

**POLK COUNTY
CROOKSTON, MINNESOTA**

YEAR ENDED DECEMBER 31, 2023



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, 2023

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Paul Reese	January 2025
2 nd District	Warren Strandell - Chair	January 2027
3 rd District	Gary Willhite – Vice Chair	January 2025
4 th District	Joan Lee	January 2027
5 th District	Mark Holy	January 2025
 Officers		
<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	University of North Dakota	Indefinite
Solid Waste Director	Jon Steiner	Indefinite
Surveyor	Vacant	Indefinite
Veterans Service Officer	Kurt Ellefson	November 2024
 <i>Welfare Board:</i>		
Commissioner	Warren Strandell	January 2027
Commissioner	Paul Reese	January 2025
Commissioner	Joan Lee	January 2027
Commissioner	Mark Holy – Vice Chair	January 2025
Commissioner	Gary Wilhite – Chair	January 2025
Lay-Board Member	Paula Waters – Secretary	July 2027
Lay-Board Member	Cathy Gutterud ⁱ	July 2026

ⁱ Replaced by Rani Bhattacharyya effective July 1, 2024.

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, 2023, 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, 2023, 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.

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 September 30, 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 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
September 30, 2024



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COMMISSIONERS

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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, 2023. 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 \$160,138,994, of which \$126,978,085 is the net investment in capital assets, \$12,492,127 is restricted for specific purposes, and \$20,668,782 is unrestricted. The total net position of governmental activities increased by \$19,279,240 for the year ended December 31, 2023. This is attributed mainly to highway infrastructure construction funded by State Aid, and a large decrease in net pension liability.

The total net position of business-type activities is \$14,956,052, of which \$16,988,355 is the net investment in capital assets, and a deficit of \$2,032,303 is unrestricted. The total net position of business-type activities decreased by \$1,043,955 for the year ended December 31, 2023. This is attributed mainly to a large operating loss in the Resource Recovery Fund.

At the close of 2023, the County’s governmental funds reported combined ending fund balances of \$38,607,149, a decrease of \$114,325 from the prior year, as a result of maintenance projects in the ditch fund. Of the total fund balance amount, \$2,793,106 is non-spendable, \$6,347,399 is legally or contractually restricted, \$529,961 is committed, \$23,293,428 is assigned for specific purposes, and \$5,643,255 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 \$175,095,046 at the close of 2023. The largest portion of the County's net position (approximately 82 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 7 percent of the County's net position is restricted, and 11 percent of the County's net position is unrestricted. The unrestricted net position amount of \$18,636,479, as of December 31, 2023, 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 \$10,767,320 and deferred outflows of resources related to pensions and other post-employment benefits decreased by \$2,839,016 from the prior year. Total liabilities decreased by \$18,215,284 and deferred inflows of resources related to pensions and other post-employment benefits increased by \$7,908,303 from the prior year. This resulted in an increased net position of \$18,235,285.

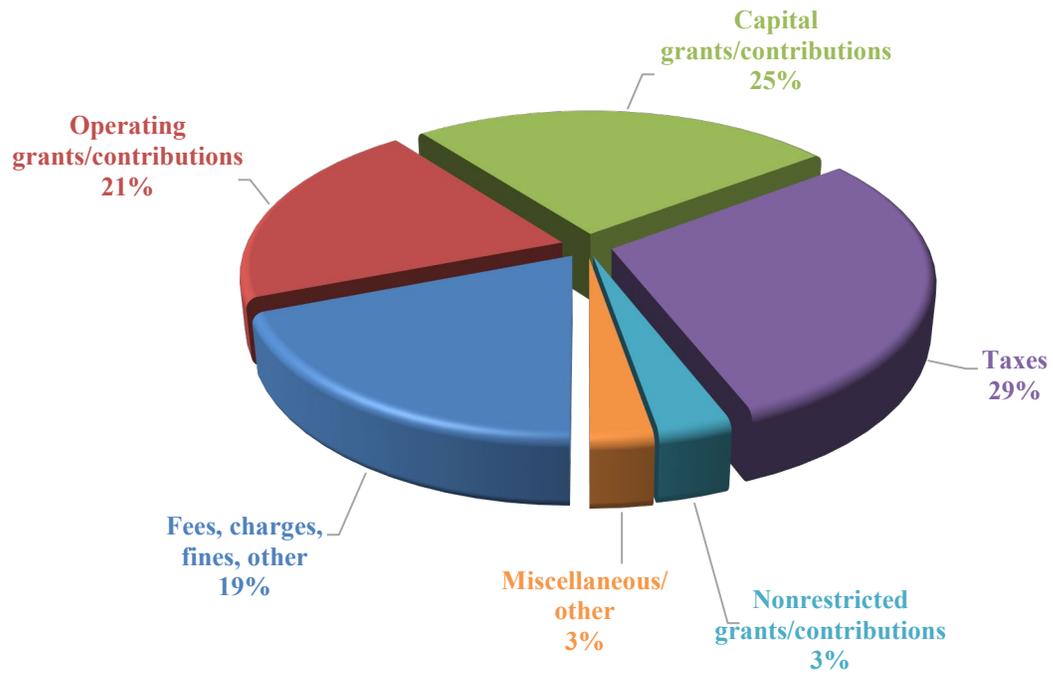
NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 61,808,477	\$ 57,007,341	\$ 4,053,874	\$ 3,730,648	\$ 65,862,351	\$ 60,737,989
Capital assets	150,909,945	144,398,794	17,533,873	18,402,066	168,443,818	162,800,860
Total assets	\$ 212,718,422	\$ 201,406,135	\$ 21,587,747	\$ 22,132,714	\$ 234,306,169	\$ 223,538,849
Deferred outflows - pensions & OPEB	\$ 7,927,466	\$ 10,510,932	\$ 424,184	\$ 679,734	\$ 8,351,650	\$ 11,190,666
Other liabilities	\$ 5,427,506	\$ 10,003,322	\$ 885,343	\$ 703,054	\$ 6,312,849	\$ 10,706,376
Long-term liabilities outstanding	42,366,135	55,728,913	5,577,159	6,036,138	47,943,294	61,765,051
Total liabilities	\$ 47,793,641	\$ 65,732,235	\$ 6,462,502	\$ 6,739,192	\$ 54,256,143	\$ 72,471,427
Deferred inflows - pensions & OPEB	\$ 12,713,253	\$ 5,325,078	\$ 593,377	\$ 73,249	\$ 13,306,630	\$ 5,398,327
Net position						
Net investment in capital assets	\$ 126,978,085	\$ 117,676,615	\$ 16,988,355	\$ 17,699,342	\$ 143,966,440	\$ 135,375,957
Restricted for economic development	12,492,127	7,011,460	-	-	12,492,127	7,011,460
Unrestricted amounts	20,668,782	16,171,679	(2,032,303)	(1,699,335)	18,636,479	14,472,344
Total net position	\$ 160,138,994	\$ 140,859,754	\$ 14,956,052	\$ 16,000,007	\$ 175,095,046	\$ 156,859,761

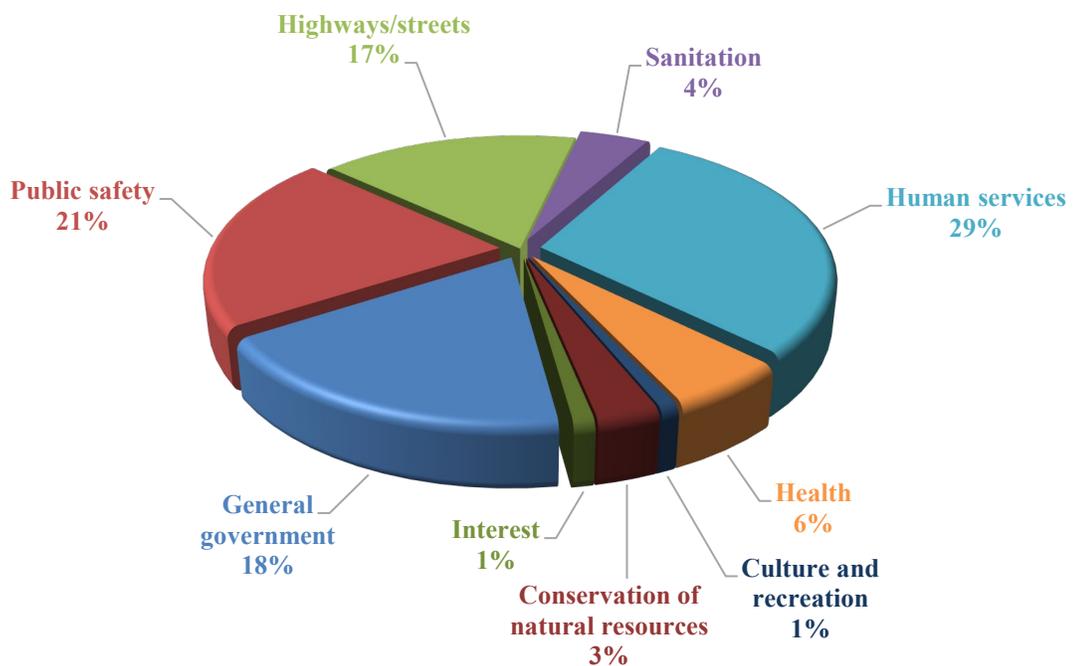
CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues						
Program Revenues						
Fees, charges, fines and other	\$ 10,066,192	\$ 8,409,587	\$ 7,326,953	\$ 7,401,306	\$ 17,393,145	\$ 15,810,893
Operating grants and contributions	18,528,212	20,435,521	-	-	18,528,212	20,435,521
Capital grants and contributions	22,881,184	12,342,091	-	-	22,881,184	12,342,091
General Revenues and Transfers						
Property taxes/other taxes	26,594,337	26,759,684	-	-	26,594,337	26,759,684
Grants and contributions not restricted to specific programs	2,915,449	2,978,212	-	-	2,915,449	2,978,212
Investment earnings	2,069,528	354,484	357,439	29,705	2,426,967	384,189
Miscellaneous	55,074	222,797	-	-	55,074	222,797
Transfers	(250,000)	350,000	250,000	(350,000)	-	-
Total revenues	\$ 82,859,976	\$ 71,852,376	\$ 7,934,392	\$ 7,081,011	\$ 90,794,368	\$ 78,933,387
Expenses						
General government	\$ 11,527,404	\$ 12,391,511	\$ -	\$ -	\$ 11,527,404	\$ 12,391,511
Public safety	13,275,982	12,825,370	-	-	13,275,982	12,825,370
Highways and streets	10,675,740	9,675,273	-	-	10,675,740	9,675,273
Sanitation	2,895,025	2,776,586	-	-	2,895,025	2,776,586
Human services	18,571,453	17,285,726	-	-	18,571,453	17,285,726
Health	3,576,796	3,421,778	-	-	3,576,796	3,421,778
Culture and recreation	540,678	532,494	-	-	540,678	532,494
Conservation of natural resources	1,872,454	993,479	-	-	1,872,454	993,479
Economic development	8,800	8,600	-	-	8,800	8,600
Interest	636,404	769,768	-	-	636,404	769,768
Resource Recovery	-	-	7,113,610	6,527,744	7,113,610	6,527,744
Landfill	-	-	1,864,737	3,268,156	1,864,737	3,268,156
Total expenses	\$ 63,580,736	\$ 60,680,585	\$ 8,978,347	\$ 9,795,900	\$ 72,559,083	\$ 70,476,485
Increase (decrease) in net position	\$ 19,279,240	\$ 11,171,791	\$ (1,043,955)	\$ (2,714,889)	\$ 18,235,285	\$ 8,456,902
Net position, January 1	140,859,754	129,687,963	16,000,007	18,714,896	156,859,761	148,402,859
Net position, December 31	\$ 160,138,994	\$ 140,859,754	\$ 14,956,052	\$ 16,000,007	\$ 175,095,046	\$ 156,859,761

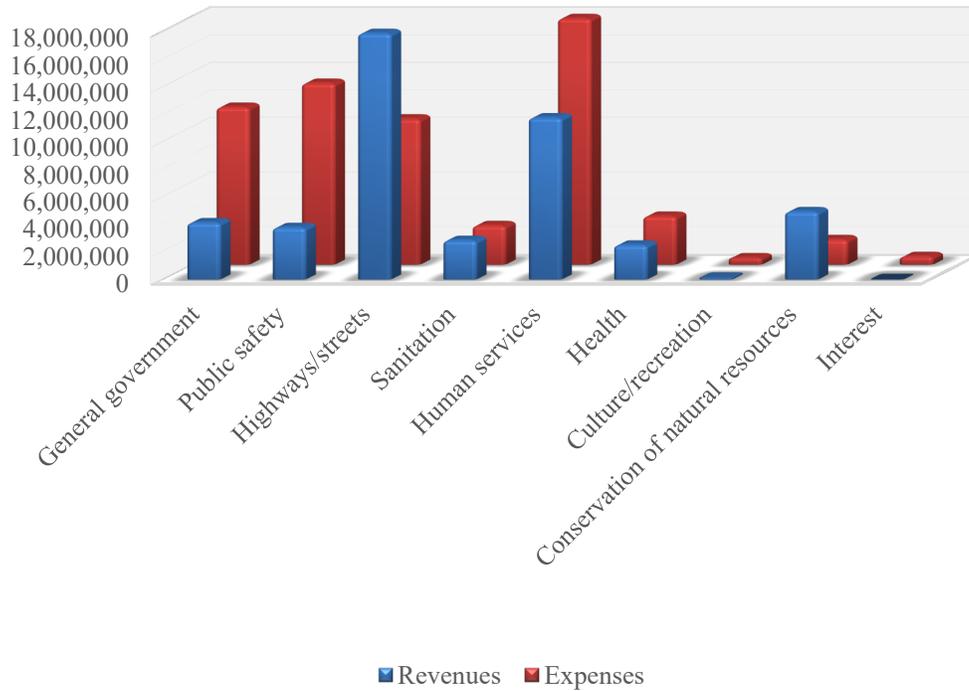
Revenues by Source



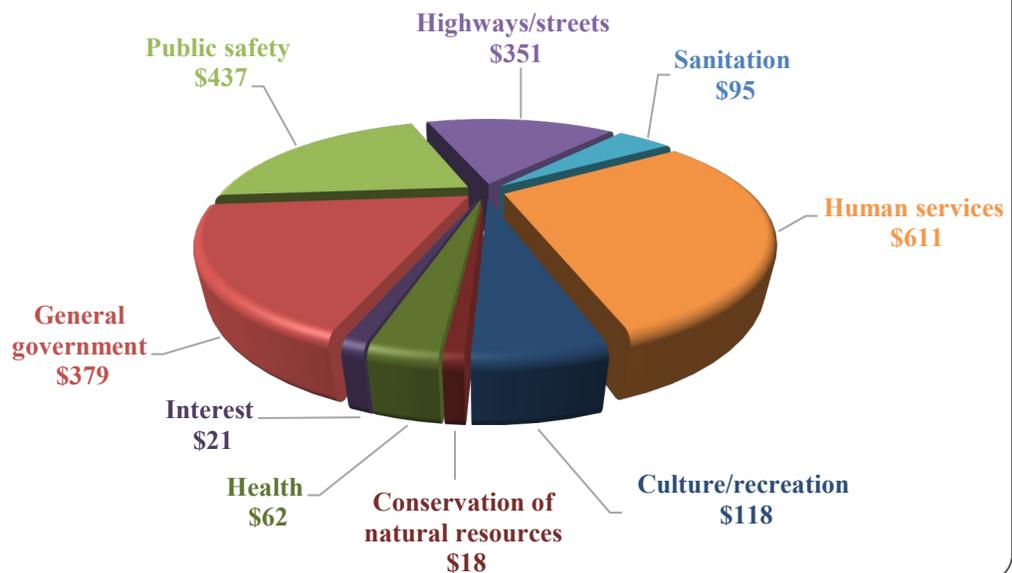
Expenses by Function



Program Revenues & Expenses



Expenditure Per Capita 30,412 Population as of July 1, 2023



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 2023, the County's governmental funds reported combined ending fund balances of \$38,607,149. Of this amount, approximately 7 percent constitutes non-spendable fund balance, 17 percent constitutes legally or contractually restricted fund balance, one percent constitutes the committed fund balance, 60 percent constitutes specifically assigned fund balance, and 15 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 \$10,796,871. The General Fund's nonspendable fund balance was \$1,644,198, restricted fund balance was \$1,125,819, the committed fund balance was \$529,961, and the unassigned fund balance was \$7,496,893. 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 2023. Unrestricted fund balance represents 52 percent of total General Fund expenditures, while total fund balance represents 70 percent of that same amount.

In 2023, the fund balance amount in the General Fund decreased by \$501,869, due to the transfer out of ARPA funds to other funds for various expenditures.

The fund balance of the Road and Bridge Special Revenue Fund increased by \$1,217,616 in 2023, due to the transfer in of ARPA funds of \$1,200,000 to cover county project costs.

The fund balance of the Social Services Special Revenue Fund decreased by \$166,967 from the prior year, due to a budgeted decrease in fund balance.

The fund balance of the Public Safety Special Revenue Fund increased by \$547,208 from the prior year, due to the one-time Public Safety Aid source of revenue from the State.

Proprietary Funds

The Resource Recovery Enterprise fund had an operating loss in 2023 of \$3,088,945, indicating that it is not collecting fees for services at a rate consistent with costs.

The Landfill Enterprise fund had an operating income in 2023 of \$1,460,906, indicating that it is collecting fees for services at a rate consistent with costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgeted revenues and expenditures as approved for 2023.

Actual revenues were more than overall budgeted revenues by \$4,850,380, with the largest variance in intergovernmental revenue, and actual expenditures were less than overall final budgeted expenditures by \$178,742, with the largest variance in capital outlay.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2023, amounted to \$168,272,941 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately three percent. This was primarily due to infrastructure constructed in highways and streets.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 9,639,999	\$ 9,473,140	\$ 310,183	\$ 310,183	\$ 9,950,182	\$ 9,783,323
Construction in progress	9,925,124	4,091,876	1,559,802	1,559,802	11,484,926	5,651,678
Land improvements	682,027	813,211	32,126	40,935	714,153	854,146
Buildings and improvements	26,925,773	28,017,441	4,206,511	4,412,287	31,132,284	32,429,728
Machinery, furniture, and equipm	6,610,352	4,855,711	10,895,634	11,464,627	17,505,986	16,320,338
Infrastructure	96,755,909	96,743,544	-	-	96,755,909	96,743,544
Landfill	-	-	358,740	614,232	358,740	614,232
Right to use leased assets	370,761	403,871	-	-	370,761	403,871
Total capital assets	<u>\$ 150,909,945</u>	<u>\$ 144,398,794</u>	<u>\$ 17,362,996</u>	<u>\$ 18,402,066</u>	<u>\$ 168,272,941</u>	<u>\$ 162,800,860</u>

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 \$25,458,305 which is backed by the full faith and credit of the government.

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
General obligation bonds	\$ 22,145,000	\$ 25,550,000	-	-	\$ 22,145,000	\$ 25,550,000
Plus: Unamortized premium	1,526,445	1,951,842	-	-	1,526,445	1,951,842
Capital leases	1,786,860	1,874,903	545,518	702,724	2,332,378	2,577,627
	<u>\$ 25,458,305</u>	<u>\$ 29,376,745</u>	<u>\$ 545,518</u>	<u>\$ 702,724</u>	<u>\$ 26,003,823</u>	<u>\$ 30,079,469</u>

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 2023, overall debt of the County is below the three percent debt limit.

Polk County's bond rating is "AAA" 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 2.5 percent according to the Minnesota Department of Employment & Economic Development as of December 31, 2023. This is lower than the statewide rate of 2.6 percent and the national average rate of 3.5 percent.
- Polk County's estimated population, according to the United States Census Bureau, was 30,412 as of July 1, 2023, a decrease of 716 since the 2022 census of 31,128. This ranks Polk County 36th of 87 in the State of Minnesota.
- On December 19, 2023, Polk County set its 2024 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, 2023**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 35,284,102	\$ 1,633,874	\$ 36,917,976
Investments	1,688,518	-	1,688,518
Taxes receivable - prior	729,998	-	729,998
Special assessments receivable - current	87,054	-	87,054
Special assessments receivable - prior	153,943	-	153,943
Accounts receivable	642,565	110,989	753,554
Accrued interest receivable	152,593	-	152,593
Leases receivable	3,441,214	-	3,441,214
Due from other governments	12,085,123	289,819	12,374,942
Inventories	1,148,908	-	1,148,908
Internal balances	(215,516)	215,516	-
Special assessments receivable - noncurrent	6,609,975	-	6,609,975
Restricted cash and pooled investments	-	1,803,676	1,803,676
Capital assets			
Non-depreciable	19,565,123	2,040,862	21,605,985
Depreciable - net of accumulated depreciation	131,344,822	15,493,011	146,837,833
Total Assets	\$ 212,718,422	\$ 21,587,747	\$ 234,306,169
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 7,853,581	\$ 414,446	\$ 8,268,027
Related to other post employment benefits	73,885	9,738	83,623
Total Deferred Outflows of Resources	\$ 7,927,466	\$ 424,184	\$ 8,351,650
<u>Liabilities</u>			
Accounts payable	\$ 1,086,504	\$ 792,583	\$ 1,879,087
Salaries payable	771,777	86,000	857,777
Contracts payable	249,982	-	249,982
Due to other governments	503,220	6,760	509,980
Accrued interest payable	349,744	-	349,744
Unearned revenue	2,466,279	-	2,466,279
Long-term liabilities			
Due within one year	4,840,099	368,653	5,208,752
Due in more than one year	22,725,884	3,600,732	26,326,616
Net pension liability	14,184,172	1,526,586	15,710,758
Other post employment benefits	615,980	81,188	697,168
Total Liabilities	\$ 47,793,641	\$ 6,462,502	\$ 54,256,143
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 9,091,287	\$ 569,554	\$ 9,660,841
Related to other post employment benefits	180,752	23,823	204,575
Related to leases	3,441,214	-	3,441,214
Total Deferred Inflows of Resources	\$ 12,713,253	\$ 593,377	\$ 13,306,630
<u>Net Position</u>			
Net investment in capital assets	\$ 126,978,085	\$ 16,988,355	\$ 143,966,440
Amounts restricted for			
General government	2,483,333	-	2,483,333
Public safety	574,861	-	574,861
Highways and streets	5,980,110	-	5,980,110
Conservation of natural resources	1,503,065	-	1,503,065
Debt service	1,950,758	-	1,950,758
Unrestricted amounts	20,668,782	(2,032,303)	18,636,479
Total Net Position	\$ 160,138,994	\$ 14,956,052	\$ 175,095,046

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Expenses	Fees, Charges, Fines and Other	Program Revenues Operating Grants and Contributions
<u>Functions/Programs</u>			
Governmental activities			
General government	\$ 11,527,404	\$ 1,601,529	\$ 72,294
Public safety	13,275,982	1,716,903	1,351,562
Highways and streets	10,675,740	3,102,399	5,331,637
Sanitation	2,895,025	329,510	90,089
Human services	18,571,453	1,824,277	10,020,746
Health	3,576,796	914,024	1,643,750
Culture and recreation	540,678	148,223	-
Conservation of natural resources	1,872,454	429,327	18,134
Economic development	8,800	-	-
Interest	636,404	-	-
Total governmental activities	\$ 63,580,736	\$ 10,066,192	\$ 18,528,212
Business-type activities			
Resource Recovery	\$ 7,113,610	\$ 4,024,665	\$ -
Landfill	1,864,737	3,302,288	-
Total business-type activities	\$ 8,978,347	\$ 7,326,953	\$ -
Total	\$ 72,559,083	\$ 17,393,145	\$ 18,528,212

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

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 2,511,825	\$ (7,341,756)	\$ -	\$ (7,341,756)
767,239	(9,440,278)	-	(9,440,278)
12,578,890	10,337,186	-	10,337,186
2,475,099	(327)	-	(327)
-	(6,726,430)	-	(6,726,430)
-	(1,019,022)	-	(1,019,022)
-	(392,455)	-	(392,455)
4,548,131	3,123,138	-	3,123,138
-	(8,800)	-	(8,800)
-	(636,404)	-	(636,404)
\$ 22,881,184	\$ (12,105,148)	\$ -	\$ (12,105,148)
\$ -	\$ -	\$ (3,088,945)	\$ (3,088,945)
-	-	1,437,551	1,437,551
\$ -	\$ -	\$ (1,651,394)	\$ (1,651,394)
\$ 22,881,184	\$ (12,105,148)	\$ (1,651,394)	\$ (13,756,542)
	\$ 26,594,337	\$ -	\$ 26,594,337
	2,915,449	-	2,915,449
	2,069,528	357,439	2,426,967
	55,074	-	55,074
	(250,000)	250,000	-
	\$ 31,384,388	\$ 607,439	\$ 31,991,827
	\$ 19,279,240	\$ (1,043,955)	\$ 18,235,285
	140,859,754	16,000,007	156,859,761
	\$ 160,138,994	\$ 14,956,052	\$ 175,095,046

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2023**

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
<u>Assets</u>							
Assets							
Cash and pooled investments	\$ 11,303,693	\$ 5,168,222	\$ 6,778,072	\$ 5,367,864	\$ 1,189,588	\$ 5,476,663	\$ 35,284,102
Investments	142,959	-	-	651,169	531,295	363,095	1,688,518
Taxes receivable - prior	694,724	9,730	20,239	-	-	5,305	729,998
Special assessments receivable - current	87,054	-	-	-	-	-	87,054
Special assessments receivable - prior	-	-	-	-	7,903	146,040	153,943
Accounts receivable	219,480	125,416	251,055	3,383	-	43,231	642,565
Accrued interest receivable	152,593	-	-	-	-	-	152,593
Due from other funds	16,958	29,119	-	3,620	-	90,790	140,487
Due from other governments	115,564	8,860,048	2,557,873	110,228	-	441,410	12,085,123
Inventories	-	1,148,908	-	-	-	-	1,148,908
Advance to other funds	1,644,198	-	-	-	-	-	1,644,198
Special assessments receivable - noncurrent	-	-	-	-	6,469,108	140,867	6,609,975
Total Assets	\$ 14,377,223	\$ 15,341,443	\$ 9,607,239	\$ 6,136,264	\$ 8,197,894	\$ 6,707,401	\$ 60,367,464
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 227,399	\$ 290,501	\$ 359,391	\$ 75,392	\$ -	\$ 133,821	\$ 1,086,504
Salaries payable	174,135	82,550	266,775	128,068	-	120,249	771,777
Contracts payable	-	207,499	-	-	-	42,483	249,982
Due to other funds	14,171	1,158	40,690	7,766	-	292,218	356,003
Due to other governments	88,959	16,189	366,931	670	-	30,471	503,220
Unearned revenue	2,461,186	5,093	-	-	-	-	2,466,279
Advances from other funds	-	-	-	-	5,615	1,638,583	1,644,198
Total Liabilities	\$ 2,965,850	\$ 602,990	\$ 1,033,787	\$ 211,896	\$ 5,615	\$ 2,257,825	\$ 7,077,963
Deferred Inflows of Resources							
Taxes	\$ 527,448	\$ 9,730	\$ 20,239	\$ -	\$ -	\$ 3,852	\$ 561,269
Special assessments	87,054	-	-	-	6,476,838	272,935	6,836,827
County State Aid Highway Allotment	-	7,284,256	-	-	-	-	7,284,256
Total Deferred Inflows of Resources	\$ 614,502	\$ 7,293,986	\$ 20,239	\$ -	\$ 6,476,838	\$ 276,787	\$ 14,682,352
Fund Balances							
Nonspendable	\$ 1,644,198	\$ 1,148,908	\$ -	\$ -	\$ -	\$ -	\$ 2,793,106
Restricted	1,125,819	1,009,736	-	574,861	1,752,449	1,884,534	6,347,399
Committed	529,961	-	-	-	-	-	529,961
Assigned	-	5,285,823	8,553,213	5,349,507	-	4,104,885	23,293,428
Unassigned	7,496,893	-	-	-	(37,008)	(1,816,630)	5,643,255
Total Fund Balances	\$ 10,796,871	\$ 7,444,467	\$ 8,553,213	\$ 5,924,368	\$ 1,715,441	\$ 4,172,789	\$ 38,607,149
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 14,377,223	\$ 15,341,443	\$ 9,607,239	\$ 6,136,264	\$ 8,197,894	\$ 6,707,401	\$ 60,367,464

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2023**

Fund balances - total governmental funds (Exhibit 3)	\$	38,607,149
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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.		150,909,945
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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.		14,682,352
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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	\$ (349,744)	
General obligation bonds	(23,671,445)	
Lease liability	(1,786,860)	
Compensated absences payable	(2,107,678)	(27,915,727)

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	\$ 73,885	
Deferred inflows of resources related to other post employment benefits	(180,752)	
Other post employment benefits	(615,980)	(722,847)

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	\$ 7,853,581	
Deferred inflows of resources related to pensions	(9,091,287)	
Net pension liability	(14,184,172)	(15,421,878)

Net position of governmental activities (Exhibit 1)	\$	<u>160,138,994</u>
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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, 2023**

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
Revenues							
Taxes	\$ 6,373,059	\$ 4,026,295	\$ 6,012,869	\$ 9,449,605	\$ -	\$ 1,560,216	\$ 27,422,044
Special assessments	217,644	-	-	-	767,239	2,494,580	3,479,463
Licenses and permits	5,990	69,160	-	-	-	81,575	156,725
Intergovernmental	5,503,222	11,987,787	9,812,310	1,243,556	173,998	2,048,586	30,769,459
Charges for services	755,610	213,813	876,469	154,611	-	816,579	2,817,082
Fines and forfeitures	7,755	-	-	8,234	-	-	15,989
Investment earnings	2,017,877	-	132	20,121	26,300	5,098	2,069,528
Gifts and contributions	-	-	-	16,175	-	-	16,175
Miscellaneous	1,355,910	1,809,528	947,808	1,561,307	-	278,883	5,953,436
Total Revenues	\$ 16,237,067	\$ 18,106,583	\$ 17,649,588	\$ 12,453,609	\$ 967,537	\$ 7,285,517	\$ 72,699,901
Expenditures							
Current							
General government	\$ 10,506,429	\$ -	\$ -	\$ -	\$ -	\$ 509,991	\$ 11,016,420
Public safety	308,162	-	-	11,356,668	-	-	11,664,830
Highways and streets	-	14,821,824	-	-	-	-	14,821,824
Sanitation	-	-	-	-	-	2,535,687	2,535,687
Human services	-	-	17,816,290	-	-	-	17,816,290
Health	9,900	-	-	-	-	3,475,507	3,485,407
Culture and recreation	158,120	-	-	-	-	290,870	448,990
Conservation of natural resources	339,054	-	-	-	147,440	1,388,051	1,874,545
Economic development	8,800	-	-	-	-	-	8,800
Debt service							
Principal retirement	1,534,019	1,205,664	43,151	180,828	590,000	325,728	3,879,390
Interest	518,229	164,445	2,998	37,784	237,326	157,418	1,118,200
Capital outlay							
General government	458,706	-	-	-	-	-	458,706
Public safety	1,423,339	-	-	714,231	-	-	2,137,570
Highways and streets	-	2,039,721	-	-	-	-	2,039,721
Sanitation	-	-	-	-	-	151,454	151,454
Human services	-	-	115,319	-	-	-	115,319
Culture and recreation	62,814	-	-	-	-	-	62,814
Total Expenditures	\$ 15,327,572	\$ 18,231,654	\$ 17,977,758	\$ 12,289,511	\$ 974,766	\$ 8,834,706	\$ 73,635,967
Excess of Revenues Over (Under) Expenditures	\$ 909,495	\$ (125,071)	\$ (328,170)	\$ 164,098	\$ (7,229)	\$ (1,549,189)	\$ (936,066)

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
Other Financing Sources (Uses)							
Transfers in	\$ -	\$ 1,200,000	\$ 28,735	\$ -	\$ -	\$ 545,159	\$ 1,773,894
Transfers out	(1,850,869)	-	-	-	-	(173,025)	(2,023,894)
Proceeds from issuance of debt	439,505	-	132,468	383,110	-	116,658	1,071,741
Total Other Financing Sources (Uses)	\$ (1,411,364)	\$ 1,200,000	\$ 161,203	\$ 383,110	\$ -	\$ 488,792	\$ 821,741
Net Change in Fund Balance	\$ (501,869)	\$ 1,074,929	\$ (166,967)	\$ 547,208	\$ (7,229)	\$ (1,060,397)	\$ (114,325)
Fund Balance - January 1	11,298,740	6,226,851	8,720,180	5,377,160	1,722,670	5,233,186	38,578,787
Increase (decrease) in inventories	-	142,687	-	-	-	-	142,687
Fund Balance - December 31	\$ 10,796,871	\$ 7,444,467	\$ 8,553,213	\$ 5,924,368	\$ 1,715,441	\$ 4,172,789	\$ 38,607,149

**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, 2023**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ (114,325)**

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	\$ 13,355,645	
Current year depreciation	(6,844,494)	6,511,151

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		10,415,937
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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		
Lease liability	\$ (1,091,741)	
Principal repayments		
General obligation bonds	3,405,000	
Lease liability	474,390	2,787,649

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	\$ 425,397	
Accrued interest payable	56,399	
Compensated absences payable	(157,422)	
Inventories	142,687	467,061

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	\$ (10,085)	
Deferred inflows related to other post-employment benefits	(34,924)	
Other post-employment benefits	63,043	
Deferred outflows related to net pension liability	(2,573,381)	
Deferred inflows related to net pension liability	(8,476,997)	
Net pension liability	10,244,111	(788,233)

Change in net position of governmental activities (Exhibit 2) **\$ 19,279,240**

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
<u>Assets</u>			
Current Assets			
Cash and pooled investments	\$ -	\$ 1,633,874	\$ 1,633,874
Accounts receivable	88,274	22,715	110,989
Due from other funds	279,283	95,007	374,290
Due from other governments	157,275	132,544	289,819
Advance from other funds	-	175,402	175,402
Total Current Assets	\$ 524,832	\$ 2,059,542	\$ 2,584,374
Restricted Assets			
Cash and pooled investments	\$ -	\$ 1,803,676	\$ 1,803,676
Noncurrent Assets			
Capital assets			
Non-depreciable	\$ 11,085	\$ 2,029,777	\$ 2,040,862
Depreciable - net of accumulated depreciation	12,912,737	2,580,274	15,493,011
Total Noncurrent Assets	\$ 12,923,822	\$ 4,610,051	\$ 17,533,873
Total Assets	\$ 13,448,654	\$ 8,473,269	\$ 21,921,923
<u>Deferred Outflows of Resources</u>			
Related to pensions	\$ 345,372	\$ 69,074	\$ 414,446
Related to other post employment benefits	8,422	1,316	9,738
Total Deferred Outflows of Resources	\$ 353,794	\$ 70,390	\$ 424,184

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2023**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
<u>Liabilities</u>			
Current Liabilities			
Accounts payable	\$ 481,559	\$ 311,024	\$ 792,583
Salaries payable	74,773	11,227	86,000
Compensated absences payable	172,374	32,648	205,022
Due to other funds	63,914	94,860	158,774
Due to other governments	4,409	2,351	6,760
Capital lease payable	-	163,631	163,631
Total Current Liabilities	\$ 797,029	\$ 615,741	\$ 1,412,770
Noncurrent Liabilities			
Compensated absences payable	\$ 258,560	\$ 48,971	\$ 307,531
Advance from other funds	175,402	-	175,402
Other post employment benefits	70,217	10,971	81,188
Net pension liability	1,272,155	254,431	1,526,586
Capital lease payable	-	381,887	381,887
Closure costs payable	-	758,410	758,410
Postclosure care costs payable	-	1,812,979	1,812,979
Contingency costs payable	-	339,925	339,925
Total Noncurrent Liabilities	\$ 1,776,334	\$ 3,607,574	\$ 5,383,908
Total Liabilities	\$ 2,573,363	\$ 4,223,315	\$ 6,796,678
<u>Deferred Inflows of Resources</u>			
Related to pensions	\$ 474,628	\$ 94,926	\$ 569,554
Related to other post employment benefits	20,604	3,219	23,823
Total Deferred Inflows of Resources	\$ 495,232	\$ 98,145	\$ 593,377
<u>Net Position</u>			
Net investment in capital assets	\$ 12,923,822	\$ 4,064,533	\$ 16,988,355
Unrestricted amounts	(2,189,969)	157,666	(2,032,303)
Total Net Position	\$ 10,733,853	\$ 4,222,199	\$ 14,956,052

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
Operating Revenues			
Charges for services	\$ 3,998,768	\$ 3,206,166	\$ 7,204,934
Miscellaneous	25,897	96,122	122,019
Total Operating Revenues	\$ 4,024,665	\$ 3,302,288	\$ 7,326,953
Operating Expenses			
Personnel services	\$ 2,891,718	\$ 499,610	\$ 3,391,328
Other services and charges	904,224	228,046	1,132,270
Supplies	772,681	175,994	948,675
Utilities	527,387	12,629	540,016
Repairs and maintenance	130,170	32,812	162,982
Transportation and disposal	615,485	74,478	689,963
Closure costs	-	25,498	25,498
Postclosure care costs	-	164,547	164,547
Contingency costs	-	25,515	25,515
Depreciation	1,271,945	602,253	1,874,198
Total Operating Expenses	\$ 7,113,610	\$ 1,841,382	\$ 8,954,992
Operating Income (Loss)	\$ (3,088,945)	\$ 1,460,906	\$ (1,628,039)
Nonoperating Revenues (Expenses)			
Investment earnings	\$ 18,011	\$ 339,428	\$ 357,439
Interest expense	-	(23,355)	(23,355)
Total Nonoperating Revenues (Expenses)	\$ 18,011	\$ 316,073	\$ 334,084
Income (Loss) Before Transfers	\$ (3,070,934)	\$ 1,776,979	\$ (1,293,955)
Transfers in	\$ 2,364,997	\$ 778,945	\$ 3,143,942
Transfers out	(458,945)	(2,434,997)	(2,893,942)
Total Transfers	\$ 1,906,052	\$ (1,656,052)	\$ 250,000
Change in Net Position	\$ (1,164,882)	\$ 120,927	\$ (1,043,955)
Net Position - January 1	11,898,735	4,101,272	16,000,007
Net Position - December 31	\$ 10,733,853	\$ 4,222,199	\$ 14,956,052

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 4,004,096	\$ 3,223,374	\$ 7,227,470
Payments to employees	(2,641,597)	(351,119)	(2,992,716)
Payments to suppliers	(4,046,038)	(914,154)	(4,960,192)
Net cash provided by (used in) operating activities	\$ (2,683,539)	\$ 1,958,101	\$ (725,438)
Cash Flows from Noncapital Financing Activities			
Transfers in	\$ 3,185,519	\$ 778,945	\$ 3,964,464
Transfers out	(458,945)	(2,364,997)	(2,823,942)
Net cash provided by (used in) noncapital financing activities	\$ 2,726,574	\$ (1,586,052)	\$ 1,140,522
Cash Flows from Capital and Related Financing Activities			
Purchases of capital assets	\$ (154,452)	\$ (170,877)	\$ (325,329)
Debt service payments	-	(126,107)	(126,107)
Interest paid on long-term debt	-	(24,243)	(24,243)
Net cash provided by (used in) capital and related financing activities	\$ (154,452)	\$ (321,227)	\$ (475,679)
Cash Flows from Investing Activities			
Investment earnings received	\$ 18,011	\$ 339,428	\$ 357,439
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (93,406)	\$ 390,250	\$ 296,844
Cash and Cash Equivalents at January 1	93,406	3,047,300	3,140,706
Cash and Cash Equivalents at December 31	\$ -	\$ 3,437,550	\$ 3,437,550

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2023
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds		
	Resource Recovery	Landfill	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities			
Operating income (loss)	\$ (3,088,945)	\$ 1,460,906	\$ (1,628,039)
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities			
Depreciation expense	\$ 1,271,945	\$ 602,253	\$ 1,874,198
Decrease (increase) in assets			
Accounts receivable	(27,091)	2,257	(24,834)
Due from other governments	47,410	(25,399)	22,011
Due from other funds	(49,973)	(55,772)	(105,745)
Increase (decrease) in liabilities			
Accounts payable	224,342	20,504	244,846
Salaries payable	1,079	1,040	2,119
Compensated absences payable	204,534	4,006	208,540
Due to other governments	(67,027)	2,351	(64,676)
Due to other funds	18,539	63,647	82,186
Net pension liability	(1,216,560)	(329,288)	(1,545,848)
Other post employment benefits	(1,792)	(3,964)	(5,756)
Closure, post-closure, and contingency costs payable	-	215,560	215,560
Total adjustments	\$ 405,406	\$ 497,195	\$ 902,601
Net cash provided by (used in) operating activities	\$ (2,683,539)	\$ 1,958,101	\$ (725,438)

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2023**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds (Statement 5)</u>	<u>Total</u>
<u>Assets</u>			
Cash and pooled investments	\$ 27,772	\$ 2,715,678	\$ 2,743,450
Due from other governments	-	634,975	634,975
Accounts receivable	-	53,740	53,740
Total Assets	<u>\$ 27,772</u>	<u>\$ 3,404,393</u>	<u>\$ 3,432,165</u>
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 1,593	\$ 1,593
Due to other governments	-	602,365	602,365
Total Liabilities	<u>\$ -</u>	<u>\$ 603,958</u>	<u>\$ 603,958</u>
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	<u>\$ 27,772</u>	<u>\$ 2,800,435</u>	<u>\$ 2,828,207</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 6)	Total
Additions			
Contributions:			
Individuals	\$ 320,397	\$ -	\$ 320,397
Participants		15,569	15,569
Investment earnings:			
Interest, dividends, other		23,223	23,223
Intergovernmental receipts for other governments	-	3,864,864	3,864,864
Fees collected for services		10,844,995	10,844,995
Property tax collections for other governments	-	101,475,855	101,475,855
Total Additions	\$ 320,397	\$ 116,224,506	\$ 116,544,903
Deductions			
Payments of property tax to other governments	-	102,113,895	102,113,895
Payments to state	-	349,815	349,815
Administrative expense	325,160	11,171,651	11,496,811
Payments to other entities/individuals	-	2,484,360	2,484,360
Total Deductions	\$ 325,160	\$ 116,119,721	\$ 116,444,881
Change in net position	\$ (4,763)	\$ 104,785	\$ 100,022
Net Position – January 1	32,535	2,695,650	2,728,185
Net Position – December 31	\$ 27,772	\$ 2,800,435	\$ 2,828,207

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

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

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.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Basic Financial Statements (Continued)

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.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

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, 2023, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2023 were \$1,110,085, total investment earnings were \$2,426,967.

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 2003 through 2023 and deferred special assessments collectible in 2024 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 consist of payments due for three County owned buildings leased to various parties for scheduled periods in excess of one year.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

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:

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

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 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

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

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, 2023.

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 (Continued)

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, 2023.

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

75 of the 187 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, 2023:

	<u>Ditch Special Revenue</u>		<u>Ditch Debt Service</u>
Restricted fund balance	\$ 1,082,315	Restricted fund balance	\$ 1,752,449
Unassigned fund balance	<u>(1,816,630)</u>	Unassigned fund balance	<u>(37,008)</u>
Total Fund Balances	<u>\$ (734,315)</u>	Total Fund Balances	<u>\$ 1,715,441</u>

B. Deficit Unassigned Fund Balances

The following funds had deficit unassigned fund balances as of December 31, 2023, which will be eliminated with future charges for services:

Ditch Special Revenue	\$ 1,816,630
Ditch Debt Service	37,008

**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, 2023, are as follows:

Governmental funds	
Cash and pooled investments	\$ 36,972,620
Business-Type funds	
Cash and pooled investments	3,437,550
Fiduciary funds	
Cash and pooled investments	2,743,450
Total cash and investments	\$ 43,153,620
Cash on hand	\$ 4,570
Checking accounts	6,792,887
Savings accounts	32,852
Certificates of Deposit	513,350
Investments	35,809,961
Total deposits, cash on hand, and investments	\$ 43,153,620

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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2023, 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, 2023, the County had \$35,809,961 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, 2023, 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
Governmental Activities		
Taxes receivable	\$ 729,998	\$ -
Special assessments receivable	6,850,972	6,609,975
Accounts receivable	642,565	-
Accrued interest receivable	152,593	-
Due from other governments	12,085,123	-
Leases receivable	3,441,214	2,294,830
Total Governmental Activities	\$ 23,902,465	\$ 8,904,805
Business-Type Activities		
Accounts receivable	\$ 110,989	\$ -
Due from other governments	289,819	\$ -
Total Business-Type Activities	\$ 400,808	\$ -

**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, 2023, was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 9,473,140	\$ 166,859	\$ -	\$ 9,639,999
Construction in progress	4,091,876	12,899,723	7,066,475	9,925,124
Total capital assets not depreciated	<u>\$ 13,565,016</u>	<u>\$ 13,066,582</u>	<u>\$ 7,066,475</u>	<u>\$ 19,565,123</u>
Capital assets being depreciated				
Infrastructure	\$ 169,367,631	\$ 3,555,572	\$ 69,274	\$ 172,853,929
Buildings and improvements	53,069,752	668,384	-	53,738,136
Machinery and equipment	18,322,757	3,126,017	1,796,282	19,652,492
Land improvements	2,634,434	-	-	2,634,434
Right to use leased assets	432,835	74,839	-	507,674
Total capital assets being depreciated	<u>\$ 243,827,409</u>	<u>\$ 7,424,812</u>	<u>\$ 1,865,556</u>	<u>\$ 249,386,665</u>
Less: accumulated depreciation for				
Infrastructure	\$ 72,624,087	\$ 3,473,933	\$ -	\$ 76,098,020
Buildings and improvements	25,052,311	1,760,052	-	26,812,363
Machinery and equipment	13,467,046	1,371,376	1,796,282	13,042,140
Land improvements	1,821,223	131,184	-	1,952,407
Right to use leased assets	28,964	107,949	-	136,913
Total accumulated depreciation	<u>\$ 112,993,631</u>	<u>\$ 6,844,494</u>	<u>\$ 1,796,282</u>	<u>\$ 118,041,843</u>
Total capital assets, depreciated, net	<u>\$ 130,833,778</u>	<u>\$ 580,318</u>	<u>\$ 69,274</u>	<u>\$ 131,344,822</u>
Governmental Activities Capital Assets, Net	<u>\$ 144,398,794</u>	<u>\$ 13,646,900</u>	<u>\$ 7,135,749</u>	<u>\$ 150,909,945</u>
Business-Type Activities	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>\$ 1,869,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869,985</u>
Capital assets being depreciated				
Buildings and improvements	\$ 8,288,295	\$ 8,167	\$ 48,565	\$ 8,247,897
Landfill	6,573,569	-	-	6,573,569
Machinery, furniture, and equipment	25,805,862	831,269	993,728	25,643,403
Land improvements	324,342	-	-	324,342
Total capital assets being depreciated	<u>\$ 40,992,068</u>	<u>\$ 839,436</u>	<u>\$ 1,042,293</u>	<u>\$ 40,789,211</u>
Less: accumulated depreciation for				
Buildings and improvements	\$ 3,876,008	\$ 213,943	\$ 48,565	\$ 4,041,386
Landfill	5,959,337	255,492	-	6,214,829
Machinery, furniture and equipment	14,341,235	1,395,954	989,420	14,747,769
Land improvements	283,407	8,809	-	292,216
Total accumulated depreciation	<u>\$ 24,459,987</u>	<u>\$ 1,874,198</u>	<u>\$ 1,037,985</u>	<u>\$ 25,296,200</u>
Total capital assets, depreciated, net	<u>\$ 16,532,081</u>	<u>\$ (1,034,762)</u>	<u>\$ 4,308</u>	<u>\$ 15,493,011</u>
Business-Type Activities Capital Assets, Net	<u>\$ 18,402,066</u>	<u>\$ (1,034,762)</u>	<u>\$ 4,308</u>	<u>\$ 17,362,996</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:

Governmental Activities	
General government	\$ 280,121
Public safety	1,225,159
Highways and streets	4,329,988
Social Services	577,740
Health	12,283
Correction	327,515
Culture and recreation	91,688
	<hr/>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,844,494</u>
 Business-Type Activities	
Resource Recovery	\$ 1,271,945
Landfill	602,253
	<hr/>
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,874,198</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, 2023, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Road and Bridge Special Revenue Fund	\$ 1,158	Charges for service reimbursement
	Social Services Special Revenue Fund	4,865	Charges for service reimbursement
	Public Safety Special Revenue Fund	7,315	Charges for service reimbursement
	Landfill Enterprise Fund	<u>3,620</u>	Charges for service reimbursement
Due to General Fund		<u>16,958</u>	
Road and Bridge Special Revenue Fund	General Fund	\$ 10,551	Charges for service reimbursement
	Public Safety Special Revenue Fund	451	Charges for service reimbursement
	Ditch Special Revenue Fund	16,446	Charges for service reimbursement
	Environmental Services Special Revenue Fund	<u>1,671</u>	Charges for service reimbursement
Due to Road and Bridge Special Revenue Fund		<u>\$ 29,119</u>	
Environmental Services Special Revenue Fund	Resource Recovery Enterprise Fund	\$ 19,797	Charges for service reimbursement
	Landfill Enterprise Fund	<u>35,168</u>	Charges for service reimbursement
Due to Environmental Services Special Revenue Fund		<u>\$ 54,965</u>	
Public Safety Special Revenue Fund	General Fund	<u>\$ 3,620</u>	Charges for service reimbursement
Public Health Special Revenue Fund	Social Services Special Revenue Fund	<u>\$ 35,825</u>	Charges for service reimbursement
Resource Recovery Enterprise Fund	Environmental Services Special Revenue Fund	\$ 218,235	Wages reimbursement
		4,976	Charges for service reimbursement
	Landfill Enterprise Fund	<u>56,072</u>	Charges for service reimbursement
Due to Resource Recovery Enterprise Fund		<u>\$ 279,283</u>	
Landfill Enterprise Fund	Environmental Services Special Revenue Fund	\$ 50,890	Charges for service reimbursement
	Resource Recovery Enterprise Fund	<u>44,117</u>	Charges for service reimbursement
Due to Landfill Enterprise Fund		<u>95,007</u>	
Total Due To/From Other Funds		<u><u>\$ 514,777</u></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	\$ 1,619,182	Temporary cash flow loan
	Ditch Debt Service Fund	5,615	Temporary cash flow loan
	Union Lake/Lake Sarah Debt Service Fund	19,401	Temporary cash flow loan
		<u>\$ 1,644,198</u>	
Resource Recovery Enterprise Fund	Landfill Enterprise Fund	<u>\$ 175,402</u>	Temporary cash flow loan
Advances to/From Other Funds:		<u><u>\$ 1,819,600</u></u>	

3. Interfund Transfers

Interfund advances for the year ended December 31, 2023, consisted of the following:

Transfer to Road and Bridge Fund from General Fund	<u>\$ 1,200,000</u>	ARPA Funds Transfer
Transfer to Social Services Special Revenue Fund from General Fund	<u>\$ 28,735</u>	ARPA Funds Transfer
Transfer to Public Health Special Revenue Fund from General Fund	<u>\$ 22,134</u>	ARPA Funds Transfer
Transfer to Environmental Services Special Revenue Fund from Capital Project Fund	<u>\$ 33,025</u>	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	70,000	Transfer debt payment
Total transfers to Capital Project Fund	<u>\$ 490,000</u>	
Transfer to Resource Recovery Enterprise Fund from Landfill Enterprise Fund	<u>\$ 2,364,997</u>	
Transfer to Landfill Enterprise Fund from:		
General Fund	\$ 600,000	ARPA Funds Transfer
Resource Recovery Enterprise Fund	178,945	Permanent transfer
Total transfers to Landfill Enterprise Fund	<u>\$ 778,945</u>	
Total Interfund Transfers	<u><u>\$ 4,917,836</u></u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Current payables at December 31, 2023 were as follows:

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

1. Payables (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts payable	\$ 1,086,504	\$ 792,583
Salaries payable	771,777	86,000
Contracts payable	249,982	-
Due to other governments	503,220	6,760
Accrued interest payable	349,744	-
Total Payables	\$ 2,961,227	\$ 885,343

2. Construction and Other Significant Commitments

Construction in progress consists of highway construction projects, a sanitation project, and a courthouse renovation project. The County had eight active construction projects and commitments as of December 31, 2023, with \$7,943,994 spent to date and remaining contract commitments of \$720,857, 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 \$1,420,624 at December 31, 2023, 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

**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)

\$18,460 to \$348,221 with outstanding balances ranging from \$6,153 to \$384,221. The total outstanding balance at year-end were \$1,786,860.

Year Ending December 31	Governmental Activities	
	Principal	Interest
2024	\$ 550,836	\$ 83,986
2025	426,136	65,390
2026	361,960	53,380
2027	202,621	29,509
2028	245,307	7,809
Total	\$ 1,786,860	\$ 240,074
Total minimum lease payment	<u>\$ 2,026,934</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, 2023, is \$132,165.

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, 2023, is \$413,353.

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
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	\$ 132,165	\$ 7,754	\$ 413,353	\$ 37,697	\$ 545,518	\$ 45,451

**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, 2023
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	3,120,000
2020A G.O. Capital Improvement Plan Bonds	2031	\$200,000 - \$310,000	5.00	2,515,000	2,105,000
2020B G.O. Watershed District Refunding Bonds	2033	\$125,000 - \$135,000	2.00 - 3.00	1,700,000	1,305,000
2019A G.O. Watershed Bonds	2040	\$160,000 - \$225,000	3.00 - 4.00	3,825,000	3,330,000
2019B G.O. State Aid Highway Bonds	2024	\$1,100,000	5.00	5,500,000	1,100,000
2017A G.O. Solid Waste Bonds	2037	\$265,000 - \$450,000	2.50 - 3.00	6,810,000	5,245,000
2015B G.O. Watershed Bonds	2036	\$55,000 - \$105,000	1.00 - 3.40	1,495,000	1,080,000
2015C G.O. Capital Improvement Plan Bonds	2026	\$265,000 - \$315,000	2.00	2,985,000	965,000
2012B G.O. Refunding Bonds	2025	\$140,000 - \$160,000	1.76	1,805,000	295,000
2009 G.O. Drainage Bonds	2030	\$45,000 - \$50,000	3.98	925,000	315,000
2006 G.O. Watershed District Bonds	2027	\$40,000 - \$45,000	3.60 - 4.30	865,000	160,000
Total general onligation bonds				<u>\$ 32,465,000</u>	<u>\$ 22,145,000</u>
Add: unamortized premium					<u>1,526,445</u>
Total General Obligation Bonds, Net					<u>\$ 23,671,445</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Liabilities (Continued)

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 \$2,911,314 landfill closure, postclosure care, and contingency costs payable at December 31, 2023, represent the cumulative amount reported to date based on the use of 70 percent of the estimated capacity of the municipal solid waste portion of the landfill and 38 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 \$2,611,543 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 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, 2023, investment of \$1,803,676 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Capital Leases		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2024	\$ 3,530,000	\$ 769,272	\$ 550,836	\$ 83,986	\$ 4,080,836	\$ 853,258
2025	2,515,000	644,880	426,136	65,390	2,941,136	710,270
2026	2,455,000	545,127	361,960	53,380	2,816,960	598,507
2027	1,525,000	463,431	202,621	29,509	1,727,621	492,940
2028	1,540,000	401,808	245,307	7,809	1,785,307	409,617
2029-2033	7,075,000	1,108,422	-	-	7,075,000	1,108,422
2034-2038	3,060,000	266,590	-	-	3,060,000	266,590
2039-2040	445,000	13,425	-	-	445,000	13,425
	\$ 22,145,000	\$ 4,212,955	\$ 1,786,860	\$ 240,074	\$ 23,931,860	\$ 4,453,029
Add: net bond premium	1,526,445	-	-	-	1,526,445	-
Total	\$ 23,671,445	\$ 4,212,955	\$ 1,786,860	\$ 240,074	\$ 25,458,305	\$ 4,453,029

Business-Type Activities

Year Ending December 31	Capital Leases	
	Principal	Interest
2024	\$ 163,631	\$ 21,936
2025	170,330	15,081
2026	177,312	7,939
2027	34,245	495
Total	\$ 545,518	\$ 45,451

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2023, was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 25,550,000	\$ -	\$ 3,405,000	\$ 22,145,000	\$ 3,530,000
Add: unamortized premium	1,695,973	-	169,528	1,526,445	-
Total bonds payable	<u>\$ 27,245,973</u>	<u>\$ -</u>	<u>\$ 3,574,528</u>	<u>\$ 23,671,445</u>	<u>\$ 3,530,000</u>
Capital leases	1,169,509	1,091,741	474,390	1,786,860	550,836
Compensated absences	1,950,256	2,131,085	1,952,999	2,128,342	759,263
Net Pension Liability	<u>24,428,283</u>	<u>(10,244,111)</u>	<u>-</u>	<u>14,184,172</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u><u>\$ 54,794,021</u></u>	<u><u>\$ (7,021,285)</u></u>	<u><u>\$ 6,001,917</u></u>	<u><u>\$ 41,770,819</u></u>	<u><u>\$ 4,840,099</u></u>
Business-Type Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Capital leases	\$ 702,724	\$ -	\$ 157,206	\$ 545,518	\$ 163,631
Estimated liability for landfill closure/postclosure care costs	2,695,754	215,560	-	2,911,314	-
Compensated Absences	304,103	208,450	-	512,553	205,021
Net Pension Liability	<u>2,241,053</u>	<u>(714,468)</u>	<u>-</u>	<u>1,526,585</u>	<u>-</u>
Business-Type Activities Long-Term Liabilities	<u><u>\$ 5,943,634</u></u>	<u><u>\$ (290,458)</u></u>	<u><u>\$ 157,206</u></u>	<u><u>\$ 5,495,970</u></u>	<u><u>\$ 368,652</u></u>

6. 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, 2023, are summarized below by fund:

	Taxes	Special Assessments	CSAH	Total
Governmental Funds				
General	\$ 527,448	\$ 87,054	\$ -	\$ 614,502
Special Revenue Funds				
Road & Bridge	9,730	-	7,284,256	7,293,986
Social Services	20,239	-	-	20,239
Debt Service Funds				
Ditch Debt Service Fund	-	6,476,838	-	6,476,838
Other Governmental Funds	3,852	272,935	-	276,787
Total	<u><u>\$ 561,269</u></u>	<u><u>\$ 6,836,827</u></u>	<u><u>\$ 7,284,256</u></u>	<u><u>\$ 14,682,352</u></u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year end December 31, 2023, were as follows:

	General	Special Revenue Funds			Ditch Debt Service Fund	Other Governmental Funds	Total Governmental Funds
		Road and Bridge	Social Services	Public Safety			
Nonspendable							
Advances to other funds	\$ 1,644,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,644,198
Inventories	-	1,148,908	-	-	-	-	1,148,908
Total Nonspendable	\$ 1,644,198	\$ 1,148,908	\$ -	\$ -	\$ -	\$ -	\$ 2,793,106
Restricted by enabling legislation							
Buffer enforcement	-	-	-	-	-	603,910	603,910
Civil Process Fees	-	-	-	7,215	-	-	7,215
Conceal carry	-	-	-	71,503	-	-	71,503
CSAH	-	669,859	-	-	-	-	669,859
Debt service	-	-	-	-	752,449	198,309	950,758
Dive rescue team	-	-	-	1,538	-	-	1,538
Drug task force	-	-	-	685	-	-	685
DWI Forfeitures	-	-	-	70,066	-	-	70,066
Enhanced 911	-	-	-	418,960	-	-	418,960
Gravel pit restoration	-	339,877	-	-	-	-	339,877
Law library	147,314	-	-	-	-	-	147,314
Natural resources	-	-	-	-	-	1,082,315	1,082,315
Missing heirs	32,852	-	-	-	-	-	32,852
Opioid Settlement	595,127	-	-	-	-	-	595,127
Project lifesavers	-	-	-	547	-	-	547
Recorder's equipment purchases	263,039	-	-	-	-	-	263,039
Recorder technology	87,487	-	-	-	-	-	87,487
Total restricted	\$ 1,125,819	\$ 1,009,736	\$ -	\$ 574,861	\$ 752,449	\$ 1,884,534	\$ 6,347,399
Committed to							
Insurance	525,478	-	-	-	-	-	525,478
Maple Lake Park reforestation	4,483	-	-	-	-	-	4,483
Total committed	\$ 529,961	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 529,961
Assigned to							
Culture and recreation	-	-	-	-	-	14,055	14,055
Public health	-	-	-	-	-	2,142,954	2,142,954
Public safety	-	-	-	5,349,507	-	-	5,349,507
Highways and streets	-	5,285,823	-	-	-	-	5,285,823
Human services	-	-	8,553,213	-	-	-	8,553,213
Environmental services	-	-	-	-	-	1,947,876	1,947,876
Total assigned	\$ -	\$ 5,285,823	\$ 8,553,213	\$ 5,349,507	\$ -	\$ 4,104,885	\$ 23,293,428
Unassigned	\$ 7,496,893	\$ -	\$ -	\$ -	\$ (37,008)	\$ (1,816,630)	\$ 5,643,255
Total Fund Balances	\$ 10,796,871	\$ 7,444,467	\$ 8,553,213	\$ 5,924,368	\$ 1,715,441	\$ 4,172,789	\$ 38,607,149

**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 \$699,977 was determined by an actuarial valuation date and measurement date of January 1, 2023.

The total OPEB liability in the fiscal year-end December 31, 2023, 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, 2023
Measurement Date:	January 1, 2023
Reporting Date:	December 31, 2023
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:	4.00%
20-Year Municipal Bond Yield:	4.00%
Inflation Rate:	2.50%
Salary Increases:	Service graded table
Medical Trend Rate:	6.25% decreasing to 5.00% then to 4.00%

The current year discount rate is 4.00 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, 2023.

C. Changes in Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at January 1, 2023	\$ 771,617
Changes for the year:	
Service cost	44,598
Interest cost	15,818
Assumption changes	(81,167)
Differences between expected and actual experience	-
Benefit payments	(50,899)
Net change in Total OPEB Liability	\$ (71,650)
Total OPEB Liability at December 31, 2023	\$ 699,967

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			
OPEB Liability (Asset) at Different Discount Rates				OPEB Liability (Asset) at Different Healthcare Cost Trend Rates			
1% Lower	3.00%	\$	747,407	1% Lower	5.25%	\$	632,173
Current Discount Rate	4.00%	\$	699,967	Current Discount Rate	6.25%	\$	699,967
1% Higher	5.00%	\$	655,628	1% Higher	425.00%	\$	779,790

**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, 2023, the County recognized OPEB expense of \$18,034.

At December 31, 2023, 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	\$ -	\$ 115,204
Assumption changes	35,023	90,196
Estimated employer contributions	48,937	-
Total	\$ 83,960	\$ 205,400

The \$48,937 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, 2024. 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
2024	\$ (31,660)
2025	\$ (31,658)
2026	\$ (28,254)
2027	\$ (30,828)
2028	\$ (36,386)
Thereafter	\$ (11,591)

H. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2023:

- The discount rate was changed from 2.00% to 4.00%.

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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

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 2023 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, 2023, were \$1,419,296. 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 2023 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, 2023, were \$398,199. 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, 2023, Polk County reported a liability of \$12,721,545 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 \$350,732.

The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. Polk County’s proportionate share was .2275 percent at the end of the measurement period and .2358 percent for the beginning of the period.

Polk County's	
Proportionate share of the net pension liability	\$ 12,721,545
State of Minnesota's proportionate share of	
the net pension liability associated with	
Polk County	350,732
Total	\$ 13,072,277

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, 2023, Polk County recognized pension expense of \$170,719 for its proportionate share of the General Employees Plan’s pension expense. In addition, Polk County recognized an additional \$1,576 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, 2023, 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	\$ 421,441	\$ 92,838
Changes in actuarial assumptions	2,179,771	3,486,867
Net collective difference between projected and actual investment earnings investment earnings	-	562,517
Changes in proportion	127,404	604,053
Contributions paid to PERA subsequent to the measurement date	725,106	-
Total	\$ 3,453,722	\$ 4,746,275

The \$725,106 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, 2024. 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:
2024	\$ 266,091
2025	\$ (2,199,903)
2026	\$ 192,125
2027	\$ (275,972)

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2023, Polk County reported a liability of \$2,989,212 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. Polk County’s proportionate share was .01731 percent at the end of the measurement period and .1837 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, 2023. 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. The State of Minnesota’s proportionate share of the net pension liability associated with the Polk County totaled \$120,359

Polk County's	
Proportionate share of the net pension liability	\$ 2,989,212
State of Minnesota's proportionate share of the net pension liability associated with Polk County	120,359
Total	\$ 3,109,571

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, 2023, Polk County recognized pension expense of (\$155,237) for its proportionate share of the Police and Fire Plan’s pension expense. Polk County recognized (\$7,249) 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 \$15,579 for the year ended December 31, 2023, as revenue and an offsetting reduction of net

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

pension liability for its proportionate share of the State of Minnesota’s on-behalf contributions to the Police and Fire Fund.

At December 31, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 854,841	\$ -
Changes in actuarial assumptions	3,755,346	4,206,187
Net collective difference between projected and actual investment earnings investment earnings	-	209,870
Changes in proportion	11,724	498,508
Contributions paid to PERA subsequent to the measurement date	192,395	-
Total	\$ 4,814,306	\$ 4,914,565

The \$192,395 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, 2024. 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:
2024	\$ 78,124
2025	\$ (45,843)
2026	\$ 745,806
2027	\$ (252,219)
2028	\$ (815,522)

3. Total Pension Expense

The total pension expense for all plans recognized by Polk County for the year ended December 31, 2023, was \$15,482.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

E. 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 weighing the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2023, 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 7.0 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 7.0 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 Plans, Police and Fire Plan, and the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan, 1% for the Police and Fire Plan, and 2 percent for the Correctional Plan.

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 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023, 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 2023:

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Police and Fire Fund

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.00 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

G. Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

H. 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 Discount Rates			Net Pension Liability (Asset) at Different Discount Rates		
General Employees Fund			Police and Fire Fund		
1% Lower	6.00%	\$ 22,505,435	1% Lower	6.00%	\$ 5,930,953
Current Discount Rate	7.00%	\$ 12,721,545	Current Discount Rate	7.00%	\$ 2,989,212
1% Higher	8.00%	\$ 4,673,924	1% Higher	8.00%	\$ 570,707

I. 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.

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

Six employees 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 2023 were:

Contribution Amount		Percentage of Cover Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 8,784	\$ 8,784	5%	5%	5%

**POLK COUNTY
CROOKSTON, MINNESOTA**

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.

B. 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 2023 and \$500,000 per claim in 2024. 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.

C. 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, 2023, is \$435,000. Polk County made contributions of \$58,164 in settlement payouts in 2023.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

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 \$8,200 in 2023. 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 2023. 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 – 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

**POLKCOUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to 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.

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 2023.

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 did not contribute in 2023. 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.

**POLKCOUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

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 of the 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 contribute to the Association for the year ended December 31, 2023. 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 \$1,145 in 2023. 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.

**POLKCOUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Tri-County Community Corrections (Continued)

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, in a custodial fund, reports the transactions of Tri-County Community Corrections on its financial statements. Polk County did not make any contributions in 2023. 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, 2023. Complete financial information can be obtained from the City of Crookston, 321 West Robert Street, Crookston, Minnesota, 56716.

**POLK COUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Polk-Norman-Mahnomen-Community Health Board

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

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

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

Financing is provided by state and federal grants. Polk County acts as fiscal agent for the Board and reports the cash transactions of the Community Health Board as a custodial fund on its annual financial statements. Polk County did not contribute in 2023. 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.

**POLK COUNTY
CROOKSTON, MN**

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

D. 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.

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, Mahnomon, Norman, Polk, and Wilkin Counties, as well as the Cities of Breckenridge, Crookston, Detroit Lakes, Mahnomon, 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 2023, Polk County provided \$290,870 in the form of an appropriation. Financial information can be obtained from the Lake Agassiz Regional Library Regional Office, 118 – 5th 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, Mahnomon, 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

**POLK COUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

Minnesota Rural Counties Caucus (Continued)

by each respective county board. The County made no contribution to the Caucus for the year ended December 31, 2023.

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, 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 2023. 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 5th Avenue, Ada, MN 56510.

**POLK COUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Minnesota Red River Basin of the North Joint Powers Board

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

Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of the Board is appointed by the County Commissioners of the county he or she represents. In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties. In 2023, Polk County provided \$784 in the form of an appropriation. Complete financial statements can be obtained from The International Coalition for Land/Water Stewardship in the Red River Basin, 119 – 5th Street South, Moorhead, 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 – 11th 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 2023.

E. 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.

**POLKCOUNTY
CROOKSTON, MN**

VII. Summary of Significant Contingencies and Other Items

E. Related Organizations (Continued)

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, Mahnommen, 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 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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 7,020,083	\$ 7,020,083	\$ 6,373,059	\$ (647,024)
Special assessments	-	-	217,644	217,644
Licenses and permits	6,100	6,100	5,990	(110)
Intergovernmental	2,401,411	2,401,411	5,503,222	3,101,811
Charges for services	757,675	757,675	755,610	(2,065)
Fines and forfeitures	4,000	4,000	7,755	3,755
Investments earnings	120,000	120,000	2,017,877	1,897,877
Miscellaneous	1,077,418	1,077,418	1,355,910	278,492
Total Revenues	\$ 11,386,687	\$ 11,386,687	\$ 16,237,067	\$ 4,850,380
Expenditures				
Current				
General government				
Commissioners	\$ 319,269	\$ 319,269	\$ 289,556	\$ 29,713
Courts services	101,700	101,700	156,340	(54,640)
Law library	-	-	31,472	(31,472)
County administration	287,282	287,282	293,132	(5,850)
Taxpayer service center	845,904	845,904	815,430	30,474
Motor vehicle	199,483	199,483	138,414	61,069
County assessor	716,480	716,480	693,893	22,587
Elections	42,265	42,265	90,939	(48,674)
Finance	559,217	559,217	532,242	26,975
Accounting and auditing	93,000	93,000	156,775	(63,775)
Data processing	893,818	893,818	747,086	146,732
Central services	402,500	402,500	343,254	59,246
Personnel	433,746	433,746	378,701	55,045
Attorney	1,346,823	1,346,823	1,372,501	(25,678)
Recorder	99,260	99,260	92,799	6,461
Surveyor	283,441	283,441	242,057	41,384
Buildings and grounds	5,157,484	5,157,484	2,203,780	2,953,704
Veterans service officer	199,846	199,846	201,780	(1,934)
Insurance	312,700	312,700	280,485	32,215
Other general government	30,000	30,000	1,445,793	(1,415,793)
Total general government	\$ 12,324,218	\$ 12,324,218	\$ 10,506,429	\$ 1,817,789

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Ambulance	\$ 58,775	\$ 58,775	\$ 58,775	\$ -
Coroner	79,816	79,816	77,196	2,620
Victim assistance	167,295	167,295	172,191	(4,896)
Total public safety	\$ 305,886	\$ 305,886	\$ 308,162	\$ (2,276)
Health				
Occupational Development Center	\$ 9,900	\$ 9,900	\$ 9,900	\$ -
Culture and recreation				
Historical society	\$ 15,000	\$ 15,000	\$ 15,000	\$ -
County fairs	20,000	20,000	20,000	-
Heritage Center	10,000	10,000	10,000	-
Parks	154,500	154,500	112,320	42,180
Celebrations	800	800	800	-
Total culture and recreation	\$ 200,300	\$ 200,300	\$ 158,120	\$ 42,180
Conservation of natural resources				
Agricultural inspection	\$ 48,700	\$ 48,700	\$ 5,079	\$ 43,621
Cooperative extension	177,513	177,513	169,889	7,624
Forfeited land	-	-	61,912	(61,912)
Soil and water conservation	121,350	121,350	101,390	19,960
Other conservation of natural resources	784	784	784	-
Total conservation of natural resources	\$ 348,347	\$ 348,347	\$ 339,054	\$ 9,293

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Economic development				
Red River Valley Development	\$ 1,600	\$ 1,600	\$ 1,800	\$ (200)
Tri-Valley Opportunity Council	7,000	7,000	7,000	-
Total economic development	\$ 8,600	\$ 8,600	\$ 8,800	\$ (200)
Debt service				
Principal retirement	\$ 1,415,000	\$ 1,415,000	\$ 1,534,019	\$ (119,019)
Interest	609,527	609,527	518,229	91,298
Total debt service	\$ 2,024,527	\$ 2,024,527	\$ 2,052,248	\$ (27,721)
Capital outlay				
General government	\$ 284,536	\$ 284,536	\$ 458,706	\$ (174,170)
Public safety	-	-	1,423,339	(1,423,339)
Culture and recreation	-	-	62,814	(62,814)
Total capital outlay	\$ 284,536	\$ 284,536	\$ 1,944,859	\$ (1,660,323)
Total Expenditures	\$ 15,506,314	\$ 15,506,314	\$ 15,327,572	\$ 178,742
Excess of Revenues Over (Under) Expenditures	\$ (4,119,627)	\$ (4,119,627)	\$ 909,495	\$ 5,029,122
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (1,850,869)	\$ (1,850,869)
Proceeds from capital lease purchase	-	-	439,505	439,505
Proceeds from issuance of bonds	2,702,312	2,702,312	-	(2,702,312)
Total Other Financing Sources (Uses)	\$ 2,702,312	\$ 2,702,312	\$ (1,411,364)	\$ (4,113,676)
Net Change in Fund Balance	\$ (1,417,315)	\$ (1,417,315)	\$ (501,869)	\$ 915,446
Fund Balance - January 1	11,298,740	11,298,740	11,298,740	-
Fund Balance - December 31	\$ 9,881,425	\$ 9,881,425	\$ 10,796,871	\$ 915,446

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,094,880	\$ 3,094,880	\$ 4,026,295	\$ 931,415
License and permits	40,000	40,000	69,160	29,160
Intergovernmental	12,173,011	12,173,011	11,987,787	(185,224)
Charges for services	80,000	80,000	213,813	133,813
Miscellaneous	625,000	625,000	1,809,528	1,184,528
Total Revenues	\$ 16,012,891	\$ 16,012,891	\$ 18,106,583	\$ 2,093,692
Expenditures				
Current				
Highways and streets				
Administration	\$ 525,123	\$ 525,123	\$ 589,785	\$ (64,662)
Maintenance	3,643,662	3,643,662	3,422,601	221,061
Construction	7,975,559	7,975,559	7,735,513	240,046
Equipment maintenance and shop	1,439,536	1,439,536	772,753	666,783
Town roads	1,969,011	1,969,011	1,421,678	547,333
Other highways and streets	150,000	150,000	879,494	(729,494)
Total highways and streets	\$ 15,702,891	\$ 15,702,891	\$ 14,821,824	\$ 881,067
Debt service				
Principal retirement	\$ 1,100,000	\$ 1,100,000	\$ 1,205,664	\$ (105,664)
Interest	110,000	110,000	164,445	(54,445)
Total debt service	\$ 1,210,000	\$ 1,210,000	\$ 1,370,109	\$ (160,109)
Capital outlay				
Highways and streets	\$ 900,000	\$ 900,000	\$ 2,039,721	\$ (1,139,721)
Total Expenditures	\$ 17,812,891	\$ 17,812,891	\$ 18,231,654	\$ (418,763)
Excess of Revenues Over (Under) Expenditures	\$ (1,800,000)	\$ (1,800,000)	\$ (125,071)	\$ 1,674,929
Other Financing Sources (Uses)				
Transfer in	1,800,000	1,800,000	1,200,000	3,000,000
Net Change in Fund Balance	\$ -	\$ -	\$ 1,074,929	\$ 4,674,929
Fund Balance - January 1	6,226,851	6,226,851	6,226,851	-
Increase (decrease) in inventories	-	-	142,687	142,687
Fund Balance - December 31	\$ 6,226,851	\$ 6,226,851	\$ 7,444,467	\$ 4,817,616

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 6,026,957	\$ 6,026,957	\$ 6,012,869	\$ (14,088)
Intergovernmental	11,252,408	11,252,408	9,812,310	(1,440,098)
Charges for services	682,721	682,721	876,469	193,748
Investment earnings	-	-	132	132
Miscellaneous	301,310	301,310	947,808	646,498
Total Revenues	\$ 18,263,396	\$ 18,263,396	\$ 17,649,588	\$ (613,808)
Expenditures				
Current				
Human services				
Income maintenance	\$ 5,381,523	\$ 5,381,523	\$ 5,028,276	\$ 353,247
Social services	13,800,190	13,800,190	12,788,014	1,012,176
Total human services	\$ 19,181,713	\$ 19,181,713	\$ 17,816,290	\$ 1,365,423
Debt service				
Principal retirement	\$ -	\$ -	\$ 43,151	\$ (43,151)
Interest	-	-	2,998	(2,998)
Total debt service	\$ -	\$ -	\$ 46,149	\$ (46,149)
Capital outlay				
Human services	\$ -	\$ -	\$ 115,319	\$ (115,319)
Total Expenditures	\$ 19,181,713	\$ 19,181,713	\$ 17,977,758	\$ 1,203,955
Excess of Revenues Over (Under) Expenditures	\$ (918,317)	\$ (918,317)	\$ (328,170)	\$ 590,147
Other Financing Sources (Uses)				
Proceeds from capital lease purchase	-	-	132,468	132,468
Net Change in Fund Balance	\$ (500,000)	\$ (500,000)	\$ (166,967)	\$ 1,169,667
Fund Balance - January 1	8,720,180	8,720,180	8,720,180	-
Fund Balance - December 31	\$ 8,220,180	\$ 8,220,180	\$ 8,553,213	\$ 1,169,667

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 9,449,605	\$ 9,449,605	\$ 9,449,605	\$ -
Intergovernmental	491,369	491,369	1,243,556	752,187
Charges for services	302,797	302,797	154,611	(148,186)
Fines and forfeitures	-	-	8,234	8,234
Gifts and contributions	-	-	16,175	16,175
Investment earnings	75	75	20,121	20,046
Miscellaneous	1,452,598	1,452,598	1,561,307	108,709
Total Revenues	\$ 11,696,444	\$ 11,696,444	\$ 12,453,609	\$ 757,165
Expenditures				
Current				
Public safety				
Sheriff	\$ 5,264,557	\$ 5,264,557	\$ 4,828,150	\$ 436,407
Narcotics task force	121,190	121,190	123,081	(1,891)
Body armor	4,000	4,000	1,389	2,611
Conceal and carry	94,852	94,852	74,310	20,542
Jury attendant	3,230	3,230	6,895	(3,665)
Safe and sober	-	-	3,553	(3,553)
DWI assessments	-	-	178	(178)
Boat and water safety	72,453	72,453	31,841	40,612
Emergency services	157,959	157,959	105,113	52,846
Enhanced 911 system	312,658	312,658	134,951	177,707
Community corrections	5,916,136	5,916,136	5,916,136	-
Emergency services	11,445	11,445	434	11,011
K-9 unit	7,580	7,580	25,216	(17,636)
Other public safety	-	-	105,421	(105,421)
Debt service				
Principal retirement	-	-	180,828	(180,828)
Interest	-	-	37,784	(37,784)
Capital outlay				
Public safety	672,877	672,877	714,231	(41,354)
Total Expenditures	\$ 12,638,937	\$ 12,638,937	\$ 12,289,511	\$ 349,426
Excess of Revenues Over (Under) Expenditures	\$ (942,493)	\$ (942,493)	\$ 164,098	\$ 1,106,591
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	-	383,110	383,110
Net Change in Fund Balance	\$ (942,493)	\$ (942,493)	\$ 547,208	\$ 1,489,701
Fund Balance - January 1	5,377,160	5,377,160	5,377,160	-
Fund Balance - December 31	\$ 4,434,667	\$ 4,434,667	\$ 5,924,368	\$ 1,489,701

**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, 2023**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability						
Service cost	\$ 44,598	\$ 59,115	\$ 59,973	\$ 50,553	\$ 41,224	\$ 43,449
Interest cost	15,818	19,176	26,441	33,564	29,553	29,382
Differences between expected and actual experience	(81,167)	(154,239)	-	(11,751)	-	-
Changes of assumption or other inputs	-	(19,333)	38,955	29,787	(23,861)	-
Benefit payments	(50,899)	(65,248)	(89,407)	(76,663)	(60,605)	(70,181)
Net change in total OPEB liability	\$ (71,650)	\$ (160,529)	\$ 35,962	\$ 25,490	\$ (13,689)	\$ 2,650
Total OPEB Liability - Beginning	<u>\$ 771,617</u>	<u>\$ 932,146</u>	<u>\$ 896,184</u>	<u>\$ 870,694</u>	<u>\$ 884,383</u>	<u>\$ 881,733</u>
Total OPEB Liability - Ending	<u><u>\$ 699,967</u></u>	<u><u>\$ 771,617</u></u>	<u><u>\$ 932,146</u></u>	<u><u>\$ 896,184</u></u>	<u><u>\$ 870,694</u></u>	<u><u>\$ 884,383</u></u>
Covered-employee payroll	\$19,977,257	\$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%	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, 2023**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2023	\$ 1,419,296	\$ 1,419,296	\$ -	\$ 18,923,946	7.50%
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

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2023	\$ 398,199	\$ 398,199	\$ -	\$ 2,249,715	17.70%
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
CROOKSTON, MINNESOTA**

Schedule 7

GOVERNMENTAL ACTIVITIES

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2023**

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, 2023	0.2275%	\$ 12,721,545	\$ 350,732	\$ 13,072,277	\$ 18,089,750	70.32%	83.10%
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, 2023	0.1731%	\$ 2,989,212	\$ 120,359	\$ 3,109,571	\$ 2,269,815	131.69%	86.47%
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, 2023

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, 2023:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
Attorney	\$ 1,372,501	\$ 1,346,823	\$ (25,678)
Accounting and auditing	156,775	93,000	(63,775)
Court services	156,340	101,700	(54,640)
County administration	293,132	287,282	(5,850)
Elections	90,939	42,265	(48,674)
Law library	31,472	-	(31,472)
Veterans service officer	201,780	199,846	(1,934)
Other general government	1,445,793	30,000	(1,415,793)
Public Safety			
Victim assistance	172,191	167,295	(4,896)
Conservation of natural resources			
Forfeited land	61,912	-	(61,912)
Economic development			
Red River Valley Development	1,800	1,600	(200)
Debt Service			
Principal retirement	1,534,019	1,415,000	(119,019)
Capital Outlay			
General government	458,706	284,536	(174,170)
Public safety	1,423,339	-	(1,423,339)
Culture and recreation	62,814	-	(62,814)

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund			
Highways and streets			
Administration	\$ 589,785	\$ 525,123	\$ (64,662)
Other highways and streets	879,494	150,000	(729,494)
Debt service			
Principal retirement	1,205,664	1,100,000	(105,664)
Interest	164,445	110,000	(54,445)
Capital outlay			
Highways and streets	2,039,721	900,000	(1,139,721)
Social Services Special Revenue Fund			
Debt service			
Principal retirement	43,151	-	(43,151)
Interest	2,998	-	(2,998)
Capital outlay			
Human services	115,319	-	(115,319)
Ditch Special Revenue Fund			
Conservation of natural resources			
Administration	53,588	-	(53,588)
Ditch maintenance and repairs	1,257,190	220,400	(1,036,790)
Middle River/Snake River Watershed	6,250	-	(6,250)
Red Lake Watershed	5,593	-	(5,593)
Environmental Services Special Revenue Fund			
Sanitation			
Recycling	661,551	644,035	(17,516)
Debt service			
Principal retirement	15,728	-	(15,728)
Interest	443	-	(443)
Capital outlay			
Sanitation	151,454	85,000	(66,454)
Public Health Special Revenue Fund			
Debt service			
Principal	10,000	-	(10,000)
Public Safety Special Revenue Fund			
Public safety			
DWI assessments	178	-	(178)
Narcotics task force	123,081	121,190	(1,891)
Jury attendant	6,895	3,230	(3,665)
K-9 unit	25,216	7,580	(17,636)
Safe and sober	3,553	-	(3,553)
Other public safety	105,421	-	(105,421)
Debt service			
Principal retirement	180,828	-	(180,828)
Interest	37,784	-	(37,784)
Capital outlay			
Public safety	714,231	672,877	(41,354)

**POLK COUNTY
CROOKSTON, MINNESOTA**

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.

2023 Changes

Changes in Actuarial Assumptions:

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The spousal coverage election percentage for subsidy eligible employees was lowered from 50% to 25%.
- The discount rate was changed from 2.00% to 4.00%.

Changes in Plan Provisions:

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

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

II. Other Post-Employment Benefits (OPEB)

2020 Changes

Changes in Actuarial Assumptions (Continued)

- 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.

2018 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 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

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Fund (Continued)

2023 Changes

Changes in Plan Provisions

- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions (Continued)

- 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.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

General Employees Fund

2017 Changes

Changes in Actuarial Assumptions (Continued)

- 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.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Police and Fire Fund

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Police and Fire Fund

2021 Changes

Changes in Actuarial Assumptions (Continued)

- 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.

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 morality 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 morality 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.

**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)

- 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 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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

Police and Fire 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 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 for the Rhinehart road project.

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

Capital Projects 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, 2023**

	(Statement 3) Total Nonmajor Special Revenue Funds	(Statement 5) Total Nonmajor Debt Service Funds	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>			
Assets			
Cash and pooled investments	\$ 5,408,698	\$ 67,965	\$ 5,476,663
Investments	213,350	149,745	363,095
Taxes receivable - prior	5,305	-	5,305
Special assessments receivable - prior	145,764	276	146,040
Accounts receivable	43,231	-	43,231
Due from other funds	90,790	-	90,790
Due from other governments	441,410	-	441,410
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 6,348,548	\$ 217,986	\$ 6,566,534
Deferred Outflows			
Grants	140,867	-	140,867
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 6,489,415	\$ 217,986	\$ 6,707,401
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 133,821	\$ -	\$ 133,821
Salaries payable	120,249	-	120,249
Contracts payable	42,483	-	42,483
Due to other funds	292,218	-	292,218
Due to other governments	30,471	-	30,471
Advances from other funds	1,619,182	19,401	1,638,583
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ 2,238,424	\$ 19,401	\$ 2,257,825
Deferred Inflows of Resources			
Taxes	\$ 3,852	\$ -	\$ 3,852
Special assessments	272,659	276	272,935
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	\$ 276,511	\$ 276	\$ 276,787
Fund Balances			
Restricted	\$ 1,686,225	\$ 198,309	\$ 1,884,534
Assigned	4,104,885	-	4,104,885
Unassigned	(1,816,630)	-	(1,816,630)
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 3,974,480	\$ 198,309	\$ 4,172,789
	<hr/>	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,489,415	\$ 217,986	\$ 6,707,401

**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, 2023**

	(Statement 4) Total Nonmajor Special Revenue Funds	(Statement 6) Total Nonmajor Debt Service Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 1,560,216	\$ -	\$ -	\$ 1,560,216
Special assessments	2,494,580	-	-	2,494,580
Licenses and permits	81,575	-	-	81,575
Intergovernmental	2,048,586	-	-	2,048,586
Charges for services	816,579	-	-	816,579
Investment earnings	748	4,350	-	5,098
Miscellaneous	278,883	-	-	278,883
Total Revenues	\$ 7,281,167	\$ 4,350	\$ -	\$ 7,285,517
Expenditures				
Current				
General government	\$ 509,991	\$ -	\$ -	\$ 509,991
Sanitation	2,535,687	-	-	2,535,687
Health	3,475,507	-	-	3,475,507
Culture and recreation	290,870	-	-	290,870
Conservation of natural resources	1,388,051	-	-	1,388,051
Debt service				
Principal retirement	25,728	-	300,000	325,728
Interest	443	-	156,975	157,418
Capital outlay				
Sanitation	151,454	-	-	151,454
Total Expenditures	\$ 8,377,731	\$ -	\$ 456,975	\$ 8,834,706
Excess of Revenues Over (Under) Expenditures	\$ (1,096,564)	\$ 4,350	\$ (456,975)	\$ (1,549,189)
Other Financing Sources (Uses)				
Transfers in	\$ 55,159	\$ -	\$ 490,000	\$ 545,159
Transfers out	(140,000)	-	(33,025)	(173,025)
Proceeds from issuance of debt	116,658	-	-	116,658
Total Other Financing Sources (Uses)	\$ 31,817	\$ -	\$ 456,975	\$ 488,792
Net Change in Fund Balance	\$ (1,064,747)	\$ 4,350	\$ -	\$ (1,060,397)
Fund Balance - January 1	5,039,227	193,959	\$ -	5,233,186
Fund Balance - December 31	\$ 3,974,480	\$ 198,309	\$ -	\$ 4,172,789

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2023**

	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 1)
<u>Assets</u>					
Assets					
Cash and pooled investments	\$ 12,602	\$ 709,379	\$ 2,854,027	\$ 1,832,690	\$ 5,408,698
Investments	-	213,350	-	-	213,350
Taxes receivable - prior	5,284	-	21	-	5,305
Special assessments receivable - prior	-	27,341	118,423	-	145,764
Accounts receivable	-	-	10,584	32,647	43,231
Due from other funds	-	-	54,965	35,825	90,790
Due from other governments	-	-	77,856	363,554	441,410
Total Assets	\$ 17,886	\$ 950,070	\$ 3,115,876	\$ 2,264,716	\$ 6,348,548
Deferred Outflows					
Special assessments	-	140,867	-	-	140,867
Total Assets	\$ 17,886	\$ 1,090,937	\$ 3,115,876	\$ 2,264,716	\$ 6,489,415
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ -	\$ 25,205	\$ 83,262	\$ 25,354	\$ 133,821
Salaries payable	-	-	25,800	94,449	120,249
Contracts payable	-	-	42,483	-	42,483
Due to other funds	-	16,446	275,772	-	292,218
Due to other governments	-	-	28,512	1,959	30,471
Advances from other funds	-	1,619,182	-	-	1,619,182
Total Liabilities	\$ -	\$ 1,660,833	\$ 455,829	\$ 121,762	\$ 2,238,424
Deferred Inflows of Resources					
Taxes	\$ 3,831	\$ -	\$ 21	\$ -	\$ 3,852
Special assessments	-	164,419	108,240	-	272,659
Total Deferred Inflows of Resources	\$ 3,831	\$ 164,419	\$ 108,261	\$ -	\$ 276,511
Fund Balances					
Restricted	\$ -	\$ 1,082,315	\$ 603,910	\$ -	\$ 1,686,225
Assigned	14,055	-	1,947,876	2,142,954	4,104,885
Unassigned	-	(1,816,630)	-	-	(1,816,630)
Total Fund Balances	\$ 14,055	\$ (734,315)	\$ 2,551,786	\$ 2,142,954	\$ 3,974,480
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,886	\$ 1,090,937	\$ 3,115,876	\$ 2,264,716	\$ 6,489,415

**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, 2023**

	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)
Revenues					
Taxes	\$ 282,899	\$ -	\$ 308,294	\$ 969,023	\$ 1,560,216
Special assessments	-	246,271	2,248,309	-	2,494,580
Licenses and permits	-	-	81,575	-	81,575
Intergovernmental	4,677	-	315,487	1,728,422	2,048,586
Charges for services	-	-	133,193	683,386	816,579
Investment earnings	-	748	-	-	748
Miscellaneous	-	26,772	196,317	55,794	278,883
Total Revenues	\$ 287,576	\$ 273,791	\$ 3,283,175	\$ 3,436,625	\$ 7,281,167
Expenditures					
Current					
General government	\$ -	\$ -	\$ 509,991	\$ -	\$ 509,991
Sanitation	-	-	2,535,687	-	2,535,687
Health	-	-	-	3,475,507	3,475,507
Culture and recreation	290,870	-	-	-	290,870
Conservation of natural resources	-	1,322,621	65,430	-	1,388,051
Debt service	-	-	-	-	-
Principal retirement	-	-	15,728	10,000	25,728
Interest	-	-	443	-	443
Capital outlay					
Sanitation	-	-	151,454	-	151,454
Total Expenditures	\$ 290,870	\$ 1,322,621	\$ 3,278,733	\$ 3,485,507	\$ 8,377,731
Excess of Revenues Over (Under) Expenditures	\$ (3,294)	\$ (1,048,830)	\$ 4,442	\$ (48,882)	\$ (1,096,564)
Other Financing Sources (Uses)					
Transfers in	\$ -	\$ -	\$ 33,025	\$ 22,134	\$ 55,159
Transfers out	-	-	(140,000)	-	(140,000)
Proceeds from issuance of debt	-	-	116,658	-	116,658
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 9,683	\$ 22,134	\$ 31,817
Net Change in Fund Balance	\$ (3,294)	\$ (1,048,830)	\$ 14,125	\$ (26,748)	\$ (1,064,747)
Fund Balance - January 1	17,349	314,515	2,537,661	2,169,702	5,039,227
Fund Balance - December 31	\$ 14,055	\$ (734,315)	\$ 2,551,786	\$ 2,142,954	\$ 3,974,480

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 5

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2023**

	Rhinehart Project Debt Service Fund	Union Lake Lake Sarah Debt Service Fund	Total Nonmajor Debt Service Funds (Statement 1)
<u>Assets</u>			
Assets			
Cash and pooled investments	\$ 66,375	\$ 1,590	\$ 67,965
Investments	-	149,745	149,745
Special assessments receivable - prior	-	276	276
	\$ 66,375	\$ 151,611	\$ 217,986
<u>Deferred Inflows of Resources and Fund Balances</u>			
Liabilities			
Advance from other funds	\$ -	\$ 19,401	\$ 19,401
Deferred Inflows of Resources			
Special assessments	-	276	276
Fund Balances			
Restricted for Debt service	66,375	131,934	198,309
	\$ 66,375	\$ 151,611	\$ 217,986
Total Deferred Inflows and Fund Balances and Fund Balances	\$ 66,375	\$ 151,611	\$ 217,986

**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, 2023**

	Rhinehart Project Debt Service Fund	Union Lake Lake Sarah Debt Service Fund	Total Nonmajor Debt Service Funds (Statement 2)
Revenues			
Investment earnings	\$ -	\$ 4,350	\$ 4,350
Net Change in Fund Balance	\$ -	\$ 4,350	\$ 4,350
Fund Balance - January 1	66,375	127,584	193,959
Fund Balance - December 31	\$ 66,375	\$ 131,934	\$ 198,309

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 290,870	\$ 290,870	\$ 282,899	\$ (7,971)
Intergovernmental	-	-	4,677	4,677
Total Revenues	\$ 290,870	\$ 290,870	\$ 287,576	\$ (3,294)
Expenditures				
Current				
Culture and recreation				
Regional library	290,870	290,870	290,870	-
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (3,294)	\$ (3,294)
Fund Balance - January 1	17,349	17,349	17,349	-
Fund Balance - December 31	\$ 17,349	\$ 17,349	\$ 14,055	\$ (3,294)

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 308,294	\$ 308,294	\$ 308,294	\$ -
Special assessments	2,570,000	2,570,000	2,248,309	(321,691)
Licenses and permits	56,500	56,500	81,575	25,075
Intergovernmental	323,958	323,958	315,487	(8,471)
Charges for services	193,000	193,000	133,193	(59,807)
Miscellaneous	252,950	252,950	196,317	(56,633)
Total Revenues	\$ 3,704,702	\$ 3,704,702	\$ 3,283,175	\$ (421,527)
Expenditures				
Current				
General government				
Planning and zoning	\$ 583,544	\$ 583,544	\$ 509,991	\$ 73,553
Sanitation				
Solid waste	1,736,623	1,736,623	1,428,139	308,484
Recycling	644,035	644,035	661,551	(17,516)
Hazardous waste	107,211	107,211	81,872	25,339
Transfer station	579,371	579,371	364,125	215,246
Conservation of natural resources				
Aquatic invasive species	88,344	88,344	65,430	22,914
Debt service				
Principal retirement	-	-	15,728	(15,728)
Interest	-	-	443	(443)
Capital outlay				
Sanitation	85,000	85,000	151,454	(66,454)
Total Expenditures	\$ 3,824,128	\$ 3,824,128	\$ 3,278,733	\$ 545,395
Excess of Revenues Over (Under) Expenditures	\$ (119,426)	\$ (119,426)	\$ 4,442	\$ 123,868
Other Financing Sources (Uses)				
Transfers in	\$ 68,944	\$ 68,944	\$ 33,025	\$ 101,969
Transfers out	(205,000)	(205,000)	(140,000)	65,000
Proceeds from issuance of debt	-	-	116,658	116,658
Total Other Financing Sources (Uses)	\$ (136,056)	\$ (136,056)	\$ 9,683	\$ 283,627
Net Change in Fund Balance	\$ (255,482)	\$ (255,482)	\$ 14,125	\$ 407,495
Fund Balance - January 1	2,537,661	2,537,661	2,537,661	-
Fund Balance - December 31	\$ 2,282,179	\$ 2,282,179	\$ 2,551,786	\$ 407,495

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 969,023	\$ 969,023	\$ 969,023	\$ -
Intergovernmental	1,917,313	1,917,313	1,728,422	(188,891)
Charges for services	604,857	604,857	683,386	78,529
Gifts and contributions	-	-	-	-
Miscellaneous	80,615	80,615	55,794	(24,821)
Total Revenues	\$ 3,571,808	\$ 3,571,808	\$ 3,436,625	\$ (135,183)
Expenditures				
Current				
Health				
Nursing service	\$ 3,721,808	\$ 3,721,808	\$ 3,475,507	\$ 246,301
Debt service				
Principal retirement	-	-	10,000	(10,000)
Total Expenditures	\$ 3,721,808	\$ 3,721,808	\$ 3,485,507	\$ 236,301
Excess of Revenues Over (Under) Expenditures	\$ (150,000)	\$ (150,000)	\$ (48,882)	\$ 101,118
Other Financing Sources (Uses)				
Transfers in	-	-	22,134	22,134
Net Change in Fund Balance	\$ (150,000)	\$ (150,000)	\$ (26,748)	\$ 123,252
Fund Balance - January 1	2,169,702	2,169,702	2,169,702	-
Fund Balance - December 31	\$ 2,019,702	\$ 2,019,702	\$ 2,142,954	\$ 123,252

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 220,400	\$ 220,400	\$ 246,271	\$ 25,871
Investment earnings	-	-	748	748
Miscellaneous	-	-	26,772	26,772
Total Revenues	\$ 220,400	\$ 220,400	\$ 273,791	\$ 53,391
Expenditures				
Current				
Conservation of natural resources				
Administration	\$ -	\$ -	\$ 53,588	\$ (53,588)
Ditch maintenance and repair	220,400	220,400	1,257,190	(1,036,790)
Middle River/Snake River Watershed	-	-	6,250	(6,250)
Red Lake Watershed	-	-	5,593	(5,593)
Total Expenditures	\$ 220,400	\$ 220,400	\$ 1,322,621	\$ (1,102,221)
Net Change in Fund Balance	\$ -	\$ -	\$ (1,048,830)	\$ (1,048,830)
Fund Balance - January 1	314,515	314,515	314,515	-
Fund Balance - December 31	\$ 314,515	\$ 314,515	\$ (734,315)	\$ (1,048,830)

**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 Districts.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 7

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2023**

	<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>	
<u>Assets</u>						
Cash and pooled investments	\$ 187,680	\$ 2,258	\$ 26,273	\$ 658,473	\$ 1,840,994	\$ 2,715,678
Due from other governments	-	-	548,609	-	86,366	634,975
Accounts receivable	-	-	-	4,849	48,891	53,740
Total Assets	\$ 187,680	\$ 2,258	\$ 574,882	\$ 663,322	\$ 1,976,251	\$ 3,404,393
<u>Liabilities</u>						
Accounts payable	\$ -	\$ -	\$ 1,593	\$ -	\$ -	\$ 1,593
Due to other governments	-	-	483,785	89,235	29,345	602,365
Total Liabilities	\$ -	\$ -	\$ 485,378	\$ 89,235	\$ 29,345	\$ 603,958
<u>Net Position</u>						
Restricted for Individuals, organizations, and other governments	\$ 187,680	\$ 2,258	\$ 89,504	\$ 574,087	\$ 1,946,906	\$ 2,800,435

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 8

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2023**

	Custodial Funds						Total Other Custodial Funds
	Polk County Collaborative	Multi-County Data Planning	Polk-Norman Mahnomen Community Health Board	Tri-County Community Corrections	Agency	Watershed District	
Additions							
Contributions:							
Participants	\$ 15,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,569
Investment earnings:							
Interest, dividends, other	-	-	-	23,223	-	-	23,223
Intergovernmental receipts for other governments	127,162	-	2,412,052	-	1,325,650	-	3,864,864
Fees collected for services	-	-	-	10,725,349	119,646	-	10,844,995
Property tax collections for other governments	-	-	-	-	100,897,994	577,861	101,475,855
Total Additions	\$ 142,731	\$ -	\$ 2,412,052	\$ 10,748,572	\$ 102,343,290	\$ 577,861	\$ 116,224,506
Deductions							
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -	\$ 101,536,034	\$ 577,861	\$ 102,113,895
Payments to state	-	-	-	-	349,815	-	349,815
Administrative expense	15,000	9,500	-	11,033,457	113,694	-	11,171,651
Payments to other entities/individuals	75,671	4,602	2,322,582	-	81,505	-	2,484,360
Total Deductions	\$ 90,671	\$ 14,102	\$ 2,322,582	\$ 11,033,457	\$ 102,081,048	\$ 577,861	\$ 116,119,721
Change in net position	\$ 52,060	\$ (14,102)	\$ 89,470	\$ (284,885)	\$ 262,242	\$ -	\$ 104,785
Net Position – January 1	135,620	16,360	34	858,972	1,684,664	-	2,695,650
Net Position – December 31	\$ 187,680	\$ 2,258	\$ 89,504	\$ 574,087	\$ 1,946,906	\$ -	\$ 2,800,435

OTHER SCHEDULES

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 12

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2023**

Shared Revenue

State

Aquatic Invasive Species Prevention Aid	\$	65,398
Border city reimbursement		28,180
County program aid		1,382,824
Enhanced 911		270,741
Disparity reduction aid		76,558
Disparity reduction credit		678,026
Highway users tax		11,876,869
Local homeless aid		144,929
Market value credit		423,409
Out-of-home placement		13,792
Police state aid		313,978
Public safety aid		608,212
Riparian aid		160,000
State financing revenue		113,550
		113,550

Total Shared Revenue **\$ 16,156,466**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	2,074,623
		2,074,623

Grants

Local

Middle River-Snake River Watershed District	\$	173,998
Other local		212,666
		212,666

Total Local **\$ 386,664**

State

Minnesota Department/Board of

Health	\$	836,757
Human Services		4,044,281
Natural Resources		10,634
Peace Officer Standards and Training		30,306
Pollution Control Agency		106,471
Public Safety		21,024
Transportation		2,972
Veterans Affairs		10,000
		10,000

Total State **\$ 5,062,445**

Federal

Department of

Agriculture	\$	795,942
Justice		82,141
Treasury		2,596,253
Health and Human Services		3,602,106
Homeland Security		12,819
		12,819

Total Federal **\$ 7,089,261**

Total Grants **\$ 12,538,370**

Total Intergovernmental Revenue **\$ 30,769,459**

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Polk-Norman-Manomen Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not provided	\$ 263,961	\$ -
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2514	531,981	-
Total U.S. Department of Agriculture			\$ 795,942	\$ -
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2022-POLKAO	\$ 82,141	\$ -
U.S. Department of the Treasury				
Direct Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	Not provided	\$ 2,533,959	\$ 584,674
Local Assistance and Tribal Consistency Fund	21.032	Not provided	62,294	-
Total U.S. Department of the Treasury			\$ 2,596,253	\$ 584,674
U.S. Department of Health and Human Services				
Passed Through Polk-Norman-Manomen Community Health Board Public Health Emergency Preparedness	93.069	Not provided	\$ 20,991	\$ -
Epidemiology and Laboratory Capacity for Infectious Disease (ELC)	93.323	Not provided	92,350	-
PHER: Cooperative Agreement for Emergency Response	93.354	Not provided	21,687	-
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-2201MNFPS	2,360	-
Temporary Assistance for Needy Families	93.558	2301MNTANF	\$ 563,186	-
Passed Through Polk-Norman-Manomen Community Health Board Temporary Assistance for Needy Families	93.558	Not provided	63,426	626,612
Passed Through Minnesota Department of Human Services Child Support Enforcement	93.563	2304MNCSEST	895,380	-
Refugee and Entrant Assistance	93.566	2301MNRCA	1,734	-
CCDF Cluster Child Care and Development Block Grant	93.575	2301MNCDF	9,718	-
Community Based Child Abuse Prevention Grants	93.590	2201MNBCAP	7,761	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2301MNCWSS	3,743	-
Foster Care Title IV-E	93.658	2301MNFOST	279,233	-
Social Services Block Grant	93.667	G-2301MNSOSR	257,619	-
Chafee Foster Care Independence Program	93.674	G-2301MNCILP	31,221	-
Elder Abuse Prevention Intervention Programs	93.747	Not provided	2,180	-
Children's Health Insurance Program	93.767	2305MN5022	1,997	-

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 13
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Human Services Medicaid Cluster Medical Assistance Program	93.778	2305MN5ADM	\$ 988,267	-
Passed Through Polk-Norman-Manomen Community Health Board Medical Assistance Program	93.778	Not provided	52,269	-
Maternal, Infant, and Early Childhood Home Visiting Program	93.870	Not provided	196,035	-
Passed Through Minnesota Department of Human Services Block Grants for Community Mental Health Services	93.958	Not provided	42,075	-
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08T1010027/B081083047	17,833	-
Passed Through Polk-Norman-Manomen Community Health Board CDC Prevention Collaboration with Academia to Strengthen Public Health	93.967	Not provided	42,047	-
Maternal and Child Health Services Block Grant to the States	93.994	Not provided	8,994	-
Total U.S. Department of Health and Human Services			\$ 3,602,106	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGBLA19	\$ 12,819	-
Total Federal Awards			\$ 7,089,261	\$ 584,674
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 531,981	
Total expenditures for CCDF Cluster			9,718	
Total expenditures for Medicaid Cluster			1,040,536	

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2023

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 2023, the County passed through direct federal awards to subrecipients under federal award CFDA 21.027, in the amount of \$584,674.

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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 30, 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 2023-001, 2023-002, 2023-003, 2023-004, 2023-005, and 2023-006 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 2023-008. 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 2023-009. 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
September 30, 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, 2023. 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, 2023.

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 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 2023-007, 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 style.

Hoffman, Philipp, & Martell, PLLC
September 30, 2024

**POLK COUNTY
CROOKSTON, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2023**

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:
- | | |
|----------------------------------|---------------------|
| Child Support Enforcement | CFDA #93.563 |
| American Rescue Plan Act | CFDA #21.027 |
- 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: 2023-001

Prior Year Finding Number(s): 2022-001

Repeat Finding Since: 1996

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**

Finding Number: 2023-002

Prior Year Finding Number(s): 2022-002

Repeat Finding Since: 2001

Finding Title: Capital Assets Accounting and Reporting

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 supervised central capital asset records. Several departments of the County keep their own records. There is no supervision and review of decentralized departmental information, and no complete centralized reporting of County assets.

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 the 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. No central supervisor is responsible for reviewing and correcting information submitted by various departments.

Effect: Decentralization of capital assets accounting creates an environment that could allow capital assets of the County to be recorded inconsistently or misappropriated. As a result, the actual value of the County's capital assets could be different from what is reported.

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

Recommendation: We recommend the County implement centralized supervision and reporting over the capital asset accounting and reporting system.

County's Response: *Management recognizes this control deficiency exists and has indicated that they agree that capital asset accounting and reporting should be supervised centrally, however, no progress has been made towards the completion of the goal.*

ITEMS ARISING THIS YEAR:

Finding Number: 2023-003

Finding Title: Payroll Processing and Reporting

Criteria: To ensure consistent and accurate accounting and reporting, the County should have a supervised payroll system and maintain a current centralized record of all vacation, sick, and compensatory leave time.

Condition: The County does not have supervised central payroll records. Several departments of the County keep their own records. There is no supervision and review of payroll information, and no complete centralized reporting of the liability for vacation, sick, and compensatory leave time.

Context: Separate systems are used for the preparation and payment of payroll and for time reporting including vacation, sick, and compensatory leave time. Records are maintained in several departments with varying degrees of detail and accuracy. Additionally, no central supervisor is responsible for reviewing and

**POLK COUNTY
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reporting payroll information including hours paid and hours worked submitted by various departments.

Effect: An unsupervised payroll system and decentralized reporting creates an environment that could allow errors and irregularities to remain uncorrected. As a result, the actual value of the County's liability for vacation, sick, and compensatory leave time accrued could be different from what is reported.

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

Recommendation: We recommend the County implement centralized supervision, review and reporting over the payroll processing and reporting of related liability amounts.

County's Response: *Management recognizes this control deficiency exists and has indicated that they agree that payroll accounting and reporting should be supervised centrally, however, no progress has been made toward the completion of the goal.*

Finding Number: 2023-004

Finding Title: Accounting Transaction Classification

Criteria: The County Financial Accounting and Reporting System (CoFARS) required by the Minnesota Office of the State Auditor issues guidance for the classification and posting of all financial transactions.

Condition: During our audit, we identified over \$5,000,000 in fund and department transfers for reimbursements representing expenditures that should have been posted originally to the correct fund and department.

Context: The County Finance Director is aware that they have always done it this way, and they rely on the independent external auditors to assist in making the necessary adjustments to the financial statements.

Effect: This results in an overstatement of revenues and expenditures in the financial statements of the County. The independent external auditors assist by recommending the necessary adjustments to the financial statements.

Cause: The County Finance Director did not ensure that transactions were originally posted into the correct funds and departments, and the County does not have an internal control system designed to detect these errors.

Recommendation: We recommend the County establish internal control procedures for analysis and review of revenue and expenditure classifications to ensure these transactions are reported in accordance with GAAP in the County's annual financial statement.

County's Response: *The County continues to make improvements to their financial reporting system.*

Finding Number: 2023-005

Finding Title: Audit Adjustments

Criteria: A good system of internal control includes an adequate system for recording and processing

**POLK COUNTY
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transactions material to financial reporting.

Condition: During our audit, we identified material adjustments in several funds. These adjustments resulted in significant changes to amounts originally reported in the County's financial statements.

Context: County officials are aware that audit adjustments are made to revenues and expenditures, and they rely on the independent external auditors to assist in making the necessary adjustments to the financial statements.

Effect: Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. Balances are correctly reported as of December 31 each year. By definition, however, independent external auditors cannot be considered part of the government's internal control.

Cause: The County Finance Director did not consistently post transactions into the correct funds and departments, and the County does not have an internal control system designed to detect these errors.

Recommendation: We recommend the County establish internal control procedures for analysis and review of revenue and expenditure classification to ensure these transactions are reported in accordance with GAAP in the County's annual financial statement.

County's Response: *The County continues to make improvements to their financial reporting system.*

Finding Number: 2023-006

Finding Title: Multiple Bank Accounts

Criteria: County funds should be deposited into financial institutions for the purpose of safeguarding and investing. The accounts should be reconciled monthly and balanced to the general ledger of the County.

Condition: The County maintains 39 different bank accounts. Some transactions of the County are flowing through these accounts and are not recorded in or balanced to the central financial ledger of the County.

Context: Most of the additional accounts are maintained by offices outside of the central treasurer department of the County. The treasurer's financial system is not balanced to the auditor's trial balance after reconciling the accounts.

Effect: These additional accounts are not included in the general ledger of the County, nor are they reconciled and balanced by the central treasurer department of the County.

Cause: Transactions of the County are not recorded in the County's financial statements and there is inadequate supervision over these accounts.

Recommendation: We recommend the County eliminate the excess accounts by combining them with the main checking account or the main savings account.

County's Response: *The County continues to make improvements to their financial reporting system.*

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED:

Finding Number: 2023-007

Prior Year Finding Number: 2022-003

Repeat Finding Since: 2022

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 9 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.

Context: The County was in violation of the reporting requirements when their audit was not submitted in the required time frame.

Effect: This also occurred in 2022, 2021, and 2020.

Cause: The decentralized operations of the County and late availability of information delayed the auditors in the completion of the audit report.

Recommendation: The annual County audit should be completed within 9 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: 2023-008

Prior Year Finding Number: 2022-004

Repeat Finding Since: 2020

Finding Title: Publication of Board Minutes

Criteria: Pursuant to Minn. Stat. § 375.12, within 30 days of each meeting, the County Board must have the official proceedings of its session, or a summary published in a qualified newspaper of general circulation in the County. Upon adoption of the County budget by the Board the annual summary budget statement is required to be published in the official newspaper of the County in compliance with Minn. Stat. § 375.169.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Condition: The County was not in compliance with the following State of Minnesota legal requirements. The affidavits of publication related to the publishing of a summary of the County Board minutes for 2023 were reviewed. Six of 10 summaries reviewed, and the annual summary budget statement 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; four of the ten reviewed 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.*

V. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED:

Finding Number: 2023-009

Prior Year Finding Number: 2022-005

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: 75 of the 187 individual ditch systems had deficit fund balances at December 31, 2023, totaling \$1,973,637, the largest being \$798,038.

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.

**POLK COUNTY
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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.*



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COUNTY ADMINISTRATOR
CHARLES S. WHITING

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2023**

Finding Number: 2023-001

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, 2024.

Finding Number: 2023-002

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, 2024.

Finding Number: 2023-003

Finding Title: Payroll Processing and Reporting

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

Corrective Action Planned: The Finance Department now plans to centralize the payroll accounting system.

County Comment: *The County agrees that payroll accounting and reporting should be supervised centrally, however, no progress has been made towards the completion of the goal.*

Anticipated Completion Date: December 31, 2024.

Finding Number: 2023-004

Finding Title: Accounting Transactions Classification

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

Corrective Action Planned: The County will correct account classifications by posting transactions appropriately across funds instead of through reimbursements.

County Comment: *The County continues to make improvements to their financial reporting system.*

Anticipated Completion Date: December 31, 2024.

Finding Number: 2023-005

Finding Title: Audit Adjustments

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

Corrective Action Planned: The County will strive to improve the need for audit adjustments and not rely on their external auditors to make necessary adjustments.

County Comment: *The County continues to make improvements to their financial reporting system.*

Anticipated Completion Date: December 31, 2024.

Finding Number: 2023-006

Finding Title: Multiple Bank Accounts

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

Corrective Action Planned: The County plans to consolidate its bank accounts as much as possible.

County Comment: *The County continues to make improvements to their financial reporting system.*

Anticipated Completion Date: December 31, 2024.

Finding Number: 2023-007

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, 2024.

Finding Number: 2023-008

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 delays 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, 2024.

Finding Number: 2023-009

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 findings 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, 2023**

Finding Number: 2022-001
Repeat Finding Since: 1996
Finding Title: Segregation of Duties and 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: 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 corrected.

Finding Number: 2022-002
Repeat Finding Since: 2001
Finding Title: Capital Assets Accounting System

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

Summary of Corrective Action: The Finance Department plans to centralize the capital asset accounting system for all County Assets.

Status: Not corrected.

Finding Number: 2022-003
Repeat Finding Since: 2022
Finding Title: Late Financial Reporting

Summary of Condition: The County did not submit the data collection form to the Federal Audit Clearinghouse within the required time frame.

Summary of Corrective Action: 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.

Status: Not corrected.

Finding Number: 2022-004

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 2022, six 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 statute. The County feels it has addressed the delay caused within the County but has also experienced delay in publishing caused by the published of the County's official newspaper. The County will work with the publisher to help them recognize the importance of timely publication.

Status: Not corrected.

Finding Number: 2022-005

Repeat Finding Since: 2007

Finding Title: County Ditch Deficit Fund Balances.

Summary of Condition: As of December 31, 2022, 58 of the 183 individual ditch system had deficit fund balances totaling \$664,004, the largest being \$201,433.

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.