

**POLK COUNTY
CROOKSTON, MINNESOTA**

YEAR ENDED DECEMBER 31, 2014

**POLK COUNTY
CROOKSTON, MINNESOTA**

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CROOKSTON, MINNESOTA**

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INTRODUCTORY SECTION

**POLK COUNTY
CROOKSTON, MINNESOTA**

ORGANIZATION SCHEDULE
DECEMBER 31, 2014

| <u>Office</u> | <u>Name</u> | <u>Term Expires</u> |
|--------------------------------------|------------------------------|---------------------|
| Commissioners | | |
| 1 st District | Craig Buness | January 2017 |
| 2 nd District | Warren Strandell, Vice Chair | January 2019 |
| 3 rd District | Nick Nicholas | January 2017 |
| 4 th District | Warren Affeldt ¹ | January 2015 |
| 5 th District | Don Diedrich, Chair | January 2017 |
| | | |
| Officers | | |
| Elected: | | |
| Attorney | Gregory A. Widseth | January 2018 |
| Sheriff | Barbara Erdman | January 2018 |
| | | |
| Appointed: | | |
| County Administrator | Charles S. Whiting | Indefinite |
| Director of Assessment Services | Robert Wagner | December 2016 |
| Director of Property Records | Michelle Cote | Indefinite |
| Environmental Services Administrator | Jon Steiner | Indefinite |
| Finance Officer | Ron Denison | Indefinite |
| Highway Engineer | Richard Sanders | April 2019 |
| Medical Examiner | Michael McGee, M.D. | Indefinite |
| Surveyor | Garrett Borowicz | Indefinite |
| Veterans Service Officer | Leslie O. Goodwin | July 2019 |
| | | |
| Welfare Board | | |
| Chair | Nick Nicholas | January 2017 |
| Director | Kent Johnson | Indefinite |
| Member | Warren Affeldt ¹ | January 2015 |
| Member | Don Diedrich | January 2017 |
| Member | Warren Strandell | January 2019 |
| Member | Paula Waters | July 2017 |
| Secretary | Cathy Gutterud | July 2016 |
| Vice Chair | Craig Buness | January 2017 |

¹ Replaced by Joan Lee in January 2015.

FINANCIAL SECTION

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



Hoffman, Philipp, & Knutson, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@mncable.net

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Polk County

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of December 31, 2014, 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.

Other Matters

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, 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 supplementary information as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2015, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Hoffman, Philipp, & Knutson, PLLC

September 29, 2015



Board of Commissioners

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COMMISSIONERS
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WARREN STRANDELL, East Grand Forks
NICK NICHOLAS, Crookston
WARREN AFFELDT, Fosston
DON DIEDRICH, Warren

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, 2014. 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 \$156,389,652, of which \$111,671,919 is the net investment in capital assets, \$8,383,964 is restricted for specific purposes, and \$36,333,769 is unrestricted. The total net position of governmental activities decreased by \$132,388 for the year ended December 31, 2014 due to the planned spending of County reserves in an attempt to hold down tax increases.

The total net position of business-type activities is \$4,589,086, of which \$5,711,964 is the net investment in capital assets, \$1,530,792 is restricted for financial assurance, and \$(2,653,670) is unrestricted. The total net position of business-type activities increased by \$472,634 for the year ended December 31, 2014 due to additional charges for services resulting from large increases in volumes and types of waste received at the Landfill.

At the close of 2014, the County's governmental funds reported combined ending fund balances of \$38,979,237, an increase of \$6,775,417, from the prior year. This is a result of the investment of proceeds from advance Jail Refunding Bonds. Of the total fund balance amount, \$1,223,399 is non-spendable, \$7,811,391 is legally or contractually restricted, \$578,594 is formally committed for specific purposes, \$8,217,692 is assigned for specific purposes, and \$21,148,161 is noted as unassigned fund balance. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is 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 and liabilities 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 of the County's assets and liabilities, with the difference between the two 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 state and federal grants finance most of these activities.
- Business-type activities—The County charges fees to cover the costs of certain services it provides. Included here are the operations of the Landfill and Resource Recovery System.

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, and Debt Service. 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, and the Ditch Special Revenue Fund, all of which are considered to be major funds. Data from the other five Special Revenue Funds and the two Debt Service Funds are combined into a single, aggregated presentation.

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

Polk County adopts annual budgets for its governmental funds, except the Forfeited Tax Sale Special Revenue Fund. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

Proprietary Funds Polk County maintains two proprietary funds. The Landfill Enterprise Fund is used to account for all funds to be used for the maintenance of the sanitary landfill. Funding is derived from user fees and intergovernmental revenue from the State of Minnesota. The Resource Recovery Enterprise Fund is used to account for all funds to be used for the maintenance of the solid waste incinerator and up-front separation. Funding is derived from bond issue proceeds, user fees, and intergovernmental revenue from the State of Minnesota. Proprietary funds provide the same type of information as the government-wide financial statements, and are included in the Statement of Net Position and the Statement of Activities as business-type activities. Both of the enterprise funds are considered to be major funds.

Fiduciary Funds Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Polk County's fiduciary funds consist of one investment trust fund and three agency funds. Investment trust funds are used to account for the investment activities of others that the County holds in a fiduciary capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the Agency Funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 30 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 ditch balance sheet and a schedule of intergovernmental revenue.

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 \$160,978,738 at the close of 2014. The largest portion of the County's net position (approximately 73 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, land improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately six percent of the County's net position is restricted and 21 percent of the County's net position is unrestricted. The unrestricted net position amount of \$33,680,099, as of December 31, 2014, 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 \$7,609,920 over the prior year mainly as a result of Highway Construction projects funded by State and Federal allocations. Total liabilities increased by \$7,269,674 over the prior year, due to the issuance of long term debt. This resulted in an increased net position of \$340,246 from the prior year.

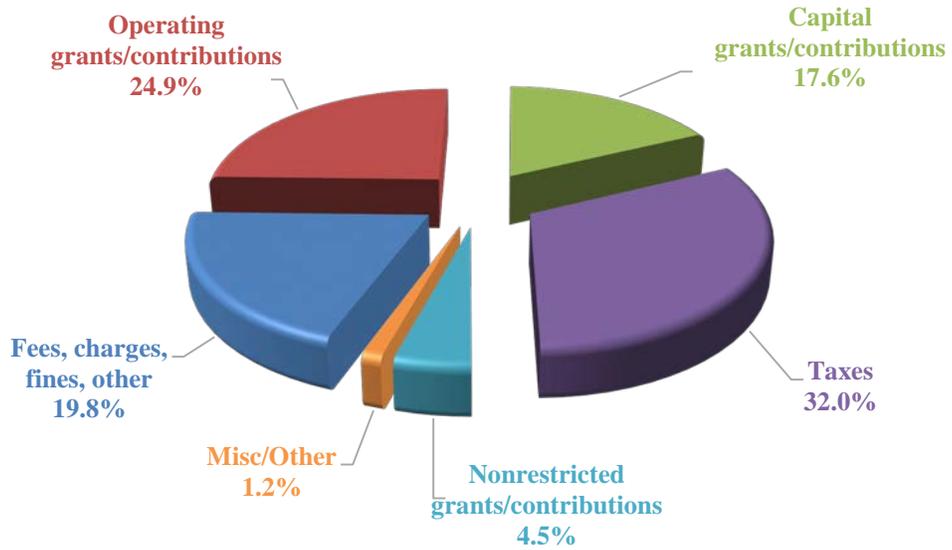
NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------------------|-------------------------|----------------|--------------------------|--------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Current and other assets | \$ 49,248,128 | \$ 42,463,481 | \$ 3,244,705 | \$ 2,748,544 | \$ 52,492,833 | \$ 45,212,025 |
| Capital assets | 146,641,919 | 146,688,597 | 5,711,964 | 5,336,174 | 152,353,883 | 152,024,771 |
| Total assets | \$ 195,890,047 | \$ 189,152,078 | \$ 8,956,669 | \$ 8,084,718 | \$ 204,846,716 | \$ 197,236,796 |
| Other liabilities | \$ 2,450,833 | \$ 2,422,297 | \$ 506,905 | \$ 243,471 | \$ 2,957,738 | \$ 2,665,768 |
| Long-term liabilities outstanding | 37,049,562 | 30,207,741 | 3,860,678 | 3,724,795 | 40,910,240 | 33,932,536 |
| Total liabilities | \$ 39,500,395 | \$ 32,630,038 | \$ 4,367,583 | \$ 3,968,266 | \$ 43,867,978 | \$ 36,598,304 |
| Net position | | | | | | |
| Net investment in capital assets | \$ 111,671,919 | \$ 127,638,597 | \$ 5,711,964 | \$ 5,336,174 | \$ 117,383,883 | \$ 132,974,771 |
| Restricted | 8,383,964 | 6,534,263 | 1,530,792 | 1,491,987 | 9,914,756 | 8,026,250 |
| Unrestricted | 36,333,769 | 22,349,180 | (2,653,670) | (2,711,709) | 33,680,099 | 19,637,471 |
| Total net position | \$ 156,389,652 | \$ 156,522,040 | \$ 4,589,086 | \$ 4,116,452 | \$ 160,978,738 | \$ 160,638,492 |

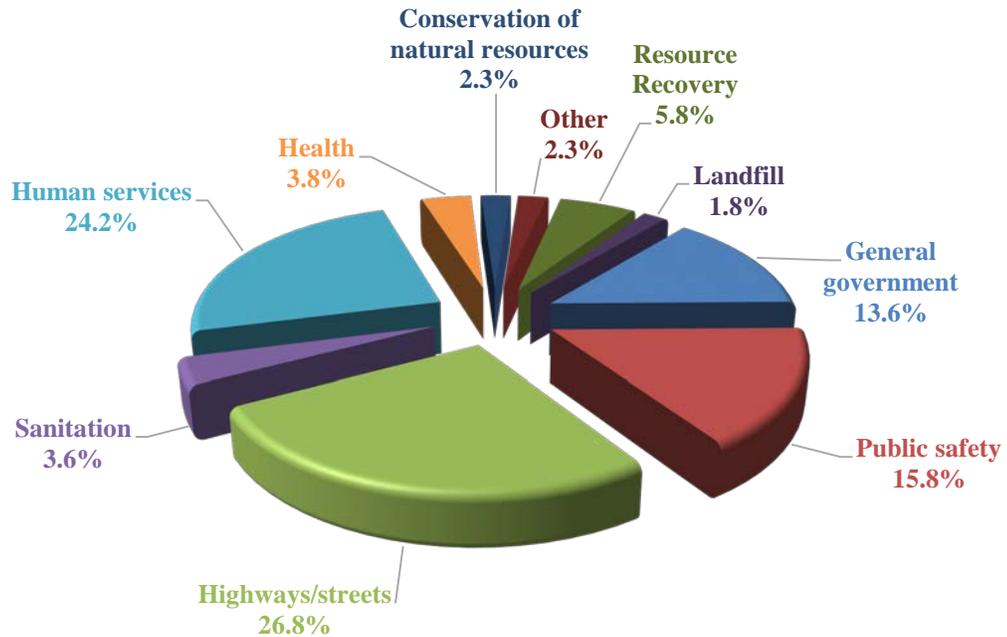
CHANGES IN NET POSITION

| | Governmental Activities | | Business-Type Activities | | Total | |
|--|-------------------------|----------------|--------------------------|--------------|----------------|----------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program Revenues | | | | | | |
| Fees, charges, fines and other | \$ 7,284,115 | \$ 7,404,529 | \$ 5,241,493 | \$ 4,440,496 | \$ 12,525,608 | \$ 11,845,025 |
| Operating grants and contributions | 15,726,690 | 14,652,008 | 5,165 | 5,165 | 15,731,855 | 14,657,173 |
| Capital grants and contributions | 11,084,634 | 15,461,056 | - | - | 11,084,634 | 15,461,056 |
| General Revenues | | | | | | |
| Taxes | 20,187,826 | 19,733,530 | - | - | 20,187,826 | 19,733,530 |
| Grants and contributions not restricted to specific programs | 2,831,367 | 1,885,602 | - | - | 2,831,367 | 1,885,602 |
| Payments in lieu of taxes | 346,313 | 253,796 | - | - | 346,313 | 253,796 |
| Investment earnings | 89,419 | 168,562 | 429 | 16,997 | 89,848 | 185,559 |
| Miscellaneous | 316,533 | 443,663 | - | - | 316,533 | 443,663 |
| Total revenues | \$ 57,866,897 | \$ 60,002,746 | \$ 5,247,087 | \$ 4,462,658 | \$ 63,113,984 | \$ 64,465,404 |
| Expenses | | | | | | |
| General government | \$ 8,568,352 | \$ 8,115,571 | \$ - | \$ - | \$ 8,568,352 | \$ 8,115,571 |
| Public safety | 9,927,297 | 8,924,263 | - | - | 9,927,297 | 8,924,263 |
| Highways and streets | 16,802,423 | 14,300,518 | - | - | 16,802,423 | 14,300,518 |
| Sanitation | 2,258,606 | 2,110,252 | - | - | 2,258,606 | 2,110,252 |
| Human services | 15,171,265 | 15,270,943 | - | - | 15,171,265 | 15,270,943 |
| Health | 2,409,114 | 2,300,475 | - | - | 2,409,114 | 2,300,475 |
| Culture and recreation | 559,325 | 437,778 | - | - | 559,325 | 437,778 |
| Conservation of natural resources | 1,426,792 | 1,898,764 | - | - | 1,426,792 | 1,898,764 |
| Economic development | 7,850 | 17,135 | - | - | 7,850 | 17,135 |
| Interest | 868,261 | 901,805 | - | - | 868,261 | 901,805 |
| Resource Recovery | - | - | 3,647,199 | 3,462,681 | 3,647,199 | 3,462,681 |
| Landfill | - | - | 1,127,254 | 1,085,120 | 1,127,254 | 1,085,120 |
| Total expenses | \$ 57,999,285 | \$ 54,277,504 | \$ 4,774,453 | \$ 4,547,801 | \$ 62,773,738 | \$ 58,825,305 |
| Increase (decrease) | \$ (132,388) | \$ 5,725,242 | \$ 472,634 | \$ (85,143) | \$ 340,246 | \$ 5,640,099 |
| Net position, January 1, | 156,522,040 | 150,796,798 | 4,116,452 | 4,201,595 | 160,638,492 | 154,998,393 |
| Net position, December 31 | \$ 156,389,652 | \$ 156,522,040 | \$ 4,589,086 | \$ 4,116,452 | \$ 160,978,738 | \$ 160,638,492 |

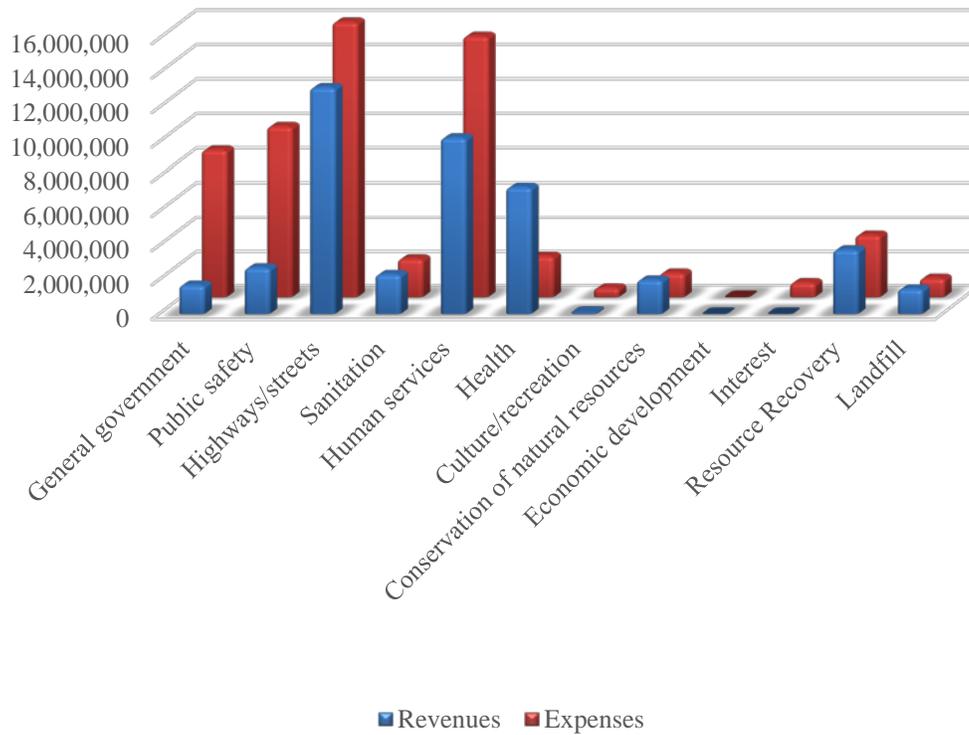
Revenues by Source



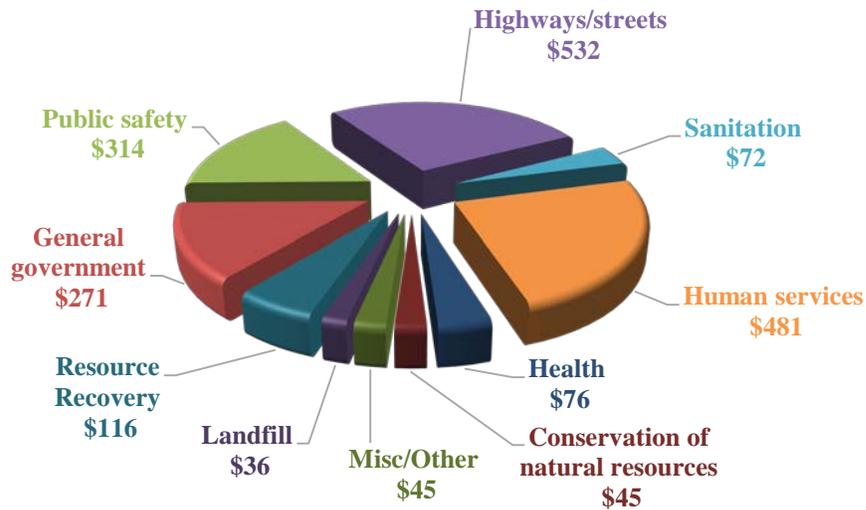
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 31,569 Population as of July 1, 2014



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, unreserved 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 2014, the County's governmental funds reported combined ending fund balances of \$38,979,237. Of this amount, approximately three percent constitutes non-spendable fund balance, 21 percent constitutes legally or contractually restricted fund balance, one percent constitutes formally committed fund balance, 21 percent constitutes specifically assigned fund balance, and 54 percent constitutes 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 \$23,242,613. The General Fund's non-spendable fund balance was \$544,578, restricted fund balance was \$257,397, committed fund balance was \$577,056, and unassigned fund balance was \$21,863,582. 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 2014. Unrestricted fund balance represents 195 percent of total General Fund expenditures, while total fund balance represents 202 percent of that same amount.

In 2014, the fund balance amount in the General Fund increased by \$8,358,388, primarily due to the temporary investment of jail refunding bond proceeds.

The fund balance of the Road and Bridge Special Revenue Fund decreased \$2,219,626 in 2014, due to construction and maintenance costs.

The fund balance of the Social Services Special Revenue Fund decreased \$379,825 from the prior year, due to planned use of reserves for budgeted capital expenditures.

The fund balance of the Ditch Special Revenue Fund decreased \$292,631 from the prior year, due to the repayment of debt.

Proprietary Fund

The Resource Recovery Enterprise Fund's total operating revenues decreased by \$111,204 or three percent. Operating expenses increased by \$184,518 or five percent. This combination of a decrease in operating revenues and an increase in operating expenses still yielded an operating income of \$113,431. When the nonoperating revenues and transfers are added to our analysis, the total change in net position decreased \$130,822 (\$4,954,253 to \$4,823,431).

The Landfill Enterprise Fund's total operating revenues increased by \$912,201 or 160 percent. Operating expenses increased by \$42,134 or four percent. This combination of a large increase in operating revenues and a minimal increase in operating expenses yielded an operating income of \$353,609. When the nonoperating revenues and transfers are added to our analysis, the total change in net position increased \$603,456 [\$(837,801) to \$(234,345)]. This increase was primarily due to additional types and volumes of waste accepted by the Landfill.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budget as approved for 2014.

Actual revenues were more than overall final budgeted revenues by \$546,818, with the largest positive variances in intergovernmental revenues. Actual expenditures were more than overall final budgeted expenditures by \$1,059,636, mainly as a result of under-budgeted buildings and grounds expenditures and capital outlay.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental and business-type activities as of December 31, 2014, amounted to \$152,353,883, (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was less than one percent. This was primarily due to infrastructure additions and building improvements.

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------|-------------------------|-----------------------|--------------------------|---------------------|-----------------------|-----------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 9,084,840 | \$ 9,037,121 | \$ 11,085 | \$ 11,085 | \$ 9,095,925 | \$ 9,048,206 |
| Construction in progress | 3,730,868 | 4,743,691 | - | - | 3,730,868 | 4,743,691 |
| Infrastructure | 99,920,170 | 98,657,356 | - | - | 99,920,170 | 98,657,356 |
| Buildings and improvements | 27,799,754 | 28,511,875 | 1,857,183 | 1,898,301 | 29,656,937 | 30,410,176 |
| Land improvements | 1,376,872 | 898,296 | 113,144 | 124,548 | 1,490,016 | 1,022,844 |
| Landfill | - | - | 589,216 | 624,575 | 589,216 | 624,575 |
| Machinery and equipment | 4,729,415 | 4,840,258 | 3,141,336 | 2,677,665 | 7,870,751 | 7,517,923 |
| Total capital assets | <u>\$ 146,641,919</u> | <u>\$ 146,688,597</u> | <u>\$ 5,711,964</u> | <u>\$ 5,336,174</u> | <u>\$ 152,353,883</u> | <u>\$ 152,024,771</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 \$35,263,959 which is backed by the full faith and credit of the government.

| | Governmental Activities | |
|--------------------------|-------------------------|----------------------|
| | 2014 | 2013 |
| General obligation bonds | \$ 34,970,000 | \$ 28,375,000 |
| Add: Unamortized premium | 293,959 | 246,540 |
| | <u>\$ 35,263,959</u> | <u>\$ 28,621,540</u> |

The County's increase in debt of \$6,642,419 during the fiscal year was a net result of the issuance of \$9,675,000 General Obligation Jail Refunding Bonds of 2014, and principal retirement of \$3,080,000.

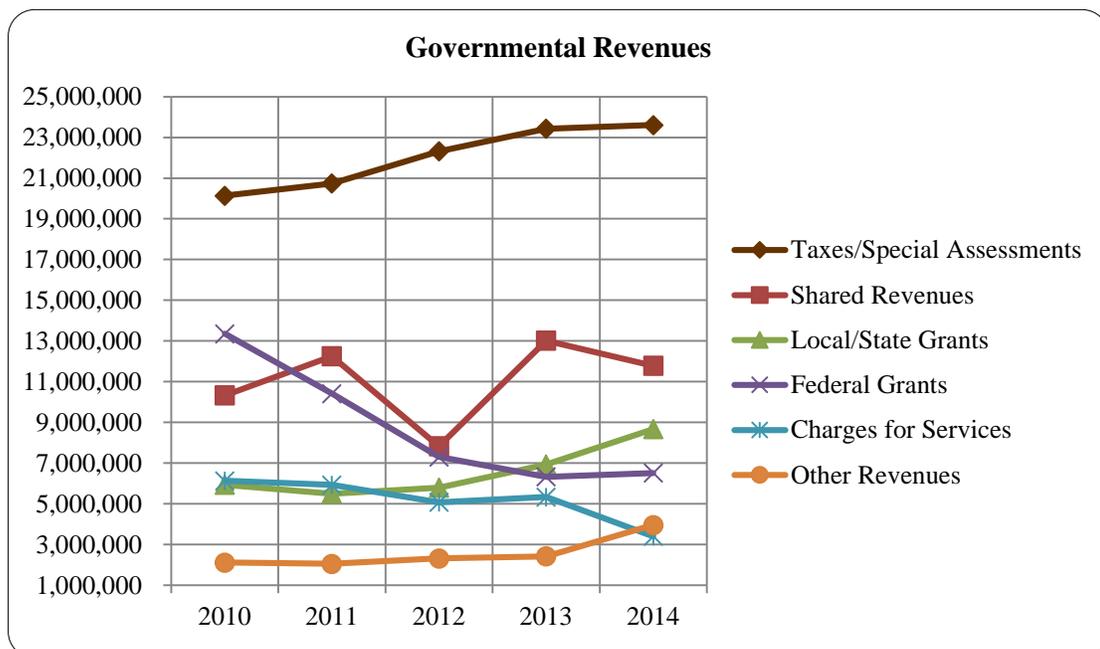
Other obligations include compensated absences and landfill closure and postclosure costs. Additional information on the County's long-term debt can be found in the notes to the financial statements.

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 2014, overall debt of the County is below the three percent debt limit.

Polk County’s bond rating is “AA” from Standard & Poor’s. The bond rating is affected by overlapping debt of the school districts and cities.

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 five-year analysis below focuses on the revenues of the County’s governmental funds taken from Exhibit 5 and the Schedule of Intergovernmental Revenue.



- The unemployment rate for Polk County was 4.6 percent as of December 31, 2014. This is consistent with the statewide rate of 4.7 percent and lower than the national average rate of 6.5 percent.
- Polk County’s population at July 1, 2014 was 31,569, a decrease of 31 since the 2010 census. This ranks Polk County 34th of 87 in the State of Minnesota.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Polk County programs and services will influence the development of future budgets.
- On December 16, 2014, Polk County set its 2015 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 218-281-0332.

BASIC FINANCIAL STATEMENTS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

| | Governmental Activities | Business-Type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| <u>Assets</u> | | | |
| Cash and pooled investments | \$ 25,369,908 | \$ 1,528,968 | \$ 26,898,876 |
| Investments | 11,464,188 | - | 11,464,188 |
| Taxes receivable - prior | 588,032 | - | 588,032 |
| Special assessments receivable - prior | 242,842 | - | 242,842 |
| Accounts receivable | 209,245 | 186,787 | 396,032 |
| Accrued interest receivable | 1,674 | 24 | 1,698 |
| Loans receivable | 15,000 | - | 15,000 |
| Due from other governments | 3,604,280 | 202,589 | 3,806,869 |
| Inventories | 678,821 | - | 678,821 |
| Internal balances | 204,455 | (204,455) | - |
| Prepaid items | 544,578 | - | 544,578 |
| Special assessments receivable - noncurrent | 6,325,105 | - | 6,325,105 |
| Restricted cash and pooled investments | - | 1,530,792 | 1,530,792 |
| Capital assets | | | |
| Non-depreciable | 12,815,708 | 11,085 | 12,826,793 |
| Depreciable - net of accumulated depreciation | 133,826,211 | 5,700,879 | 139,527,090 |
| Total Assets | \$ 195,890,047 | \$ 8,956,669 | \$ 204,846,716 |
| <u>Liabilities</u> | | | |
| Accounts payable | \$ 999,806 | \$ 316,734 | \$ 1,316,540 |
| Salaries payable | 67,396 | 45,660 | 113,056 |
| Contracts payable | 593,983 | - | 593,983 |
| Due to other governments | 132,999 | 144,511 | 277,510 |
| Accrued interest payable | 343,281 | - | 343,281 |
| Advanced County State Aid Highway Allotment | 313,368 | - | 313,368 |
| Long-term liabilities | | | |
| Due within one year | 13,424,083 | 65,037 | 13,489,120 |
| Due in more than one year | 23,625,479 | 3,795,641 | 27,421,120 |
| Total Liabilities | \$ 39,500,395 | \$ 4,367,583 | \$ 43,867,978 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | \$ 111,671,919 | \$ 5,711,964 | \$ 117,383,883 |
| Amounts restricted for | | | |
| General government | 829,970 | - | 829,970 |
| Public safety | 282,375 | - | 282,375 |
| Highways and streets | 2,578,006 | - | 2,578,006 |
| Sanitation | 34,515 | - | 34,515 |
| Conservation of natural resources | 3,711,844 | - | 3,711,844 |
| Debt service | 947,254 | - | 947,254 |
| Financial assurance | - | 1,530,792 | 1,530,792 |
| Unrestricted amounts | 36,333,769 | (2,653,670) | 33,680,099 |
| Total Net Position | \$ 156,389,652 | \$ 4,589,086 | \$ 160,978,738 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Expenses</u> | <u>Fees, Charges, Fines and Other</u> | <u>Program Revenues Operating Grants and Contributions</u> |
|---------------------------------------|----------------------|---|--|
| <u>Functions/Programs</u> | | | |
| Governmental activities | | | |
| General government | \$ 8,568,352 | \$ 1,691,494 | \$ 13,725 |
| Public safety | 9,927,297 | 1,997,813 | 594,190 |
| Highways and streets | 16,802,423 | 917,447 | 4,416,825 |
| Sanitation | 2,258,606 | 479,137 | 125,007 |
| Human services | 15,171,265 | 998,747 | 9,249,115 |
| Health | 2,409,114 | 620,723 | 1,201,625 |
| Culture and recreation | 559,325 | 107,247 | - |
| Conservation of natural resources | 1,426,792 | 471,507 | 126,203 |
| Economic development | 7,850 | - | - |
| Interest | 868,261 | - | - |
| Total governmental activities | \$ 57,999,285 | \$ 7,284,115 | \$ 15,726,690 |
| Business-type activities | | | |
| Resource Recovery | \$ 3,647,199 | \$ 3,760,630 | \$ 4,752 |
| Landfill | 1,127,254 | 1,480,863 | 413 |
| Total business-type activities | \$ 4,774,453 | \$ 5,241,493 | \$ 5,165 |
| Total | \$ 62,773,738 | \$ 12,525,608 | \$ 15,731,855 |

General revenues

Taxes

Mortgage registry and state deed taxes

Grants and contributions not restricted to specific programs

Payments in lieu of taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position - January 1

Net position - December 31

EXHIBIT 2

| Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position | | |
|--|---|-----------------------------|------------------------|
| | Governmental Activities | Business-Type Activities | Total |
| \$ - | \$ (6,863,133) | \$ - | \$ (6,863,133) |
| 119,083 | (7,216,211) | - | (7,216,211) |
| 7,833,788 | (3,634,363) | - | (3,634,363) |
| 1,723,895 | 69,433 | - | 69,433 |
| - | (4,923,403) | - | (4,923,403) |
| - | (586,766) | - | (586,766) |
| - | (452,078) | - | (452,078) |
| 1,407,868 | 578,786 | - | 578,786 |
| - | (7,850) | - | (7,850) |
| - | (868,261) | - | (868,261) |
| \$ 11,084,634 | \$ (23,903,846) | \$ - | \$ (23,903,846) |
| \$ - | \$ - | \$ 118,183 | \$ 118,183 |
| - | - | 354,022 | 354,022 |
| \$ - | \$ - | \$ 472,205 | \$ 472,205 |
| \$ 11,084,634 | \$ (23,903,846) | \$ 472,205 | \$ (23,431,641) |
| | \$ 19,747,858 | \$ - | \$ 19,747,858 |
| | 439,968 | - | 439,968 |
| | 2,831,367 | - | 2,831,367 |
| | 346,313 | - | 346,313 |
| | 89,419 | 429 | 89,848 |
| | 316,533 | - | 316,533 |
| | \$ 23,771,458 | \$ 429 | \$ 23,771,887 |
| | \$ (132,388) | \$ 472,634 | \$ 340,246 |
| | 156,522,040 | 4,116,452 | 160,638,492 |
| | \$ 156,389,652 | \$ 4,589,086 | \$ 160,978,738 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | General | Special Revenue Funds | | | Other Governmental Funds (Statement 1) | Total Governmental Funds |
|---|----------------------|-----------------------|---------------------|---------------------|---|--------------------------------|
| | | Road and Bridge | Social Services | Ditch | | |
| Assets | | | | | | |
| Assets | | | | | | |
| Cash and pooled investments | \$ 12,053,396 | \$ 1,617,457 | \$ 4,858,616 | \$ 1,867,438 | \$ 4,973,001 | \$ 25,369,908 |
| Investments | 9,868,968 | - | - | 1,265,043 | 330,177 | 11,464,188 |
| Taxes receivable - prior | 367,042 | 71,476 | 143,519 | - | 5,995 | 588,032 |
| Special assessments receivable - prior | - | - | - | 7,637 | 235,205 | 242,842 |
| Accounts receivable | 60,009 | 687 | 81,586 | - | 66,963 | 209,245 |
| Accrued interest receivable | 1,667 | - | - | - | 7 | 1,674 |
| Loans receivable | 15,000 | - | - | - | - | 15,000 |
| Due from other funds | 32,658 | 98,940 | - | - | 57,040 | 188,638 |
| Due from other governments | 50,236 | 2,367,762 | 718,026 | 4,352 | 463,904 | 3,604,280 |
| Prepaid items | 544,578 | - | - | - | - | 544,578 |
| Inventories | - | 678,821 | - | - | - | 678,821 |
| Advance to other funds | 901,011 | - | - | - | - | 901,011 |
| Special assessments receivable - noncurrent | - | - | - | 5,834,092 | 491,013 | 6,325,105 |
| Total Assets | \$ 23,894,565 | \$ 4,835,143 | \$ 5,801,747 | \$ 8,978,562 | \$ 6,623,305 | \$ 50,133,322 |
| Liabilities, Deferred Inflows of Resources and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 277,149 | \$ 278,317 | \$ 259,557 | \$ 75,652 | \$ 109,131 | \$ 999,806 |
| Salaries payable | 4,353 | 31,201 | - | - | 31,842 | 67,396 |
| Contracts payable | - | 593,983 | - | - | - | 593,983 |
| Due to other funds | - | - | 32,658 | - | 351,525 | 384,183 |
| Due to other governments | 3,408 | - | 101,219 | - | 28,372 | 132,999 |
| Advanced County State Aid Highway Allotment | - | 313,368 | - | - | - | 313,368 |
| Advances from other funds | - | - | - | 501,011 | - | 501,011 |
| Total Liabilities | \$ 284,910 | \$ 1,216,869 | \$ 393,434 | \$ 576,663 | \$ 520,870 | \$ 2,992,746 |
| Deferred Inflows of Resources | | | | | | |
| Taxes | \$ 367,042 | \$ 71,476 | \$ 143,519 | \$ - | \$ 5,963 | \$ 588,000 |
| Special assessments | - | - | - | 5,841,729 | 726,218 | 6,567,947 |
| County State Aid Highway Allotment | - | 1,005,392 | - | - | - | 1,005,392 |
| Total Deferred Inflows of Resources | \$ 367,042 | \$ 1,076,868 | \$ 143,519 | \$ 5,841,729 | \$ 732,181 | \$ 8,161,339 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | General | Special Revenue Funds | | | Other Governmental Funds (Statement 1) | Total Governmental Funds |
|---|----------------------|-----------------------|---------------------|---------------------|---|--------------------------------|
| | | Road and Bridge | Social Services | Ditch | | |
| Fund Balances | | | | | | |
| Non-spendable | | | | | | |
| Inventories | \$ - | \$ 678,821 | \$ - | \$ - | \$ - | \$ 678,821 |
| Prepaid items | 544,578 | - | - | - | - | 544,578 |
| Restricted for | | | | | | |
| Construction bonds | - | 2,418,721 | - | - | - | 2,418,721 |
| Debt service | - | - | - | 572,395 | 374,859 | 947,254 |
| Drug education | - | - | - | - | 6,963 | 6,963 |
| DWI assessment | - | - | - | - | 5,298 | 5,298 |
| Enhanced 911 | - | - | - | - | 157,535 | 157,535 |
| Environmental services | - | - | - | - | 1,724,069 | 1,724,069 |
| Gravel pit restoration | - | 159,285 | - | - | - | 159,285 |
| Handgun permits | - | - | - | - | 111,618 | 111,618 |
| Law library | 35,273 | - | - | - | - | 35,273 |
| Missing heirs | 2,427 | - | - | - | - | 2,427 |
| Natural resources | - | - | - | 1,987,775 | - | 1,987,775 |
| Recorder's equipment | 164,066 | - | - | - | - | 164,066 |
| Recorder's technology | 55,631 | - | - | - | - | 55,631 |
| Sheriff's forfeitures | - | - | - | - | 961 | 961 |
| Subsurface treatment systems | - | - | - | - | 34,515 | 34,515 |
| Committed to | | | | | | |
| Dive rescue team | - | - | - | - | 1,538 | 1,538 |
| Insurance | 572,573 | - | - | - | - | 572,573 |
| Maple Lake Park reforestation | 4,483 | - | - | - | - | 4,483 |
| Assigned to | | | | | | |
| Agassiz Regional Library | - | - | - | - | 67,149 | 67,149 |
| Forfeited tax sales | - | - | - | - | 151,857 | 151,857 |
| Human services | - | - | 5,264,794 | - | - | 5,264,794 |
| Public health | - | - | - | - | 752,444 | 752,444 |
| Public safety | - | - | - | - | 1,981,448 | 1,981,448 |
| Unassigned | 21,863,582 | (715,421) | - | - | - | 21,148,161 |
| Total Fund Balances | \$ 23,242,613 | \$ 2,541,406 | \$ 5,264,794 | \$ 2,560,170 | \$ 5,370,254 | \$ 38,979,237 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 23,894,565 | \$ 4,835,143 | \$ 5,801,747 | \$ 8,978,562 | \$ 6,623,305 | \$ 50,133,322 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

| | | |
|---|--------------|---------------------------|
| Fund balances - total governmental funds (Exhibit 3) | \$ | 38,979,237 |
| <p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p> | | |
| <p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p> | | 146,641,919 |
| <p>Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.</p> | | 8,161,339 |
| <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p> | | |
| Accrued interest payable | \$ (343,281) | |
| Compensated absences payable | (1,322,951) | |
| Other post-employment benefits | (462,652) | |
| Unamortized premiums on general obligation bonds | (293,959) | |
| General obligation bonds | (34,970,000) | (37,392,843) |
| | | |
| Net position of governmental activities (Exhibit 1) | \$ | <u>156,389,652</u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue Funds | | | Other Governmental Funds (Statement 2) | Total Governmental Funds |
|---|----------------------|-----------------------|----------------------|---------------------|---|--------------------------------|
| | | Road and Bridge | Social Services | Ditch | | |
| Revenues | | | | | | |
| Taxes | \$ 5,692,765 | \$ 2,360,832 | \$ 4,275,148 | \$ - | \$ 7,982,276 | \$ 20,311,021 |
| Special assessments | - | - | - | 1,501,107 | 1,791,098 | 3,292,205 |
| Licenses and permits | 18,125 | 31,940 | - | - | 94,515 | 144,580 |
| Intergovernmental | 2,269,107 | 13,065,001 | 9,426,727 | 366,168 | 1,845,467 | 26,972,470 |
| Charges for services | 893,141 | 585,619 | 611,663 | 7,435 | 1,310,178 | 3,408,036 |
| Fines and forfeitures | 7,973 | - | - | - | - | 7,973 |
| Investment earnings | 34,589 | - | 52 | 54,579 | 199 | 89,419 |
| Gifts and contributions | - | - | 18,465 | - | 34,150 | 52,615 |
| Miscellaneous | 1,178,652 | 288,717 | 387,084 | - | 1,808,267 | 3,662,720 |
| Total Revenues | \$ 10,094,352 | \$ 16,332,109 | \$ 14,719,139 | \$ 1,929,289 | \$ 14,866,150 | \$ 57,941,039 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | \$ 7,770,025 | \$ - | \$ - | \$ - | \$ 279,646 | \$ 8,049,671 |
| Public safety | 237,786 | - | - | - | 8,536,826 | 8,774,612 |
| Highways and streets | - | 16,721,797 | - | - | - | 16,721,797 |
| Sanitation | - | - | - | - | 2,158,430 | 2,158,430 |
| Human services | - | - | 15,098,964 | - | - | 15,098,964 |
| Health | 9,700 | - | - | - | 2,394,182 | 2,403,882 |
| Culture and recreation | 264,708 | - | - | - | 239,815 | 504,523 |
| Conservation of natural resources | 409,731 | - | - | 1,004,161 | 11,355 | 1,425,247 |
| Economic development | 7,850 | - | - | - | - | 7,850 |
| Debt service | | | | | | |
| Principal retirement | 775,000 | 1,215,000 | - | 982,273 | 107,727 | 3,080,000 |
| Interest | 571,150 | 122,512 | - | 235,486 | 15,767 | 944,915 |
| Capital outlay | | | | | | |
| General government | 155,775 | - | - | - | - | 155,775 |
| Public safety | 230,489 | - | - | - | 264,021 | 494,510 |
| Highways and streets | - | 514,277 | - | - | - | 514,277 |
| Sanitation | - | - | - | - | 89,242 | 89,242 |
| Culture and recreation | 508,015 | - | - | - | - | 508,015 |
| Total Expenditures | \$ 10,940,229 | \$ 18,573,586 | \$ 15,098,964 | \$ 2,221,920 | \$ 14,097,011 | \$ 60,931,710 |
| Excess of Revenues Over (Under) Expenditures | \$ (845,877) | \$ (2,241,477) | \$ (379,825) | \$ (292,631) | \$ 769,139 | \$ (2,990,671) |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | General | Special Revenue Funds | | | Other Governmental Funds (Statement 2) | Total Governmental Funds |
|---|----------------------|-----------------------|---------------------|---------------------|---|--------------------------------|
| | | Road and Bridge | Social Services | Ditch | | |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | \$ - | \$ - | \$ - | \$ - | \$ 539,972 | \$ 539,972 |
| Transfers out | (539,972) | - | - | - | - | (539,972) |
| Proceeds from issuance of bonds | 9,744,237 | - | - | - | - | 9,744,237 |
| Net Change in Fund Balance | \$ 8,358,388 | \$ (2,241,477) | \$ (379,825) | \$ (292,631) | \$ 1,309,111 | \$ 6,753,566 |
| Fund Balance - January 1 | 14,884,225 | 4,761,032 | 5,644,619 | 2,852,801 | 4,061,143 | 32,203,820 |
| Increase (decrease) in inventories | - | 21,851 | - | - | - | 21,851 |
| Fund Balance - December 31 | \$ 23,242,613 | \$ 2,541,406 | \$ 5,264,794 | \$ 2,560,170 | \$ 5,370,254 | \$ 38,598,246 |

**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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 6,753,566

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 | \$ 4,905,209 | |
| Current year depreciation | (4,951,887) | (46,678) |
| | | |

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 | | (74,142) |
|---|--|----------|

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 resources of governmental funds. Neither transaction,
however, has any effect on net position.

| | | |
|--------------------------------|----------------|-------------|
| Proceeds from issuance of debt | | |
| General obligation bonds | \$ (9,675,000) | |
| Principal repayments | | |
| General obligation bonds | 3,080,000 | (6,595,000) |
| | | |

Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

| | | |
|--|-----------|-----------|
| Change in | | |
| Accrued interest payable | \$ 54,836 | |
| Compensated absences payable | (88,262) | |
| Inventories | 21,851 | |
| Other post-employment benefits | (111,140) | |
| Unamortized premiums on general obligation bonds | (47,419) | (170,134) |
| | | |

Change in net position of governmental activities (Exhibit 2) \$ (132,388)

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

| | Enterprise Funds | | |
|---|------------------------------|---------------------|---------------------|
| | Resource Recovery | Landfill | Total |
| <u>Assets</u> | | | |
| Current Assets | | | |
| Cash and pooled investments | \$ 464,849 | \$ 1,064,119 | \$ 1,528,968 |
| Accounts receivable | 160,845 | 25,942 | 186,787 |
| Accrued interest receivable | 24 | - | 24 |
| Due from other funds | 263,734 | 22,712 | 286,446 |
| Due from other governments | 142,589 | 60,000 | 202,589 |
| Total Current Assets | \$ 1,032,041 | \$ 1,172,773 | \$ 2,204,814 |
| Restricted Assets | | | |
| Cash and pooled investments | \$ - | \$ 1,530,792 | \$ 1,530,792 |
| Noncurrent Assets | | | |
| Capital assets | | | |
| Non-depreciable | \$ 11,085 | \$ - | \$ 11,085 |
| Depreciable - net of accumulated depreciation | 4,328,689 | 1,372,190 | 5,700,879 |
| Total Noncurrent Assets | \$ 4,339,774 | \$ 1,372,190 | \$ 5,711,964 |
| Total Assets | \$ 5,371,815 | \$ 4,075,755 | \$ 9,447,570 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

***EXHIBIT 7
(Continued)***

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014**

| | Enterprise Funds | | |
|--|------------------------------|---------------------|---------------------|
| | Resource Recovery | Landfill | Total |
| <u>Liabilities</u> | | | |
| Current Liabilities | | | |
| Accounts payable | \$ 190,163 | \$ 126,571 | \$ 316,734 |
| Salaries payable | 39,271 | 6,389 | 45,660 |
| Compensated absences payable | 55,513 | 9,524 | 65,037 |
| Due to other funds | 57,040 | 33,861 | 90,901 |
| Due to other governments | 144,511 | - | 144,511 |
| Total Current Liabilities | \$ 486,498 | \$ 176,345 | \$ 662,843 |
| Noncurrent Liabilities | | | |
| Compensated absences payable | \$ 61,886 | \$ 20,416 | \$ 82,302 |
| Advance from other funds | - | 400,000 | 400,000 |
| Closure costs payable | - | 692,822 | 692,822 |
| Postclosure care costs payable | - | 2,281,608 | 2,281,608 |
| Contingency costs payable | - | 738,909 | 738,909 |
| Total Noncurrent Liabilities | \$ 61,886 | \$ 4,133,755 | \$ 4,195,641 |
| Total Liabilities | \$ 548,384 | \$ 4,310,100 | \$ 4,858,484 |
| <u>Net Position</u> | | | |
| Net investment in capital assets | \$ 4,339,774 | \$ 1,372,190 | \$ 5,711,964 |
| Amounts restricted for financial assurance | - | 1,530,792 | 1,530,792 |
| Unrestricted amounts | 483,657 | (3,137,327) | (2,653,670) |
| Total Net Position | \$ 4,823,431 | \$ (234,345) | \$ 4,589,086 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Enterprise Funds | | |
|---|----------------------|---------------------|---------------------|
| | Resource Recovery | Landfill | Total |
| Operating Revenues | | | |
| Charges for services | \$ 2,909,204 | \$ 1,413,287 | \$ 4,322,491 |
| Miscellaneous | 851,426 | 67,576 | 919,002 |
| Total Operating Revenues | \$ 3,760,630 | \$ 1,480,863 | \$ 5,241,493 |
| Operating Expenses | | | |
| Personnel services | \$ 1,659,461 | \$ 275,798 | \$ 1,935,259 |
| Other services and charges | 197,331 | 187,804 | 385,135 |
| Supplies | 315,214 | 31,996 | 347,210 |
| Utilities | 615,770 | 18,531 | 634,301 |
| Repairs and maintenance | 149,616 | 230,318 | 379,934 |
| Transportation and disposal | 238,954 | 68,745 | 307,699 |
| Closure costs | - | 17,788 | 17,788 |
| Postclosure care costs | - | 58,578 | 58,578 |
| Contingency costs | - | 18,971 | 18,971 |
| Depreciation | 470,853 | 218,725 | 689,578 |
| Total Operating Expenses | \$ 3,647,199 | \$ 1,127,254 | \$ 4,774,453 |
| Operating Income (Loss) | \$ 113,431 | \$ 353,609 | \$ 467,040 |
| Nonoperating Revenues (Expenses) | | | |
| Intergovernmental | \$ 4,752 | \$ 413 | \$ 5,165 |
| Investment earnings | 298 | 131 | 429 |
| Total Nonoperating Revenues (Expenses) | \$ 5,050 | \$ 544 | \$ 5,594 |
| Income (Loss) Before Transfers | \$ 118,481 | \$ 354,153 | \$ 472,634 |
| Transfers in | \$ - | \$ 249,303 | \$ 249,303 |
| Transfers out | (249,303) | - | (249,303) |
| Total Transfers | \$ (249,303) | \$ 249,303 | \$ - |
| Change in Net Position | \$ (130,822) | \$ 603,456 | \$ 472,634 |
| Net Position - January 1 | 4,954,253 | (837,801) | 4,116,452 |
| Net Position - December 31 | \$ 4,823,431 | \$ (234,345) | \$ 4,589,086 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents**

| | Enterprise Funds | | |
|--|----------------------|---------------------|-----------------------|
| | Resource Recovery | Landfill | Total |
| Cash Flows from Operating Activities | | | |
| Receipts from customers and users | \$ 4,155,822 | \$ 1,542,084 | \$ 5,697,906 |
| Payments to employees | (1,545,296) | (256,166) | (1,801,462) |
| Payments to suppliers | (1,603,924) | (486,864) | (2,090,788) |
| Net cash provided by (used in) operating activities | \$ 1,006,602 | \$ 799,054 | \$ 1,805,656 |
| Cash Flows from Noncapital Financing Activities | | | |
| Intergovernmental | \$ 4,752 | \$ 413 | \$ 5,165 |
| Repayment on advance from other funds | - | (100,000) | (100,000) |
| Transfers in | 424,183 | 249,303 | 673,486 |
| Transfers out | (673,486) | 36,516 | (636,970) |
| Net cash provided by (used in) noncapital financing activities | \$ (244,551) | \$ 186,232 | \$ (58,319) |
| Cash Flows from Capital and Related Financing Activities | | | |
| Purchases of capital assets | \$ (673,021) | \$ (524,902) | \$ (1,197,923) |
| Proceeds from sale of capital assets | - | 60,000 | 60,000 |
| Net cash provided by (used in) capital and related financing activities | \$ (673,021) | \$ (464,902) | \$ (1,137,923) |
| Cash Flows from Investing Activities | | | |
| Investment earnings received | \$ 290 | \$ 131 | \$ 421 |
| Net Increase (Decrease) in Cash and Cash Equivalents | \$ 89,320 | \$ 520,515 | \$ 609,835 |
| Cash and Cash Equivalents at January 1 | 375,529 | 2,074,396 | 2,449,925 |
| Cash and Cash Equivalents at December 31 | \$ 464,849 | \$ 2,594,911 | \$ 3,059,760 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014
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) | \$ 113,431 | \$ 353,609 | \$ 467,040 |
| Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities | | | |
| Depreciation expense | \$ 470,853 | \$ 218,725 | \$ 689,578 |
| Decrease (increase) in assets | | | |
| Accounts receivable | 290,210 | (10,577) | 279,633 |
| Due from other governments | (78,363) | 3,882 | (74,481) |
| Due from other funds | (6,619) | 17,790 | 11,171 |
| Increase (decrease) in liabilities | | | |
| Accounts payable | 66,043 | 84,045 | 150,088 |
| Salaries payable | 29,205 | 3,695 | 32,900 |
| Compensated absences payable | 24,609 | 15,937 | 40,546 |
| Due to other funds | 16,787 | 16,611 | 33,398 |
| Due to other governments | 80,446 | - | 80,446 |
| Closure, post-closure, and contingency costs payable | - | 95,337 | 95,337 |
| Total adjustments | \$ 893,171 | \$ 445,445 | \$ 1,338,616 |
| Net cash provided by (used in) operating activities | \$ 1,006,602 | \$ 799,054 | \$ 1,805,656 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

| | Tri-County Community Corrections Investment Trust | Agency (Statement 3) |
|---|--|---------------------------------|
| | | |
| <u>Assets</u> | | |
| Cash and pooled investments | \$ - | \$ 2,077,327 |
| Investments | 121,794 | - |
| Accounts receivable | - | 361,733 |
| Due from other governments | - | 180,689 |
| | \$ 121,794 | \$ 2,619,749 |
| <u>Liabilities</u> | | |
| Accounts payable | \$ - | \$ 243,530 |
| Due to other governments | - | 2,376,219 |
| | \$ - | \$ 2,619,749 |
| <u>Net Position</u> | | |
| Net position, held in trust for pool participants | \$ 121,794 | |

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 11

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
TRI-COUNTY COMMUNITY CORRECTIONS INVESTMENT TRUST FUND
DECEMBER 31, 2014**

| <u>Additions</u> | |
|-----------------------------------|-------------------|
| Investment earnings | \$ 64 |
| Net position - January 1 | <u>121,730</u> |
| Net position - December 31 | <u>\$ 121,794</u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 January 20, 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, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

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

B. 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. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those 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;

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

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

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 economic assistance and community social services programs. Financing is provided by annual tax levy and intergovernmental revenues assigned to human services.

The Ditch Special Revenue Fund is used 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 debt service and conservation of natural resources.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major enterprise funds:

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

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

Additionally, the County reports the following funds types:

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

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The Investment Trust Fund accounts for the non-pooled investments held on behalf of external participants.

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

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *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 all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, licenses, 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

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Position or Equity

1. Cash and Cash Equivalents

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

2. Cash and Investments

The cash balances of substantially all funds are pooled and invested for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2014, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2014 were \$15,359. Total investment earnings for 2014 were \$89,419.

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.

3. 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.

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).

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

3. Receivables and Payables (Continued)

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

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

4. Inventories and Prepaid Items

All inventories are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories in the proprietary fund and 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 reserve to indicate that they do not constitute available resources.

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

5. Restricted Assets

Certain funds of the County are classified as restricted 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.

6. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., roads, bridges, and similar items), buildings and improvements, land 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 estimated fair market value at the date of donation.

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. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the period, the County did not have any capitalized interest.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

6. Capital Assets (Continued)

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

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

The County landfill is depreciated based on capacity used.

7. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure) until then. Currently, the County has no items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position by the County that is applicable to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County's deferred inflows of resources arise only under a modified basis of accounting that qualifies for reporting in this category. Accordingly, deferred inflows of resources are reported only in the governmental funds balance sheet, and recognized as an inflow of resources in the period that the amounts become available.

8. Employee Benefits

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 County uses the actuarial method of valuation to determine its Other Post-Employment Benefit liability.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity (Continued)

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Net Position and Fund Balance

Certain funds of the County are classified as restricted net position 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.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

10. Net Position and Fund Balance (Continued)

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 strive to maintain a minimum unassigned fund balance in the General Fund of six months of operating expenses.

Stabilization arrangements are defined 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 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 did not identify an amount for stabilization as of December 31, 2014.

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.

11. 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, liabilities, and deferred inflows, 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

Ditch Special Revenue Fund

Forty-one of the 204 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 unreserved, undesignated fund balance as of December 31, 2014:

| | | |
|-----------------|----|-----------|
| Account balance | \$ | 3,086,838 |
| Account deficit | | (526,668) |
| | | (526,668) |
| Fund Balance | \$ | 2,560,170 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

II. Stewardship, Compliance, and Accountability

A. Individual Fund Deficits of Equity Accounts (Continued)

Landfill Enterprise Fund

At December 31, 2014, the Landfill Enterprise Fund had a total deficit net position of \$(234,345). This deficit will be eliminated with future revenues.

B. Land Management

The County manages approximately 206 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

1. Deposits and Investments

Reconciliations of the County's total deposits and investments to the basic financial statements, as of December 31, 2014, are as follows:

| | |
|---|----------------------|
| Governmental funds | |
| Cash and pooled investments | \$ 25,369,908 |
| Investments | 11,464,188 |
| Proprietary funds | |
| Cash and pooled investments | 1,528,968 |
| Restricted cash and pooled investments | 1,530,792 |
| Fiduciary funds | |
| Cash and pooled investments | 2,077,327 |
| Investments | <u>121,794</u> |
| Total cash and investments | <u>\$ 42,092,977</u> |
| | |
| Deposits | \$ 23,745,293 |
| Cash on hand | 6,170 |
| Investments | <u>18,341,514</u> |
| Total deposits, cash on hand, and investments | <u>\$ 42,092,977</u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

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. The County does not have a deposit policy for custodial credit risk. As of December 31, 2014, 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;

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Investments (Continued)

- (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. At December 31, 2014, the County had three Minnesota Association of Governments Investing for Counties (MAGIC) Cash Management Funds with a total fair value of \$18,341,514 and a maturity of less than one year.

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. The County's exposure to credit risk as of December 31, 2014, is the unrated MAGIC Fund with a fair value of \$18,341,514.

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, 2014, none of the County's investments were subject 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, 2014, the County's investments were in an external investment pool and therefore not subject to concentration of credit risk.

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2014, for the County's governmental and business-type activities, including any applicable allowances for uncollectible accounts, are as follows:

| | <u>Total Receivables</u> | <u>Amounts Not Scheduled for Collection During the Subsequent Year</u> |
|--------------------------------|--------------------------|--|
| Governmental Activities | | |
| Taxes | \$ 588,032 | \$ 588,000 |
| Special Assessments | 6,567,947 | 6,567,947 |
| Accounts | 209,245 | - |
| Accrued Interest | 1,674 | - |
| Due from other funds | 15,000 | - |
| Due from other governments | 3,604,280 | - |
| Loans receivable | <u>188,638</u> | <u>1,005,392</u> |
| Total Governmental Activities | <u>\$ 11,174,816</u> | <u>\$ 8,161,339</u> |
| Business-Type Activities | | |
| Accounts | \$ 186,787 | \$ - |
| Accrued interest | 24 | - |
| Due from other funds | 286,446 | - |
| Due from other governments | <u>202,589</u> | <u>-</u> |
| Total Business-Type Activities | <u>\$ 675,846</u> | <u>\$ -</u> |

3. Prepaid Items

The County has \$544,578 reported as prepaid items for insurance premiums for 2015 paid on December 30, 2014.

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the governmental and business-type activities for the year ended December 31, 2014, was as follows:

Governmental Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|----------------------------|----------------------------|------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 9,037,121 | \$ 47,719 | \$ - | \$ 9,084,840 |
| Construction in progress | 4,743,691 | 549,784 | 1,562,607 | 3,730,868 |
| Total capital assets not depreciated | <u>\$ 13,780,812</u> | <u>\$ 597,503</u> | <u>\$ 1,562,607</u> | <u>\$ 12,815,708</u> |
| Capital assets being depreciated | | | | |
| Infrastructure | \$ 144,085,536 | \$ 3,984,230 | \$ - | \$ 148,069,766 |
| Buildings and improvements | 40,607,911 | 202,489 | - | 40,810,400 |
| Land improvements | 1,541,650 | 571,738 | - | 2,113,388 |
| Machinery and equipment | 12,656,939 | 1,112,409 | 402,598 | 13,366,750 |
| Total capital assets being depreciated | <u>\$ 198,892,036</u> | <u>\$ 5,870,866</u> | <u>\$ 402,598</u> | <u>\$ 204,360,304</u> |
| Less: accumulated depreciation for | | | | |
| Infrastructure | \$ 45,428,180 | \$ 2,721,416 | \$ - | \$ 48,149,596 |
| Buildings and improvements | 12,096,036 | 914,610 | - | 13,010,646 |
| Land improvements | 643,354 | 93,162 | - | 736,516 |
| Machinery and equipment | 7,816,681 | 1,222,699 | 402,045 | 8,637,335 |
| Total accumulated depreciation | <u>65,984,251</u> | <u>4,951,887</u> | <u>402,045</u> | <u>70,534,093</u> |
| Total capital assets, depreciated, net | <u>\$ 132,907,785</u> | <u>\$ 918,979</u> | <u>\$ 553</u> | <u>\$ 133,826,211</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$ 146,688,597</u></u> | <u><u>\$ 1,516,482</u></u> | <u><u>\$ 1,563,160</u></u> | <u><u>\$ 146,641,919</u></u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Business-Type Activities

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|----------------------|--------------|-----------|-------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 11,085 | \$ - | \$ - | \$ 11,085 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | \$ 4,309,723 | \$ 71,701 | \$ - | \$ 4,381,424 |
| Landfill | 4,383,717 | 93,407 | - | 4,477,124 |
| Improvements other than buildings | 318,274 | - | - | 318,274 |
| Machinery and equipment | 11,183,937 | 900,260 | - | 12,084,197 |
| Total capital assets being depreciated | \$ 20,195,651 | \$ 1,065,368 | \$ - | \$ 21,261,019 |
| Less: accumulated depreciation for | | | | |
| Buildings and improvements | \$ 2,411,422 | \$ 112,819 | \$ - | \$ 2,524,241 |
| Landfill | 3,759,142 | 128,766 | - | 3,887,908 |
| Improvements other than buildings | 193,726 | 11,404 | - | 205,130 |
| Machinery and equipment | 8,506,272 | 436,589 | - | 8,942,861 |
| Total accumulated depreciation | \$ 14,870,562 | \$ 689,578 | \$ - | \$ 15,560,140 |
| Total capital assets, depreciated, net | \$ 5,325,089 | \$ 375,790 | \$ - | \$ 5,700,879 |
| Business-Type Activities Capital Assets, Net | \$ 5,336,174 | \$ 375,790 | \$ - | \$ 5,711,964 |

Depreciation Expense

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

| | |
|---|--------------|
| Governmental Activities | |
| General government | \$ 459,886 |
| Public safety | 1,100,592 |
| Highways and streets, including depreciation of infrastructure assets | 3,225,490 |
| Sanitation | 92,423 |
| Human services | 13,575 |
| Health | 5,119 |
| Culture and recreation | 30,802 |
| Total Depreciation Expense - Governmental Activities | \$ 4,927,887 |
| Business-Type Activities | |
| Landfill | \$ 218,725 |
| Resource Recovery | 470,853 |
| Total Depreciation Expense - Business-Type Activities | \$ 689,578 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets

4. Capital Assets (Continued)

Construction Contracts

The County had three active construction contracts for highways and streets as of December 31, 2014. The committed amount of these contracts was \$353,044.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2014, is as follows:

Due To/From Other Funds

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | |
|---|-----------------------------------|--------------------------|----------------------|
| General Fund | Social Services SRF | \$ 32,658 | Charges for services |
| Road and Bridge Special Revenue Fund | Other Governmental | \$ 65,079 | Charges for services |
| | Landfill Enterprise Fund | 33,861 | Charges for services |
| Total Due to Road and Bridge Special Revenue Fund | | <u>\$ 98,940</u> | |
| Other Governmental | Resource Recovery Enterprise Fund | \$ 57,040 | Charges for services |
| Resource Recovery Enterprise Fund | Other Governmental | \$ 263,734 | Charges for services |
| Landfill Enterprise Fund | Other Governmental | \$ 22,712 | Charges for services |
| Total Due To/From Other Funds | | <u><u>\$ 475,084</u></u> | |

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

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

Advances From/To Other Funds

| Receivable Fund | Payable Fund | Amount | |
|------------------------------------|--------------------------|------------|------------|
| General Fund | Ditch SRF | \$ 501,011 | Cash flows |
| | Landfill Enterprise Fund | 400,000 | Cash flows |
| Total Advances From/To Other Funds | | \$ 901,011 | |

These amounts will be paid back with future tax collections and operating revenues.

Interfund Transfers

Interfund transfers for the year ended December 31, 2014, consisted of the following operating transfer:

| | | |
|---|------------|----------------------|
| Transfer to Forfeited Tax Special Revenue Fund from General Fund | 539,972 | Permanent transfer |
| Transfer to Landfill Enterprise Fund from Resource Recovery Enterprise Fund | \$ 249,303 | Charges for services |
| Total Interfund Transfers | \$ 789,275 | |

C. Liabilities

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. There is also a provision for a catastrophic sick bank. For governmental activities, compensated absences are generally liquidated by the General Fund and the Road and Bridge, Human Services, Public Safety, Public Health, Environmental Services, and Ditch Special Revenue Funds. For business-type activities, compensated absences are generally 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 \$1,847,418 at December 31, 2014, is available to employees in the event of illness-related absences and is not paid to them at termination.

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Governmental Activities

Long-Term Debt

| <u>Types of Indebtedness</u> | <u>Final Maturity</u> | <u>Installment Amounts</u> | <u>Interest Rates (%)</u> | <u>Original Issue Amounts</u> | <u>Outstanding Balance December 31, 2014</u> |
|---|-----------------------|----------------------------|---------------------------|-------------------------------|--|
| General Obligation Bonds | | | | | |
| 2013 G.O. State Aid Highway Bonds | 2018 | \$1,215,000 | 1.0017 | \$ 6,075,000 | \$ 4,860,000 |
| 2012 G.O. Watershed District Bonds | 2033 | \$135,000-\$140,000 | 2.5303 | 2,710,000 | 2,570,000 |
| 2012B G.O. Refunding Bonds | 2025 | \$140,000-\$160,000 | 1.7573 | 1,805,000 | 1,650,000 |
| 2012C G.O. Refunding Bonds | 2018 | \$105,000-\$280,000 | 0.07687 | 1,035,000 | 755,000 |
| 2009 G.O. Drainage Bonds | 2030 | \$45,000-\$50,000 | 3.98 | 925,000 | 735,000 |
| 2009B G.O. Lake Improvement District Bonds | 2020 | \$40,000 | 1.25-3.4 | 400,000 | 240,000 |
| 2008A G.O. Refunding Bonds | 2020 | \$30,000-\$60,000 | 3.4-3.9 | 595,000 | 250,000 |
| 2007 G.O. Watershed and Road Improvement Bonds | 2018 | \$160,000-\$165,000 | 4.0-4.25 | 1,645,000 | 655,000 |
| 2006 G.O. Watershed District Bonds | 2027 | \$40,000-\$45,000 | 3.6-4.3 | 865,000 | 550,000 |
| 2006 G.O. Watershed Refunding Bonds | 2020 | \$130,000-\$155,000 | 3.25-4.0 | 1,950,000 | 830,000 |
| 2005 G.O. Jail Bonds | 2026 | \$775,000-\$1,275,000 | 3.5-4.5 | 17,500,000 | 12,200,000 |
| *2014 G.O. Jail Refunding Bonds | 2026 | \$990,000-\$1,165,000 | 2.0-2.25 | <u>9,675,000</u> | <u>9,675,000</u> |
| Total General Obligation Bonds | | | | \$ 45,180,000 | \$ 34,970,000 |
| Add: Unamortized premium | | | | | <u>293,959</u> |
| Total General Obligation Bonds, net of unamortized premium and discount | | | | | <u>\$ 35,263,959</u> |

*This debt is to refund the 2018 through 2026 maturities of the 2005 General Obligation Jail Bonds on February 1, 2015. The new bonds were issued with a net premium of \$69,237 and as a result of the refunding, the County realized a present value economic gain of \$1,497,917.

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Governmental Activities

Long-Term Debt (Continued)

Debt Service Requirements

Debt service requirements for governmental activities at December 31, 2014, were as follows:

| Year Ending December 31 | General Obligation Bonds | |
|----------------------------|--------------------------|---------------------|
| | Principal | Interest |
| 2015 | 3,085,000 | 801,761 |
| 2016 | 3,130,000 | 965,950 |
| 2017 | 2,960,000 | 836,395 |
| 2018 | 3,970,000 | 753,337 |
| 2019 | 2,560,000 | 663,899 |
| 2020-2024 | 12,750,000 | 2,152,281 |
| 2025-2029 | 5,930,000 | 366,255 |
| 2030-2033 | 585,000 | 34,626 |
| | \$ 34,970,000 | \$ 6,574,504 |
| Add: Unamortized premium | 293,959 | - |
| Total | <u>\$ 35,263,959</u> | <u>\$ 6,574,504</u> |

Changes in Long-Term Liabilities

Long-term liability activity for governmental activities for the year ended December 31, 2014, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|----------------------|---------------------|----------------------|------------------------|
| General obligation bonds | \$ 28,375,000 | \$ 9,675,000 | \$ 3,080,000 | \$ 34,970,000 | \$ 3,085,000 |
| Add: Unamortized premium | 246,540 | 56,255 | 8,836 | 293,959 | - |
| Revenue bonds | 1,100,000 | - | 1,100,000 | - | - |
| OPEB liability | 351,512 | 198,298 | 87,158 | 462,652 | - |
| Compensated absences | 1,234,689 | 1,330,299 | 1,242,037 | 1,322,951 | 658,868 |
| Governmental Activities Long-Term Liabilities | <u>\$ 31,307,741</u> | <u>\$ 11,259,852</u> | <u>\$ 5,518,031</u> | <u>\$ 37,049,562</u> | <u>\$ 3,743,868</u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities (Continued)

Business-Type Activities

Landfill Closure, 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 the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used of each balance sheet date.

The \$3,713,339 landfill closure, postclosure care, and contingency costs payable at December 31, 2014, represent the cumulative amount reported to date based on the use of 14.44 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure care, postclosure care, and contingency costs of \$22,002,307 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2014. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2037 and ash in 2224. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The Minnesota Pollution Control Agency estimated liability for contingency costs at December 31, 2014 increased \$95,337 from the amount estimated at December 31, 2013.

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 and, at December 31, 2014, restricted cash and pooled investments of \$1,530,792 are held for these purposes. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

On the balance sheet, closure, postclosure care, and contingency costs are long-term liabilities:

| | |
|--------------------------------|---------------------|
| Closure costs payable | \$ 692,822 |
| Postclosure care costs payable | 2,281,608 |
| Contingency costs payable | <u>738,909</u> |
| Total | <u>\$ 3,713,339</u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities

Business-Type Activities (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for business-type activities for the year ended December 31, 2014, was as follows:

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reductions</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Estimated liability for landfill closure/postclosure/contingency | \$ 3,618,002 | \$ 95,337 | \$ - | \$ 3,713,339 | \$ - |
| Compensated Absences | <u>106,793</u> | <u>123,813</u> | <u>83,267</u> | <u>147,339</u> | <u>82,302</u> |
| Business-Type Activities Long-Term Liabilities | <u>\$ 3,724,795</u> | <u>\$ 219,150</u> | <u>\$ 83,267</u> | <u>\$ 3,860,678</u> | <u>\$ 82,302</u> |

IV. Pension Plans and Other Post-Employment Benefits

A. Defined Benefits Plans

Plan Description

All full-time and certain part-time employees of the County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund and the Public Employee's Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level

**POLK COUNTY
CROOKSTON, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

A. Defined Benefits Plans

Plan Description (Continued)

accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year.

Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3 percent of average salary for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 6.50 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014. The contribution rate in the Public Employees Police and Fire Fund increased in 2015 to 10.80 percent.

**POLK COUNTY
CROOKSTON, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

A. Defined Benefits Plans

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2014 and 2015:

| | 2014 | 2015 |
|---------------------------------------|--------|--------|
| Public Employees Retirement Fund | | |
| Basic Plan Members | 9.10% | 11.78% |
| Coordinated Plan Members | 7.25% | 7.50% |
| Public Employees Police and Fire Fund | 15.30% | 16.20% |

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund, were:

| | Public Employees Retirement Fund | Public Employees Police and Fire Fund |
|------|---|--|
| 2014 | \$ 936,006 | \$ 251,136 |
| 2013 | \$ 885,479 | \$ 211,367 |
| 2012 | \$ 835,399 | \$ 195,473 |

These amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

Five employees of Polk County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA in accordance with Minnesota Statute, Chapter 353D. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statute, § 353D.03 specifies 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 employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**POLK COUNTY
CROOKSTON, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2014, were:

| | Employee | Employer |
|-------------------------------|----------|----------|
| Contribution amount | \$ 8,080 | \$ 8,080 |
| Percentage of covered payroll | 5% | 5% |

Required contribution rates were 5.00 percent.

C. Other Post-Employment Benefits – (OPEB)

Plan Description

Polk County provides a single-employer defined benefit healthcare plan to eligible retirees and their spouses. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Polk County Board of Commissioners. 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 2014, there were approximately 308 participants in the plan, including 7 retirees.

Annual OPEB Cost and Net OPEB Obligation

The County’s annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County’s net OPEB obligation to the plan.

**POLK COUNTY
CROOKSTON, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

C. Other Post-Employment Benefits – (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

| | | |
|---|----|-----------------------|
| Annual Required Contribution | \$ | 205,104 |
| Interest on net OPEB obligation | | 14,060 |
| Adjustments to Annual Required Contribution | | <u>(20,866)</u> |
| | | |
| Annual OPEB cost (expense) | \$ | 198,298 |
| Contributions made | | <u>(87,158)</u> |
| | | |
| Increase in net OPEB obligation | \$ | 111,140 |
| Net OPEB Obligation - January 1, 2014 | | <u>351,512</u> |
| | | |
| Net OPEB Obligation - December 31, 2014 | \$ | <u><u>462,652</u></u> |

The County’s annual OPEB cost for December 31, 2014, was \$198,298. The percentage of annual OPEB cost contributed to the plan was 42.8 percent, and the net OPEB obligation for 2014 was \$462,652. For trend information, refer to the Required Supplementary Information.

Fund Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial liability for benefits was \$1,702,154, and the actuarial value of assets was zero, resulting in an unfunded actuarial liability (UAAL) of \$1,184,754. The covered payroll (annual payroll of active employees covered by the plan) was \$14,124,242, and the ratio of the UAAL to the covered payroll was 12.1 percent.

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.

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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

IV. Pension Plans and Other Post-Employment Benefits

C. Other Post-Employment Benefits – (OPEB)

Actuarial Methods and Assumptions (Continued)

In the January 1, 2014, actuarial valuation, the Projected Unit Credit Actuarial Cost Method was used. The actuarial assumptions include a 4.0 percent investment rate of return (net of investment expenses), which is Polk County's implicit rate of return on the General Fund. The annual healthcare cost trend is 7.5 percent initially reduced to an ultimate rate of 5.0 percent over 10 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2014, was 23 years.

V. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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.

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.

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 \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining and the County pays an annual premium to cover current and future losses. 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. Conduit Debt

In 2002, the Villa St. Vincent, a Minnesota non-profit corporation, issued Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002A, in an amount not to exceed \$4,990,000, and its Taxable Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002B, in an amount not to exceed \$110,000, pursuant to the Finance Act to finance the renovation, equipping, and construction of an addition to the existing nursing care facility. The project is deemed to be in the public interest. The note is secured by the property financed through a series of loan agreements and is payable solely from revenues of the entity. The County, state, or any political subdivision thereof is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2014, the outstanding principal amount payable was \$3,515,000.

D. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties. The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically within the jurisdictional boundaries of the member counties.

Control is vested in the HSEM Region 3 Emergency Managers Joint Powers Board, which is composed of one representative from each member county, appointed by their respective governing bodies as provided in the HSEM Region 3 Emergency Managers Board's Joint Powers Agreement. Polk County's responsibility does not extend beyond making this appointment.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Homeland Security Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board (Continued)

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards. Member counties do not receive a financial benefit or burden as a result of membership. Complete financial information can be obtained from the Clay County Sheriff's Office, 915 9th Avenue North, Moorhead, Minnesota 56560.

Marshall and Polk Rural Water System

The Marshall and Polk Rural Water System was organized as a municipal water system under Minnesota Statutes, Chapter, 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 and in the financial statements of the joint ventures. Long-term debt of the Water System at December 31, 2013, is \$2,250,000, of which Polk County's share is \$1,650,000. (The most current available)

The Marshall and Polk Rural Water System is governed by a seven-member Board, four of whom are appointed by Polk County. The County has no responsibility beyond appointing the Board members and guaranteeing the debt of the Water System. Complete financial information can be obtained from the Marshall and Polk Rural Water System, 401 North Main Street, Warren, Minnesota 56762.

Northwest Minnesota Household Hazardous Waste Management Group

The Northwest Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, 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. Polk County Contributed \$10,203 in 2014.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Household Hazardous Waste Management Group (Continued)

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 so that no additional financial benefit or burden is realized by the members. Clearwater County, in an agent capacity, reports the cash transactions as an agency 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 Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio 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 and the City of Moorhead. The purpose of the Northwest Minnesota Regional Radio 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 Minnesota Regional Radio Board, which is composed of one county commissioner from each member county and one city council member from the member city, appointed by their respective governing bodies as provided in the Northwest Minnesota Regional Radio Board's Joint Powers Agreement.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services so that members do not experience an additional financial benefit or burden. Polk County contributed \$3,000 to the Northwest Regional Radio Board for the year ended December 31, 2014. Complete financial information can be obtained from Greater Northwest Emergency Medical Services, 2301 Johanneson Avenue NW, Suite 103, Bemidji, Minnesota 56601.

Northwest Minnesota Six County Joint Powers Board

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwest Minnesota Six County Joint Powers Board (Continued)

Financing is provided by grants from the State of Minnesota or contributions and no member realizes an additional financial benefit or burden. 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 city representative, with a maximum of three at-large appointees and three ex-officio superintendents. Adequate rates are charged so that member counties do not experience an additional financial benefit or burden.

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

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the Association is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

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

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Polk County did not contribute to the Association for the year ended December 31, 2014. Lake of the Woods County, in an agent capacity, reports the cash transactions of the Association as

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

an agency fund on its financial statements. Complete financial information can be obtained from the Lake of the Woods County Auditor/Treasurer's Office, 206 8th Avenue SE, Suite 260, Baudette, MN 56623.

Polk County Collaborative

The Polk County Collaborative was formed in 2001 and operates under the authority of Minnesota Statute, § 124D.23, subdivision 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 and a larger school district.

Financing is provided by state and local grants and appropriations from the participating agencies. Adequate rates are charged so that members do not experience an additional benefit or burden. Polk County acts as fiscal agent for the Polk County Collaborative and reports the cash transactions of the Collaborative as an agency fund in its financial statements. During 2014, the County contributed \$500 to the Collaborative. Complete financial information can be obtained from Polk County Social Services, 612 North Broadway, Crookston, Minnesota 56716.

Tri-County Community Corrections

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

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

In the event of dissolution of the Tri-County Community Corrections Joint Powers Board, the net assets of Tri-County Community Corrections at that time shall be divided among the member counties in the agreed-upon proportions of Norman County (9 percent), Polk County (87 percent), and Red Lake County (4 percent).

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Tri-County Community Corrections (Continued)

Receipts and disbursements are recorded in the Tri-County Community Corrections' operating fund by the Polk County Auditor-Treasurer. Polk County's participation for 2014 was \$4,892,174. Separate financial information can be obtained from Tri-County Community Corrections, 600 Bruce Street, Crookston, Minnesota 56716.

E. Related Organizations

Sand Hill River Watershed District

The Sand Hill River Watershed District was formed pursuant to Minnesota Statute, § 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 use 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 for staggered terms of three years each. Polk County's responsibility does not extend beyond making the appointments.

Red Lake Watershed District

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

F. Jointly-Governed Organizations

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minnesota Statute, § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Waste Conservation District.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement (Continued)

Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Joint Powers Agreement is to designate the members of the Northwest Regional Development Commission's Board of Directors as the Local Elected Officials to work with the Northwest Private Industry Council for the Northwest Service Delivery Area, including specific duties as listed in the Agreement.

In the event of dissolution of the Joint Powers Agreement, the net assets of the Joint Powers Board at that time shall be disposed of in accordance with law. Financing is provided primarily from federal grants provided through the Job Training Partnership Act of 1982. Separate financial information can be obtained from the Northwest Regional Development Commission, Warren Minnesota 56762.

Lake Agassiz Regional Library

The Lake Agassiz Regional Library, a consolidated public library system serving over 134,228 residents, was formed in 1961 pursuant to Minnesota Statutes, §§ 134.20 and 471.59, and includes the counties of Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin, as well as the cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested in the Lake Agassiz Regional Library Board of trustees which is composed of 23 individuals who represent 12 signatory entities. Polk County appropriated \$239,815 to the Lake Agassiz Regional Library for the year ended December 31, 2014.

Middle River – Snake River – Tamarac Watershed District

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

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. Polk County's responsibility does not extend beyond making this appointment.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations (Continued)

Northwest Minnesota Multi-County Housing and Redevelopment Authority

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

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) 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 result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

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

The Northwest Workforce Service Area has no long-term debt. Financing is provided by state and local grants. Complete financial information can be obtained from the Northwest Regional Development Commission, 115 South Main, Warren, Minnesota 56762.

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 Minnesota Statute, § 471.59, and includes the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher and East Grand Forks; the Counties of Pennington, Red Lake, Polk; and the Red Lake Band of Chippewa Reservation. The purpose of the Board is for the development and enhancement of recreational and natural resources along the Red Lake River.

The Red Lake River Corridor Joint Powers Board is composed of one member for each participating entity. Each participant may also have one 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 assets shall be distributed to the respective members in proportion to the contribution of each.

**POLK COUNTY
CROOKSTON, MINNESOTA**

V. Summary of Significant Contingencies and Other Items

F. Jointly-Governed Organizations

Red Lake River Corridor (Continued)

Financing is provided by contributions from members. The County did not contribute to the Board in 2014. Complete financial information can be obtained from the Pembina Trail R C & D, 2605 Wheat Drive, Red Lake Falls, Minnesota 56750.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minnesota Statute, Chapter 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administer legal drainage systems, issue applications and permits, educate the public on conservation issues, and provide dispute resolution.

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

REQUIRED SUPPLEMENTARY INFORMATION

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---------------------------------|---------------------|---------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 5,588,297 | \$ 5,588,297 | \$ 5,692,765 | \$ 104,468 |
| Licenses and permits | 5,000 | 5,000 | 18,125 | 13,125 |
| Intergovernmental | 1,710,828 | 1,710,828 | 2,269,107 | 558,279 |
| Charges for services | 889,389 | 889,389 | 893,141 | 3,752 |
| Fines and forfeitures | 2,500 | 2,500 | 7,973 | 5,473 |
| Investments earnings | 50,000 | 50,000 | 34,589 | (15,411) |
| Miscellaneous | 1,301,520 | 1,301,520 | 1,178,652 | (122,868) |
| Total Revenues | \$ 9,547,534 | \$ 9,547,534 | \$ 10,094,352 | \$ 546,818 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Commissioners | \$ 276,638 | \$ 276,638 | \$ 257,559 | \$ 19,079 |
| Courts services | 131,000 | 131,000 | 121,923 | 9,077 |
| Law library | - | - | 56,601 | (56,601) |
| County administration | 202,945 | 202,945 | 213,381 | (10,436) |
| Taxpayer service center | 778,457 | 778,457 | 729,440 | 49,017 |
| Motor vehicle | 106,926 | 106,926 | 102,608 | 4,318 |
| County assessor | 549,099 | 549,099 | 440,694 | 108,405 |
| Elections | 136,206 | 136,206 | 143,914 | (7,708) |
| Finance | 349,147 | 349,147 | 351,963 | (2,816) |
| Accounting and auditing | 53,000 | 53,000 | 52,056 | 944 |
| Data processing | 679,590 | 679,590 | 587,315 | 92,275 |
| Central services | 295,250 | 295,250 | 339,531 | (44,281) |
| Personnel | 228,588 | 228,588 | 214,186 | 14,402 |
| Attorney | 765,975 | 765,975 | 809,713 | (43,738) |
| Recorder | 144,951 | 144,951 | 127,904 | 17,047 |
| Surveyor | 295,071 | 295,071 | 327,237 | (32,166) |
| Buildings and grounds | 1,447,233 | 1,447,233 | 1,860,516 | (413,283) |
| Veterans service officer | 139,100 | 139,100 | 151,368 | (12,268) |
| Insurance | 597,255 | 597,255 | 550,130 | 47,125 |
| Other general government | 537,827 | 537,827 | 331,986 | 205,841 |
| Total general government | \$ 7,714,258 | \$ 7,714,258 | \$ 7,770,025 | \$ (55,767) |

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|-------------------------|-------------------|---------------------------|---|
| | Original | Final | | |
| Expenditures | | | | |
| Current (Continued) | | | | |
| Public safety | | | | |
| Ambulance | \$ 58,775 | \$ 58,775 | \$ 58,775 | \$ - |
| Coroner | 65,200 | 65,200 | 63,633 | 1,567 |
| Victim assistance | 124,410 | 124,410 | 115,378 | 9,032 |
| Total public safety | \$ 248,385 | \$ 248,385 | \$ 237,786 | \$ 10,599 |
| Health | | | | |
| Occupational Development Center | \$ 7,500 | \$ 7,500 | \$ 7,500 | \$ - |
| Committee on Aging | 2,200 | 2,200 | 2,200 | - |
| Total health | \$ 9,700 | \$ 9,700 | \$ 9,700 | \$ - |
| Culture and recreation | | | | |
| Historical society | \$ 15,000 | \$ 15,000 | \$ 15,000 | \$ - |
| County fairs | 20,000 | 20,000 | 20,000 | - |
| Heritage Center | 8,000 | 8,000 | 8,000 | - |
| Parks | 68,297 | 68,297 | 160,820 | (92,523) |
| Celebrations | 680 | 680 | 680 | - |
| Snowmobile and ski trails | - | - | 60,208 | (60,208) |
| Total culture and recreation | \$ 111,977 | \$ 111,977 | \$ 264,708 | \$ (152,731) |
| Conservation of natural resources | | | | |
| Agricultural inspection | \$ 86,591 | \$ 86,591 | \$ 93,301 | \$ (6,710) |
| Cooperative extension | 162,880 | 162,880 | 156,470 | 6,410 |
| Soil and water conservation | 112,870 | 112,870 | 157,960 | (45,090) |
| Other conservation of natural resources | 2,000 | 2,000 | 2,000 | - |
| Total conservation of natural resources | \$ 364,341 | \$ 364,341 | \$ 409,731 | \$ (45,390) |

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | 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 | \$ 1,600 | \$ - |
| Tri-Valley Opportunity Council | 6,250 | 6,250 | 6,250 | - |
| Total economic development | \$ 7,850 | \$ 7,850 | \$ 7,850 | \$ - |
| Debt service | | | | |
| Principal retirement | \$ 775,000 | \$ 775,000 | \$ 775,000 | \$ - |
| Interest | 543,375 | 543,375 | 571,150 | (27,775) |
| Total debt service | \$ 1,318,375 | \$ 1,318,375 | \$ 1,346,150 | \$ (27,775) |
| Capital outlay | | | | |
| General government | \$ 100,424 | \$ 100,424 | \$ 155,775 | \$ (55,351) |
| Public safety | 5,283 | 5,283 | 230,489 | (225,206) |
| Culture and recreation | - | - | 508,015 | (508,015) |
| Total capital outlay | \$ 105,707 | \$ 105,707 | \$ 894,279 | \$ (788,572) |
| Total Expenditures | \$ 9,880,593 | \$ 9,880,593 | \$ 10,940,229 | \$ (1,059,636) |
| Excess of Revenues Over (Under) Expenditures | \$ (333,059) | \$ (333,059) | \$ (845,877) | \$ (512,818) |
| Other Financing Sources (Uses) | | | | |
| Transfers out | \$ - | \$ - | \$ (539,972) | \$ (539,972) |
| Proceeds from issuance of bonds | - | - | 9,744,237 | 9,744,237 |
| Total Other Financing Sources (Uses) | \$ - | \$ - | \$ 9,204,265 | \$ 9,204,265 |
| Net Change in Fund Balance | \$ (333,059) | \$ (333,059) | \$ 8,358,388 | \$ 8,691,447 |
| Fund Balance - January 1 | 14,884,225 | 14,884,225 | 14,884,225 | - |
| Fund Balance - December 31 | \$ 14,551,166 | \$ 14,551,166 | \$ 23,242,613 | \$ 8,691,447 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|----------------------|----------------------|-----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 2,496,455 | \$ 2,496,455 | \$ 2,360,832 | \$ (135,623) |
| License and permits | 40,000 | 40,000 | 31,940 | (8,060) |
| Intergovernmental | 10,047,000 | 10,047,000 | 13,065,001 | 3,018,001 |
| Charges for services | 250,000 | 250,000 | 585,619 | 335,619 |
| Miscellaneous | 80,000 | 80,000 | 288,717 | 208,717 |
| Total Revenues | \$ 12,913,455 | \$ 12,913,455 | \$ 16,332,109 | \$ 3,418,654 |
| Expenditures | | | | |
| Current | | | | |
| Highways and streets | | | | |
| Administration | \$ 305,902 | \$ 305,902 | \$ 370,699 | \$ (64,797) |
| Maintenance | 2,832,298 | 2,832,298 | 2,846,914 | (14,616) |
| Construction | 5,492,300 | 5,492,300 | 10,978,786 | (5,486,486) |
| Equipment maintenance and shop | 1,344,955 | 1,344,955 | 1,383,293 | (38,338) |
| Town roads | 1,047,000 | 1,047,000 | 1,086,210 | (39,210) |
| Other highways and streets | - | - | 55,895 | (55,895) |
| Total highways and streets | \$ 11,022,455 | \$ 11,022,455 | \$ 16,721,797 | \$ (5,699,342) |
| Debt service | | | | |
| Principal retirement | \$ 1,215,000 | \$ 1,215,000 | \$ 1,215,000 | \$ - |
| Interest | - | - | 122,512 | (122,512) |
| Total debt service | \$ 1,215,000 | \$ 1,215,000 | \$ 1,337,512 | \$ (122,512) |
| Capital outlay | | | | |
| Highways and streets | \$ 676,000 | \$ 676,000 | \$ 514,277 | \$ 161,723 |
| Total Expenditures | \$ 12,913,455 | \$ 12,913,455 | \$ 18,573,586 | \$ (5,660,131) |
| Net Change in Fund Balance | \$ - | \$ - | \$ (2,241,477) | \$ (2,241,477) |
| Fund Balance - January 1 | 4,761,032 | 4,761,032 | 4,761,032 | - |
| Increase (decrease) in reserved for inventories | - | - | 21,851 | 21,851 |
| Fund Balance - December 31 | \$ 4,761,032 | \$ 4,761,032 | \$ 2,541,406 | \$ (2,219,626) |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 4,480,439 | \$ 4,480,439 | \$ 4,275,148 | \$ (205,291) |
| Intergovernmental | 9,704,835 | 9,704,835 | 9,426,727 | (278,108) |
| Charges for services | 881,625 | 881,625 | 611,663 | (269,962) |
| Gifts and contributions | 16,400 | 16,400 | 18,465 | 2,065 |
| Investment earnings | 100 | 100 | 52 | (48) |
| Miscellaneous | 407,800 | 407,800 | 387,084 | (20,716) |
| Total Revenues | \$ 15,491,199 | \$ 15,491,199 | \$ 14,719,139 | \$ (772,060) |
| Expenditures | | | | |
| Current | | | | |
| Human services | | | | |
| Income maintenance | \$ 4,257,942 | \$ 4,257,942 | \$ 3,989,529 | \$ 268,413 |
| Social services | 11,617,056 | 11,617,056 | 11,109,435 | 507,621 |
| Total Expenditures | \$ 15,874,998 | \$ 15,874,998 | \$ 15,098,964 | \$ 776,034 |
| Excess of Revenues Over (Under) Expenditures | \$ (383,799) | \$ (383,799) | \$ (379,825) | \$ 3,974 |
| Fund Balance - January 1 | 5,644,619 | 5,644,619 | 5,644,619 | - |
| Fund Balance - December 31 | \$ 5,260,820 | \$ 5,260,820 | \$ 5,264,794 | \$ 3,974 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget Positive (Negative)</u> |
|---|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | <u>(Negative)</u> |
| Revenues | | | | |
| Special assessments | \$ 325,000 | \$ 325,000 | \$ 1,501,107 | \$ 1,176,107 |
| Intergovernmental | - | - | 366,168 | 366,168 |
| Charges for services | - | - | 7,435 | 7,435 |
| Investment earnings | - | - | 54,579 | 54,579 |
| Total Revenues | \$ 325,000 | \$ 325,000 | \$ 1,929,289 | \$ 1,604,289 |
| Expenditures | | | | |
| Current | | | | |
| Conservation of natural resources | | | | |
| Administration | \$ 325,000 | \$ 325,000 | \$ 238,709 | \$ 86,291 |
| Ditch maintenance and repair | - | - | 177,882 | (177,882) |
| Middle River/Snake River Watershed | - | - | 423,344 | (423,344) |
| Red Lake Watershed | - | - | 48,203 | (48,203) |
| Sandhill River Watershed | - | - | 27,335 | (27,335) |
| Wild Rice Watershed | - | - | 5,371 | (5,371) |
| Marshall Polk Rural Water | - | - | 83,317 | (83,317) |
| Total conservation of natural resources | \$ 325,000 | \$ 325,000 | \$ 1,004,161 | \$ (679,161) |
| Debt service | | | | |
| Principal retirement | \$ - | \$ - | \$ 982,273 | \$ (982,273) |
| Interest | - | - | 235,486 | (235,486) |
| Total debt service | \$ - | \$ - | \$ 1,217,759 | \$ (1,217,759) |
| Total Expenditures | \$ 325,000 | \$ 325,000 | \$ 2,221,920 | \$ (1,896,920) |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ (292,631) | \$ (292,631) |
| Fund Balance - January 1 | 2,852,801 | 2,852,801 | 2,852,801 | - |
| Fund Balance - December 31 | \$ 2,852,801 | \$ 2,852,801 | \$ 2,560,170 | \$ (292,631) |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 5

**SCHEDULE OF FUNDING PROGRESS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014**

| <u>Actuarial Valuation Date</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liability (AAL)</u> | <u>Unfunded AAL (UAAL)</u> | <u>Funded Ratio</u> | <u>Covered Payroll</u> | <u>UAAL as a Percentage of Covered Payroll</u> |
|-------------------------------------|--------------------------------------|--|--------------------------------|---------------------|------------------------|--|
| January 1, 2010 | \$ - | \$ 1,101,001 | \$ 1,101,001 | \$ - | \$ 12,386,896 | 8.9% |
| January 1, 2012 | \$ - | \$ 1,184,754 | \$ 1,184,754 | \$ - | \$ 12,155,673 | 9.7% |
| January 1, 2014 | \$ - | \$ 1,702,154 | \$ 1,702,154 | \$ - | \$ 14,124,242 | 12.1% |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 6

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
OTHER POST-EMPLOYMENT BENEFIT PLAN
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Fiscal Year Ended | Annual OPEB Cost | Employer Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|------------------------------|-----------------------------|----------------------------------|---|--------------------------------|
| December 31, 2012 | \$ 130,803 | \$ 77,348 | 59.1% | \$ 295,342 |
| December 31, 2013 | \$ 129,739 | \$ 73,569 | 56.7% | \$ 351,512 |
| December 31, 2014 | \$ 198,298 | \$ 87,158 | 44.0% | \$ 462,652 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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 Administrator so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds 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 heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e., 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, 2014:

| | <u>Expenditures</u> | <u>Budget</u> | <u>Excess</u> |
|-----------------------------------|---------------------|---------------|---------------|
| General Fund | | | |
| General government | | | |
| Law library | \$ 56,601 | \$ - | \$ (56,601) |
| Court administration | 213,381 | 202,945 | (10,436) |
| Elections | 143,914 | 136,206 | (7,708) |
| Finance | 351,963 | 349,147 | (2,816) |
| Central services | 339,531 | 295,250 | (44,281) |
| Attorney | 809,713 | 765,975 | (43,738) |
| Surveyor | 327,237 | 295,071 | (32,166) |
| Buildings and grounds | 1,860,516 | 1,447,233 | (413,283) |
| Veterans service officer | 151,368 | 139,100 | (12,268) |
| Culture and recreation | | | |
| Parks | 160,820 | 68,297 | (92,523) |
| Snowmobile and ski trails | 60,208 | - | (60,208) |
| Conservation of natural resources | | | |
| Agricultural inspection | 93,301 | 86,591 | (6,710) |
| Soil and water conservation | 157,960 | 112,870 | (45,090) |
| Debt service | | | |
| Interest | 571,150 | 543,375 | (27,775) |
| Capital outlay | | | |
| General government | 155,775 | 100,424 | (55,351) |
| Public safety | 230,489 | 5,283 | (225,206) |
| Culture and recreation | 508,015 | - | (508,015) |

**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 | \$ 370,699 | \$ 305,902 | \$ (64,797) |
| Maintenance | 2,846,914 | 2,832,298 | (14,616) |
| Construction | 10,978,786 | 5,492,300 | (5,486,486) |
| Equipment maintenance and shop | 1,383,293 | 1,344,955 | (38,338) |
| Town roads | 1,086,210 | 1,047,000 | (39,210) |
| Other highways and streets | 55,895 | - | (55,895) |
| Debt service | | | |
| Interest | 122,512 | - | (122,512) |
| Ditch Special Revenue Fund | | | |
| Conservation of natural resources | | | |
| Ditch maintenance and repair | 177,882 | - | (177,882) |
| Middle River/Snake River Watershed | 423,344 | - | (423,344) |
| Red Lake Watershed | 48,203 | - | (48,203) |
| Sandhill River Watershed | 27,335 | - | (27,335) |
| Wild Rice Watershed | 5,371 | - | (5,371) |
| Marshall/Polk Rural Water | 83,317 | - | (83,317) |
| Debt service | | | |
| Principal retirement | 982,273 | - | (982,273) |
| Interest | 235,486 | - | (235,486) |

II. Other Post-Employment Benefits (OPEB)

Since the last actuarial valuation as of January 1, 2012, the following actuarial assumptions have changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality table was updated from RP 2000 rates (with Blue Collar adjustment for Police & Fire Personnel) to the RP 2000 Combined Healthy Table projected to 2014 with Scale BB (with Blue Collar adjustment for Police & Fire Personnel).
- The discount rate was changed from 4.50% to 4.00%
- Claim costs were developed by age adjusting the premium information from Polk County, MN. The resulting claim amount was then blended with the expected claim amount from the previous valuation. As of January 1, 2012, actual claims and enrollment experience was used.

Since the last actuarial valuation as of January 1, 2012, the following plan provisions have changed:

- Polk County is currently paying full single premium for three officers injured in the line of duty while on LTD. As of the January 1, 2012 valuation, the State reimbursed the County approximately 75% of this cost so the County's actuary valued the remaining 25% of the contribution as a GASB 45 subsidized benefit, assuming employees on LTD remain disabled until age 65. As of the January 1, 2014 valuation, they are assuming the State paid portion of this benefit will be noted elsewhere in the County's financial statement, so the full amount of the medical subsidy has been valued under GASB 45.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Agassiz Regional Library Special Revenue Fund is used to account for and report 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.

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

The Forfeited Tax Sale Special Revenue Fund is used to account for and report proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minnesota Statutes, Chapter 282 and various forest and timber management grants. The net proceeds, after deducting allowable expenses, are apportioned to various County funds and taxing districts. Titles to the tax-forfeited lands remains with the State until the lands are sold by the County.

The Public Health Special Revenue Fund is used to account for and report 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 assigned to public health.

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

Debt Service Funds

The Rhinehart Project Debt Service Fund is used to account for and report the accumulation of restricted resources and the payment of principal and interest of general obligation improvement bonds for the Rhinehart road project.

The Union Lake/Lake Sarah Debt Service Fund is used to account for and report the accumulation of restricted resources and the payment of principal and interest of general obligation improvement bonds for the Union Lake/Lake Sarah Project.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

| | (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 | \$ 4,834,922 | \$ 138,079 | \$ 4,973,001 |
| Investments | 93,397 | 236,780 | 330,177 |
| Taxes receivable - prior | 5,995 | - | 5,995 |
| Special assessments receivable - prior | 230,305 | 4,900 | 235,205 |
| Accounts receivable | 66,963 | - | 66,963 |
| Accrued interest receivable | 7 | - | 7 |
| Due from other funds | 57,040 | - | 57,040 |
| Due from other governments | 463,904 | - | 463,904 |
| Special assessments receivable - noncurrent | - | 491,013 | 491,013 |
| | \$ 5,752,533 | \$ 870,772 | \$ 6,623,305 |
| <u>Liabilities, Deferred Inflows of Resources and Fund Balances</u> | | | |
| Liabilities | | | |
| Accounts payable | \$ 109,131 | \$ - | \$ 109,131 |
| Salaries payable | 31,842 | - | 31,842 |
| Due to other funds | 351,525 | - | 351,525 |
| Due to other governments | 28,372 | - | 28,372 |
| | \$ 520,870 | \$ - | \$ 520,870 |
| Deferred Inflows of Resources | | | |
| Taxes | \$ 5,963 | \$ - | \$ 5,963 |
| Special assessments | 230,305 | 495,913 | 726,218 |
| | \$ 236,268 | \$ 495,913 | \$ 732,181 |
| Fund Balances | | | |
| Restricted for | | | |
| DARE | \$ 6,963 | \$ - | \$ 6,963 |
| Debt service | - | 374,859 | 374,859 |
| Drug task force | 961 | - | 961 |
| DWI forfeitures | 5,298 | - | 5,298 |
| E-911 | 157,535 | - | 157,535 |
| Environmental services | 1,724,069 | - | 1,724,069 |
| Handgun permits | 111,618 | - | 111,618 |
| Subsurface treatment systems | 34,515 | - | 34,515 |
| Committed to dive rescue team | 1,538 | - | 1,538 |
| Assigned to | | | |
| Agassiz Regional Library | 67,149 | - | 67,149 |
| Forfeited tax sales | 151,857 | - | 151,857 |
| Public health | 752,444 | - | 752,444 |
| Public safety | 1,981,448 | - | 1,981,448 |
| | \$ 4,995,395 | \$ 374,859 | \$ 5,370,254 |
| | \$ 5,752,533 | \$ 870,772 | \$ 6,623,305 |

**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, 2014**

| | (Statement 4) Total Nonmajor Special Revenue Funds | (Statement 6) Total Nonmajor Debt Service Funds | Total Nonmajor Governmental Funds (Exhibit 5) |
|---|---|--|---|
| Revenues | | | |
| Taxes | \$ 7,982,276 | \$ - | \$ 7,982,276 |
| Special assessments | 1,673,834 | 117,264 | 1,791,098 |
| Licenses and permits | 94,515 | - | 94,515 |
| Intergovernmental | 1,845,467 | - | 1,845,467 |
| Charges for services | 1,310,178 | - | 1,310,178 |
| Investment earnings | 101 | 98 | 199 |
| Gifts and contributions | 34,150 | - | 34,150 |
| Miscellaneous | 1,808,267 | - | 1,808,267 |
| Total Revenues | \$ 14,748,788 | \$ 117,362 | \$ 14,866,150 |
| Expenditures | | | |
| Current | | | |
| General government | \$ 279,646 | \$ - | \$ 279,646 |
| Public safety | 8,536,826 | - | 8,536,826 |
| Sanitation | 2,158,430 | - | 2,158,430 |
| Health | 2,394,182 | - | 2,394,182 |
| Culture and recreation | 239,815 | - | 239,815 |
| Conservation of natural resources | 11,355 | - | 11,355 |
| Debt service | - | - | - |
| Principal retirement | - | 107,727 | 107,727 |
| Interest | - | 15,767 | 15,767 |
| Capital outlay | | | |
| Public safety | 264,021 | - | 264,021 |
| Sanitation | 89,242 | - | 89,242 |
| Total Expenditures | \$ 13,973,517 | \$ 123,494 | \$ 14,097,011 |
| Excess of Revenues Over (Under) Expenditures | \$ 775,271 | \$ (6,132) | \$ 769,139 |
| Other Financing Sources (Uses) | | | |
| Transfers in | 539,972 | - | 539,972 |
| Net Change in Fund Balance | \$ 1,315,243 | \$ (6,132) | \$ 1,309,111 |
| Fund Balance - January 1 | 3,680,152 | 380,991 | 4,061,143 |
| Fund Balance - December 31 | \$ 4,995,395 | \$ 374,859 | \$ 5,370,254 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

| | Agassiz Regional Library Special Revenue Fund | Environmental Services Special Revenue Fund | Forfeited Tax Sale Special Revenue Fund | Public Health Special Revenue Fund | Public Safety Special Revenue Fund | Total Nonmajor Special Revenue Funds (Statement 1) |
|--|--|--|--|--|--|--|
| Assets | | | | | | |
| Cash and pooled investments | \$ 67,149 | \$ 2,010,634 | \$ 151,864 | \$ 447,123 | \$ 2,158,152 | \$ 4,834,922 |
| Investments | - | - | - | - | 93,397 | 93,397 |
| Taxes receivable - prior | 5,963 | 32 | - | - | - | 5,995 |
| Special assessments receivable - prior | - | 230,305 | - | - | - | 230,305 |
| Accounts receivable | - | 15,993 | - | 42,144 | 8,826 | 66,963 |
| Accrued interest receivable | - | - | - | - | 7 | 7 |
| Due from other funds | - | 57,040 | - | - | - | 57,040 |
| Due from other governments | - | 98,917 | - | 311,717 | 53,270 | 463,904 |
| Total Assets | \$ 73,112 | \$ 2,412,921 | \$ 151,864 | \$ 800,984 | \$ 2,313,652 | \$ 5,752,533 |
| Liabilities, Deferred Inflows and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ - | \$ 34,438 | \$ 7 | \$ 37,825 | \$ 36,861 | \$ 109,131 |
| Salaries payable | - | 12,716 | - | 9,615 | 9,511 | 31,842 |
| Due to other funds | - | 351,525 | - | - | - | 351,525 |
| Due to other governments | - | 25,353 | - | 1,100 | 1,919 | 28,372 |
| Total Liabilities | \$ - | \$ 424,032 | \$ 7 | \$ 48,540 | \$ 48,291 | \$ 520,870 |
| Deferred Inflows | | | | | | |
| Taxes | \$ 5,963 | \$ - | \$ - | \$ - | \$ - | \$ 5,963 |
| Special assessments | - | 230,305 | - | - | - | 230,305 |
| Total Deferred Inflows | \$ 5,963 | \$ 230,305 | \$ - | \$ - | \$ - | \$ 236,268 |
| Fund Balances | | | | | | |
| Restricted for | | | | | | |
| Conceal and carry | - | - | - | - | 111,618 | 111,618 |
| DARE | \$ - | \$ - | \$ - | \$ - | \$ 6,963 | \$ 6,963 |
| Drug Task Force | - | - | - | - | 961 | 961 |
| DWI Forfeitures | - | - | - | - | 5,298 | 5,298 |
| E-911 | - | - | - | - | 157,535 | 157,535 |
| Environmental services | - | 1,724,069 | - | - | - | 1,724,069 |
| Subsurface treatment systems | - | 34,515 | - | - | - | 34,515 |
| Committed to dive rescue team | - | - | - | - | 1,538 | 1,538 |
| Assigned to | | | | | | |
| Agassiz Regional Library | 67,149 | - | - | - | - | 67,149 |
| Forfeited tax sales | - | - | 151,857 | - | - | 151,857 |
| Public health | - | - | - | 752,444 | - | 752,444 |
| Public safety | - | - | - | - | 1,981,448 | 1,981,448 |
| Total Fund Balances | \$ 67,149 | \$ 1,758,584 | \$ 151,857 | \$ 752,444 | \$ 2,265,361 | \$ 4,995,395 |
| Total Liabilities, Deferred Inflows and Fund Balances | \$ 73,112 | \$ 2,412,921 | \$ 151,864 | \$ 800,984 | \$ 2,313,652 | \$ 5,752,533 |

**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, 2014**

| | Agassiz Regional Library Special Revenue Fund | Environmental Services Special Revenue Fund | Forfeited Tax Sale Special Revenue Fund | Public Health Special Revenue Fund | Public Safety Special Revenue Fund | Total Nonmajor Special Revenue Funds (Statement 2) |
|---|--|--|--|--|--|--|
| Revenues | | | | | | |
| Taxes | \$ 220,844 | \$ 263,932 | \$ - | \$ 796,333 | \$ 6,701,167 | \$ 7,982,276 |
| Special assessments | - | 1,673,834 | - | - | - | 1,673,834 |
| Licenses and permits | - | 65,495 | - | - | 29,020 | 94,515 |
| Intergovernmental | 14,239 | 181,579 | - | 1,196,016 | 453,633 | 1,845,467 |
| Charges for services | - | 355,775 | - | 554,227 | 400,176 | 1,310,178 |
| Investment earnings | - | - | - | - | 101 | 101 |
| Gifts and contributions | - | - | - | 6,150 | 28,000 | 34,150 |
| Miscellaneous | - | 123,362 | 115,287 | 1,001 | 1,568,617 | 1,808,267 |
| Total Revenues | \$ 235,083 | \$ 2,663,977 | \$ 115,287 | \$ 2,553,727 | \$ 9,180,714 | \$ 14,748,788 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | \$ - | \$ 279,646 | \$ - | \$ - | \$ - | \$ 279,646 |
| Public safety | - | - | - | - | 8,536,826 | 8,536,826 |
| Sanitation | - | 2,158,430 | - | - | - | 2,158,430 |
| Health | - | - | - | 2,394,182 | - | 2,394,182 |
| Culture and recreation | 239,815 | - | - | - | - | 239,815 |
| Conservation of natural resources | - | - | 11,355 | - | - | 11,355 |
| Capital outlay | | | | | | |
| Public safety | - | - | - | - | 264,021 | 264,021 |
| Sanitation | - | 89,242 | - | - | - | 89,242 |
| Total Expenditures | \$ 239,815 | \$ 2,527,318 | \$ 11,355 | \$ 2,394,182 | \$ 8,800,847 | \$ 13,973,517 |
| Excess of Revenues Over (Under) Expenditures | \$ (4,732) | \$ 136,659 | \$ 103,932 | \$ 159,545 | \$ 379,867 | \$ 775,271 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | - | - | 539,972 | - | - | 539,972 |
| Net Change in Fund Balance | \$ (4,732) | \$ 136,659 | \$ 643,904 | \$ 159,545 | \$ 379,867 | \$ 1,315,243 |
| Fund Balance - January 1 | 71,881 | 1,621,925 | (492,047) | 592,899 | 1,885,494 | 3,680,152 |
| Fund Balance - December 31 | \$ 67,149 | \$ 1,758,584 | \$ 151,857 | \$ 752,444 | \$ 2,265,361 | \$ 4,995,395 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 5

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2014**

| | 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 | \$ 104,701 | \$ 33,378 | \$ 138,079 |
| Investments | - | 236,780 | 236,780 |
| Special assessments receivable - prior | 378 | 4,522 | 4,900 |
| Special assessments receivable - noncurrent | 150,127 | 340,886 | 491,013 |
| | | | |
| Total Assets | \$ 255,206 | \$ 615,566 | \$ 870,772 |
| <u>Deferred Inflows of Resources and Fund Balances</u> | | | |
| Deferred Inflows of Resources | | | |
| Special assessments | \$ 150,505 | \$ 345,408 | \$ 495,913 |
| Fund Balances | | | |
| Restricted for Debt service | 104,701 | 270,158 | 374,859 |
| | | | |
| Total Deferred Inflows and Fund Balances and Fund Balances | \$ 255,206 | \$ 615,566 | \$ 870,772 |

**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, 2014**

| | Rhinehart Project Debt Service Fund | Union Lake Lake Sarah Debt Service Fund | Total Nonmajor Debt Service Funds (Statement 2) |
|---|--|--|--|
| Revenues | | | |
| Special assessments | \$ 45,314 | \$ 71,950 | \$ 117,264 |
| Investment earnings | - | 98 | 98 |
| | \$ 45,314 | \$ 72,048 | \$ 117,362 |
| Expenditures | | | |
| Debt service | | | |
| Principal retirement | \$ 35,000 | \$ 72,727 | \$ 107,727 |
| Interest | 1,081 | 14,686 | 15,767 |
| | \$ 36,081 | \$ 87,413 | \$ 123,494 |
| Excess of Revenues Over (Under) Expenditures | \$ 9,233 | \$ (15,365) | \$ (6,132) |
| Fund Balance - January 1 | 95,468 | 285,523 | 380,991 |
| Fund Balance - December 31 | \$ 104,701 | \$ 270,158 | \$ 374,859 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|--------------------|--------------------|-------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 228,799 | \$ 228,799 | \$ 220,844 | \$ (7,955) |
| Intergovernmental | - | - | 14,239 | 14,239 |
| Total Revenues | \$ 228,799 | \$ 228,799 | \$ 235,083 | \$ 6,284 |
| Expenditures | | | | |
| Current | | | | |
| Culture and recreation | | | | |
| Regional library | 239,815 | 239,815 | 239,815 | - |
| Excess of Revenues Over (Under) Expenditures | \$ (11,016) | \$ (11,016) | \$ (4,732) | \$ 6,284 |
| Fund Balance - January 1 | 71,881 | 71,881 | 71,881 | - |
| Fund Balance - December 31 | \$ 60,865 | \$ 60,865 | \$ 67,149 | \$ 6,284 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 263,900 | \$ 263,900 | \$ 263,932 | \$ 32 |
| Special assessments | 1,590,000 | 1,590,000 | 1,673,834 | 83,834 |
| Licenses and permits | 47,100 | 47,100 | 65,495 | 18,395 |
| Intergovernmental | 134,800 | 134,800 | 181,579 | 46,779 |
| Charges for services | 304,200 | 304,200 | 355,775 | 51,575 |
| Miscellaneous | 41,288 | 41,288 | 123,362 | 82,074 |
| Total Revenues | \$ 2,381,288 | \$ 2,381,288 | \$ 2,663,977 | \$ 282,689 |
| Expenditures | | | | |
| Current | | | | |
| General government | | | | |
| Planning and zoning | \$ 369,900 | \$ 369,900 | \$ 279,646 | \$ 90,254 |
| Sanitation | | | | |
| Solid waste | 1,686,969 | 1,686,969 | 1,357,886 | 329,083 |
| Recycling | 457,444 | 457,444 | 459,051 | (1,607) |
| Hazardous waste | 74,337 | 74,337 | 52,805 | 21,532 |
| Transfer station | 307,497 | 307,497 | 288,688 | 18,809 |
| Capital outlay | | | | |
| Sanitation | 199,000 | 199,000 | 89,242 | 109,758 |
| Total Expenditures | \$ 3,095,147 | \$ 3,095,147 | \$ 2,527,318 | \$ 567,829 |
| Excess of Revenues Over (Under) Expenditures | \$ (713,859) | \$ (713,859) | \$ 136,659 | \$ 850,518 |
| Fund Balance - January 1 | 1,621,925 | 1,621,925 | 1,621,925 | - |
| Fund Balance - December 31 | \$ 908,066 | \$ 908,066 | \$ 1,758,584 | \$ 850,518 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 796,332 | \$ 796,332 | \$ 796,333 | \$ 1 |
| Intergovernmental | 1,142,908 | 1,142,908 | 1,196,016 | 53,108 |
| Charges for services | 566,380 | 566,380 | 554,227 | (12,153) |
| Gifts and contributions | 7,000 | 7,000 | 6,150 | (850) |
| Miscellaneous | 1,500 | 1,500 | 1,001 | (499) |
| Total Revenues | \$ 2,514,120 | \$ 2,514,120 | \$ 2,553,727 | \$ 39,607 |
| Expenditures | | | | |
| Current | | | | |
| Health | | | | |
| Nursing service | 2,514,120 | 2,514,120 | 2,394,182 | 119,938 |
| Excess of Revenues Over (Under) | | | | |
| Expenditures | \$ - | \$ - | \$ 159,545 | \$ 159,545 |
| Fund Balance - January 1 | 592,899 | 592,899 | 592,899 | - |
| Fund Balance - December 31 | \$ 592,899 | \$ 592,899 | \$ 752,444 | \$ 159,545 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|---------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 6,701,167 | \$ 6,701,167 | \$ 6,701,167 | \$ - |
| Licenses and permits | - | - | 29,020 | 29,020 |
| Intergovernmental | 178,186 | 178,186 | 453,633 | 275,447 |
| Charges for services | 326,009 | 326,009 | 400,176 | 74,167 |
| Fines and forfeitures | - | - | - | - |
| Investment earnings | - | - | 101 | 101 |
| Miscellaneous | 1,595,827 | 1,595,827 | 1,568,617 | (27,210) |
| Total Revenues | \$ 8,801,189 | \$ 8,801,189 | \$ 9,180,714 | \$ 379,525 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | | | | |
| Sheriff | \$ 3,332,190 | \$ 3,332,190 | \$ 3,205,811 | \$ 126,379 |
| Narcotics task force | 78,949 | 78,949 | 118,725 | (39,776) |
| Body armor | - | - | 7,164 | (7,164) |
| Conceal and carry | - | - | 13,150 | (13,150) |
| Jury attendant | - | - | 12,807 | (12,807) |
| Safe and sober | 5,838 | 5,838 | 6,780 | (942) |
| DWI assessments | 5,825 | 5,825 | 5,022 | 803 |
| Boat and water safety | 23,160 | 23,160 | 18,978 | 4,182 |
| Emergency services | 73,563 | 73,563 | 124,054 | (50,491) |
| Municipal police contract | 164,824 | 164,824 | 162,606 | 2,218 |
| Enhanced 911 system | 110,000 | 110,000 | 72,633 | 37,367 |
| Community corrections | 4,573,005 | 4,573,005 | 4,573,005 | - |
| 800 grant project | - | - | 95,843 | (95,843) |
| Electronic monitoring | - | - | 40,000 | (40,000) |
| DARE | 3,735 | 3,735 | - | 3,735 |
| Security | 101,024 | 101,024 | 80,248 | 20,776 |
| Capital outlay | | | | |
| Public safety | 329,076 | 329,076 | 264,021 | 65,055 |
| Total Expenditures | \$ 8,801,189 | \$ 8,801,189 | \$ 8,800,847 | \$ 342 |
| Excess of Revenues Over (Under) Expenditures | \$ - | \$ - | \$ 379,867 | \$ 379,867 |
| Fund Balance - January 1 | 1,885,494 | 1,885,494 | 1,885,494 | - |
| Fund Balance - December 31 | \$ 1,885,494 | \$ 1,885,494 | \$ 2,265,361 | \$ 379,867 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

FIDUCIARY FUNDS

The Tri-County Community Corrections Investment Trust Fund is used to account for the investments held by Polk County for the Tri-County Community Corrections Joint Venture.

Agency Funds

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

The Polk County Collaborative Agency Fund is used to account for the receipt of state, local, and federal grants and membership contributions for the Collaborative.

The Polk-Norman-Mahnomen Community Health Service Agency Fund is used to account for financial transactions of a joint venture to provide health services.

The Tri-County Community Corrections Agency Fund is used to account for the receipt of state, local, and federal grants, charges for services, and appropriations from member counties.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 7

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|---|------------------------------|----------------------|----------------------|--------------------------------|
| <u>AGENCY</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 1,399,048 | \$ 78,525,505 | \$ 78,715,562 | \$ 1,208,991 |
| Accounts receivable | 145,536 | 99,768 | 145,536 | 99,768 |
| Total Assets | \$ 1,544,584 | \$ 78,625,273 | \$ 78,861,098 | \$ 1,308,759 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 32,645 | \$ - | \$ 32,645 | \$ - |
| Due to other governments | 1,511,939 | 78,625,273 | 78,828,453 | 1,308,759 |
| Total Liabilities | \$ 1,544,584 | \$ 78,625,273 | \$ 78,861,098 | \$ 1,308,759 |
| <u>POLK COUNTY COLLABORATIVE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 232,004 | \$ 98,354 | \$ 156,607 | \$ 173,751 |
| <u>Liabilities</u> | | | | |
| Due to other governments | \$ 232,004 | \$ 98,354 | \$ 156,607 | \$ 173,751 |
| <u>POLK-NORMAN-MAHNOMEN COMMUNITY HEALTH SERVICE</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ - | \$ 978,273 | \$ 978,271 | \$ 2 |
| Accounts receivable | - | 261,965 | - | 261,965 |
| Total Assets | \$ - | \$ 1,240,238 | \$ 978,271 | \$ 261,967 |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ - | \$ 243,530 | \$ - | \$ 243,530 |
| Due to other governments | - | 18,437 | - | 18,437 |
| Total Liabilities | \$ - | \$ 261,967 | \$ - | \$ 261,967 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement 7
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | Balance January 1 | Additions | Deductions | Balance December 31 |
|--|------------------------------|-----------------------------|-----------------------------|--------------------------------|
| <u>TRI-COUNTY COMMUNITY CORRECTIONS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 303,141 | \$ 9,293,303 | \$ 8,901,861 | \$ 694,583 |
| Due from other governments | 101,125 | 180,689 | 101,125 | 180,689 |
| Total Assets | <u>\$ 404,266</u> | <u>\$ 9,473,992</u> | <u>\$ 9,002,986</u> | <u>\$ 875,272</u> |
| <u>Liabilities</u> | | | | |
| Due to other governments | <u>\$ 404,266</u> | <u>\$ 9,473,992</u> | <u>\$ 9,002,986</u> | <u>\$ 875,272</u> |
| <u>TOTAL ALL AGENCY FUNDS</u> | | | | |
| <u>Assets</u> | | | | |
| Cash and pooled investments | \$ 1,934,193 | \$ 88,895,435 | \$ 88,752,301 | \$ 2,077,327 |
| Accounts receivable | 145,536 | 361,733 | 145,536 | 361,733 |
| Due from other governments | 101,125 | 180,689 | 101,125 | 180,689 |
| Total Assets | <u>\$ 2,180,854</u> | <u>\$ 89,437,857</u> | <u>\$ 88,998,962</u> | <u>\$ 2,619,749</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 32,645 | \$ 243,530 | \$ 32,645 | \$ 243,530 |
| Due to other governments | 2,148,209 | 88,216,056 | 87,988,046 | 2,376,219 |
| Total Liabilities | <u>\$ 2,180,854</u> | <u>\$ 88,459,586</u> | <u>\$ 88,020,691</u> | <u>\$ 2,619,749</u> |

OTHER SCHEDULES

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

| | Assets | | | | | | Total Assets |
|-----------------------|-----------|-------------|----------------------------------|--------------------------------|------------|------|--------------|
| | Cash | Investments | Due from Other Governments | Special Assessments Receivable | | | |
| | | | | Prior | Noncurrent | | |
| County Ditches | | | | | | | |
| 1 | \$ 21,459 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 21,459 |
| 2 | - | - | - | - | - | - | - |
| 6 | - | - | - | - | - | - | - |
| 7 | 955 | - | - | - | - | - | 955 |
| 10 | 2,868 | - | - | - | - | - | 2,868 |
| 11 | 408 | - | - | - | - | - | 408 |
| 12 | 453 | - | - | - | - | - | 453 |
| 13 | 5,960 | - | - | - | - | - | 5,960 |
| 14 | 12,461 | - | - | - | - | - | 12,461 |
| 15 | - | - | - | - | - | - | - |
| 16 | 12,418 | - | - | - | - | - | 12,418 |
| 19 | 9 | - | - | - | - | - | 9 |
| 20 | 14,407 | - | - | - | - | - | 14,407 |
| 23 | 14,492 | - | - | - | - | - | 14,492 |
| 24 | 12,762 | - | - | - | - | - | 12,762 |
| 25 | 18,322 | - | - | - | - | - | 18,322 |
| 26 | 12,597 | - | - | - | - | - | 12,597 |
| 27 | 11,330 | - | - | - | - | - | 11,330 |
| 28 | 10,264 | - | - | - | - | - | 10,264 |
| 30 | 1,621 | - | - | - | - | - | 1,621 |
| 31 Improvement | 11,159 | - | - | - | - | - | 11,159 |
| 31 | 2,106 | - | - | - | - | - | 2,106 |
| 32 | 767 | - | - | - | - | - | 767 |
| 33 | 37 | - | - | - | - | - | 37 |
| 34 | 13,820 | - | - | - | - | - | 13,820 |
| 35 | 21,916 | - | - | - | - | - | 21,916 |
| 36 | 21,803 | - | - | - | - | - | 21,803 |
| 37 | - | - | - | - | - | - | - |
| 38 | 45,591 | - | - | - | - | - | 45,591 |
| 39 | 20,619 | - | - | - | - | - | 20,619 |
| 40 | 213 | - | - | - | - | - | 213 |
| 41 | 21,477 | - | - | - | - | - | 21,477 |
| 42 | 217 | - | - | - | - | - | 217 |
| 45 | 344 | - | - | - | - | - | 344 |
| 46 | 7,624 | - | - | - | - | - | 7,624 |
| 47 | 1,641 | - | - | - | - | - | 1,641 |
| 48 | 5,207 | - | - | - | - | - | 5,207 |
| 49 | 2,267 | - | - | - | - | - | 2,267 |
| 50 | 8,070 | - | - | - | - | - | 8,070 |
| 51 | 1,045 | - | - | - | - | - | 1,045 |
| 52 | - | - | - | - | - | - | - |
| 53 | 29,854 | - | - | - | - | - | 29,854 |
| 54 | 7,792 | - | - | - | - | - | 7,792 |
| 55 | 157 | - | - | - | - | - | 157 |
| 56 | 5,800 | - | - | - | - | - | 5,800 |

Schedule 11
(Continued)

| | | Liabilities | | | | | Total |
|-----------------|-------|--------------------|--------|--------------------|-----------------|---------------------|-------------------------|
| Accounts | | Advances | | Total | Deferred | Fund Balance | Liabilities, |
| Payable | | from Other | | Liabilities | Inflows | | Deferred Inflows |
| | | Funds | | | | | and Fund |
| | | | | | | | Balance |
| \$ | 1,451 | \$ | - | \$ | 1,451 | \$ | 21,459 |
| | - | | 12,207 | | 12,207 | | - |
| | 563 | | - | | 563 | | - |
| | 244 | | - | | 244 | | 955 |
| | 353 | | - | | 353 | | 2,868 |
| | - | | - | | - | | 408 |
| | - | | - | | - | | 453 |
| | 266 | | - | | 266 | | 5,960 |
| | - | | - | | - | | 12,461 |
| | 964 | | 1,577 | | 2,541 | | - |
| | - | | - | | - | | 12,418 |
| | 1,455 | | 2,759 | | 4,214 | | 9 |
| | 829 | | - | | 829 | | 14,407 |
| | - | | - | | - | | 14,492 |
| | 2,827 | | - | | 2,827 | | 12,762 |
| | 2,737 | | - | | 2,737 | | 18,322 |
| | - | | - | | - | | 12,597 |
| | 2,160 | | - | | 2,160 | | 11,330 |
| | 893 | | - | | 893 | | 10,264 |
| | 2,051 | | - | | 2,051 | | 1,621 |
| | - | | - | | - | | 11,159 |
| | 2,715 | | - | | 2,715 | | 2,106 |
| | 578 | | - | | 578 | | 767 |
| | 150 | | - | | 150 | | 37 |
| | 608 | | - | | 608 | | 13,820 |
| | 1,069 | | - | | 1,069 | | 21,916 |
| | 495 | | - | | 495 | | 21,803 |
| | 90 | | 9,365 | | 9,455 | | - |
| | 2,801 | | - | | 2,801 | | 45,591 |
| | 998 | | - | | 998 | | 20,619 |
| | 589 | | 26,890 | | 27,479 | | 213 |
| | 1,046 | | - | | 1,046 | | 21,477 |
| | 1,024 | | 471 | | 1,495 | | 217 |
| | 203 | | 37,307 | | 37,510 | | 344 |
| | 2,032 | | - | | 2,032 | | 7,624 |
| | 1,106 | | - | | 1,106 | | 1,641 |
| | - | | - | | - | | 5,207 |
| | - | | - | | - | | 2,267 |
| | - | | - | | - | | 8,070 |
| | 758 | | - | | 758 | | 1,045 |
| | 45 | | 13,890 | | 13,935 | | - |
| | - | | - | | - | | 29,854 |
| | - | | - | | - | | 7,792 |
| | - | | 258 | | 258 | | 157 |
| | - | | - | | - | | 5,800 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

| | Assets | | | | | Total Assets |
|-----------------------------------|--------|-------------|----------------------------------|--------------------------------|------------|--------------|
| | Cash | Investments | Due from Other Governments | Special Assessments Receivable | | |
| | | | | Prior | Noncurrent | |
| County Ditches (Continued) | | | | | | |
| 57 | 6,795 | - | - | - | - | 6,795 |
| 58 | 6,957 | - | - | - | - | 6,957 |
| 59 | 37 | - | - | - | - | 37 |
| 61 | - | - | - | - | - | - |
| 62 | 9,733 | - | - | - | - | 9,733 |
| 63 | 4,199 | - | - | - | - | 4,199 |
| 64 | 7,205 | - | - | - | - | 7,205 |
| 65 | 14,044 | - | - | - | - | 14,044 |
| 66 | 33,297 | - | - | - | - | 33,297 |
| 67 | 904 | - | - | - | - | 904 |
| 68 | 5,123 | - | - | - | - | 5,123 |
| 69 | 794 | - | - | - | - | 794 |
| 70 | 6,188 | - | - | - | - | 6,188 |
| 79 and 12 | 3,985 | - | - | - | - | 3,985 |
| 72 | 22 | - | - | - | - | 22 |
| 73 | - | - | - | - | - | - |
| 74 | 4,895 | - | - | - | - | 4,895 |
| 75 | 1,692 | - | - | - | - | 1,692 |
| 77 | - | - | - | - | - | - |
| 78 | 43 | - | - | - | - | 43 |
| 79 | 62 | - | - | - | - | 62 |
| 80 | 449 | - | - | - | - | 449 |
| 81 | 34,721 | - | - | - | - | 34,721 |
| 82 | 8,189 | - | - | - | - | 8,189 |
| 83 | 277 | - | - | - | - | 277 |
| 84 | 7,969 | - | - | - | - | 7,969 |
| 85 | 9,831 | - | - | - | - | 9,831 |
| 86 | 414 | - | - | - | - | 414 |
| 87 | 12,301 | - | - | - | - | 12,301 |
| 88 | 10,837 | - | - | - | - | 10,837 |
| 89 | 20,054 | - | - | - | - | 20,054 |
| 90 | - | - | - | - | - | - |
| 91 | 20,679 | - | - | - | - | 20,679 |
| 92 | 9,092 | - | - | - | - | 9,092 |
| 93 | 1,271 | - | - | - | - | 1,271 |
| 94 | 496 | - | - | - | - | 496 |
| 95 | 9,652 | - | - | - | - | 9,652 |
| 96 | 5,202 | - | - | - | - | 5,202 |
| 99 | - | - | - | - | - | - |
| 100 | 5,766 | - | - | - | - | 5,766 |
| 103 Improvement | 3,230 | - | - | - | - | 3,230 |
| 103 | 17,167 | - | - | - | - | 17,167 |
| 104 | - | - | - | - | - | - |
| 106 | 551 | - | - | - | - | 551 |
| 106 Branch 1 | 9,522 | - | - | - | - | 9,522 |
| 107 | 1,904 | - | - | - | - | 1,904 |

Schedule 11
(Continued)

| Accounts Payable | Liabilities Advances from Other Funds | Total Liabilities | Deferred Inflows | Fund Balance | Total Liabilities, Deferred Inflows and Fund Balance |
|-------------------------|--|------------------------------|-----------------------------|---------------------|---|
| - | - | - | - | 6,795 | 6,795 |
| - | - | - | - | 6,957 | 6,957 |
| - | 514 | 514 | - | (477) | 37 |
| 1,057 | 485 | 1,542 | - | (1,542) | - |
| 173 | - | 173 | - | 9,560 | 9,733 |
| 281 | - | 281 | - | 3,918 | 4,199 |
| 375 | - | 375 | - | 6,830 | 7,205 |
| - | - | - | - | 14,044 | 14,044 |
| 2,317 | - | 2,317 | - | 30,980 | 33,297 |
| - | - | - | - | 904 | 904 |
| - | - | - | - | 5,123 | 5,123 |
| 638 | - | 638 | - | 156 | 794 |
| - | - | - | - | 6,188 | 6,188 |
| - | - | - | - | 3,985 | 3,985 |
| 1,387 | 9,134 | 10,521 | - | (10,499) | 22 |
| 4,140 | 75,372 | 79,512 | - | (79,512) | - |
| 266 | - | 266 | - | 4,629 | 4,895 |
| - | - | - | - | 1,692 | 1,692 |
| 1,346 | - | 1,346 | - | (1,346) | - |
| 461 | - | 461 | - | (418) | 43 |
| - | - | - | - | 62 | 62 |
| - | - | - | - | 449 | 449 |
| - | - | - | - | 34,721 | 34,721 |
| - | - | - | - | 8,189 | 8,189 |
| - | - | - | - | 277 | 277 |
| - | - | - | - | 7,969 | 7,969 |
| - | - | - | - | 9,831 | 9,831 |
| 341 | - | 341 | - | 73 | 414 |
| - | - | - | - | 12,301 | 12,301 |
| - | - | - | - | 10,837 | 10,837 |
| - | - | - | - | 20,054 | 20,054 |
| 2,865 | 121,111 | 123,976 | - | (123,976) | - |
| - | - | - | - | 20,679 | 20,679 |
| - | - | - | - | 9,092 | 9,092 |
| 2,415 | 124,316 | 126,731 | - | (125,460) | 1,271 |
| 1,267 | - | 1,267 | - | (771) | 496 |
| - | - | - | - | 9,652 | 9,652 |
| 401 | - | 401 | - | 4,801 | 5,202 |
| - | 7,228 | 7,228 | - | (7,228) | - |
| 319 | - | 319 | - | 5,447 | 5,766 |
| - | - | - | - | 3,230 | 3,230 |
| 701 | - | 701 | - | 16,466 | 17,167 |
| 1,087 | 10 | 1,097 | - | (1,097) | - |
| 161 | - | 161 | - | 390 | 551 |
| - | - | - | - | 9,522 | 9,522 |
| 281 | - | 281 | - | 1,623 | 1,904 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

| | Assets | | | | | Total Assets |
|-----------------------------------|--------|-------------|----------------------------------|--------------------------------|------------|--------------|
| | Cash | Investments | Due from Other Governments | Special Assessments Receivable | | |
| | | | | Prior | Noncurrent | |
| County Ditches (Continued) | | | | | | - |
| 109 | 32,049 | - | - | - | - | 32,049 |
| 109 Improvement | 9,590 | - | - | - | - | 9,590 |
| 110 | 5,977 | - | - | - | - | 5,977 |
| 111 | 13,676 | - | - | - | - | 13,676 |
| 112 | 4,766 | - | - | - | - | 4,766 |
| 113 | 8,638 | - | - | - | - | 8,638 |
| 115 | - | - | - | - | - | - |
| 116 | 12,861 | - | - | - | - | 12,861 |
| 117 | 14,163 | - | - | - | - | 14,163 |
| 118 | 12,715 | - | - | - | - | 12,715 |
| 120 | 3,377 | - | - | - | - | 3,377 |
| 121 | - | - | - | - | - | - |
| 122 | 45 | - | - | - | - | 45 |
| 123 | 1,214 | - | - | - | - | 1,214 |
| 124 | 8,158 | - | - | - | - | 8,158 |
| 125 | 10,336 | - | - | - | - | 10,336 |
| 126 | - | - | - | - | - | - |
| 129 | 7,340 | - | - | - | - | 7,340 |
| 130 | - | - | - | - | - | - |
| 131 | 10,058 | - | - | - | - | 10,058 |
| 132 | 6,101 | - | - | - | - | 6,101 |
| 134 | 8,967 | - | - | - | - | 8,967 |
| 135 | 5,374 | - | - | - | - | 5,374 |
| 136 | 34,360 | - | - | - | - | 34,360 |
| 139 | 238 | - | - | - | - | 238 |
| 140 | 62,481 | - | - | - | - | 62,481 |
| 142 | 4,234 | - | - | - | - | 4,234 |
| 143 | 7,173 | - | - | - | - | 7,173 |
| 144 | 1,570 | - | - | - | - | 1,570 |
| 146 | 3,992 | - | - | - | - | 3,992 |
| 147 | 6,263 | - | - | - | - | 6,263 |
| 150 | 1,355 | - | - | - | - | 1,355 |
| 152 | 1,357 | - | - | - | - | 1,357 |
| 155 | 3,398 | - | - | - | - | 3,398 |
| 156 | 2,880 | - | - | - | - | 2,880 |
| 158 | 6,772 | - | - | - | - | 6,772 |
| 161 | 359 | - | - | - | - | 359 |
| 163 | 481 | - | - | - | - | 481 |
| 167 | - | - | - | - | - | - |
| 169 | 3,771 | - | - | - | - | 3,771 |
| 171 | 7,866 | - | - | - | - | 7,866 |
| 176 | 13,230 | - | - | - | - | 13,230 |
| Grand Marais | 71,974 | - | - | - | - | 71,974 |
| Badger Creek | - | - | - | - | - | - |

Schedule 11
(Continued)

| Accounts Payable | Liabilities Advances from Other Funds | Total Liabilities | Deferred Inflows | Fund Balance | Total Liabilities, Deferred Inflows and Fund Balance |
|-------------------------|--|------------------------------|-----------------------------|---------------------|---|
| - | - | - | - | 32,049 | 32,049 |
| - | - | - | - | 9,590 | 9,590 |
| - | - | - | - | 5,977 | 5,977 |
| - | - | - | - | 13,676 | 13,676 |
| 146 | - | 146 | - | 4,620 | 4,766 |
| - | - | - | - | 8,638 | 8,638 |
| 131 | 38 | 169 | - | (169) | - |
| - | - | - | - | 12,861 | 12,861 |
| 679 | - | 679 | - | 13,484 | 14,163 |
| 1,065 | - | 1,065 | - | 11,650 | 12,715 |
| 83 | - | 83 | - | 3,294 | 3,377 |
| - | 1,460 | 1,460 | - | (1,460) | - |
| 30 | 50 | 80 | - | (35) | 45 |
| 821 | - | 821 | - | 393 | 1,214 |
| - | - | - | - | 8,158 | 8,158 |
| - | - | - | - | 10,336 | 10,336 |
| 4,106 | 9,994 | 14,100 | - | (14,100) | - |
| 251 | - | 251 | - | 7,089 | 7,340 |
| 184 | 346 | 530 | - | (530) | - |
| 540 | - | 540 | - | 9,518 | 10,058 |
| 87 | - | 87 | - | 6,014 | 6,101 |
| 345 | - | 345 | - | 8,622 | 8,967 |
| 761 | - | 761 | - | 4,613 | 5,374 |
| - | - | - | - | 34,360 | 34,360 |
| 810 | - | 810 | - | (572) | 238 |
| 3,817 | - | 3,817 | - | 58,664 | 62,481 |
| - | - | - | - | 4,234 | 4,234 |
| 379 | - | 379 | - | 6,794 | 7,173 |
| 1,339 | - | 1,339 | - | 231 | 1,570 |
| - | - | - | - | 3,992 | 3,992 |
| 574 | - | 574 | - | 5,689 | 6,263 |
| - | - | - | - | 1,355 | 1,355 |
| - | - | - | - | 1,357 | 1,357 |
| - | - | - | - | 3,398 | 3,398 |
| - | - | - | - | 2,880 | 2,880 |
| 334 | - | 334 | - | 6,438 | 6,772 |
| 124 | - | 124 | - | 235 | 359 |
| - | - | - | - | 481 | 481 |
| - | 820 | 820 | - | (820) | - |
| - | - | - | - | 3,771 | 3,771 |
| - | - | - | - | 7,866 | 7,866 |
| - | - | - | - | 13,230 | 13,230 |
| - | - | - | - | 71,974 | 71,974 |
| - | 472 | 472 | - | (472) | - |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

| | Assets | | | | | Total Assets |
|----------------------------------|--------|-------------|----------------------------------|--------------------------------|------------|--------------|
| | Cash | Investments | Due from Other Governments | Special Assessments Receivable | | |
| | | | | Prior | Noncurrent | |
| State Ditches | | | | | | |
| 6 and 7 | 12,331 | - | - | - | - | 12,331 |
| 61 | 2,889 | - | - | - | - | 2,889 |
| 61 Improvement of outlet | 567 | - | - | - | - | 567 |
| 61 Improvement of 2nd outlet | 936 | - | - | - | - | 936 |
| Judicial Ditches | | | | | | |
| 1 | 557 | - | - | - | - | 557 |
| 2 | - | - | - | - | - | - |
| 17 | 41 | - | - | - | - | 41 |
| 25-I | 184 | - | - | - | - | 184 |
| 25-II | 4 | - | - | - | - | 4 |
| 52 and 2 | 1,437 | - | - | - | - | 1,437 |
| 53 | - | - | - | - | - | - |
| 57 | 18,845 | - | - | - | - | 18,845 |
| 68 | 766 | - | - | - | - | 766 |
| 73 | 10,571 | - | - | - | - | 10,571 |
| 75 | - | - | - | - | - | - |
| Joint County Ditches | | | | | | |
| 1 | - | - | - | - | - | - |
| 2 | - | - | - | - | - | - |
| 3 | 1,245 | - | - | - | - | 1,245 |
| 60 | 195 | - | 1,212 | - | - | 1,407 |
| 60 Improvement of outlet | 583 | - | - | - | - | 583 |
| 64 | 18,098 | - | 89 | - | - | 18,187 |
| 66 | 16,657 | - | 2,443 | - | - | 19,100 |
| 71 | 9,946 | - | 70 | - | - | 10,016 |
| 72 | 35,011 | - | 538 | - | - | 35,549 |
| 75 | 88 | - | - | - | - | 88 |
| Joint Ditches | | | | | | |
| Red Lake County #4 | - | - | - | - | - | - |
| Burnham Creek | 38,516 | - | - | - | - | 38,516 |
| Burnham Creek | 202 | - | - | - | - | 202 |
| Clearwater River | 20 | - | - | - | - | 20 |
| Lost River Improvement | 19,215 | 200,000 | - | - | - | 219,215 |
| Marshall-Polk Rural Water System | | | | | | |
| 601 | 459 | - | - | - | - | 459 |
| 602 | - | - | - | 1,307 | - | 1,307 |
| 604 | 2,535 | - | - | 1,063 | 146,375 | 149,973 |
| 605 | 6,350 | - | - | - | 156,463 | 162,813 |
| 606 | 199 | - | - | - | 317,936 | 318,135 |
| 607 | - | - | - | - | 36,243 | 36,243 |

Schedule 11
(Continued)

| Accounts Payable | Liabilities Advances from Other Funds | Total Liabilities | Deferred Inflows | Fund Balance | Total Liabilities, Deferred Inflows and Fund Balance |
|-------------------------|--|------------------------------|-----------------------------|---------------------|---|
| - | - | - | - | 12,331 | 12,331 |
| - | - | - | - | 2,889 | 2,889 |
| - | 3,973 | 3,973 | - | (3,406) | 567 |
| - | - | - | - | 936 | 936 |
| - | - | - | - | - | - |
| - | 164 | 164 | - | 393 | 557 |
| - | 53 | 53 | - | (53) | - |
| - | - | - | - | 41 | 41 |
| - | - | - | - | 184 | 184 |
| - | - | - | - | 4 | 4 |
| - | - | - | - | 1,437 | 1,437 |
| - | 272 | 272 | - | (272) | - |
| - | - | - | - | 18,845 | 18,845 |
| - | - | - | - | 766 | 766 |
| - | - | - | - | 10,571 | 10,571 |
| - | 431 | 431 | - | (431) | - |
| - | - | - | - | - | - |
| - | 1,923 | 1,923 | - | (1,923) | - |
| - | 1,309 | 1,309 | - | (1,309) | - |
| - | - | - | - | 1,245 | 1,245 |
| 3,667 | 20,506 | 24,173 | - | (22,766) | 1,407 |
| - | - | - | - | 583 | 583 |
| - | - | - | - | 18,187 | 18,187 |
| - | - | - | - | 19,100 | 19,100 |
| - | - | - | - | 10,016 | 10,016 |
| - | - | - | - | 35,549 | 35,549 |
| - | - | - | - | 88 | 88 |
| - | - | - | - | - | - |
| - | 8,300 | 8,300 | - | (8,300) | - |
| - | - | - | - | 38,516 | 38,516 |
| - | - | - | - | 202 | 202 |
| - | - | - | - | 20 | 20 |
| - | - | - | - | 219,215 | 219,215 |
| - | - | - | - | 459 | 459 |
| - | - | - | 1,307 | - | 1,307 |
| - | - | - | 147,438 | 2,535 | 149,973 |
| - | - | - | 156,463 | 6,350 | 162,813 |
| - | - | - | 317,936 | 199 | 318,135 |
| - | - | - | 36,243 | - | 36,243 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

| | Assets | | | | | Total Assets |
|---|---------------------|---------------------|----------------------------------|--------------------------------|---------------------|---------------------|
| | Cash | Investments | Due from Other Governments | Special Assessments Receivable | | |
| | | | | Prior | Noncurrent | |
| Joint Ditches (Continued) | | | | | | |
| Red Lake Watershed District | | | | | | |
| Ditch 7 | 389 | - | - | - | - | 389 |
| Joint Ditch 72 | 39 | - | - | - | - | 39 |
| Project 11 | 27,355 | 157,040 | - | - | 462,699 | 647,094 |
| Project 12 | 13,435 | 195,395 | - | 953 | 567,940 | 777,723 |
| Project 36 | 568 | - | - | - | - | 568 |
| Project 53 | 1,821 | - | - | - | - | 1,821 |
| Project 106 | - | - | - | - | - | - |
| Project 115 | 5,294 | - | - | - | - | 5,294 |
| Project 117 | 24,496 | - | - | - | 15,625 | 40,121 |
| Project 119 | 88,984 | - | - | 1,466 | 80,523 | 170,973 |
| Project 119 maint. | 104 | - | - | - | - | 104 |
| Project 123 | 11,386 | - | - | - | 8,260 | 19,646 |
| Project 134 | 29,275 | - | - | 5 | 17,439 | 46,719 |
| Project 134 maint | - | - | - | - | 962 | 962 |
| Project 135 | 22,936 | - | - | - | 26,231 | 49,167 |
| Project 135 maint | - | - | - | - | 3,034 | 3,034 |
| Sandhill Watershed District | | | | | | |
| Project 12 | 104,761 | - | - | 510 | 93,242 | 198,513 |
| Project 12 maint. | 1,067 | - | - | - | - | 1,067 |
| Project 13 | - | - | - | - | - | - |
| Project 17 | 58,212 | 201,843 | - | 422 | 229,141 | 489,618 |
| Project 20 | - | 202,910 | - | 383 | 488,388 | 691,681 |
| Project 20 maint. | 72,566 | - | - | - | - | 72,566 |
| Project 24 | 102,981 | 281,546 | - | 660 | 2,388,742 | 2,773,929 |
| Sandhill River | 56 | - | - | - | - | 56 |
| Middle River-Snake River Watershed District | | | | | | |
| Ditch 5 | - | - | - | 212 | 467,178 | 467,390 |
| Ditch 5 maint. | 7,116 | - | - | - | - | 7,116 |
| Ditch 6 | - | - | - | 656 | 303,788 | 304,444 |
| Ditch 6 maint | 4,203 | - | - | - | - | 4,203 |
| Ditch 43 | 101 | - | - | - | - | 101 |
| Ditch 44 | 58 | - | - | - | - | 58 |
| Ditch 175 | 79 | - | - | - | - | 79 |
| Township Road Project | | | | | | |
| Knute Township | 3,351 | 26,309 | - | - | 23,883 | 53,543 |
| Refunding Bonds, 2012C | 1,338 | - | - | - | - | 1,338 |
| Total | \$ 1,867,438 | \$ 1,265,043 | \$ 4,352 | \$ 7,637 | \$ 5,834,092 | \$ 8,978,562 |

Schedule 11
(Continued)

| Accounts Payable | Liabilities Advances from Other Funds | Total Liabilities | Deferred Inflows | Fund Balance | Total Liabilities, Deferred Inflows and Fund Balance |
|-------------------------|--|------------------------------|-----------------------------|---------------------|---|
| - | - | - | - | 389 | 389 |
| - | - | - | - | 39 | 39 |
| - | - | - | 462,699 | 184,395 | 647,094 |
| - | - | - | 568,893 | 208,830 | 777,723 |
| - | - | - | - | 568 | 568 |
| - | - | - | - | 1,821 | 1,821 |
| - | 5,615 | 5,615 | - | (5,615) | - |
| - | - | - | - | 5,294 | 5,294 |
| - | - | - | 15,625 | 24,496 | 40,121 |
| - | - | - | 81,989 | 88,984 | 170,973 |
| - | - | - | - | 104 | 104 |
| - | - | - | 8,260 | 11,386 | 19,646 |
| - | - | - | 17,444 | 29,275 | 46,719 |
| - | - | - | 962 | - | 962 |
| - | 151 | 151 | 26,231 | 22,785 | 49,167 |
| - | - | - | 3,034 | - | 3,034 |
| - | - | - | - | - | - |
| - | - | - | 93,752 | 104,761 | 198,513 |
| - | - | - | - | 1,067 | 1,067 |
| - | 2,240 | 2,240 | - | (2,240) | - |
| - | - | - | 229,563 | 260,055 | 489,618 |
| - | - | - | 488,771 | 202,910 | 691,681 |
| - | - | - | - | 72,566 | 72,566 |
| - | - | - | 2,389,402 | 384,527 | 2,773,929 |
| - | - | - | - | 56 | 56 |
| - | - | - | 467,390 | - | 467,390 |
| - | - | - | - | 7,116 | 7,116 |
| - | - | - | 304,444 | - | 304,444 |
| - | - | - | - | 4,203 | 4,203 |
| - | - | - | - | 101 | 101 |
| - | - | - | - | 58 | 58 |
| - | - | - | - | 79 | 79 |
| - | - | - | 23,883 | 29,660 | 53,543 |
| - | - | - | - | 1,338 | 1,338 |
| \$ 75,652 | \$ 501,011 | \$ 576,663 | \$ 5,841,729 | \$ 2,560,170 | \$ 8,978,562 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 12

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

| | |
|---|----------------------|
| Shared Revenue | |
| State | |
| Aquatic Invasive Species Prevention Aid | \$ 24,932 |
| County program aid | 1,260,224 |
| Enhanced 911 | 109,025 |
| Disparity reduction aid | 76,591 |
| Disparity reduction credit | 448,999 |
| Highway users tax | 9,047,932 |
| Market value credit | 248,478 |
| PERA rate reimbursement | 48,975 |
| Police state aid | 173,264 |
| | <hr/> |
| Total Shared Revenue | \$ 11,438,420 |
| Payments | |
| Payments in lieu of taxes | \$ 346,313 |
| | <hr/> |
| Grants | |
| Local | |
| Middle River-Snake River Watershed District | \$ 186,989 |
| City of Crookston | 45,356 |
| City of East Grand Forks | 8,470 |
| City of Fosston | 753,265 |
| Red Lake County | 1,597,285 |
| | <hr/> |
| Total Local | \$ 2,770,544 |
| State | |
| Minnesota Department/Board of | |
| Health | \$ 272,609 |
| Human Services | 4,549,541 |
| Natural Resources | 76,704 |
| Peace Officer Standards and Training | 6,758 |
| Pollution Control Agency | 125,007 |
| Public Safety | 421,279 |
| Revenue | 3,529 |
| Trade and Economic Security | 30,000 |
| Transportation | 309,587 |
| Veterans Affairs | 10,000 |
| Water and Soil Resources | 101,271 |
| | <hr/> |
| Total State | \$ 5,906,285 |
| Federal | |
| Department of | |
| Agriculture | \$ 608,026 |
| Transportation | 867,465 |
| Health and Human Services | 4,977,203 |
| Homeland Security | 63,379 |
| | <hr/> |
| Total Federal | \$ 6,516,073 |
| Total Grants | \$ 15,192,902 |
| | <hr/> |
| Total Intergovernmental Revenue | \$ 26,977,635 |
| | <hr/> <hr/> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 13

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Federal Grantor Pass Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|--|------------------------------------|---------------------|
| U.S. Department of Agriculture | | |
| Passed Through Polk-Norman-Manomen Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children | 10.557 | \$ 201,464 |
| Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 10.561 | 406,562 |
| Total U.S. Department of Agriculture | | \$ 608,026 |
| U.S. Department of Transportation | | |
| Passed Through Minnesota Department of Transportation Highway Planning and Construction | 20.205 | \$ 828,146 |
| Passed Through Minnesota Department of Public Safety State and Community Highway Safety | 20.600 | 21,886 |
| Passed Through Minnesota Department of Trial Courts Minimum Penalties for Repeat Offenders for Driving While Intoxicated | 20.608 | 7,433 |
| Passed Through Minnesota Department of Public Safety State Traffic Safety Information System Improvement Grant | 20.610 | 10,000 |
| Total U.S. Department of Transportation | | \$ 867,465 |
| U.S. Department of Health and Human Services | | |
| Passed Through Polk-Norman-Manomen Community Health Board Public Health Emergency Preparedness | 93.069 | \$ 18,398 |
| Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 51,649 |
| Substance Abuse and Mental Health Services - Projects of Regional and National Significance | 93.243 | 289,983 |
| Passed Through Polk-Norman-Manomen Community Health Board Universal Newborn Hearing Screening | 93.251 | 175 |
| Passed Through Inter-County Nursing Service Immunization Cooperative Agreements | 93.268 | 10,773 |
| Passed Through Polk-Norman-Manomen Community Health Board Centers for Disease Control and Prevention - Investigations and Technical Assistance | 93.283 | 600 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 13
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Federal Grantor Pass Through Agency Grant Program Title | Federal CFDA Number | | Expenditures |
|---|------------------------------------|----------------|----------------------------|
| U.S. Department of Health and Human Services (Continued) | | | |
| The Affordable Care Act: Centers for Disease Control and Prevention - Maternal, Infant, and Early Childhood Home Visiting Program | 93.505 | | 42,862 |
| Passed Through Minnesota Department of Human Services PPHF 2012: Community Transformation Grants and National Dissemination and Support for Community Transformation Grants | 93.531 | | 13,690 |
| Promoting Safe and Stable Families | 93.556 | | 15,432 |
| Temporary Assistance for Needy Families | 93.558 | \$ 687,631 | |
| Passed Through Polk-Norman-Manomen Community Health Board Temporary Assistance for Needy Families | 93.558 | <u>108,711</u> | 796,342 |
| Passed Through Minnesota Department of Human Services Child Support Enforcement | 93.563 | | 719,606 |
| Refugee and Entrant Assistance | 93.566 | | 2,084 |
| Child Care and Development Block Grant | 93.575 | | 8,760 |
| Child Care Mandatory Matching Funds | 93.596 | | 9,804 |
| Stephanie Tubbs Jones Child Welfare Services Program | 93.645 | | 10,168 |
| Foster Care Title IV-E | 93.658 | | 208,731 |
| Social Services Block Grant | 93.667 | | 305,886 |
| Chafee Foster Care Independence Program | 93.674 | | 14,369 |
| Children's Health Insurance Program | 93.767 | | 195 |
| Medical Assistance Program | 93.778 | \$ 2,174,746 | |
| Passed Through Polk-Norman-Manomen Community Health Board Medical Assistance Program | 93.778 | <u>94,206</u> | 2,268,952 |
| Passed Through Minnesota Department of Human Services Block Grants for Community Mental Health Services | 93.958 | | 67,774 |
| Block Grants for Prevention and Treatment of Substance Abuse | 93.959 | | 82,644 |
| Passed Through Polk-Norman-Manomen Community Health Board Maternal and Child Health Services Block Grant to the States | 93.994 | | <u>38,326</u> |
| Total U.S. Department of Health and Human Services | | | <u>\$ 4,977,203</u> |

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 13
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

| Federal Grantor Pass Through Agency Grant Program Title | Federal CFDA Number | Expenditures |
|---|------------------------------------|---------------------|
| U.S. Department of Homeland Security | | |
| Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance | 97.012 | \$ 28,175 |
| Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance | 97.036 | 196 |
| Hazard Mitigation Grant | 97.039 | 18,394 |
| Emergency Management Performance Grants | 97.042 | 16,614 |
| Total U.S. Department of Homeland Security | | \$ 63,379 |
| Total Federal Awards | | \$ 6,516,073 |

**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The information in this schedule is presented in accordance with the requirements of Office Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Polk County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Polk County.

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 OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

IV. Subrecipients

During 2014, the County did not pass any federal money to subrecipients.

V. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In 2014, the County had no funds designated as ARRA funds.

MANAGEMENT AND COMPLIANCE SECTION

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unmodified opinion on the financial statements of Polk County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Polk County and are reported in the "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*." None of the significant deficiencies were material weaknesses.
- C. No instances of noncompliance material to the financial statements of Polk County were disclosed during the audit.
- D. A significant deficiency involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Independent Auditor's Report on Compliance for Each Major Federal Program, and Report on Internal Control Over Compliance." The significant deficiency was not a material weakness.
- E. The Auditor's Report on Compliance for the major federal award programs for Polk County expresses an unmodified opinion.
- F. A finding was disclosed that is required to be reported in accordance with Section 510(a) of OMB Circular A-133. It is included as item 2014-001.
- G. The major programs were:
 - Special Supplemental Nutrition Program for Women,
Infants, and Children CFDA #10.557
 - State Administrative Matching Grants for the
Supplemental Nutrition Assistance Program CFDA #10.561
 - Highway Planning and Construction CFDA #20.205
 - Foster Care Title IV-E CFDA #93.658
 - Social Services Block Grant CFDA #93.667
 - Medical Assistance Program CFDA #93.778
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Polk County was determined not to be a low-risk auditee.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14
(Continued)

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

1996-006 Segregation of Duties

Due to the limited number of personnel within several County offices, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of Polk County; however, the County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting control point of view.

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.

We recommend that Polk County's management be aware of the absence of segregation of duties within the accounting and data processing functions and, if possible, implement oversight procedures to ensure that internal control policies and procedures are being implemented by staff.

County's Response:

The Polk County Administrator will monitor transactions and structure the duties of office personnel to help ensure as much segregation of duties as possible within the County's staffing limitations and funding constraints. The County Board of Commissioners also recognizes the weakness in segregation of duties and has continually provided oversight to partially compensate for this deficiency.

2007-001 Internal Controls

The financial statements are the responsibility of the County's management. Internal control over financial reporting is a process designed to provide reasonable assurance about the achievement of the County's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Internal control over the safeguarding of assets against unauthorized acquisition, use, or disposition may include controls related to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the County's objective of reliable financial reporting. In this section, the term financial reporting relates to the preparation of reliable financial statements that are fairly presented in conformity with GAAP.

Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and to maintain suitable skills, knowledge, and expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14
(Continued)

County's Response:

Management does review the financial statements.

2008-001 Preparation of Financial Statements

The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (that is, maintaining internal books and records) and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. During our audit we proposed numerous adjustments that resulted in significant changes to the County's financial statements. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. As a result of this condition, the government lacks internal controls over the preparation of financial statements in accordance with GAAP.

We recommend the County continue to pursue the independent preparation of annual financial statements in accordance with GAAP. If the County still intends to have the external auditors assist in preparation, then at a minimum, they must sufficiently review, understand and approve the County's financial statements, including notes.

County's Response:

The County continues to pursue improvements in this area.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14
(Continued)

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

- 2014-001 Inaccurate Reporting: State Administrative Matching Grants for the Supplemental Nutrition Assistance Program – CFDA #10.561, Foster Care Title IV-E – CFDA #93.658, and Medical Assistance Program – CFDA #93.778

The Income Maintenance Quarterly Expense Report (DHS 2550) for the quarter ending December 2014 contained an error that caused expenditures to be overstated by \$10,304.

Lack of controls to ensure timely and accurate reporting can potentially affect the availability of federal funds and the reimbursement of expenditures of federal funds. 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 errors or irregularities on a timely basis. County management is responsible for the County's system of internal control.

We recommend the County submit the corrections for the 2014 fourth quarter report. The County should review its system of internal controls and evaluate the risk of material misstatement due to insufficient controls. The County should also consider strengthening its controls in this area to help ensure that reports are accurate.

Corrective Action Plan:

The County Fiscal Supervisor made the adjustments and resubmitted the report as instructed by the Minnesota Department of Human Services on September 28, 2015. The County does have a process to verify that accurate totals are reported, however, a staffing shortage resulted in some of the review steps being overlooked which allowed this error to remain undetected. This review process will be more strictly adhered to in the future.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

- 2001-005 Capital Assets Accounting System

The County currently maintains capital asset records in several departments including: Road and Bridge, Social Services, Solid Waste, Environmental Services, Public Health, and the Finance Office. The Finance Office maintains the general County capital assets on an Excel spreadsheet. The detail from some, but not all of the other departments, has been added to the Excel spreadsheet. Generally, purchases of capital assets are recorded manually in each of the capital asset systems after year-end.

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14
(Continued)

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

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

County's Response:

Polk County will follow the recommendations.

2007-002 Ditch Fund Balance Deficits

Forty-one of the 204 active individual ditch funds had deficit restricted fund balances at December 31, 2014. The individual ditch fund deficits totaled \$526,668, with the largest individual ditch fund deficit being \$125,460.

Minnesota Statute, § 103E.735, subd. 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 \$40,000, whichever is larger.

We recommend that the County Board eliminate the individual ditch system deficits by levying assessments pursuant to Minnesota Statute, § 103E.735.

County's Response:

The County is assessing the ditches as much as realistically possible each year.

PREVIOUSLY REPORTED ITEM RESOLVED

2008-002 Decentralized Payroll

Previously, seven different departments of the County prepared their own monthly payroll. They had different pay dates and tracked their vacation, sick and compensatory leave on separate manual systems.

Resolution

The County has centralized payroll accounting, implemented a standard bi-weekly payroll system with a hold-back period, and is working on including vacation and sick leave balances on the pay stubs.

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



Hoffman, Philipp, & Knutson, 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*

Independent Auditor’s Report

Board of County Commissioners
Polk County

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, 2014, 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 29, 2015.

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 (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

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 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 that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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 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, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-006, 2007-001, and 2008-001, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as management practices comments, items 2001-005 and 2007-002.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, 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, nothing came to our attention that caused us to believe that the County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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.

Polk County's Responses to Findings

The County's responses to the findings identified in our audit have been included in the accompanying Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control, compliance and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions* and the result of that testing, and not to provide an opinion on the effectiveness of the County's internal control 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 and compliance. Accordingly, this communication is not suitable for any other purpose.



Hoffman, Philipp, & Knutson, PLLC

September 29, 2015

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



Hoffman, Philipp, & Knutson, PLLC

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Polk County

Report on Compliance for Each Major Federal Program

We have audited Polk County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Programs

In our opinion, Polk County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001. Our opinion on the major federal programs is not modified with respect to this matter.

Polk County's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. Polk County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Polk County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or 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 the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001, that we consider to be a significant deficiency.

Polk County's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs as a Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Knutson". The signature is written in a cursive style and is contained within a thin black rectangular border.

Hoffman, Philipp, & Knutson, PLLC

September 29, 2015