
Land improvements	1,686,552	134,671	-	1,821,223
Right to use leased assets	-	28,964	-	28,964
Total accumulated depreciation	<u>\$ 106,296,117</u>	<u>\$ 6,697,514</u>	<u>\$ -</u>	<u>\$ 112,993,631</u>
Total capital assets, depreciated, net	<u>\$ 127,676,052</u>	<u>\$ 3,157,726</u>	<u>\$ -</u>	<u>\$ 130,833,778</u>
Governmental Activities Capital Assets, Net	<u>\$ 138,612,626</u>	<u>\$ 5,786,168</u>	<u>\$ -</u>	<u>\$ 144,398,794</u>
<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 310,183	\$ -	\$ -	\$ 310,183
Construction in progress	-	1,559,802	-	1,559,802
Total capital assets not depreciated	<u>\$ 310,183</u>	<u>\$ 1,559,802</u>	<u>\$ -</u>	<u>\$ 1,869,985</u>
Capital assets being depreciated				
Buildings and improvements	\$ 8,249,140	\$ 39,155	\$ -	\$ 8,288,295
Landfill	6,573,569	-	-	6,573,569
Machinery, furniture, and equipment	25,181,319	1,286,768	662,225	25,805,862
Land improvements	324,342	-	-	324,342
Total capital assets being depreciated	<u>\$ 40,328,370</u>	<u>\$ 1,325,923</u>	<u>\$ 662,225</u>	<u>\$ 40,992,068</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,663,395	\$ 212,613	\$ -	\$ 3,876,008
Landfill	5,582,295	377,042	-	5,959,337
Machinery, furniture and equipment	13,607,402	1,353,210	619,377	14,341,235
Land improvements	273,716	9,691	-	283,407
Total accumulated depreciation	<u>\$ 23,126,808</u>	<u>\$ 1,952,556</u>	<u>\$ 619,377</u>	<u>\$ 24,459,987</u>
Total capital assets, depreciated, net	<u>\$ 17,201,562</u>	<u>\$ (626,633)</u>	<u>\$ 42,848</u>	<u>\$ 16,532,081</u>
Business-Type Activities Capital Assets, Net	<u>\$ 17,511,745</u>	<u>\$ 933,169</u>	<u>\$ 42,848</u>	<u>\$ 18,402,066</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

Depreciation Expense

Depreciation expense was charged to functions of the County as follows:

<b>Governmental Activities</b>	
General government	\$ 399,294
Public safety	1,346,056
Highways and streets	4,009,296
Social Services	559,031
Health	12,638
Correction	298,601
Culture and recreation	72,598
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,697,514</u>
 <b>Business-Type Activities</b>	
Resource Recovery	\$ 1,297,397
Landfill	655,159
	<hr/>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,952,556</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2022, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Social Services Special Revenue Fund	\$ 9,444	Charges for service reimbursement
Road and Bridge Special Revenue Fund	General Fund	\$ 3,788	Charges for service reimbursement
	Public Safety Special Revenue Fund	18,818	Charges for service reimbursement
	Ditch Special Revenue Fund	1,438	Charges for service reimbursement
Due to Road and Bridge Special Revenue Fund		<u>\$ 24,044</u>	
Social Services Special Revenue Fund	Public Health Special Revenue Fund	\$ 1,824	Charges for service reimbursement
Environmental Services Special Revenue Fund	General Fund	\$ 895	Charges for service reimbursement
	Resource Recovery Enterprise Fund	45,375	Charges for service reimbursement
	Landfill Special Revenue Fund	31,213	Charges for service reimbursement
Due to Environmental Services Special Revenue Fund		<u>\$ 77,483</u>	
Public Safety Special Revenue Fund	General Fund	\$ 5,120	Charges for service reimbursement
Public Health Special Revenue Fund	Social Services Special Revenue Fund	\$ 96,195	Charges for service reimbursement
Resource Recovery Enterprise Fund	Environmental Services Special Revenue Fund	\$ 195,260	Wages reimbursement
		34,050	Charges for service reimbursement
Due to Resource Recovery Enterprise Fund		<u>\$ 229,310</u>	
Landfill Special Revenue Fund	Environmental Services Special Revenue Fund	\$ 39,235	Charges for service reimbursement
Total Due To/From Other Funds		<u>\$ 482,655</u>	

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Advances to/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Ditch Special Revenue Fund	\$ 575,268	Temporary cash flow loan
	Ditch Debt Service Fund	7,855	Temporary cash flow loan
	Union Lake/Lake Sarah Debt Service Fund	19,401	Temporary cash flow loan
		<u>602,524</u>	
Resource Recovery Enterprise Fund	Landfill Enterprise Fund	\$ 175,402	Temporary cash flow loan
Advances to/From Other Funds:		<u>\$ 777,926</u>	

3. Interfund Transfers

Interfund advances for the year ended December 31, 2022, consisted of the following:

Transfer to Environmental Services Special Revenue Fund from Capital Project Fund	\$ 22,255	Permanent transfer
Transfer to Capital Project Fund from:		
Environmental Services Special Revenue Fund	\$ 140,000	Transfer debt payment
Resource Recovery Enterprise Fund	280,000	Transfer debt payment
Landfill Enterprise Fund	<u>70,000</u>	Transfer debt payment
Total Transfers to Capital Project Fund	<u>\$ 490,000</u>	
Transfer to Resource Recovery Enterprise Fund from Landfill Enterprise Fund	\$ 1,526,222	Permanent transfer
Transfer to Landfill Enterprise Fund from Resource Recovery Enterprise Fund	<u>628,548</u>	Permanent transfer
Total Interfund Transfers	<u>\$ 2,667,025</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Current payables at December 31, 2022 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 1,090,265	\$ 547,737
Salaries payable	706,251	83,881
Contracts	440,375	-
Due to other governments	248,630	71,436
Accrued interest payable	<u>406,143</u>	<u>-</u>
Total Payables	<u>\$ 2,891,664</u>	<u>\$ 703,054</u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction and Other Significant Commitments

Construction in progress consists of highway construction projects and a courthouse renovation project. The County had eight active construction projects and commitments as of December 31, 2022, with \$4,870,471 spent to date and remaining contract commitments of \$4,879,703, which will be funded with state aid highway allotments and capital improvement bonds.

3. Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service. Vacation leave accrual varies from 12 to 21 days per year. Sick leave accrual is 12 days per year. Leave may be accumulated to a maximum of 26 days' vacation and 110 days sick leave under the County's employment policy. For governmental activities, compensated absences are generally liquidated by the General Fund, the Road and Bridge Fund, the Social Services Special Revenue Fund, the Public Safety Fund, the Public Health Fund, and Environmental Services Special Revenue Funds. For the business-type activities, compensated absences are liquidated by the Resource Recovery and Landfill Enterprise funds.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$1,371,115 at December 31, 2022, is available to employees in the event of illness-related absences and is not paid to them at termination.

4. Long-Term Liabilities

A. 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 2023 and 2028. Original balances for these range from \$18,460 to \$348,221 with outstanding balances ranging from \$6,153 to \$384,221. The total outstanding balance at year-end were \$1,169,509.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Liabilities

A. Capital Leases

Governmental Activities (Continued)

Year Ending December 31	Governmental Activities	
	Principal	Interest
2023	\$ 339,903	\$ 84,303
2024	266,092	70,766
2025	144,540	40,036
2026	47,546	13,974
2027	33,827	8,637
2028-2032	337,601	2,594
2033-2037	-	-
Total	\$ 1,169,509	\$ 220,310
Total minimum lease payment	<u>\$ 1,389,819</u>	

Business-Type Activities

Polk County entered into a lease agreement that qualify as capital lease for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments as of the inception date. The County entered 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 balance due on this lease at December 31, 2022, is \$163,264.

Polk 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 a lease-purchase arrangement with Titan Machinery to purchase a Bomag Compactor in 2022. The original lease balance totaled \$689,810 at an interest rate of 8.90 percent. Payments on the capital lease are made from the Landfill Enterprise Fund. The balance due on this lease at December 31, 2022, is \$539,460.

Year Ending December 31	Business-Type Activities					
	Komptech Crambo Grinder of 2017		Bomag Compactor of 2022		Total Business Type	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 31,099	\$ 4,269	\$ 126,107	\$ 24,243	\$ 157,206	28,512
2024	31,857	3,359	131,774	18,577	163,631	21,936
2025	32,634	2,427	137,696	12,654	170,330	15,081
2026	33,429	1,473	143,883	6,466	177,312	7,939
2027	34,245	495	-	-	34,245	495
Total	\$ 163,264	\$ 12,023	\$ 539,460	\$ 61,940	\$ 702,724	\$ 73,963

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Liabilities (Continued)

B. Long Term Debt

Governmental Activities

The County issues General Obligation Bonds to finance infrastructure and building improvements. Payments are made by 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:

Types of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amounts	Outstanding Balance December 31, 2022
2022A G.O. Capital Improvement Plan Bonds	2032	\$460,000 - \$2,665,000	5.00	\$ 3,125,000	\$ 3,125,000
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	2,315,000
2020B G.O. Watershed District Refunding Bonds	2033	\$125,000 - \$135,000	2.00 - 3.00	1,700,000	1,435,000
2019A G.O. Watershed Bonds	2040	\$160,000 - \$225,000	3.00 - 4.00	3,825,000	3,500,000
2019B G.O. State Aid Highway Bonds	2024	\$1,100,000	5.00	5,500,000	2,200,000
2017A G.O. Solid Waste Bonds	2037	\$265,000 - \$450,000	2.50 - 3.00	6,810,000	5,545,000
2015B G.O. Watershed Bonds	2036	\$55,000 - \$105,000	1.00 - 3.40	1,495,000	1,145,000
2015C G.O. Capital Improvement Plan Bonds	2026	\$265,000 - \$315,000	2.00	2,985,000	1,250,000
2012B G.O. Refunding Bonds	2025	\$140,000 - \$160,000	1.76	1,805,000	435,000
2009 G.O. Drainage Bonds	2030	\$45,000 - \$50,000	3.98	925,000	360,000
2006 G.O. Watershed District Bonds	2027	\$40,000 - \$45,000	3.60 - 4.30	865,000	200,000
Total general onligation bonds				\$ 32,465,000	\$ 25,550,000
Add: unamortized premium					1,951,842
Total General Obligation Bonds, Net					27,501,842

C. Landfill Closure and Postclosure Care and Contingency 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 \$2,695,754 landfill closure, postclosure care, and contingency costs payable at December 31, 2022, represent the cumulative amount reported to date based on the use of 42 percent of the estimated capacity of the municipal solid waste portion of the landfill and 35 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 \$1,392,489 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2023. Based on current

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Liabilities

C. Landfill Closure and Postclosure Care and Contingency Costs (Continued)

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, 2022, investment of \$2,191,889 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 the 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. Debt Service Requirements

Debt service requirements at December 31, 2022, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 3,405,000	\$ 956,791	\$ 339,903	\$ 84,303	\$ 3,744,903	\$ 1,041,094
2024	3,530,000	769,272	266,092	70,766	3,796,092	840,038
2025	2,515,000	644,880	144,540	40,036	2,659,540	684,916
2026	2,455,000	545,127	47,546	13,974	2,502,546	559,101
2027	1,525,000	463,431	33,827	8,637	1,558,827	472,068
2028-2032	7,800,000	1,392,213	337,601	2,594	8,137,601	1,394,807
2033-2037	3,660,000	368,032	-	-	3,660,000	368,032
2038-2042	660,000	30,000	-	-	660,000	30,000
	\$ 25,550,000	\$ 5,169,746	\$ 1,169,509	\$ 220,310	\$ 26,719,509	\$ 5,390,056
Add: net bond premium	1,951,842	-	-	-	1,951,842	-
Total	\$ 27,501,842	\$ 5,169,746	\$ 1,169,509	\$ 220,310	\$ 28,671,351	\$ 5,390,056

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Capital Leases	
	Principal	Interest
2023	\$ 157,206	\$ 28,512
2024	163,631	21,936
2025	170,330	15,081
2026	177,312	7,939
2027	34,245	495
	\$ 702,724	\$ 73,963
Add: net bond premium	-	-
Total	\$ 702,724	\$ 73,963

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2022, was as follows:

<b>Governmental Activities</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 30,455,000	\$ 3,125,000	\$ 8,030,000	\$ 25,550,000	\$ 3,405,000
Add: unamortized premium	1,695,973	255,869	-	1,695,973	-
Total bonds payable	<u>\$ 32,150,973</u>	<u>\$ 3,380,869</u>	<u>\$ 8,030,000</u>	<u>\$ 27,245,973</u>	<u>\$ 3,405,000</u>
Capital Leases	1,098,668	365,543	294,702	1,169,509	339,903
Compensated Absences	1,604,701	1,842,588	1,497,033	1,950,256	694,728
Net Pension Liability	<u>10,623,783</u>	<u>13,804,500</u>	<u>-</u>	<u>24,428,283</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u><u>\$ 45,478,125</u></u>	<u><u>\$ 19,393,500</u></u>	<u><u>\$ 9,821,735</u></u>	<u><u>\$ 54,794,021</u></u>	<u><u>\$ 4,439,631</u></u>
 <b>Business-Type Activities</b>	 Beginning Balance	 Additions	 Reductions	 Ending Balance	 Due Within One Year
Capital lease	\$ 193,623	\$ 689,810	\$ 180,709	\$ 702,724	\$ 157,206
Estimated liability for landfill closure/postclosure care costs	1,991,082	704,672	-	2,695,754	-
Compensated Absences	272,803	88,441	57,231	304,013	121,605
Net Pension Liability	<u>1,170,103</u>	<u>1,070,950</u>	<u>-</u>	<u>2,241,053</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u><u>\$ 3,627,611</u></u>	<u><u>\$ 2,553,873</u></u>	<u><u>\$ 237,940</u></u>	<u><u>\$ 5,943,544</u></u>	<u><u>\$ 278,811</u></u>

7. Deferred Inflows of Resources – Governmental Funds

Deferred inflows of resources – unavailable revenue consists of taxes, special assessments, loans receivable, and County State Aid Highways (CSAH). Deferred inflows of resources at December 31, 2022, are summarized below by fund:

	Taxes	Special Assessments	CSAH	Total
<b>Governmental Funds</b>				
General	\$ 356,946	\$ -	\$ -	\$ 356,946
<b>Special Revenue Funds</b>				
Road & Bridge	6,286	-	1,361,516	1,367,802
Social Services	12,974	-	-	12,974
<b>Debt Service Funds</b>				
Ditch Debt Service Fund	-	2,156,516	-	2,156,516
Other Governmental Funds	<u>2,872</u>	<u>369,305</u>	<u>-</u>	<u>372,177</u>
Total	<u><u>\$ 379,078</u></u>	<u><u>\$ 2,525,821</u></u>	<u><u>\$ 1,361,516</u></u>	<u><u>\$ 4,266,415</u></u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2022, were as follows:

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
<b>Nonspendable</b>							
Advances to other funds	\$ 602,524	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 602,524
Inventories	-	1,006,221	-	-	-	-	1,006,221
Total Nonspendable	\$ 602,524	\$ 1,006,221	\$ -	\$ -	\$ -	\$ -	\$ 1,608,745
<b>Restricted by enabling legislation</b>							
Buffer enforcement	-	-	-	-	-	494,664	494,664
Civil Process Fees	-	-	-	40,739	-	-	40,739
Conceal carry	-	-	-	110,908	-	-	110,908
DARE	-	-	-	4,347	-	-	4,347
Debt service	-	-	-	-	1,731,625	193,959	1,925,584
Dive rescue team	-	-	-	1,538	-	-	1,538
Drug task force	-	-	-	663	-	-	663
DWI Forfeitures	-	-	-	59,380	-	-	59,380
Enhanced 911	-	-	-	318,341	-	-	318,341
Gravel pit restoration	-	339,877	-	-	-	-	339,877
Law library	133,671	-	-	-	-	-	133,671
Natural resources	-	-	-	-	-	969,604	969,604
Missing heirs	24,456	-	-	-	-	-	24,456
Opioid Settlement	375,781	-	-	-	-	-	375,781
Project lifesavers	-	-	-	547	-	-	547
Recorder's equipment purchases	143,438	-	-	-	-	-	143,438
Recorder technology	219,281	-	-	-	-	-	219,281
Total restricted	\$ 896,627	\$ 339,877	\$ -	\$ 536,463	\$ 1,731,625	\$ 1,658,227	\$ 5,162,819
<b>Committed to</b>							
Insurance	443,425	-	-	-	-	-	443,425
Maple Lake Park reforestation	28,910	-	-	-	-	-	28,910
Total committed	\$ 472,335	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 472,335
<b>Assigned to</b>							
Culture and recreation	-	-	-	-	-	17,349	17,349
Public health	-	-	-	-	-	2,169,702	2,169,702
Public safety	-	-	-	4,840,697	-	-	4,840,697
Highways and streets	-	4,880,753	-	-	-	-	4,880,753
Human services	-	-	8,720,180	-	-	-	8,720,180
Environmental services	-	-	-	-	-	2,042,997	2,042,997
Total assigned	\$ -	\$ 4,880,753	\$ 8,720,180	\$ 4,840,697	\$ -	\$ 4,230,048	\$ 22,671,678
<b>Unassigned</b>	\$ 9,327,254	\$ -	\$ -	\$ -	\$ (8,955)	\$ (655,089)	\$ 8,663,210
<b>Total Fund Balances</b>	<b>\$ 11,298,740</b>	<b>\$ 6,226,851</b>	<b>\$ 8,720,180</b>	<b>\$ 5,377,160</b>	<b>\$ 1,722,670</b>	<b>\$ 5,233,186</b>	<b>\$ 38,578,787</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

A. Plan Description

Polk County provides a single-employer defined benefit healthcare plan to eligible retirees and their dependents. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The contribution requirements of the plan and the County are established and may be amended by the Polk County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2022, there were approximately 319 participants in the plan, including 3 retirees.

B. Total OPEB Liability

The County's total OPEB liability of \$461,636 was determined by an actuarial valuation date and measurement date of January 1, 2022.

The total OPEB liability in the fiscal year-end December 31, 2022, actuarial valuation was determined using the following actuarial methods and assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation/Census Data Date:	January 1, 2022
Measurement Date:	January 1, 2022
Reporting Date:	December 31, 2022
Actuarial Cost Method:	Entry Age, level percentage of pay
Amortization of Deferred Resource Flows:	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Discount Rate:	2.00%
20-Year Municipal Bond Yield:	2.00%
Inflation Rate:	2.00%
Salary Increases:	Service graded table
Medical Trend Rate:	6.50% in 2022, grading to 5.00% over 5 years and then to 4.00% over the next 48 years.

The current year discount rate is 2.00 percent. For the current valuation, the discount rate was selected from a range of the 20-year municipal bond yield. The municipal bond rate assumption of 2.00 percent was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

Mortality rates are based on Pub-2010 (Blue Collar for Public Safety, White Collar for others) with MP-2021 Generational Improvement Scale.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

B. Total OPEB Liability (Continued)

The actuarial assumptions are based on input from a variety of published sources of historical and projected future financial data, and the most recent actuarial valuation for PERA dated June 30, 2022.

C. Changes in Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at January 1, 2022	\$ 932,146
Changes for the year:	
Service cost	59,115
Interest cost	19,176
Assumption changes	(19,333)
Differences between expected and actual experience	(154,239)
Benefit payments	(65,248)
Net change in Total OPEB Liability	\$ (160,529)
Total OPEB Liability at December 31, 2022	\$ 771,617

D. OPEB Liability Sensitivity

The following presents the total OPEB Liability of the County, calculated using the discount rate healthcare cost trend 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 and healthcare cost trend rate:

OPEB Liability (Asset) Sensitivity Analysis				OPEB Liability (Asset) Sensitivity Analysis			
<b>OPEB Liability (Asset) at Different Discount Rates</b>				<b>OPEB Liability (Asset) at Different Healthcare Cost Trend Rates</b>			
1% Lower	1.00%	\$	821,910	1% Lower	5.50%	\$	698,505
Current Discount Rate	2.00%	\$	771,617	Current Discount Rate	6.50%	\$	771,617
1% Higher	3.00%	\$	723,660	1% Higher	4.50%	\$	858,034

**POLK COUNTY  
CROOKSTON, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB) (Continued)

E. Fund Status and Funding Progress

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

For the year ended December 31, 2022, the County recognized OPEB expense of 78,291.

At December 31, 2022, Polk County reported its proportionate share of OPEB's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ -	\$ 138,918
Assumption changes	44,844	26,796
Estimated employer contributions	50,576	-
Total	\$ 95,420	\$ 165,714

The \$50,576 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 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:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

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

Year ended December 31:	Future Recognition
2023	\$ (20,064)
2024	\$ (20,064)
2025	\$ (20,062)
2026	\$ (16,658)
2027	\$ (19,232)
Thereafter	\$ (24,790)

H. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

- The inflation rate was changed from 2.50 percent to 2.00 percent.

V. Defined Benefit Pension Plans

A. Plan Descriptions

Polk County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

All full-time and certain part-time employees of Polk County are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Plan

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 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 Rule of 90 are exempt from the delay to normal retirement.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 percent. 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.

C. Contributions

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

C. Contributions (Continued)

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2022 and Polk County was required to contribute 7.50 percent for Coordinated Plan members. Polk County's contributions to the General Employees Fund for the year ended December 31, 2022, were \$1,334,993. Polk County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and Polk County was required to contribute 17.70 percent for Police and Fire Plan members. Polk County's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$395,560. Polk County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, Polk County reported a liability of \$18,675,438 for its proportionate share of the General Employees Fund's net pension liability. Polk County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with Polk County totaled \$547,704.

The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Polk County's proportionate share of the net pension liability was based on Polk County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. Polk County's proportionate share was .2358 percent at the end of the measurement period and .2410 percent for the beginning of the period.

Polk County's	
Proportionate share of the net pension liability	\$ 18,675,438
State of Minnesota's proportionate share of	
the net pension liability associated with	
Polk County	547,704
Total	\$ 19,223,142

There were no provision changes during the measurement period.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

For the year ended December 31, 2022, Polk County recognized pension expense of \$2,836,755 for its proportionate share of the General Employees Plan’s pension expense. In addition, Polk County recognized an additional \$81,840 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota’s contribution of \$16 million to the General Employees Fund.

At December 31, 2022, Polk 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	\$ 155,991	\$ 203,255
Changes in actuarial assumptions	4,316,981	74,893
Net collective difference between projected and actual investment earnings investment earnings	156,573	-
Changes in proportion	276,922	166,547
Contributions paid to PERA subsequent to the measurement date	662,561	-
Total	\$ 5,569,028	\$ 444,695

The \$662,561 reported as deferred outflows of resources related to pensions resulting from Polk County’s 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2023	\$ 1,713,095
2024	\$ 1,762,879
2025	\$ (703,115)
2026	\$ 1,688,913

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2022, Polk County reported a liability of \$7,993,898 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Polk County's proportionate share of the net pension liability was based on Polk County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. Polk County's proportionate share was .01837 percent at the end of the measurement period and .1946 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet 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. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. Strong asset returns for the fiscal year ended 2021 will accelerate the phasing out of these state contributions, although we do not anticipate them to be phased out during the fiscal year ending 2022.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended June 30, 2022, Polk County recognized pension expense of \$1,543,169 for its proportionate share of the Police and Fire Plan's pension expense. Polk County recognized \$349,354 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. Polk County recognized \$16,533 for the year ended December 31, 2022, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2022, Polk County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 501,749	\$ -
Changes in actuarial assumptions	4,804,567	52,716
Net collective difference between projected and actual investment earnings investment earnings	-	4,961
Changes in proportion	23,449	165,281
Contributions paid to PERA subsequent to the measurement date	196,452	-
Total	\$ 5,526,217	\$ 222,958

The \$196,452 reported as deferred outflows of resources related to pensions resulting from Polk County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. 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:
2023	\$ 967,711
2024	\$ 981,431
2025	\$ 857,464
2026	\$ 1,649,113
2027	\$ 651,088

3. Total Pension Expense

The total pension expense for all plans recognized by Polk County for the year ended December 31, 2022, was \$4,529,530.

D. Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

D. Long-Term Expected Return on Investment (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

E. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 29 years of service and 6.0 percent per year thereafter. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

E. Actuarial Methods and Assumptions (Continued)

**General Employees Fund**

*Changes in Actuarial Assumptions:*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**Police and Fire Fund**

*Changes in Actuarial Assumptions:*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

F. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. 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. Pension Liability Sensitivity

The following presents Polk County’s proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what Polk 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:

Sensitivity Analysis			Sensitivity Analysis		
Net Pension Liability (Asset) at Different			Net Pension Liability (Asset) at Different		
Discount Rates			Discount Rates		
<b>General Employees Fund</b>			<b>Police and Fire Fund</b>		
1% Lower	5.50%	\$ 29,498,832	1% Lower	4.40%	\$ 12,097,740
Current Discount Rate	6.50%	\$ 18,675,438	Current Discount Rate	5.40%	\$ 7,993,898
1% Higher	7.50%	\$ 9,798,594	1% Higher	6.40%	\$ 4,676,188

**POLK COUNTY  
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org) .

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Five board members of Polk County are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees, contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee 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 twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by Polk County during fiscal year 2022 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 9,527	\$ 9,527	5%	5%	5%

VII. 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, may be involved in various claims, judgments, and litigation. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

C. Risk Management

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

The Worker's 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 2022 and \$500,000 per claim in 2023. 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. The 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.

D. Joint Ventures

Marshall and Polk Rural Water System

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

General obligation debt issued by Marshall and Polk Counties to be retired from special assessments is reported both by Marshall and Polk Counties. Polk's share of the long-term debt at December 31, 2022, is \$435,000. Polk County made contributions of \$55,890 in settlement payouts in 2022.

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

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

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

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution, the net assets 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 made contributions of \$15,733 in 2022. Clearwater County reports the cash transactions as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor/Treasurer's Office or the Waste Management Group's office, P.O. Box 186, Bagley, Minnesota 56621.

Northwest MN Regional Emergency Communications Board

The Northwest MN Regional Emergency Communications Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties, the City of Moorhead, and the White Earth Reservation.

The purpose of the Northwest MN Regional Emergency Communications Board is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest MN Regional Emergency Communications Board, which is composed of one county commissioner from each member county and one County council member from the member County, appointed by their respective governing bodies as provided in the Northwest Emergency Communications Board's Joint Powers Agreement.

Polk County did not contribute in 2022. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 – 4<sup>th</sup> Street Northwest, Suite 310, Bemidji, Minnesota 56601.

Northwest Minnesota Six County Joint Powers Board

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

**POLK COUNTY  
THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest MN Regional Emergency Communications Board (Continued)

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Board. In the event of dissolution, the net assets shall be distributed to the respective member counties in proportion to the contribution of each. Membership does not cause an additional financial benefit or burden to the counties. Polk County did not contribute in 2022.

Financing is provided by grants from the State of Minnesota or contributions. Complete financial information can be obtained from the Red Lake Watershed District, P.O. Box 803, Thief River Falls, Minnesota 56701.

Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February, 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as “Pine to Prairie.” The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative’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 County representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that the members do not experience additional benefit or burden. Polk County contributed \$325 to the Cooperative for the year ended December 31, 2022. 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 was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the Association is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Polk County did not

**POLK COUNTY  
THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

contribute to the Association for the year ended December 31, 2022. Clearwater County reports the cash transactions of the Association as a fiduciary fund on its financial statements. Complete financial information can be obtained from the Clearwater County Auditor-Treasurer's Office, 213 North Main Ave, Bagley, MN 56621.

Polk County Collaborative

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

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

Financing is provided by state and local grants and appropriations from the participating agencies. Adequate rates are charged so that members do not experience an additional benefit or burden. Polk County acts as a 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 \$75,521 in 2022. Complete financial information can be obtained from Polk County Social Services, 612 North Broadway, Crookston, MN 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. § 417.59, 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 (10 percent), Polk County (85 percent), and the Red Lake County (5 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  
THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. 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 2022. Complete financial information can be obtained from Tri-County Community Corrections, 600 Bruce Street, Crookston, MN 56716.

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

The Pine to Prairie Drug and Violent Crime Task Force was formed under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes as Full Members the Counties of Lake of the Woods, Norman, Pennington, Polk, and Roseau, the Cities of Crookston, East Grand Forks, and Thief River Falls, and the US Customs and Border Protection and Homeland Security Investigations Department; as Associate Members the County of Red Lake and the City of Ada; and as Liaison Members the Counties of Kittson, and Marshall. 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 PTPDTF Governing Board, which shall consist of not less than 6 members or more than 14 members designated by each participating Full Member, and up to 5 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 shall assign a peace officer to be an Agent on the task force, Associate Members are not required to assign an officer but shall 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 shall 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 assets.

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 made no contributions to the PTPDTF for the year ended December 31, 2022. Complete financial information can be obtained 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 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.

**POLK COUNTY  
THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Polk-Norman-Mahnomen-Community Health Board (Continued)

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 contribute in 2022. Complete financial information can be obtained from Polk County Public Health, 816 Marin Avenue, Suite 125, Crookston MN 56716.

Northwest Workforce Service Area

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

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, MN 56762.

E. Jointly-Governed Organizations

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 Minnesota Statute, § 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.

**POLK COUNTY**  
**THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. 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, MN 56762.

Lake Agassiz Regional Library

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

In 2022, Polk County provided \$282,275 in the form of an appropriation. Financial information can be obtained from the Lake Agassiz Regional Library Regional Office, 118 – 5<sup>th</sup> Street South, Moorhead, MN 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 Polk County Board and six appointed by the Marshall County Board. Polk County's responsibility does not extend beyond making the appointments.

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, Traverse, and Wadena Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County made no contribution to the Caucus for the year ended December 31, 2022.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

The Northwest Minnesota Multi-County Housing and Redevelopment Authority (HRA) was formed pursuant to Minnesota Stat., § 469.004, effective September 1972, and includes Kittson, Marshall, Pennington, Polk,

**POLK COUNTY**  
**THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Northwest Minnesota Multi-County Housing and Redevelopment Authority (Continued)

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 Power 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 2022. Complete financial information can be obtained from Pembina Trail RC&D, 2605 Wheat Drive, Red Lake Falls, MN 56750.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnommen, 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, Mahnommen, and Norman Counties. Becker County appoints one member, Clay County appoints one member, Mahnommen 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 5<sup>th</sup> Avenue, Ada, MN 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

**POLK COUNTY  
THIEF RIVER FALLS, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Board (Continued)

event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. In 2022, 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 – 5<sup>th</sup> Street South, Moorhead, MN 56560.

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 – 11<sup>th</sup> Street North, Moorhead, MN 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 establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Polk County did not make any contributions in 2022.

F. Related Organizations

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective August 29, 1974, and includes land within Mahnomon, Norman, and Polk Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident 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.

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minnesota Statute, § 103D.201, effective January 25, 1969, and includes land within Beltrami, Clearwater, Itasca, Pennington, Mahnomon, Marshall, Pennington, Red Lake, 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

**POLK COUNTY  
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VII. Summary of Significant Contingencies and Other Items

F. Related Organizations

Red Lake Watershed District (Continued)

Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Polk County's responsibility does not extend beyond making this appointment.

**REQUIRED SUPPLEMENTARY INFORMATION**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***Schedule 1***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Taxes	\$ 7,587,114	\$ 7,587,114	\$ 7,231,634	\$ (355,480)
Special assessments	-	-	9,005	9,005
Licenses and permits	7,375	7,375	6,010	(1,365)
Intergovernmental	2,308,403	2,308,403	4,283,738	1,975,335
Charges for services	820,325	820,325	842,611	22,286
Fines and forfeitures	4,000	4,000	38,170	34,170
Investments earnings	120,000	120,000	350,333	230,333
Miscellaneous	2,088,975	2,088,975	1,412,282	(676,693)
<b>Total Revenues</b>	<b>\$ 12,936,192</b>	<b>\$ 12,936,192</b>	<b>\$ 14,173,783</b>	<b>\$ 1,237,591</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 315,058	\$ 315,058	\$ 331,473	\$ (16,415)
Courts services	126,700	126,700	161,457	(34,757)
Law library	-	-	64,441	(64,441)
County administration	408,140	408,140	276,481	131,659
Taxpayer service center	826,346	826,346	867,832	(41,486)
Motor vehicle	201,670	201,670	171,662	30,008
County assessor	702,322	702,322	642,153	60,169
Elections	292,928	292,928	256,920	36,008
Finance	528,162	528,162	489,014	39,148
Accounting and auditing	120,000	120,000	53,013	66,987
Data processing	1,142,932	1,142,932	991,855	151,077
Central services	311,000	311,000	343,417	(32,417)
Personnel	426,447	426,447	467,249	(40,802)
Attorney	1,315,071	1,315,071	1,338,885	(23,814)
Recorder	110,655	110,655	109,929	726
Surveyor	275,102	275,102	299,764	(24,662)
Buildings and grounds	1,879,225	1,879,225	2,054,050	(174,825)
Veterans service officer	194,818	194,818	190,594	4,224
Insurance	682,000	682,000	45,209	636,791
Other general government	240,500	240,500	2,002,885	(1,762,385)
<b>Total general government</b>	<b>\$ 10,099,076</b>	<b>\$ 10,099,076</b>	<b>\$ 11,158,283</b>	<b>\$ (1,059,207)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Ambulance	\$ 58,775	\$ 58,775	\$ 58,775	\$ -
Coroner	80,316	80,316	79,113	1,203
Victim assistance	165,820	165,820	148,228	17,592
<b>Total public safety</b>	<b>\$ 304,911</b>	<b>\$ 304,911</b>	<b>\$ 286,116</b>	<b>\$ 18,795</b>
<b>Health</b>				
Occupational Development Center	\$ 9,900	\$ 9,900	\$ 9,900	\$ -
<b>Culture and recreation</b>				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
County fairs	20,000	20,000	20,000	-
Heritage Center	10,000	10,000	10,000	-
Parks	94,500	94,500	116,308	(21,808)
Celebrations	800	800	800	-
Snowmobile and ski trails	29,000	29,000	15,513	13,487
<b>Total culture and recreation</b>	<b>\$ 169,300</b>	<b>\$ 169,300</b>	<b>\$ 177,621</b>	<b>\$ (8,321)</b>
<b>Conservation of natural resources</b>				
Agricultural inspection	\$ 47,000	\$ 47,000	\$ 2,151	\$ 44,849
Cooperative extension	171,766	171,766	153,018	18,748
Forfeited land	-	-	16,704	(16,704)
Soil and water conservation	121,350	121,350	129,801	(8,451)
Other conservation of natural resources	784	784	784	-
<b>Total conservation of natural resources</b>	<b>\$ 340,900</b>	<b>\$ 340,900</b>	<b>\$ 302,458</b>	<b>\$ 38,442</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Red River Valley Development	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Tri-Valley Opportunity Council	7,000	7,000	7,000	-
<b>Total economic development</b>	<b>\$ 8,600</b>	<b>\$ 8,600</b>	<b>\$ 8,600</b>	<b>\$ -</b>
<b>Debt service</b>				
Principal retirement	\$ 1,625,000	\$ 1,625,000	\$ 6,090,541	\$ (4,465,541)
Interest	276,020	276,020	414,408	(138,388)
<b>Total debt service</b>	<b>\$ 1,901,020</b>	<b>\$ 1,901,020</b>	<b>\$ 6,504,949</b>	<b>\$ (4,603,929)</b>
<b>Capital outlay</b>				
General government	\$ 458,423	\$ 458,423	\$ 378,987	\$ 79,436
Public safety	-	-	1,437,669	(1,437,669)
<b>Total capital outlay</b>	<b>\$ 458,423</b>	<b>\$ 458,423</b>	<b>\$ 1,816,656</b>	<b>\$ (1,358,233)</b>
<b>Total Expenditures</b>	<b>\$ 13,292,130</b>	<b>\$ 13,292,130</b>	<b>\$ 20,264,583</b>	<b>\$ (6,972,453)</b>
<b>Excess of Revenues Over (Under)   Expenditures</b>	<b>\$ (355,938)</b>	<b>\$ (355,938)</b>	<b>\$ (6,090,800)</b>	<b>\$ (5,734,862)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of bonds	\$ -	\$ -	\$ 3,698,198	\$ 3,698,198
<b>Net Change in Fund Balance</b>	<b>\$ (355,938)</b>	<b>\$ (355,938)</b>	<b>\$ (2,392,602)</b>	<b>\$ (2,036,664)</b>
<b>Fund Balance - January 1</b>	<b>13,691,342</b>	<b>13,691,342</b>	<b>13,691,342</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 13,335,404</b>	<b>\$ 13,335,404</b>	<b>\$ 11,298,740</b>	<b>\$ (2,036,664)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,687,620	\$ 2,687,620	\$ 3,597,117	\$ 909,497
License and permits	40,000	40,000	48,635	8,635
Intergovernmental	10,196,000	10,196,000	15,143,120	4,947,120
Charges for services	80,000	80,000	179,276	99,276
Miscellaneous	180,000	180,000	1,437,714	1,257,714
<b>Total Revenues</b>	<b>\$ 13,183,620</b>	<b>\$ 13,183,620</b>	<b>\$ 20,405,862</b>	<b>\$ 7,222,242</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 526,044	\$ 526,044	\$ 577,304	\$ (51,260)
Maintenance	3,902,308	3,902,308	4,484,805	(582,497)
Construction	4,968,862	4,968,862	6,653,880	(1,685,018)
Equipment maintenance and shop	1,280,406	1,280,406	1,607,920	(327,514)
Town roads	1,146,000	1,146,000	1,969,011	(823,011)
Other highways and streets	100,000	100,000	590,572	(490,572)
<b>Total highways and streets</b>	<b>\$ 11,923,620</b>	<b>\$ 11,923,620</b>	<b>\$ 15,883,492</b>	<b>\$ (3,959,872)</b>
<b>Debt service</b>				
Principal retirement	\$ 1,100,000	\$ 1,100,000	\$ 1,199,358	\$ (99,358)
Interest	140,000	140,000	169,583	(29,583)
<b>Total debt service</b>	<b>\$ 1,240,000</b>	<b>\$ 1,240,000</b>	<b>\$ 1,368,941</b>	<b>\$ (128,941)</b>
<b>Capital outlay</b>				
Highways and streets	\$ 20,000	\$ 20,000	\$ 27,871	\$ (7,871)
<b>Total Expenditures</b>	<b>\$ 13,183,620</b>	<b>\$ 13,183,620</b>	<b>\$ 17,280,304</b>	<b>\$ (4,096,684)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,125,558</b>	<b>\$ 3,125,558</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease purchase	-	-	33,997	33,997
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,159,555</b>	<b>\$ 3,159,555</b>
<b>Fund Balance - January 1</b>	<b>2,840,522</b>	<b>2,840,522</b>	<b>2,840,522</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>226,774</b>	<b>226,774</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,840,522</b>	<b>\$ 2,840,522</b>	<b>\$ 6,226,851</b>	<b>\$ 3,386,329</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,821,483	\$ 5,821,483	\$ 5,853,904	\$ 32,421
Intergovernmental	11,158,226	11,158,226	10,789,287	(368,939)
Charges for services	929,280	929,280	836,841	(92,439)
Gifts and contributions	-	-	300	300
Investment earnings	-	-	126	126
Miscellaneous	401,410	401,410	494,201	92,791
<b>Total Revenues</b>	<b>\$ 18,310,399</b>	<b>\$ 18,310,399</b>	<b>\$ 17,974,659</b>	<b>\$ (335,740)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 4,947,860	\$ 4,947,860	\$ 4,916,854	\$ 31,006
Social services	13,354,877	13,354,877	11,274,005	2,080,872
<b>Total human services</b>	<b>\$ 18,302,737</b>	<b>\$ 18,302,737</b>	<b>\$ 16,190,859</b>	<b>\$ 2,111,878</b>
<b>Debt service</b>				
Principal retirement	\$ 43,203	\$ 43,203	\$ 20,333	\$ 22,870
Interest	-	-	4,595	(4,595)
<b>Total debt service</b>	<b>\$ 43,203</b>	<b>\$ 43,203</b>	<b>\$ 24,928</b>	<b>\$ 18,275</b>
<b>Capital outlay</b>				
Human services	\$ 4,600	\$ 4,600	\$ 95,859	\$ (91,259)
<b>Total Expenditures</b>	<b>\$ 18,350,540</b>	<b>\$ 18,350,540</b>	<b>\$ 16,311,646</b>	<b>\$ 2,038,894</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (40,141)</b>	<b>\$ (40,141)</b>	<b>\$ 1,663,013</b>	<b>\$ 1,703,154</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital lease purchase	-	-	70,164	70,164
<b>Net Change in Fund Balance</b>	<b>\$ (40,141)</b>	<b>\$ (40,141)</b>	<b>\$ 1,733,177</b>	<b>\$ 1,773,318</b>
<b>Fund Balance - January 1</b>	<b>6,987,003</b>	<b>6,987,003</b>	<b>6,987,003</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,946,862</b>	<b>\$ 6,946,862</b>	<b>\$ 8,720,180</b>	<b>\$ 1,773,318</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC SAFETY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 8,797,209	\$ 8,797,209	\$ 8,796,959	\$ (250)
Intergovernmental	489,337	489,337	649,863	160,526
Charges for services	105,000	105,000	152,126	47,126
Fines and forfeitures	500	500	11,696	11,196
Gifts and contributions	1,300	1,300	6,725	5,425
Investment earnings	300	300	1,299	999
Miscellaneous	1,446,712	1,446,712	1,557,268	110,556
<b>Total Revenues</b>	<b>\$ 10,840,358</b>	<b>\$ 10,840,358</b>	<b>\$ 11,175,936</b>	<b>\$ 335,578</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety</b>				
Sheriff	\$ 4,876,602	\$ 4,876,602	\$ 5,168,648	\$ (292,046)
Narcotics task force	114,184	114,184	17,122	97,062
Body armor	4,000	4,000	10,555	(6,555)
Safe and sober	5,883	5,883	3,882	2,001
DWI assessments	2,500	2,500	115	2,385
Boat and water safety	22,026	22,026	24,521	(2,495)
Emergency services	129,217	129,217	113,259	15,958
Municipal police contract	149,245	149,245	3,880	145,365
Enhanced 911 system	129,405	129,405	152,994	(23,589)
Community corrections	5,515,491	5,515,491	5,515,491	-
<b>Debt service</b>				
Principal retirement	95,370	95,370	123,318	(27,948)
Interest	19,234	19,234	26,063	(6,829)
<b>Capital outlay</b>				
Public safety	497,912	497,912	368,928	128,984
<b>Total Expenditures</b>	<b>\$ 11,561,069</b>	<b>\$ 11,561,069</b>	<b>\$ 11,528,776</b>	<b>\$ 32,293</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (720,711)</b>	<b>\$ (720,711)</b>	<b>\$ (352,840)</b>	<b>\$ 367,871</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	-	-	261,382	261,382
<b>Net Change in Fund Balance</b>	<b>\$ (720,711)</b>	<b>\$ (720,711)</b>	<b>\$ (91,458)</b>	<b>\$ 629,253</b>
<b>Fund Balance - January 1</b>	<b>5,468,618</b>	<b>5,468,618</b>	<b>5,468,618</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,747,907</b>	<b>\$ 4,747,907</b>	<b>\$ 5,377,160</b>	<b>\$ 629,253</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 5*

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS  
OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 59,115	\$ 59,973	\$ 50,553	\$ 41,224	\$ 43,449
Interest cost	19,176	26,441	33,564	29,553	29,382
Differences between expected and actual experience	(154,239)	-	(11,751)	-	-
Changes of assumption or other inputs	(19,333)	38,955	29,787	(23,861)	-
Benefit payments	<u>(65,248)</u>	<u>(89,407)</u>	<u>(76,663)</u>	<u>(60,605)</u>	<u>(70,181)</u>
<b>Net change in total OPEB liability</b>	\$ (160,529)	\$ 35,962	\$ 25,490	\$ (13,689)	\$ 2,650
<b>Total OPEB Liability - Beginning</b>	<u>\$ 932,146</u>	<u>\$ 896,184</u>	<u>\$ 870,694</u>	<u>\$ 884,383</u>	<u>\$ 881,733</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 771,617</u>	<u>\$ 932,146</u>	<u>\$ 896,184</u>	<u>\$ 870,694</u>	<u>\$ 884,383</u>
Covered-employee payroll	\$ 19,395,395	\$ 19,170,500	\$ 18,567,070	\$ 17,928,896	\$ 17,406,695
Total OPEB liability (asset) as a percentage of covered-employee payroll	4%	5%	5%	5%	5%

*This schedule is intended to present 10 years and will be updated as information becomes available.*

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 6**

**GOVERNMENTAL ACTIVITIES**

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 1,334,993	\$ 1,334,993	\$ -	\$ 17,799,904	7.50%
December 31, 2021	\$ 1,310,646	\$ 1,310,646	\$ -	\$ 17,475,280	7.50%
December 31, 2020	\$ 1,271,714	\$ 1,271,714	\$ -	\$ 16,956,182	7.50%
December 31, 2019	\$ 1,235,446	\$ 1,235,446	\$ -	\$ 16,472,610	7.50%
December 31, 2018	\$ 1,199,787	\$ 1,199,787	\$ -	\$ 15,997,162	7.50%
December 31, 2017	\$ 1,152,077	\$ 1,152,077	\$ -	\$ 15,361,026	7.50%
December 31, 2016	\$ 1,102,765	\$ 1,102,765	\$ -	\$ 14,703,539	7.50%
December 31, 2015	\$ 1,029,642	\$ 1,029,642	\$ -	\$ 13,728,560	7.50%

**PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 395,560	\$ 395,560	\$ -	\$ 2,234,804	17.70%
December 31, 2021	\$ 404,069	\$ 404,069	\$ -	\$ 2,383,888	16.95%
December 31, 2020	\$ 401,480	\$ 401,480	\$ -	\$ 2,368,611	16.95%
December 31, 2019	\$ 372,977	\$ 372,977	\$ -	\$ 2,200,453	16.95%
December 31, 2018	\$ 352,009	\$ 352,009	\$ -	\$ 2,172,895	16.20%
December 31, 2017	\$ 330,824	\$ 330,824	\$ -	\$ 2,042,124	16.20%
December 31, 2016	\$ 320,367	\$ 320,367	\$ -	\$ 1,977,572	16.20%
December 31, 2015	\$ 305,142	\$ 305,142	\$ -	\$ 1,883,593	16.20%

*Note: This schedule is intended to present 10 years and will be updated as information becomes available.*

**POLK COUNTY  
THIEF RIVER FALLS, MINNESOTA**

Schedule 7

**GOVERNMENTAL ACTIVITIES**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.2358%	\$ 18,675,438	\$ 547,704	\$ 19,223,142	\$ 17,665,061	105.72%	76.67%
June 30, 2021	0.2410%	\$ 10,291,780	\$ 314,341	\$ 10,606,121	\$ 17,352,480	59.31%	87.00%
June 30, 2020	0.2325%	\$ 13,939,438	\$ 429,718	\$ 14,369,156	\$ 16,579,373	84.08%	79.06%
June 30, 2019	0.2309%	\$ 12,765,943	\$ 396,649	\$ 13,162,592	\$ 16,337,627	78.14%	80.23%
June 30, 2018	0.2314%	\$ 12,837,123	\$ 421,098	\$ 13,258,221	\$ 15,670,603	81.92%	79.53%
June 30, 2017	0.2441%	\$ 15,583,182	\$ 195,948	\$ 15,779,130	\$ 15,696,364	99.28%	75.90%
June 30, 2016	0.2200%	\$ 17,862,909	\$ 233,324	\$ 18,096,233	\$ 13,652,766	130.84%	68.91%
June 30, 2015	0.2262%	\$ 11,722,858	\$ -	\$ 11,722,858	\$ 13,291,603	88.20%	78.19%

**PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN**

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2022	0.1837%	\$ 7,993,898	\$ 349,354	\$ 8,343,252	\$ 2,234,736	357.71%	70.53%
June 30, 2021	0.1946%	\$ 1,502,106	\$ 67,514	\$ 1,569,620	\$ 2,401,462	62.55%	93.66%
June 30, 2020	0.2000%	\$ 2,634,896	\$ 62,071	\$ 2,696,967	\$ 2,361,417	111.58%	87.19%
June 30, 2019	0.2060%	\$ 2,197,336	\$ -	\$ 2,197,336	\$ 2,227,128	98.66%	89.26%
June 30, 2018	0.2000%	\$ 2,129,662	\$ -	\$ 2,129,662	\$ 2,107,310	101.06%	88.84%
June 30, 2017	0.2060%	\$ 2,781,245	\$ -	\$ 2,781,245	\$ 2,114,403	131.54%	85.43%
June 30, 2016	0.1910%	\$ 7,665,162	\$ -	\$ 7,665,162	\$ 1,893,219	404.87%	63.88%
June 30, 2015	0.1980%	\$ 2,249,743	\$ -	\$ 2,249,743	\$ 1,807,508	124.47%	86.61%

*Note: This schedule is intended to present 10 years and will be updated as information becomes available.*

**POLK COUNTY  
CROOKSTON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

I. Budgetary Information

A. Budget Policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. 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 Finance Director so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds a public hearing, and then a final budget must be prepared and adopted no later than December 31.

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

B. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>General Fund</b>			
<b>General government</b>			
Attorney	\$ 1,338,885	\$ 1,315,071	\$ (23,814)
Buildings and grounds	2,054,050	1,879,225	(174,825)
Commissioners	331,473	315,058	(16,415)
Court services	161,457	126,700	(34,757)
Central services	343,417	311,000	(32,417)
Law library	64,441	-	(64,441)
Taxpayer service center	867,832	826,346	(41,486)
Personnel	467,249	426,447	(40,802)
Surveyor	299,764	275,102	(24,662)
Other general government	2,002,885	240,500	(1,762,385)
<b>Culture and recreation</b>			
Parks	116,308	94,500	(21,808)
<b>Conservation of natural resources</b>			
Forfeited land	16,704	-	(16,704)
Soil and water conservation	129,801	121,350	(8,451)
<b>Debt service</b>			
Principal retirement	6,090,541	1,625,000	(4,465,541)
Interest	414,408	276,020	(138,388)
<b>Capital outlay</b>			
Public safety	1,437,669	-	(1,437,669)

**POLK COUNTY  
CROOKSTON, MINNESOTA**

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>Road and Bridge Special Revenue Fund</b>			
<b>Highways and streets</b>			
Administration	\$ 577,304	\$ 526,044	\$ (51,260)
Maintenance	4,484,805	3,902,308	(582,497)
Construction	6,653,880	4,968,862	(1,685,018)
Equipment maintenance and shop	1,607,920	1,280,406	(327,514)
Township roads	1,969,011	1,146,000	(823,011)
Other highways and streets	590,572	100,000	(490,572)
<b>Debt service</b>			
Principal retirement	1,199,358	1,100,000	(99,358)
Interest	169,583	140,000	(29,583)
<b>Capital outlay</b>			
Highways and streets	27,871	20,000	(7,871)
<b>Social Services Special Revenue Fund</b>			
<b>Debt service</b>			
Interest	4,595	-	(4,595)
<b>Capital outlay</b>			
Human services	95,859	4,600	(91,259)
<b>Ditch Special Revenue Fund</b>			
<b>Conservation of natural resources</b>			
Administration	58,840	-	(58,840)
Ditch maintenance and repairs	428,509	149,600	(278,909)
Middle River/Snake River Watershed	3,766	-	(3,766)
Red Lake Watershed	15,588	-	(15,588)
<b>Environmental Services Special Revenue Fund</b>			
<b>Debt service</b>			
Principal retirement	13,482	-	(13,482)
Interest	3,836	-	(3,836)
<b>Capital outlay</b>			
Sanitation	71,918	25,000	(46,918)
<b>Public Safety Special Revenue Fund</b>			
<b>Public safety</b>			
Sheriff	5,168,648	4,876,602	(292,046)
Body armor	10,555	4,000	(6,555)
Boat and water safety	24,521	22,026	(2,495)
Enhanced 911 system	152,994	129,405	(23,589)
<b>Debt service</b>			
Principal retirement	123,318	95,370	(27,948)
Interest	26,063	19,234	(6,829)

II. Other Post-Employment Benefits (OPEB)

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits. For more information, refer to Schedule 5 of this section and the Notes to the Financial Statements Section IV., Other Post-Employment Benefits.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

II. Other Post-Employment Benefits (OPEB) (Continued)

2022 Changes

*Changes in Actuarial Assumptions:*

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50 percent to 2.00 percent.
- These changes decreased the liability \$19,333.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

2021 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2020 Changes

*Changes in Actuarial Assumptions*

- 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.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2019 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

II. Other Post-Employment Benefits (OPEB)

2018 Changes

*Changes in Actuarial Assumptions (Continued)*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

The information presented in the required supplementary schedules was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the County Commissioners. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

**General Employees Fund**

2022 Changes

*Changes in Actuarial Assumptions*

- The health care trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated.
- The discount rate was changed from 3.80 percent to 2.00 percent.

*Changes in Plan Provisions*

- There were no changes in plan provisions since the previous valuation.

2021 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There were no changes in plan provisions since the previous valuation.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund (Continued)**

2020 Changes

*Changes in Actuarial Assumptions*

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results 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 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 annuitant 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% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

*Changes in Plan Provisions*

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020, through December 31, 2023, and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

*Changes in Actuarial Assumptions*

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund**

2018 Changes (Continued)

*Changes in Plan Provisions*

- 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.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 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 Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumption.

2017 Changes

*Changes in Actuarial Assumptions*

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

*Changes in Plan Provisions*

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

*Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

IV. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund (Continued)**

2015 Changes

*Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

*Changes in Plan Provisions*

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

**Police and Fire Fund**

2022 Changes

*Changes in Actuarial Assumptions*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate was changed from 6.5 percent to 5.4 percent.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2021 Changes

*Changes in Actuarial Assumptions*

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.0 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 MP-2019 to MN-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 disable 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 1, 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 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 changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Police and Fire Fund**

2021 Changes (Continued)

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2020 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2019 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2018 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- Postretirement benefit increases were 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.
- New 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 from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- 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.
- 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.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Police and Fire Fund**

2018 Changes

*Changes in Plan Provisions (Continued)*

disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

- 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.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- 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 postretirement 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.

2017 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2016 Changes

*Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015 Changes

*Changes in Actuarial Assumptions*

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.
- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 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, intragovernmental 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 by 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 Funds**

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

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	<b>(Statement 3) Total Nonmajor Special Revenue Funds</b>	<b>(Statement 5) Total Nonmajor Debt Service Funds</b>	<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b><u>Assets</u></b>			
<b>Assets</b>			
Cash and pooled investments	\$ 5,439,519	\$ 67,965	\$ 5,507,484
Investments	212,606	144,546	357,152
Taxes receivable - prior	4,803	-	4,803
Special assessments receivable - prior	243,006	2,076	245,082
Accounts receivable	41,506	-	41,506
Due from other funds	173,678	-	173,678
Due from other governments	335,230	-	335,230
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b>\$ 6,450,348</b>	<b>\$ 214,587</b>	<b>\$ 6,664,935</b>
<b>Deferred Outflows</b>			
Grants	210,645	-	210,645
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Assets</b>	<b>\$ 6,660,993</b>	<b>\$ 214,587</b>	<b>\$ 6,875,580</b>
<b><u>Liabilities, Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 236,515	\$ -	\$ 236,515
Salaries payable	106,878	-	106,878
Due to other funds	271,807	-	271,807
Due to other governments	60,348	-	60,348
Advances from other funds	575,268	19,401	594,669
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities</b>	<b>\$ 1,250,816</b>	<b>\$ 19,401</b>	<b>\$ 1,270,217</b>
<b>Deferred Inflows of Resources</b>			
Taxes	\$ 2,872	\$ -	\$ 2,872
Special assessments	368,078	1,227	369,305
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Deferred Inflows of Resources</b>	<b>\$ 370,950</b>	<b>\$ 1,227</b>	<b>\$ 372,177</b>
<b>Fund Balances</b>			
Restricted	\$ 1,464,268	\$ 193,959	\$ 1,658,227
Assigned	4,230,048	-	4,230,048
Unassigned	(655,089)	-	(655,089)
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Fund Balances</b>	<b>\$ 5,039,227</b>	<b>\$ 193,959</b>	<b>\$ 5,233,186</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 6,660,993</b>	<b>\$ 214,587</b>	<b>\$ 6,875,580</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**POLK, COUNTY  
CROOKSTON, MINNESOTA**

*Statement 2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	(Statement 4) Total Nonmajor Special Revenue Funds	(Statement 6) Total Nonmajor Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit 5)
<b>Revenues</b>				
Taxes	\$ 1,256,755	\$ -	\$ -	\$ 1,256,755
Special assessments	2,580,615	741	-	2,581,356
Licenses and permits	47,115	-	-	47,115
Intergovernmental	2,076,113	-	82,634	2,158,747
Charges for services	1,186,887	-	-	1,186,887
Investment earnings	41	427	-	468
Miscellaneous	142,233	-	-	142,233
<b>Total Revenues</b>	<b>\$ 7,289,759</b>	<b>\$ 1,168</b>	<b>\$ 82,634</b>	<b>\$ 7,373,561</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ 576,378	\$ -	\$ -	\$ 576,378
Sanitation	2,186,185	-	4	2,186,189
Health	3,251,836	-	-	3,251,836
Culture and recreation	282,275	-	-	282,275
Conservation of natural resources	565,562	-	-	565,562
<b>Debt service</b>				
Principal retirement	13,482	-	290,000	303,482
Interest	3,836	-	165,825	169,661
<b>Capital outlay</b>				
Sanitation	71,918	-	-	71,918
<b>Total Expenditures</b>	<b>\$ 6,951,472</b>	<b>\$ -</b>	<b>\$ 455,829</b>	<b>\$ 7,407,301</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 338,287</b>	<b>\$ 1,168</b>	<b>\$ (373,195)</b>	<b>\$ (33,740)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 22,255	\$ -	\$ 490,000	\$ 512,255
Transfers out	(140,000)	-	(22,255)	(162,255)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (117,745)</b>	<b>\$ -</b>	<b>\$ 467,745</b>	<b>\$ 350,000</b>
<b>Net Change in Fund Balance</b>	<b>\$ 220,542</b>	<b>\$ 1,168</b>	<b>\$ 94,550</b>	<b>\$ 316,260</b>
<b>Fund Balance - January 1</b>	<b>4,818,685</b>	<b>192,791</b>	<b>\$ (94,550)</b>	<b>4,916,926</b>
<b>Fund Balance - December 31</b>	<b>\$ 5,039,227</b>	<b>\$ 193,959</b>	<b>\$ -</b>	<b>\$ 5,233,186</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

***Statement 3***

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2022**

	<b>Agassiz Regional Library Special Revenue Fund</b>	<b>Ditch Special Revenue Fund</b>	<b>Environmental Services Special Revenue Fund</b>	<b>Public Health Special Revenue Fund</b>	<b>Total Nonmajor Special Revenue Funds (Statement 1)</b>
<b><u>Assets</u></b>					
<b>Assets</b>					
Cash and pooled investments	\$ 15,426	\$ 754,362	\$ 2,796,327	\$ 1,873,404	\$ 5,439,519
Investments	-	212,606	-	-	212,606
Taxes receivable - prior	4,782	-	21	-	4,803
Special assessments receivable - prior	-	22,254	220,752	-	243,006
Accounts receivable	-	-	7,472	34,034	41,506
Due from other funds	-	-	77,483	96,195	173,678
Due from other governments	-	-	46,816	288,414	335,230
<b>Total Assets</b>	<b>\$ 20,208</b>	<b>\$ 989,222</b>	<b>\$ 3,148,871</b>	<b>\$ 2,292,047</b>	<b>\$ 6,450,348</b>
<b>Deferred Outflows</b>					
Special assessments	-	210,645	-	-	210,645
<b>Total Assets</b>	<b>\$ 20,208</b>	<b>\$ 1,199,867</b>	<b>\$ 3,148,871</b>	<b>\$ 2,292,047</b>	<b>\$ 6,660,993</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ 72,540	\$ 128,778	\$ 35,197	\$ 236,515
Salaries payable	-	-	23,455	83,423	106,878
Due to other funds	-	1,438	268,545	1,824	271,807
Due to other governments	-	-	58,447	1,901	60,348
Advances from other funds	-	575,268	-	-	575,268
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 649,246</b>	<b>\$ 479,225</b>	<b>\$ 122,345</b>	<b>\$ 1,250,816</b>
<b>Deferred Inflows of Resources</b>					
Taxes	\$ 2,859	\$ -	\$ 13	\$ -	\$ 2,872
Special assessments	-	236,106	131,972	-	368,078
<b>Total Deferred Inflows of Resources</b>	<b>\$ 2,859</b>	<b>\$ 236,106</b>	<b>\$ 131,985</b>	<b>\$ -</b>	<b>\$ 370,950</b>
<b>Fund Balances</b>					
Restricted	\$ -	\$ 969,604	\$ 494,664	\$ -	\$ 1,464,268
Assigned	17,349	-	2,042,997	2,169,702	4,230,048
Unassigned	-	(655,089)	-	-	(655,089)
<b>Total Fund Balances</b>	<b>\$ 17,349</b>	<b>\$ 314,515</b>	<b>\$ 2,537,661</b>	<b>\$ 2,169,702</b>	<b>\$ 5,039,227</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 20,208</b>	<b>\$ 1,199,867</b>	<b>\$ 3,148,871</b>	<b>\$ 2,292,047</b>	<b>\$ 6,660,993</b>

**POLK, COUNTY  
CROOKSTON, MINNESOTA**

**Statement 4**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Agassiz Regional Library Special Revenue Fund	Ditch Special Revenue Fund	Environmental Services Special Revenue Fund	Public Health Special Revenue Fund	Total Nonmajor Special Revenue Funds (Statement 2)
<b>Revenues</b>					
Taxes	\$ 275,948	\$ -	\$ 363,177	\$ 617,630	\$ 1,256,755
Special assessments	-	227,431	2,353,184	-	2,580,615
Licenses and permits	-	-	47,115	-	47,115
Intergovernmental	4,545	-	387,102	1,684,466	2,076,113
Charges for services	-	1,970	295,852	889,065	1,186,887
Investment earnings	-	41	-	-	41
Miscellaneous	-	19,647	100,668	21,918	142,233
<b>Total Revenues</b>	<b>\$ 280,493</b>	<b>\$ 249,089</b>	<b>\$ 3,547,098</b>	<b>\$ 3,213,079</b>	<b>\$ 7,289,759</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ -	\$ 576,378	\$ -	\$ 576,378
Sanitation	-	-	2,186,185	-	2,186,185
Health	-	-	-	3,251,836	3,251,836
Culture and recreation	282,275	-	-	-	282,275
Conservation of natural resources	-	506,703	58,859	-	565,562
<b>Debt service</b>	-	-	-	-	-
Principal retirement	-	-	13,482	-	13,482
Interest	-	-	3,836	-	3,836
<b>Capital outlay</b>					
Sanitation	-	-	71,918	-	71,918
<b>Total Expenditures</b>	<b>\$ 282,275</b>	<b>\$ 506,703</b>	<b>\$ 2,910,658</b>	<b>\$ 3,251,836</b>	<b>\$ 6,951,472</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,782)</b>	<b>\$ (257,614)</b>	<b>\$ 636,440</b>	<b>\$ (38,757)</b>	<b>\$ 338,287</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	\$ -	\$ -	\$ 22,255	\$ -	\$ 22,255
Transfers out	-	-	(140,000)	-	(140,000)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (117,745)</b>	<b>\$ -</b>	<b>\$ (117,745)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (1,782)</b>	<b>\$ (257,614)</b>	<b>\$ 518,695</b>	<b>\$ (38,757)</b>	<b>\$ 220,542</b>
<b>Fund Balance - January 1</b>	<b>19,131</b>	<b>572,129</b>	<b>2,018,966</b>	<b>2,208,459</b>	<b>4,818,685</b>
<b>Fund Balance - December 31</b>	<b>\$ 17,349</b>	<b>\$ 314,515</b>	<b>\$ 2,537,661</b>	<b>\$ 2,169,702</b>	<b>\$ 5,039,227</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

Statement 5

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2022**

	<u>Rhinehart Project Debt Service Fund</u>	<u>Union Lake Lake Sarah Debt Service Fund</u>	<u>Total Nonmajor Debt Service Funds (Statement 1)</u>
<b><u>Assets</u></b>			
<b>Assets</b>			
Cash and pooled investments	\$ 66,375	\$ 1,590	\$ 67,965
Investments	-	144,546	144,546
Special assessments receivable - prior	-	2,076	2,076
<b>Total Assets</b>	<b><u>\$ 66,375</u></b>	<b><u>\$ 148,212</u></b>	<b><u>\$ 214,587</u></b>
<b><u>Deferred Inflows of Resources and Fund Balances</u></b>			
<b>Liabilities</b>			
Advance from other funds	\$ -	\$ 19,401	\$ 19,401
<b>Deferred Inflows of Resources</b>			
Special assessments	-	1,227	1,227
<b>Fund Balances</b>			
Restricted for Debt service	66,375	127,584	193,959
<b>Total Deferred Inflows and Fund Balances and Fund Balances</b>	<b><u>\$ 66,375</u></b>	<b><u>\$ 148,212</u></b>	<b><u>\$ 214,587</u></b>

**POLK, COUNTY  
CROOKSTON, MINNESOTA**

*Statement 6*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR DEBT SERVICE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Rhinehart Project Debt Service Fund</b>	<b>Union Lake Lake Sarah Debt Service Fund</b>	<b>Total Nonmajor Debt Service Funds (Statement 2)</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Revenues</b>			
Special assessments	\$ -	\$ 741	\$ 741
Investment earnings	-	427	427
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 1,168</b>	<b>\$ 1,168</b>
<b>Fund Balance - January 1</b>	<u>66,375</u>	<u>126,416</u>	<u>192,791</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 66,375</u></u>	<u><u>\$ 127,584</u></u>	<u><u>\$ 193,959</u></u>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 282,275	\$ 282,275	\$ 275,948	\$ (6,327)
Intergovernmental	-	-	4,545	4,545
<b>Total Revenues</b>	<b>\$ 282,275</b>	<b>\$ 282,275</b>	<b>\$ 280,493</b>	<b>\$ (1,782)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Culture and recreation</b>				
Regional library	282,275	282,275	282,275	-
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,782)</b>	<b>\$ (1,782)</b>
<b>Fund Balance - January 1</b>	<b>19,131</b>	<b>19,131</b>	<b>19,131</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 19,131</b>	<b>\$ 19,131</b>	<b>\$ 17,349</b>	<b>\$ (1,782)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 9**

**BUDGETARY COMPARISON SCHEDULE  
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 343,869	\$ 343,869	\$ 363,177	\$ 19,308
Special assessments	2,395,000	2,395,000	2,353,184	(41,816)
Licenses and permits	56,500	56,500	47,115	(9,385)
Intergovernmental	326,656	326,656	387,102	60,446
Charges for services	207,000	207,000	295,852	88,852
Miscellaneous	161,500	161,500	100,668	(60,832)
<b>Total Revenues</b>	<b>\$ 3,490,525</b>	<b>\$ 3,490,525</b>	<b>\$ 3,547,098</b>	<b>\$ 56,573</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Planning and zoning	\$ 653,869	\$ 653,869	\$ 576,378	\$ 77,491
<b>Sanitation</b>				
Solid waste	1,554,297	1,554,297	1,283,008	271,289
Recycling	563,559	563,559	463,875	99,684
Hazardous waste	96,301	96,301	77,479	18,822
Transfer station	466,610	466,610	361,823	104,787
<b>Conservation of natural resources</b>				
Aquatic invasive species	72,737	72,737	58,859	13,878
<b>Debt service</b>				
Principal retirement	-	-	13,482	(13,482)
Interest	-	-	3,836	(3,836)
<b>Capital outlay</b>				
Sanitation	25,000	25,000	71,918	(46,918)
<b>Total Expenditures</b>	<b>\$ 3,432,373</b>	<b>\$ 3,432,373</b>	<b>\$ 2,910,658</b>	<b>\$ 521,715</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 58,152</b>	<b>\$ 58,152</b>	<b>\$ 636,440</b>	<b>\$ 578,288</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 254,844	\$ 254,844	\$ 22,255	\$ 277,099
Transfers out	(407,800)	(407,800)	(140,000)	267,800
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (152,956)</b>	<b>\$ (152,956)</b>	<b>\$ (117,745)</b>	<b>\$ 544,899</b>
<b>Net Change in Fund Balance</b>	<b>\$ (94,804)</b>	<b>\$ (94,804)</b>	<b>\$ 518,695</b>	<b>\$ 1,123,187</b>
<b>Fund Balance - January 1</b>	<b>2,018,966</b>	<b>2,018,966</b>	<b>2,018,966</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,924,162</b>	<b>\$ 1,924,162</b>	<b>\$ 2,537,661</b>	<b>\$ 1,123,187</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
PUBLIC HEALTH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 617,630	\$ 617,630	\$ 617,630	\$ -
Intergovernmental	1,796,477	1,796,477	1,684,466	(112,011)
Charges for services	815,300	815,300	889,065	73,765
Miscellaneous	48,285	48,285	21,918	(26,367)
<b>Total Revenues</b>	<b>\$ 3,277,692</b>	<b>\$ 3,277,692</b>	<b>\$ 3,213,079</b>	<b>\$ (64,613)</b>
<b>Expenditures</b>				
<b>Current Health</b>				
Nursing service	3,438,548	3,438,548	3,251,836	186,712
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (160,856)</b>	<b>\$ (160,856)</b>	<b>\$ (38,757)</b>	<b>\$ 122,099</b>
<b>Fund Balance - January 1</b>	<b>2,208,459</b>	<b>2,208,459</b>	<b>2,208,459</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,047,603</b>	<b>\$ 2,047,603</b>	<b>\$ 2,169,702</b>	<b>\$ 122,099</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 11**

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ 149,600	\$ 149,600	\$ 227,431	\$ 77,831
Charges for services	-	-	1,970	1,970
Investment earnings	-	-	41	41
<b>Total Revenues</b>	<b>\$ 149,600</b>	<b>\$ 149,600</b>	<b>\$ 249,089</b>	<b>\$ 99,489</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Administration	\$ -	\$ -	\$ 58,840	\$ (58,840)
Ditch maintenance and repair	149,600	149,600	428,509	(278,909)
Middle River/Snake River Watershed	-	-	3,766	(3,766)
Red Lake Watershed	-	-	15,588	(15,588)
<b>Total Expenditures</b>	<b>\$ 149,600</b>	<b>\$ 149,600</b>	<b>\$ 506,703</b>	<b>\$ (357,103)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (257,614)</b>	<b>\$ (257,614)</b>
<b>Fund Balance - January 1</b>	<b>572,129</b>	<b>572,129</b>	<b>572,129</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 572,129</b>	<b>\$ 572,129</b>	<b>\$ 314,515</b>	<b>\$ (257,614)</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**FIDUCIARY FUNDS**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

**CUSTODIAL FUNDS**

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

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.

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.

Agency – to account for the collection of taxes and penalties and their payment to the various tax districts.

Watershed District – to account for the collection of special assessments and their payment to the various Watershed District.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

Statement 7

**COMBINING STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS - CUSTODIAL FUNDS  
DECEMBER 31, 2022**

	<u>Custodial Funds</u>					<u>Total Other Custodial Funds</u>
	<u>Polk County Collaborative</u>	<u>Multi-County Data Planning</u>	<u>Polk-Norman Mahnommen Community Health Board</u>	<u>Tri-County Community Corrections</u>	<u>Agency</u>	
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 131,830	\$ 16,360	\$ 2,070	\$ 839,644	\$ 1,636,432	\$ 2,626,336
Due from other governments	-	-	774,598	-	6,276	780,874
Accounts receivable	5,040	-	-	19,328	66,385	90,753
<b>Total Assets</b>	<b>\$ 136,870</b>	<b>\$ 16,360</b>	<b>\$ 776,668</b>	<b>\$ 858,972</b>	<b>\$ 1,709,093</b>	<b>\$ 3,497,963</b>
<b><u>Liabilities</u></b>						
Accounts payable	\$ 1,250	-	\$ 14,166	-	-	\$ 15,416
Due to other governments	-	-	762,468	-	24,429	786,897
<b>Total Liabilities</b>	<b>\$ 1,250</b>	<b>\$ -</b>	<b>\$ 776,634</b>	<b>\$ -</b>	<b>\$ 24,429</b>	<b>\$ 802,313</b>
<b><u>Net Position</u></b>						
Restricted for Individuals, organizations, and other governments	<b>\$ 135,620</b>	<b>\$ 16,360</b>	<b>\$ 34</b>	<b>\$ 858,972</b>	<b>\$ 1,684,664</b>	<b>\$ 2,695,650</b>

**POLK COUNTY  
CROOKSTON, MINNESOTA**

Statement 8

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS - CUSTODIAL FUNDS  
DECEMBER 31, 2022**

	Custodial Funds						Total Other Custodial Funds
	Polk County Collaborative	Multi-County Data Planning	Polk-Norman Mahnomon Community Health Board	Tri-County Community Corrections	Agency	Watershed District	
<b>Additions</b>							
Contributions:							
Participants	\$ 6,480						\$ 6,480
Investment earnings:							
Interest, dividends, other	-			14,220	-	-	14,220
Intergovernmental receipts for other governments	74,801		2,331,247	-	77,944	-	2,483,992
Fees collected for services				9,500,452	121,380		9,621,832
Property tax collections for other governments	-	-	-	-	96,877,668	483,541	97,361,209
<b>Total Additions</b>	<b>\$ 81,281</b>	<b>\$ -</b>	<b>\$ 2,331,247</b>	<b>\$ 9,514,672</b>	<b>\$ 97,076,992</b>	<b>\$ 483,541</b>	<b>\$ 109,487,733</b>
<b>Deductions</b>							
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -	\$ 92,950,823	\$ 483,541	\$ 93,434,364
Payments to state	-	-	-	-	3,771,437	-	3,771,437
Administrative expense	17,036	-	-	10,198,576	32,602	-	10,248,214
Payments to other entities/individuals	73,983	-	2,902,120	-	79,186	-	3,055,289
<b>Total Deductions</b>	<b>\$ 91,019</b>	<b>\$ -</b>	<b>\$ 2,902,120</b>	<b>\$ 10,198,576</b>	<b>\$ 96,834,048</b>	<b>\$ 483,541</b>	<b>\$ 110,509,304</b>
<b>Change in net position</b>	<b>\$ (9,738)</b>	<b>\$ -</b>	<b>\$ (570,873)</b>	<b>\$ (683,904)</b>	<b>\$ 242,944</b>	<b>\$ -</b>	<b>\$ (1,021,571)</b>
Net Position – January 1	145,358	16,360	570,907	1,542,876	1,441,720	-	3,717,221
Net Position – December 31	<u><u>\$ 135,620</u></u>	<u><u>\$ 16,360</u></u>	<u><u>\$ 34</u></u>	<u><u>\$ 858,972</u></u>	<u><u>\$ 1,684,664</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,695,650</u></u>

## **OTHER SCHEDULES**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Schedule 12**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Shared Revenue**

**State**

Aquatic Invasive Species Prevention Aid	\$	65,514
Border city reimbursement		29,214
County program aid		1,394,403
Enhanced 911		213,969
Disparity reduction aid		76,558
Disparity reduction credit		736,039
Highway users tax		12,058,835
Market value credit		420,484
Out-of-home placement		21,916
Police state aid		289,642
Riparian aid		160,000

**Total Shared Revenue** **\$ 15,466,574**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	2,196,687
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**Grants**

**Local**

Headwaters Regional Development	\$	23,512
Middle River-Snake River Watershed District		150,767
Other local		174,947

**Total Local** **\$ 349,226**

**State**

**Minnesota Department/Board of**

Corrections	\$	18,705
Health		648,844
Human Services		4,351,451
Natural Resources		10,029
Peace Officer Standards and Training		30,445
Pollution Control Agency		181,940
Public Safety		150,540
Secretary of State		17,779
Transportation		912,373
Veterans Affairs		10,000
Water and Soil Resources		75,767

**Total State** **\$ 6,407,873**

**Federal**

**Department of**

Agriculture	\$	722,164
Justice		157,223
Transportation		1,199,071
Treasury		1,583,263
Election Assistance Commission		48,814
Health and Human Services		4,494,915
Homeland Security		549,712

**Total Federal** **\$ 8,755,162**

**Total Grants** **\$ 15,512,261**

**Total Intergovernmental Revenue** **\$ 33,175,522**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 13*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Agriculture</b>				
Passed Through Polk-Norman-Manomen Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	\$ 206,372	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	515,792	-
<b>Total U.S. Department of Agriculture</b>			<b>\$ 722,164</b>	<b>\$ -</b>
<b>U.S. Department of Justice</b>				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2022-POLKAO	\$ 157,223	\$ -
<b>U.S. Department of Transportation</b>				
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster Highway Planning and Construction	20.205	1030060	\$ 1,199,071	\$ -
<b>U.S. Department of the Treasury</b>				
Direct Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	Not provided	\$ 1,069,379	\$ 993,897
Nutrition Assistance Program	21.032	Not provided	62,294	-
<b>Total U.S. Department of the Treasury</b>			<b>\$ 1,131,673</b>	<b>\$ 993,897</b>
<b>U.S. Election Assistance Commission</b>				
Passed Through Minnesota Secretary of State HAVA Election Security Grants	90.404	Not provided	\$ 48,814	\$ -
<b>U.S. Department of Health and Human Services</b>				
Passed Through Polk-Norman-Manomen Community Health Board Public Health Emergency Preparedness	93.069	Not provided	\$ 20,118	\$ -
Universal Newborn Hearing Screening	93.251	Not provided	600	-
Immunization Cooperative Agreements	93.268	Not provided	29,693	-
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	Not provided	120,777	-
Passed Through Polk-Norman-Manomen Community Health Board PHER: Cooperative Agreement for Emergency Response	93.354	Not provided	\$ 34,910	\$ -
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556		3,408	-
Temporary Assistance for Needy Families	93.558	2201MNTANF	\$ 874,391	-
Passed Through Polk-Norman-Manomen Community Health Board Temporary Assistance for Needy Families	93.558	Not provided	132,838	1,007,229
Passed Through Minnesota Department of Human Services Child Support Enforcement	93.563	2204MNCSEST	839,718	-
Refugee and Entrant Assistance	93.566	2201MNRCA	823	-
CCDF Cluster Child Care and Development Block Grant	93.575	2201MNCCDF	7,793	-
Community Based Child Abuse Prevention Grants	93.590	2201MNBCAP	9,360	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2002MNCWSS	3,869	-

**POLK COUNTY  
CROOKSTON, MINNESOTA**

*Schedule 13  
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures	Passed Through to Subrecipients
<b>U.S. Department of Health and Human Services (Continued)</b>				
Passed Through Minnesota Department of Human Services Foster Care Title IV-E	93.658	2201MNFOST	316,427	-
Social Services Block Grant	93.667	2201MNSOSR	282,313	-
Child Abuse and Neglect State Grants	93.669	2201MNNCAN	5,075	-
Chafee Foster Care Independence Program	93.674	2201MNCILP	124,338	-
Children's Health Insurance Program	93.767	2205MN5022	4,290	-
Medicaid Cluster Medical Assistance Program	93.778	2205MN5ADM	\$ 1,321,540	-
Passed Through Polk-Norman-Manomen Community Health Board Medical Assistance Program	93.778	Not provided	105,492	-
The Affordable Care Act: Centers for Disease Control and Prevention - Maternal, Infant, and Early Childhood Home Visiting Program	93.870	Not provided	18,091	-
Passed Through Minnesota Department of Human Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08T1010027/B081083047	194,225	-
Passed Through Polk-Norman-Manomen Community Health Board Maternal and Child Health Services Block Grant to the States	93.994	Not provided	44,826	-
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 4,494,915</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 44,464	\$ -
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance	97.036	EMPG-20221121-4794/4793	480,122	-
Emergency Management Performance Grants	97.042		25,126	-
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 549,712</b>	<b>\$ -</b>
<b>Total Federal Awards</b>			<b>\$ 8,303,572</b>	<b>\$ 993,897</b>
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 515,792	
Total expenditures for Highway Planning and Construction Cluster			1,199,071	
Total expenditures for CCDF Cluster			7,793	
Total expenditures for Medicaid Cluster			1,427,032	

**POLK COUNTY  
CROOKSTON, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

I. 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 I to the financial statements.

II. 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, 2022. 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 or changes in net position of Polk County.

III. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited to reimbursement. Polk County has elected to not use the 10 percent de minimis indirect cost rate allowed under Uniform Guidance.

IV. Subrecipients

During 2022, the County passed through direct federal awards to subrecipients under federal award CFDA 21.027 in the amount of \$993,897.

V. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 8,755,162
<i>Less:</i>	
Amounts received for American Recovery Plan remaining unspent	<u>(451,590)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 8,303,572</u></u>

## **MANAGEMENT AND COMPLIANCE SECTION**

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



## Hoffman, Philipp, & Martell, PLLC

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### **INDEPENDENT AUDITOR'S 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**

Board of County Commissioners  
Polk County  
Crookston, Minnesota

We have audited, in accordance with the 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 as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 3, 2024.

#### **Internal Control Over Financial Reporting**

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

*A deficiency in internal control* 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 County'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. However,

material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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 2022-004. Also, in connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflict of interest, public indebtedness, and claims and disbursements sections of *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Other Matters**

Included in the Schedule of Findings and Questioned Costs is a management practices comment identified as item 2022-003. We believe this recommendation to be of benefit to the County.

### **Polk County's Responses to Findings**

The County's responses to the findings identified in our audit and their Corrective Action Plan have been included in the accompanying Schedule of Findings and Questioned Costs. The County's responses and their Corrective Action Plan 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 result 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.



Hoffman, Philipp, & Martell, PLLC  
April 3, 2024

Colleen Hoffman, Director  
Crystelle Philipp, CPA  
Marit Martell, CPA



## Hoffman, Philipp, & Martell, PLLC

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### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE***

Board of County Commissioners  
Polk County  
Crookston, Minnesota

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on the Major Federal Programs***

We have audited Polk County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2022. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2022.

##### ***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 Auditors 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.

### ***Responsibility 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.
- 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.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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.

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. Given these limitations, during our audit we did not identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-003, that we consider to be a significant deficiency.

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.

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.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive, flowing style.

Hoffman, Philipp, & Martell, PLLC  
April 3, 2024

**POLK COUNTY  
CROOKSTON, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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

- A. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**
- B. **Financial Statements**
- Internal control over financial reporting:
- Material weaknesses identified? **No**
  - Significant deficiencies identified? **Yes**
- C. Noncompliance material to the financial statements noted? **No**
- D. **Federal Awards**
- Internal control over major programs:
- Material weaknesses identified? **No**
  - Significant deficiencies identified? **Yes**
- E. Type of report the auditor issued on compliance for major federal programs: **Unmodified**
- F. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  
**Yes**
- G. The major federal programs were:
- |  |                     |
|--|---------------------|
| <b>Highway Planning, Construction</b>                  | <b>CFDA #20.205</b> |
| <b>American Rescue Plan Act</b>                        | <b>CFDA #21.027</b> |
| <b>Medicaid Cluster<br/>Medical Assistance Program</b> | <b>CFDA #93.778</b> |
- H. The threshold for distinguishing between Types A and B programs was \$750,000.
- I. Polk County qualified as a low-risk auditee? **No**

**POLK COUNTY  
CROOKSTON, MINNESOTA**

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED:**

**Finding Number: 2022-001**

**Prior Year Finding Number(s): 2021-001 and 2021-002**

**Repeat Finding Since: 1996 and 2015**

**Finding Title: Segregation of Duties and Internal Controls**

**Criteria:** The financial statements are the responsibility of the County's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the County's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. These controls must include a process for monitoring controls to ensure effectiveness and efficiency of operations.

**Condition:** Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The County does not have a process for monitoring to ensure the internal controls are effective. Due to the limited number of personnel within the County, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

**Context:** The small size and staffing of within the County limits the segregation of duties and internal control that management can design and implement. Although the County has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

**Effect:** Without documented internal controls and a process for monitoring internal controls, the County cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

**Cause:** The County has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

**Recommendation:** Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend Polk County formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

**County's Response:** *The small size of the County limits the number of personnel available to perform separate duties, however, the County Board is aware of this situation and provides oversight and review. The County does have some written policies and continues to work on improving internal control over financial reporting and compliance, and the documentation of those controls.*

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Note:** The following prior year findings have been combined into finding number 2022-001: Segregation of Duties and Internal Controls:

- Finding Number: 2021-001      Segregation of Duties
- Finding Number: 2021-002      Internal Controls

**Finding Number: 2022-002**

**Prior Year Finding Number(s): 2021-006**

**Repeat Finding Since: 2001**

**Finding Title: Capital Assets Accounting System**

**Criteria:** To ensure consistent and accurate safekeeping, insurance, and reporting, the County should maintain a centralized record of all assets owned and leased by the County.

**Condition:** The County does not have centralized capital asset records. Several departments keep their own records.

**Context:** Capital asset records are maintained in several departments with varying degrees of detail and accuracy. Some departments only record purchases of capital assets after each year-end. Some departments do not do annual reviews of the capital asset records to determine if all assets listed are still on hand and being used. Additionally, not all items sold or discarded are consistently removed from the records of the County.

**Effect:** Decentralization of capital assets accounting creates an environment that could allow capital assets of the County to be handled differently depending upon which department is maintaining the records. As a result, the actual value of the County's capital assets could be different from what is being reported.

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

**Recommendation:** We recommend the County centralize the capital assets accounting system.

**County's Response:** *Management recognizes this control deficiency exists and has indicated that they agree centralized capital assets should be implemented, however, no progress has been made toward the completion of the goal.*

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

#### **ITEM ARISING THIS YEAR:**

**Finding Number: 2022-003**

**Finding Title: Late Financial Reporting**

**Criteria:** The Uniform Guidance states that an auditee must submit a data collection form and audit reporting package to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

**Condition:** Polk County did not submit the data collection form to the Federal Audit Clearinghouse within the required time frame.

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**Context:** The County was in violation of the reporting requirements when their audit was not completed until 12 months after the end of the fiscal year.

**Effect:** This also occurred in 2021 and 2020 but was not written as a finding by prior auditors.

**Cause:** The current engagement was accepted at a very late date which delayed the auditors in the completion of the auditor report.

**Recommendation:** The annual County audit should be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

**County's Response:** *The County Finance Director will monitor the progress of the completion of financial statements and the annual audit in the future so that the audit will be completed on a timely basis as described in our corrective action plan.*

**IV. LEGAL COMPLIANCES**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED:**

**Finding Number:** 2022-004

**Prior Year Finding Number:** 2021-005

**Repeat Finding Since:** 2020

**Finding Title:** Publication of Board Minutes

**Criteria:** Minnesota statutes contain requirements for publishing County Board minutes and budgets.

**Condition:** The County was not in compliance with the following State of Minnesota legal requirements: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its sessions, or a summary published in a qualified newspaper of general circulation in the County. The affidavits of publication related to the publishing of a summary of the County Board minutes for 2022 were reviewed. Six summaries were not published in the County's official newspaper within the 30-day requirement.

**Context:** Published summaries of the official proceedings of the County Board were reviewed; six were published within the 30-day requirement.

**Effect:** Noncompliance with Minn. Stat. § 375.12 and 375.169.

**Cause:** County staff stated this was an oversight.

**Recommendation:** We recommend the County publish summaries of the County Board minutes in compliance with Minn. Stat. § 375.12 and publish the summary budget statement in compliance with Minn. Stat. § 375.169.

**County's Response:** *The County is aware of the issue and hopes to resolve this issue.*

**POLK COUNTY  
CROOKSTON, MINNESOTA**

**V. MANAGEMENT PRACTICES**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED:**

**Finding Number: 2022-005**

**Prior Year Finding Number: 2021-007**

**Repeat Finding Since: 2007**

**Finding Title: County Ditch Deficit Fund Balances**

**Criteria:** Minnesota Statute, § 103E.735, subdivision 1, provides that a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or \$100,000, whichever is larger.

**Condition:** 58 of the 183 individual ditch system had deficit fund balances at December 31, 2022, totaling \$664,044 the largest being \$201,433.

**Context:** Sometimes ditch maintenance and repair is necessary whether or not a fund balance reserve is currently available within a particular ditch system.

**Effect:** Without an adequate fund balance reserve, unplanned repairs cause the individual ditch system to incur a deficit fund balance until such time as funds can be assessed on the property owners to pay for the maintenance.

**Cause:** Individual ditch systems report a deficit fund balance whenever ditch maintenance and repair costs exceed available fund balance reserves.

**Recommendation:** We recommend that the County eliminate the individual ditch system fund balance deficits by levying assessments pursuant to Minnesota Statute, § 103E.735, which permits the accumulation of a surplus balance for future repairs and maintenance costs of a ditch system.

**County's Response:** The County Board levies each year in an attempt to provide enough funds to cover estimated work planned for in the coming year. Sometimes more work is required than the County Board feels the benefited owners can afford to pay in one year. The Board then spreads the levy over a number of years.

**VI. ITEMS RESOLVED THIS YEAR:**

- **Finding Number:** 2021-003  
**Finding Title:** Eligibility – Intake Function #93.778
  
- **Finding Number:** 2021-004  
**Finding Title:** Reporting - #93.778



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MARK HOLY, Vice-Chair, East Grand Forks

**COUNTY ADMINISTRATOR**  
CHARLES S. WHITING

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Finding Number: 2022-001**

**Finding Title: Segregation of Duties and Internal Controls**

**Name of Contact Person Responsible for Corrective Action:** Elected or Management Officials

**Corrective Action Planned:** Polk County is aware of the segregation of duties and internal controls issue. Due to limited staffing in some Polk County offices, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

**County Comment:** *The County Board and management are aware of the limited ability to segregate duties to an optimal level; however, oversight procedures have been implemented to provide compensating controls and continue to be improved whenever possible.*

**Anticipated Completion Date:** December 31, 2023.

**Finding Number: 2022-002**

**Finding Title: Capital Assets Accounting System**

**Name of Contact Person Responsible for Corrective Action:** Ron Denison, Finance Director

**Corrective Action Planned:** The Finance Department now plans to centralize the capital asset accounting system for all County assets.

**County Comment:** *The County agrees with the finding and intends to proceed with the plan as indicated.*

**Anticipated Completion Date:** December 31, 2023.

**Finding Number: 2022-003**

**Finding Title: Late Financial Reporting**

**Name of Contact Person Responsible for Corrective Action:** Ron Denison, Finance Director

**Corrective Action Planned:** Future annual County audits will be completed within nine months of the fiscal year end to allow for the timely submission of the data collection form and reporting package.

**County Comment:** *The County agrees with the finding and intends to proceed with the plan as indicated.*

**Anticipated Completion Date:** December 31, 2023.

**Finding Number:** 2022-004

**Finding Title:** Publication of Board Minutes

**Name of Contact Person Responsible for Corrective Action:** Charles Whiting, County Administrator

**Corrective Action Planned:** The County intends to comply with 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.

**County Comment:** *Beginning in January 2024 the County has switched newspapers and hopes this will assist in meeting statutory requirement for Board minutes publications.*

**Anticipated Completion Date:** December 31, 2023.

**Finding Number:** 2022-005

**Finding Title:** County Ditch Deficit Fund Balances

**Name of Contact Person Responsible for Corrective Action:** Ron Denison, Finance Director

**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.

**County Comment:** *The County agrees with the finding and intends to proceed with the plan as indicated.*

**Anticipated Completion Date:** December 31, 2024.



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**COUNTY ADMINISTRATOR**  
CHARLES S. WHITING

**SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Finding Number: 2021-001**  
**Repeat Finding Since: 1996**  
**Finding Title: Segregation of Duties**

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

**Summary of Corrective Action:** Management is continually aware that segregation of duties is not adequate from an internal control point of view. The County Board continues to implement oversight procedures and monitor those procedures to determine if they are still effective.

**Status:** Not fully corrected. This prior audit finding number and description has been combined into finding number 2022-001 – Segregation of Duties and Internal Controls.

**Finding Number: 2021-002**  
**Repeat Finding Since: 2015**  
**Finding Title: Internal Controls**

**Summary of Condition:** Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The County does not have a process for monitoring to ensure the internal controls are effective.

**Summary of Corrective Action:** The County has begun to formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

**Status:** Not fully corrected. This prior audit finding number and description has been combined into finding number 2022-001 – Segregation of Duties and Internal Controls.

**Finding Number: 2021-003**  
**Repeat Finding Since: 2017**  
**Finding Title: Eligibility – Intake Function**

**Summary of 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 participating 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:** 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.

**Status:** Resolved.

**Finding Number: 2021-004**

**Repeat Finding Since: 2020**

**Finding Title: Reporting - #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 to offset on the DHS-2550 Income Maintenance Quarterly Expense Report.

**Summary of Corrective Action:** The report has been reviewed, corrected, and resubmitted to the state.

**Status:** Resolved.

**Finding Number: 2021-005**

**Repeat Finding Since: 2020**

**Finding Title: Publishing 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 2021, the summaries were not published in the County's official newspaper within the 30-day requirement.

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

**Status:** Not corrected.

**Finding Number: 2021-006**

**Repeat Finding Since: 2001**

**Finding Title: Capital Assets Accounting System**

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

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

**Status:** Not corrected.

**Finding Number: 2021-007**

**Repeat Finding Since: 2007**

**Finding Title: Ditch Fund Balance Deficits**

**Summary of 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.

**Summary of Corrective Action:** 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.