**REFUNDING ISSUE: FULL BOOK-ENTRY ONLY** **RATING BY S&P GLOBAL RATINGS: "AA"**

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the 2020B Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the 2020B Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The County will designate the 2020B Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "Tax Considerations" herein.*

# OFFICIAL STATEMENT

# $1,700,000 GENERAL OBLIGATION WATERSHED DISTRICT REFUNDING BONDS, SERIES 2020B
# COUNTY OF POLK, MINNESOTA

**Dated:** Date of Delivery **Principal Due:** February 1, 2021 through 2033

The County of Polk, Minnesota (the "County"), is issuing its $1,700,000 General Obligation Watershed District Refunding Bonds, Series 2020B (the "2020B Bonds") pursuant to Minnesota Statutes, Chapters 103D and 475, to (i) effect a current refunding of the County's General Obligation Watershed District Bonds, Series 2012, dated February 8, 2012; and (ii) pay the costs associated with the issuance of the 2020B Bonds. The 2020B Bonds will be general obligations of the County for which the County pledges its full faith, credit and power to levy direct general ad valorem taxes, but will be payable primarily from special assessments levied against benefited properties (see "Security and Source of Payment" herein).

The 2020B Bonds will be issued as fully registered securities without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the 2020B Bonds. Individual purchases may be made in book-entry form only in the principal amount of $5,000 and integral multiples thereof, of a single maturity. Purchasers will not receive certificates representing their interest in the 2020B Bonds purchased. Principal of the 2020B Bonds, payable annually on February 1 as set forth below, and interest, payable semiannually on each February 1 and August 1, commencing August 1, 2020, at the rates set forth below, will be paid to DTC, which will in turn remit such principal and interest payments to the owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day ("Record Date").

The 2020B Bonds will mature on February 1 in the years and amounts as follows:

| Year | Amount | Rate | Yield | CUSIP | Year | Amount | Rate | Yield | CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| 2021 | $ 135,000 | 3.000% | 0.930% | 731214 YE6 | 2026 | $ 130,000 | 3.000% | 1.050% | 731214 YK2 |
| 2022 | 130,000 | 3.000% | 0.940% | 731214 YF3 | 2027 | 135,000 | 3.000% | 1.130% | 731214 YL0 |
| 2023 | 130,000 | 3.000% | 0.950% | 731214 YG1 | 2028 | 135,000 | 3.000% | 1.220% | 731214 YM8 |
| 2024 | 130,000 | 3.000% | 0.970% | 731214 YH9 | 2029 | 130,000 | 2.000% | 1.400%(1) | 731214 YN6 |
| 2025 | 130,000 | 3.000% | 1.000% | 731214 YJ5 | | | | | |

**$260,000 2.00% Term Bond due February 1, 2031 Yield 1.60% CUSIP: 731214 YQ9(1)**
**$255,000 2.00% Term Bond due February 1, 2033 Yield 1.80% CUSIP: 731214 YS5(1)**

The 2020B Bonds maturing on February 1, 2029 or after are subject to optional redemption on February 1, 2028 or any date thereafter at a price of par plus accrued interest to the redemption date.

| | |
|---|---|
| **LEGAL OPINION:** | Dorsey & Whitney LLP, Minneapolis, Minnesota |
| **REGISTRAR/PAYING AGENT:** | U.S. Bank National Association, St. Paul, Minnesota |
| **BANK QUALIFIED:** | The 2020B Bonds are designated as "Qualified Tax-Exempt Obligations" |

**Robert W. Baird & Co.** has agreed to purchase the Bonds from the County for an aggregate price of **$1,788,087.00**. The Bonds will be available for delivery on or about **March 12, 2020**.

The date of this Official Statement is February 21, 2020.

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(1) Priced to the call date of February 1, 2028.

*(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)*

**Baird**

**NEW ISSUE: FULL BOOK-ENTRY ONLY** **RATINGS BY S&P GLOBAL RATINGS: "AAA" (Enhanced)**
**MINNESOTA PUBLIC FACILITIES AUTHORITY CREDIT ENHANCEMENT**
**"AA" (Underlying)**

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the 2020A Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the 2020A Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions. The County will designate the 2020A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "Tax Considerations" herein.*

# OFFICIAL STATEMENT

# $2,515,000 GENERAL OBLIGATION CAPITAL IMPROVEMENT PLAN BONDS, SERIES 2020A
# COUNTY OF POLK, MINNESOTA

**Dated:** Date of Delivery **Principal Due:** February 1, 2022 through 2031

The County of Polk, Minnesota (the "County"), is issuing its $2,515,000 General Obligation Capital Improvement Plan Bonds, Series 2020A (the "2020A Bonds") pursuant to Minnesota Statutes, Sections 373.40 and Chapter 475, for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County's 2020-2024 Capital Improvement Plan, (ii) paying capitalized interest from the delivery date through and including February 1, 2021, and (iii) paying the costs associated with the issuance of the 2020A Bonds. The 2020A Bonds will be general obligations of the County for which the County pledges its full faith, credit and power to levy direct general ad valorem taxes (see "Security and Source of Payment" herein).

The 2020A Bonds will be issued as fully registered securities without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the 2020A Bonds. Individual purchases may be made in book-entry form only in the principal amount of $5,000 and integral multiples thereof, of a single maturity. Purchasers will not receive certificates representing their interest in the 2020A Bonds purchased. Principal of the 2020A Bonds, payable annually on February 1 as set forth below, and interest, payable semiannually on each February 1 and August 1, commencing August 1, 2020, at the rates set forth below, will be paid to DTC, which will in turn remit such principal and interest payments to the owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day ("Record Date").

The 2020A Bonds will mature on February 1 in the years and amounts as follows:

| Year | Amount | Rate | Yield | CUSIP | Year | Amount | Rate | Yield | CUSIP |
|---|---|---|---|---|---|---|---|---|---|
| 2022 | $ 200,000 | 5.000% | 0.910% | 731214 XU1 | 2027 | $ 255,000 | 5.000% | 1.030% | 731214 XZ0 |
| 2023 | 210,000 | 5.000% | 0.920% | 731214 XV9 | 2028 | 270,000 | 5.000% | 1.110% | 731214 YA4 |
| 2024 | 220,000 | 5.000% | 0.930% | 731214 XW7 | 2029 | 280,000 | 5.000% | 1.190% | 731214 YB2 |
| 2025 | 230,000 | 5.000% | 0.940% | 731214 XX5 | 2030 | 295,000 | 5.000% | 1.250% | 731214 YC0 |
| 2026 | 245,000 | 5.000% | 0.970% | 731214 XY3 | 2031 | 310,000 | 5.000% | 1.330% | 731214 YD8 |

The 2020A Bonds are not subject to optional redemption.

**LEGAL OPINION:** Dorsey & Whitney LLP, Minneapolis, Minnesota

**REGISTRAR/PAYING AGENT:** U.S. Bank National Association, St. Paul, Minnesota

**BANK QUALIFIED:** The 2020A Bonds are designated as "Qualified Tax-Exempt Obligations"

**CREDIT ENHANCEMENT:** The County will participate in the Minnesota Public Facilities Authority Credit Enhancement Program

**BNY Mellon Capital Markets, LLC** has agreed to purchase the Bonds from the County for an aggregate price of **$3,131,681.44**. The Bonds will be available for delivery on or about **March 12, 2020**.

The date of this Official Statement is February 21, 2020.

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*(THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.)*

BNY MELLON

No dealer, broker, salesman or other person has been authorized by the County, the Municipal Advisor or the Underwriters to give any information or to make any representations other than those contained in this Official Statement or the Final Official Statement and, if given or made, such information and representations must not be relied upon as having been authorized by the County, the Municipal Advisor or the Underwriters. This Official Statement or the Final Official Statement does not constitute an offer to sell or solicitation of an offer to buy, nor shall there by any sale of the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement or the Final Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

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# INTRODUCTION TO THE OFFICIAL STATEMENT

*The following information is furnished solely to provide limited introductory information regarding issuance of the $2,515,000 General Obligation Capital Improvement Plan Bonds, Series 2020A (the "2020A Bonds) and $1,700,000 General Obligation Watershed District Refunding Bonds, Series 2020B (the "2020B Bonds") (collectively, the "Bonds") issued by the County of Polk, Minnesota (the "County"), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.*

**Issuer:** Polk County, Minnesota.

**Authority for Issuance:**

**2020A Bonds**

The 2020A Bonds are being issued pursuant to Minnesota Statutes, Sections 373.40 and Chapter 475.

**2020B Bonds**

The 2020B Bonds are being issued pursuant to Minnesota Statutes, Chapters 103D and 475.

**Purpose:**

**2020A Bonds**

The 2020A Bonds are being issued to (i) finance a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County's 2020-2024 Capital Improvement Plan, (ii) pay capitalized interest from the delivery date through and including February 1, 2021, and (iii) pay the costs associated with the issuance of the 2020A Bonds.

**2020B Bonds**

The 2020B Bonds are being issued to (i) effect a current refunding of the County's General Obligation Watershed District Bonds, Series 2012, dated February 8, 2012 and (ii) pay the costs associated with the issuance of the 2020B Bonds.

**Security:**

**2020A Bonds**

The 2020A Bonds will be general obligations of the County for which the County pledges its full faith and credit and power to levy direct general ad valorem taxes.

**2020B Bonds**

The 2020B Bonds will be general obligations of the County for which the County pledges its full faith, credit and power to levy direct general ad valorem taxes, but will be payable primarily from special assessments levied against benefited properties.

**Principal Payments:**

**2020A Bonds**

Principal of the 2020A Bonds is payable annually on February 1 of the years 2022 through 2031.

**2020B Bonds**

Principal of the 2020B Bonds is payable annually on February 1 of the years 2021 through 2033.

**Interest Payments:** Interest on the Bonds is payable on February 1 and August 1, commencing August 1, 2020.

**Credit Enhancement:** The County will participate in the Minnesota Public Facilities Authority Credit Enhancement Program for the 2020A Bonds.

**Redemption:**

**2020A Bonds**

The 2020A Bonds are not subject to optional redemption.

| | | |
|---|---|---|
| | **2020B Bonds** | |
| | The 2020B Bonds maturing on February 1, 2029 or after are subject to optional redemption on February 1, 2028 or any date thereafter at a price of par plus accrued interest to the redemption date. | |
| **Denominations:** | Individual purchases may be made in $5,000 or multiples thereof of a single maturity. | |
| **Book-Entry Securities:** | The Bonds will be issued as book-entry only securities through DTC. | |
| **Legal Matters:** | Validity, taxability, and legal matters incident to the authorization and issuance of the Bonds are subject to the opinion of Dorsey & Whitney, LLP, Bond Counsel. The opinion will be substantially in the form set forth in Appendix B attached hereto. | |
| **Tax Status:** | Exempt from federal and Minnesota income taxes, as further provided and described in this Official Statement. See "Tax Considerations" herein. | |
| **Bank Qualification:** | The Bonds will be designated as Qualified Tax-Exempt Obligations. | |
| **Professional Consultants:** | *Municipal Advisor:* | PFM Financial Advisors LLC.<br>Minneapolis, Minnesota |
| | *Bond Counsel*: | Dorsey & Whitney, LLP<br>Minneapolis, Minnesota |
| | *Paying Agent/Registrar:* | U.S. Bank, National Association<br>St. Paul, Minnesota |
| **Delivery:** | The Bonds will be delivered on or about March 12, 2020. | |

The information set forth herein has been obtained from the County and other sources which are believed to be reliable, but it is not to be construed as a representation by the Municipal Advisor or Underwriters. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made thereafter shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in any other information contained herein, since the date hereof.

Questions regarding the Bonds or the Official Statement can be directed to, and additional copies of the Official Statement, the County's annual financial reports and the documents described herein may be obtained from the County Municipal Advisor, 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612-338-3535 and 612-338-7264 FAX).

*(The remainder of this page has been left blank intentionally.)*

# DESCRIPTION OF THE BONDS

## *Authorization and Purpose*

**2020A Bonds**

The 2020A Bonds are being issued pursuant to Minnesota Statutes, Sections 373.40 and Chapter 475, for the purpose of (i) financing a portion of the cost of acquisition and betterment, including the necessary and incidental costs described in Minnesota Statutes, Section 475.65, for the capital improvement projects included in the County's 2020-2024 Capital Improvement Plan (the "CIP"), (ii) paying capitalized interest from the delivery date through and including February 1, 2021, and (iii) paying the costs associated with the issuance of the 2020A Bonds.

The issue includes financing for the following projects:

- Government Center Building ($210,500) – Replacement of the building's elevator and remodeling of the employee breakroom and IT room.
- Highway Department Buildings ($262,000) – Replacement of the roof over the shop area.
- Human Services Building ($2,540,000) – Office remodeling of 15,240 $ft^2$, installation of a new roof, and upgrades and integration of HVAC control system.

**2020B Bonds**

The 2020B Bonds are being issued pursuant to Minnesota Statutes, Chapters 103D and 475, to (i) effect a current refunding of the County's General Obligation Watershed District Bonds, Series 2012 (the "Refunded Bonds"), dated February 8, 2012 and (ii) pay the costs associated with the issuance of the 2020B Bonds.

The Refunded Bonds were originally issued to finance improvements within the Sand Hill River Watershed District. More specifically, the proceeds were used to finance improvement, laterals, and outlet extensions to Polk County Ditch No. 77, including Branches 1 and 2, and improvements and laterals to Polk County Ditch No. 166. The outstanding maturities and amounts of the Refunded Bonds are presented below:

| Maturity | Amount Outstanding | Call Date | Call Price | Amount Refunded |
|---|---|---|---|---|
| 02/01/2021 | $ 135,000 | 04/01/2020 | 100% | $ 135,000 |
| 02/01/2022 | 135,000 | 04/01/2020 | 100% | 135,000 |
| 02/01/2024* | 270,000 | 04/01/2020 | 100% | 270,000 |
| 02/01/2026* | 270,000 | 04/01/2020 | 100% | 270,000 |
| 02/01/2029* | 405,000 | 04/01/2020 | 100% | 405,000 |
| 02/01/2032* | 405,000 | 04/01/2020 | 100% | 405,000 |
| 02/01/2033 | 135,000 | 04/01/2020 | 100% | 135,000 |
| | $ 1,755,000 | | | $ 1,755,000 |

* Subject to mandatory sinking fund redemption

## *Security and Source of Payment*

**2020A Bonds**

The 2020A Bonds will be general obligations of the County. The principal of and interest on the 2020A Bonds are payable from ad valorem taxes heretofore duly levied or to be levied on all taxable property within the County, which have been pledged and appropriated for this purpose, but if necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property in the County, which additional taxes are not subject to any limitation of rate or amount.

**2020B Bonds**

The 2020B Bonds will be general obligations of the County for which the County pledges its full faith, credit and power to levy direct general ad valorem taxes, but will be payable primarily from special assessments levied against benefited properties. If necessary for the payment thereof, additional ad valorem taxes are required by law to be levied on all taxable property in the County, which additional taxes are not subject to any limitation of rate or amount.

## *Interest*

Interest on the Bonds will be payable annually on each February 1 and August 1, commencing August 1, 2020, to DTC which will in turn remit such principal and interest payments to the owners of record as of the close of business on the fifteenth day of the immediately preceding month, whether or not such day is a business day ("Record Date"). Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

## *Credit Enhancement for the 2020A Bonds*

By Resolution adopted on February 4, 2020 (the "PFA Resolution"), the County has covenanted and obligated itself to be bound by the provisions of Minnesota Statutes, Section 446A.086 (the "Act"), which provides for payment by the State of Minnesota in the event of a potential default of certain obligations. The County has entered into a Credit Enhancement Program Agreement (the "Agreement") with the Minnesota Public Facilities Authority (the "Authority"), which is acting on behalf of the State of Minnesota. The provisions of the Agreement shall be binding on the County as long as any obligations of the issue remain outstanding. The County covenants in the Agreement to deposit with the paying agent for the issue three business days prior to the date on which a payment is due an amount sufficient to make that payment. Under the Agreement, if the County believes it may be unable to make a principal or interest payment for this issue on the due date, it must notify the Authority no fewer than 15 business days prior to the date a payment is due on the 2020A Bonds if the County will be unable to make all or a portion of the payment. The County's agreement with the Paying Agent for the 2020A Bonds requires the Paying Agent to immediately inform the Minnesota Commissioner of Management and Budget, with a copy to the Authority, if the Paying Agent becomes aware of a default or potential default in the payment of principal or interest on the 2020A Bonds, or if, on the day two business days before the date a payment is due on the 2020A Bonds, there are insufficient funds on deposit with the Paying Agent to make the payment. If the County is unable to make any portion of the payment on the 2020A Bonds on or before the date due, the State of Minnesota, acting through the Authority, shall make such payment in its place pursuant to the Act, providing that funds are available in the State General Fund. The obligation to make a payment under the Act is not a general obligation of the State of Minnesota. The Act does not obligate the Minnesota legislature to provide for the availability of funds in the General Fund for this purpose.

## *Redemption Provisions*

**Optional Redemption**

**2020A Bonds**

The 2020A Bonds are not subject to optional redemption.

**2020B Bonds**

The 2020B Bonds maturing on February 1, 2029 or after are subject to optional redemption on February 1, 2028 or any date thereafter at a price of par plus accrued interest to the redemption date.

**Mandatory Sinking Fund Redemption for the 2020B Bonds**

Term Bonds maturing on February 1, 2031 are required to be redeemed in part prior to maturity on February 1 at a principal amount thereof plus accrued interest to the redemption date, in the amounts set forth below:

| Year | Amount |
|---|---|
| 2030 | $ 130,000 |
| 2031 | 130,000 |

Term Bonds maturing on February 1, 2033 are required to be redeemed in part prior to maturity on February 1 at a principal amount thereof plus accrued interest to the redemption date, in the amounts set forth below:

| Year | Amount |
|---|---|
| 2032 | $ 130,000 |
| 2033 | 125,000 |

**Notice of Redemption for the 2020B Bonds**

The County Administrator shall cause notice of the call for redemption to be published if and as required by law and, not more than sixty (60) and not fewer than twenty (20) days prior to the designated redemption date, shall cause notice of the call to be mailed to the registered holders of any 2020B Bonds to be redeemed at their addresses as they appear on the bond register, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any 2020B Bonds not affected by such defect or failure. The notice of redemption shall specify the redemption date, redemption price, the numbers, interest rates and CUSIP numbers of the 2020B Bonds to be redeemed and the place at which the 2020B Bonds are to be surrendered for payment.

## *Sources and Uses of Funds*

Table 1 presents the sources and uses of funds for the Bonds.

**Table 1**
**Sources and Uses of Funds**

| **Sources of Funds** | **2020A Bonds** | **2020B Bonds** |
|---|---|---|
| Par Amount | $ 2,515,000.00 | $ 1,700,000.00 |
| Premium | 627,968.65 | 103,753.15 |
| Total Sources of Funds | $ 3,142,968.65 | $ 1,803,753.15 |
| **Uses of Funds** | | |
| Capital Projects | $ 2,977,500.00 | $ -- |
| Capitalized Interest | 111,428.47 | -- |
| Redemption of the Refunded Bonds | -- | 1,762,706.25 |
| Cost of Issuance/ Underwriter's Discount | 51,287.21 | 40,666.15 |
| Additional Proceeds | 2,752.97 | 380.75 |
| Total Uses of Funds | $ 3,142,968.65 | $ 1,803,753.15 |

## *Book-Entry Only System*

*The information contained in the following paragraphs of this subsection "Book-Entry-Only ISSUANCE" has been extracted from a schedule prepared by Depository Trust Company ("DTC") entitled "SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING DTC AND BOOK-ENTRY-ONLY ISSUANCE." The information in this* *section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's rating: AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co., nor any other DTC nominee, will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the Record Date identified in a listing attached to the Omnibus Proxy.

Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the County or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, Agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC, is the responsibility of the County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the County or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

NEITHER THE COUNTY NOR THE UNDERWRITERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF OR INTEREST ON THE BONDS; (3) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO CERTIFICATEHOLDERS; (4) ANY CONSENT GIVEN BY DTC OR OTHER ACTION TAKEN BY DTC AS CERTIFICATEHOLDER; OR (5) THE SELECTION BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT OF ANY BENEFICIAL OWNER TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF BONDS.

## *Continuing Disclosure*

In order to permit proposers for the Bonds and other participating underwriters in the primary offering of the Bonds to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the County will covenant and agree, for the benefit of the registered holders or beneficial owners, in the resolutions for the Bonds under the Continuing Disclosure section, to provide audited financial statements and annual reports of specified information on or before 12 months after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2019, and notice of the occurrence of certain material events as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the material events as to which notice is to be given and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in APPENDIX C to this Official Statement.

During the last five years, the County has never failed to comply in all material respects with its prior undertakings under the rule.

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the resolutions for the Bonds. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the County to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

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# THE ISSUER

## *General Description*

Polk County is located in northwestern Minnesota on the North Dakota border. The County was organized in 1872 and has ever since continued in existence as a county governed by the general laws of the State of Minnesota. It includes approximately 2,028 square miles and 58 full and fractional congressional townships and 15 cities. The county seat is the City of Crookston (the "City") located 290 miles from the Twin Cities metropolitan area and 25 miles from the Grand Forks, North Dakota metropolitan area. The County is governed by an elected five-member Board of County Commissioners.

## *Organization*

The Board of Commissioners is the governing body of the County consisting of five members elected by the voters of the County for a four year term. The Board meets the 1st, 3rd, and 4th Tuesdays of each month at 8:00 a.m., 10:00 a.m., and 8:00 a.m. respectively. The 2nd Tuesday of the month the Commissioners meet with the Welfare Board at 8:30 a.m. with the regular Commissioners meeting beginning at 10:30 a.m. All meetings are held in the County Commissioners Room of the Polk County Government Center.

The current County Board Members are presented in the tables listed below.

**County Board of Commissioners**

| Name | Office | Term Expires |
|---|---|---|
| *Gary Willhite* | *Chairman of the Board* | January 1, 2021 |
| *Gerald Jacobson* | *Vice Chair* | January 1, 2021 |
| *Don Diedrich* | *Commissioner* | January 1, 2021 |
| *Joan Lee* | *Commissioner* | January 1, 2023 |
| *Warren Strandell* | *Commissioner* | January 1, 2023 |

The **County Administrator** is an appointed position by the County Board and manages the affairs of the county over which the County Board has authority. The Administration serves as the Clerk to the Board and implements all Board actions and decisions. The Administrator prepares the annual county budget for presentation to the Board and monitors expenditures throughout the year to assure compliance with approved budget. The Administrator's office is responsible for the county Human Resources, Information Technology and Facilities Management departments.

**County Administration**

| Name | *Position* |
|---|---|
| Charles Whiting | *Administrator-Clerk* |
| Ronald Denison | *Finance Director* |
| Michelle Cote | *Director of Property Records* |
| Gregory A. Widseth | *County Attorney* |

## ECONOMIC AND DEMOGRAPHIC INFORMATION

### *Population*

The population for the County and the Cities of Crookston and East Grand Forks, as recorded in the past four decennial censuses and the most recent estimate, is presented below.

**Table 2**
**Population Statistics**

| Census | City of Crookston | City of East Grand Forks | Polk County |
|---|---|---|---|
| 2018[(1)] | 7,806 | 8,600 | 31,529 |
| 2010 | 7,891 | 8,601 | 31,600 |
| 2000 | 8,192 | 7,501 | 31,369 |
| 1990 | 8,119 | 8,658 | 32,498 |
| 1980 | 8,628 | 8,537 | 34,844 |

(1) Estimate.

Source: U.S. Census Bureau.

### *Agriculture*

Agriculture is a significant component of the County's economy. The County is one of the leading producer among Minnesota counties of spring wheat, sugar beets, and soybeans, and the leading producer of dry edible beans according to statistics published by the U.S. Department of Agriculture National Agricultural Statistics Services in its 2018 bulletin.

### *Largest Employers*

The largest employers in Polk County are shown in Table 3 below.

**Table 3**
**Largest Employers**

| Firm | Type of Business/Product | Number of Employees |
|---|---|---|
| American Crystal Sugar Co. | Sugar Manufacturers | 563[(1)] |
| First Care Medical Service Hospital | Home Health Services | 501 |
| Michael J. Andringa – L T S Sugar | Sugar Manufacturers | 402 |
| New Flyer of America Inc. | Bus Manufacturers | 400 |
| University of Minnesota Crookston | Higher Education | 400 |
| Polk County | Government | 390 |
| East Grand Forks School District | Education | 345 |
| Walmart Supercenter | Department Store | 335 |
| Essential Health - Fosston | Hospitals | 300 |
| Crookston Public School District | Education | 227 |

(1) Include plants in Crookston and East Grand Forks.

Source: ReferenceUSA.

## *Labor Force and Unemployment Statistics*

Table 4 presents the average annual labor force totals and unemployment rates for the County and unemployment rates for the State of Minnesota for the years 2013 through 2018 and the most recent month available for 2018.

**Table 4**
**Labor Force and Unemployment Statistics**

| | Polk County | | State of Minnesota |
|---|---|---|---|
| Year | Labor Force | Unemployment Rate | Unemployment Rate |
| 2019(1) | 17,088 | 2.9% | 2.9% |
| 2018 | 17,293 | 4.9% | 3.8% |
| 2017 | 17,269 | 5.6% | 4.5% |
| 2016 | 17,036 | 4.9% | 4.5% |
| 2015 | 17,135 | 5.1% | 4.4% |
| 2014 | 17,175 | 6.2% | 5.4% |

(1) As of November 2019; not seasonally adjusted.

Source: Minnesota Department of Employment and Economic Development.

## *Housing and Income Statistics*

Table 5 below presents key housing and income statistics for the County as compared to the State of Minnesota.

**Table 5**
**Housing and Income Statistics**

| | Polk County | State of Minnesota |
|---|---|---|
| Median Value of Home (2013-2017) | $ 152,600 | $ 199,700 |
| Median Household Income (2013-2017) | $ 55,393 | $ 65,699 |
| Per Capita Personal Income | | |
| 2018 | $ 48,020 | $ 57,515 |
| 2017 | 46,227 | 54,919 |
| 2016 | 44,296 | 53,209 |

Source: U.S. Census Bureau, www.census.gov.
Bureau of Economic Analysis, www.bea.gov.

# FINANCIAL SUMMARY

*(This summary is subject in all respects to more complete information contained in this Official Statement.)*

| | |
|---|---|
| Economic Market Value 2018/19 | $ 5,990,713,614 |
| Estimated Market Value 2018/19 | $ 5,649,848,100 |
| Taxable Market Value 2018/19 | $ 5,448,532,500 |
| Net Tax Capacity 2018/19 | $ 51,620,634 |
| General Obligation Debt | |
| Watershed District (Includes 2020B Bonds) | $ 7,525,000 |
| Water System | 715,000 |
| Other (Includes the 2020A Bonds) | 21,480,000 |
| Total General Obligation Debt | $ 29,720,000 |
| Overlapping Debt | $ 76,931,000 |
| Population (2018 Estimate) | 31,529 |
| Area | 2,028 square miles |

Debt Ratios:

| | Amount | Debt Per Capita (31,529) | % of Economic Market Value |
|---|---|---|---|
| General Obligation Debt | $ 29,720,000 | $ 943 | 0.50% |
| Overlapping Debt | 76,931,000 | 2,440 | 1.28% |
| Total | $ 106,651,000 | $ 3,383 | 1.78% |

*(The remainder of this page has been left blank intentionally.)*

## INDEBTEDNESS

### *General Obligation Long-Term Debt*

Table 6 below and Table 7 through Table 9 on the next page summarize the County's outstanding long-term general obligation long-term debt as of February 1, 2020.

**Table 6**
**General Obligation Long-Term Debt By Issue**

| Issued | Purpose | Original Amount | Final Maturity | Interest Rate Range Outstanding | Outstanding Principal |
|---|---|---|---|---|---|
| **Watershed District** | | | | | |
| 12/13/06 | Improvements, 2006B | $ 865,000 | 02/01/27 | 4.10% - 4.30% | $ 280,000 |
| 04/29/09 | Drainage, 2009A | 925,000 | 02/01/30 | 3.75% - 4.65% | 450,000 |
| 08/20/15 | Red Lake Improv, 2015B | 1,495,000 | 02/01/36 | 1.50% - 3.40% | 1,270,000 |
| 05/29/19 | Watershed, 2019A | 3,825,000 | 02/01/40 | 3.00% - 4.00% | 3,825,000 |
| 03/12/20 | Watershed Refunding, 2020B | 1,700,000 | 02/01/33 | 2.00% – 3.00% | 1,700,000 |
| Total | | | | | $ 7,525,000 |
| **Water System** | | | | | |
| 05/15/12 | Refunding, 2012B | $ 1,805,000 | 01/01/25 | 1.50% - 2.30% | $ 715,000 |
| **Other** | | | | | |
| 11/05/14 | Jail Refunding, 2014A(1) | $ 9,675,000 | 02/01/26 | 2.00% - 2.25% | 6,635,000 |
| 11/18/15 | Capital Improvement, 2015C(1) | 2,985,000 | 02/01/26 | 2.00% | 1,810,000 |
| 08/30/17 | Solid Waste, 2017A | 6,810,000 | 02/01/37 | 2.50% - 3.00% | 6,120,000 |
| 05/29/19 | State Aid Highway, 2019B | 5,500,000 | 02/01/24 | 5.00% | 4,400,000 |
| 03/12/20 | Capital Improvement, 2020A(1) | 2,515,000 | 02/01/31 | 5.00% | 2,515,000 |
| Total | | | | | $ 21,480,000 |
| Total General Obligation Long-Term Bonds | | | | | $ 29,720,000 |

(1) Subject to debt limit.

**Table 7**
**General Obligation Long-Term Debt for Watershed Districts**
**Annual Maturity Schedule**

| Bond Year (February 1) | Outstanding Principal | Outstanding Interest | 2020B Principal | 2020B Interest | Total[(1)] |
|---|---|---|---|---|---|
| 2021 | $ 305,000 | $ 193,108 | $ 135,000 | $ 39,476 | $ 672,584 |
| 2022 | 315,000 | 182,373 | 130,000 | 40,500 | 667,873 |
| 2023 | 320,000 | 170,993 | 130,000 | 36,600 | 657,593 |
| 2024 | 320,000 | 161,068 | 130,000 | 32,700 | 643,768 |
| 2025 | 325,000 | 149,358 | 130,000 | 28,800 | 633,158 |
| 2026 | 330,000 | 136,803 | 130,000 | 24,900 | 621,703 |
| 2027 | 335,000 | 124,003 | 135,000 | 21,000 | 615,003 |
| 2028 | 300,000 | 111,008 | 135,000 | 16,950 | 562,958 |
| 2029 | 310,000 | 101,310 | 130,000 | 12,900 | 554,210 |
| 2030 | 315,000 | 91,290 | 130,000 | 10,300 | 546,590 |
| 2031 | 280,000 | 81,098 | 130,000 | 7,700 | 498,798 |
| 2032 | 290,000 | 72,570 | 130,000 | 5,100 | 497,670 |
| 2033 | 290,000 | 63,735 | 125,000 | 2,500 | 481,235 |
| 2034 | 300,000 | 54,900 | -- | -- | 354,900 |
| 2035 | 305,000 | 45,520 | -- | -- | 350,520 |
| 2036 | 310,000 | 35,970 | -- | -- | 345,970 |
| 2037 | 215,000 | 26,250 | -- | -- | 241,250 |
| 2038 | 215,000 | 19,800 | -- | -- | 234,800 |
| 2039 | 220,000 | 13,350 | -- | -- | 233,350 |
| 2040 | 225,000 | 6,750 | -- | -- | 231,750 |
| Total | $ 5,825,000 | $ 1,841,253 | $ 1,700,000 | $ 279,426 | $ 9,645,679 |

(1) As of February 1, 2020 and may not perfectly sum due to rounding.

**Table 8**
**General Obligation Long-Term Debt for the Water System**
**Annual Maturity Schedule**

| Bond Year (February 1) | Principal | Interest | Total[(1)] |
|---|---|---|---|
| 2021 | $ 140,000 | $ 14,478 | $ 154,478 |
| 2022 | 140,000 | 12,098 | 152,098 |
| 2023 | 140,000 | 9,438 | 149,438 |
| 2024 | 145,000 | 6,568 | 151,568 |
| 2025 | 150,000 | 3,450 | 153,450 |
| Total | $ 715,000 | $ 46,030 | $ 761,030 |

(1) As of February 1, 2020 and may not perfectly sum due to rounding.

**Table 9**
**General Obligation Long-Term Debt for Other Debt**
**Annual Maturity Schedule**

| Bond Year (February 1) | Outstanding Principal | Outstanding Interest | 2020A Principal | 2020A Interest | Total[1] |
|---|---|---|---|---|---|
| 2021 | $ 2,725,000 | $ 571,438 | $ -- | $ 111,428 | $ 3,407,866 |
| 2022 | 2,755,000 | 481,088 | 200,000 | 125,750 | 3,561,838 |
| 2023 | 2,790,000 | 390,088 | 210,000 | 115,750 | 3,505,838 |
| 2024 | 2,830,000 | 298,288 | 220,000 | 105,250 | 3,453,538 |
| 2025 | 1,770,000 | 205,588 | 230,000 | 94,250 | 2,299,838 |
| 2026 | 1,810,000 | 165,588 | 245,000 | 82,750 | 2,303,338 |
| 2027 | 340,000 | 123,175 | 255,000 | 70,500 | 788,675 |
| 2028 | 350,000 | 112,975 | 270,000 | 57,750 | 790,725 |
| 2029 | 355,000 | 104,225 | 280,000 | 44,250 | 783,475 |
| 2030 | 365,000 | 95,350 | 295,000 | 30,250 | 785,600 |
| 2031 | 375,000 | 85,313 | 310,000 | 15,500 | 785,813 |
| 2032 | 385,000 | 75,000 | -- | -- | 460,000 |
| 2033 | 400,000 | 63,450 | -- | -- | 463,450 |
| 2034 | 410,000 | 51,450 | -- | -- | 461,450 |
| 2035 | 420,000 | 39,150 | -- | -- | 459,150 |
| 2036 | 435,000 | 26,550 | -- | -- | 461,550 |
| 2037 | 450,000 | 13,500 | -- | -- | 463,500 |
| Total[2] | $ 18,965,000 | $ 2,902,213 | $ 2,515,000 | $ 853,428 | $ 25,235,641 |

(1) As of February 1, 2020 and may not perfectly sum due to rounding.

## *Future Financings*

The County does not intend to issue additional general obligation debt in the next year.

## *Debt Payment History*

The County has never defaulted in the payment of principal and interest on its debt.

### *Debt Limit*

Minnesota Statutes, Chapter 475, as amended, provides that the County shall not incur or be subject to a net debt in excess of 3% of the estimated market value of taxable property in the County. Table 10 below presents the percentage of debt limit outstanding as of the issuance of the Bonds.

**Table 10**
**Debt Limit Computation**

| | |
|---|---|
| Estimated Market Value (2018/19) | $ 5,649,848,100 |
| | 3.0% |
| Debt Limit | $ 169,495,443 |
| G.O. Debt Subject to Debt Limit (6.47%) | 10,960,000 |
| Legal Debt Margin (93.53%) | $ 158,535,443 |

### *Overlapping Debt*

Governmental jurisdictions located in Polk County which had long-term general obligation debt outstanding as of April 1, 2019, unless otherwise noted, are listed in Table 11 below. The table sets forth the long-term general obligation debt for those jurisdictions and the amount of that debt allocable to the County.

**Table 11**
**Overlapping General Obligation Debt**

| Governmental Unit | General Obligation Debt Outstanding[(1)] | Percent Allocable to the County | Portion Allocable to the County |
|---|---|---|---|
| Cities | | | |
| East Grand Forks | $ 7,350,000 | 100.0% | $ 7,350,000 |
| Erskine | 5,000 | 100.0% | 5,000 |
| Fertile | 4,715,000 | 100.0% | 4,715,00 |
| Fosston | 4,195,000 | 100.0% | 4,195,000 |
| McIntosh | 381,000 | 100.0% | 381,000 |
| Nielsville | 120,000 | 100.0% | 120,000 |
| School Districts | | | |
| Crookston ISD No. 593 | $ 11,375,000 | 99.9% | 11,725,000 |
| East Grand Forks ISD No. 595 | 21,085,000 | 100.0% | 21,085,000 |
| Fertile-Beltrami ISD No. 599 | 6,990,000 | 88.4% | 6,182,000 |
| Fisher ISD No. 600 | 685,000 | 100.0% | 685,000 |
| Fosston ISD No. 601 | 17,065,000 | 79.2% | 13,523,000 |
| Win-E-Mac ISD No. 2609 | 7,350,000 | 94.8% | 6,965,000 |
| Total | | | $ 76,931,000 |

(1) Includes general obligation, general obligation tax increment, and general obligation improvement bonds. Excludes general obligation revenue bonds.

Source: Polk County

# FINANCIAL INFORMATION

## *Financial Reports*

The County's financial reports are audited on an annual basis by an independent auditor. Copies of the County's audited financial statements for the years ended December 31, 2016 through 2018 are available upon request from the County, its Municipal Advisor or on the Electronic Municipal Market Access ("EMMA") website as part of their continuing disclosure reports. Appendix A presents the County's audited Financial Statements for Fiscal Year Ended December 31, 2018.

## *Budget for the General Fund*

Table 12 below presents the budgeted funding sources and expenditures for the General Fund for the 2019-2020 fiscal years.

**Table 12**
**General Fund Budget for 2019-2020 Fiscal Years**

| | 2019 Adopted | 2019 Actual | 2020 Adopted |
|---|---|---|---|
| Total Revenues | $ 11,520,506 | $ 12,021,085 | $ 15,105,935 |
| Total Expenditures | $ 12,497,772 | $ 12,536,524 | $ 15,833,829 |
| Net | $ (977,266) | $ (515,439) | $ (727,894) |

*(The remainder of this page has been left blank intentionally.)*

## *Results of Operations*

Statements of revenues and expenditures of the General Fund of the County have been compiled from the County's financial reports. They have been organized in such a manner as to facilitate year-to-year comparisons. Table 13 below presents a statement of revenues and expenditures of the County's General Fund for the fiscal years ended December 31, 2016 through 2018.

**Table 13**
**Statement of Revenues, Expenditures and Changes in Fund Balance for the General Fund**
**(Years Ended December 31)**

| | 2018 | 2017 | 2016 |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 5,353,989 | $ 5,218,453 | $ 5,508,249 |
| Special assessments | 3,750 | -- | -- |
| Licenses and permits | 7,455 | 7,510 | 7,510 |
| Intergovernmental | 3,132,459 | 2,664,592 | 2,337,569 |
| Charges for services | 907,126 | 1,283,062 | 876,047 |
| Fines and forfeits | 13,653 | 10,807 | 12,291 |
| Investment earnings | 418,067 | 165,817 | 89,423 |
| Miscellaneous | 311,044 | 679,473 | 571,605 |
| Total Revenues | $ 10,147,543 | $ 10,029,714 | $ 9,402,694 |
| **Expenditures** | | | |
| Current | | | |
| General government | $ 8,956,563 | $ 9,099,397 | $ 10,546,902 |
| Public safety | 270,487 | 267,005 | 267,407 |
| Health | 12,400 | 10,000 | 10,000 |
| Culture and recreation | 307,267 | 235,068 | 331,904 |
| Conservation of natural resources | 225,862 | 592,856 | 342,918 |
| Economic development | 7,550 | 10,530 | 8,630 |
| Debt Service | | | |
| Principal | 1,260,000 | 1,215,000 | 850,000 |
| Interest | 237,713 | 266,738 | 284,278 |
| Total Expenditures | $ 11,277,842 | $ 11,696,594 | $ 12,642,039 |
| **Excess of revenues over (under) expenditures** | $ (1,130,299) | $ (1,666,880) | $ (3,239,345) |
| **Other financing sources (uses)** | -- | (1,937) | -- |
| **Net Changes in Fund Balances** | $ (1,130,299) | $ (1,668,817) | $ (3,239,345) |
| **Fund Balances – Beginning** | $ 10,501,904 | $ 12,170,721 | 15,410,066 |
| **Fund Balances - Ending** | $ 9,371,605 | $ 10,501,904 | $ 12,170,721 |

## *Retirement Plans*

**Defined Benefits Plans**

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

*Benefits Provided*

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Public Employees Police and Fire

Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

*Contributions*

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. In 2018, the County was required to contribute the following percentages of annual covered salary:

| | |
|---|---|
| General Employees Retirement Plan | |
| Basic Plan members | 11.78% |
| Coordinated Plan members | 7.50% |
| Public Employees Police and Fire Plan | 16.20% |

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

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

| | |
|---|---|
| General Employees Retirement Plan | $ 1,199,787 |
| Public Employees Police and Fire Plan | 352,009 |

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

Pensions Costs

*General Employees Retirement Plan*

At December 31, 2018, the County reported a liability of $12,837,123 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.2314 percent. It was 0.2441 percent measured as of June 30, 2017. The County recognized pension expense of $12,837,123 for its proportionate share of the General Employees Retirement Plan's pension expense.

| | |
|---|---|
| The County's proportionate share of net pension liability | $ 12,837,123 |
| State of Minnesota' proportionate share of the net pension liability associated with the County | 421,098 |
| Total | $ 15,258,221 |

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

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

The $604,852 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2019 | $ 513,172 |
| 2020 | (496,836) |
| 2021 | (1,278,731) |
| 2022 | (267,932) |

*Public Employees Police and Fire Plan*

At December 31, 2018, the County reported a liability of $2,129,662 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.200 percent. It was 0.206 percent measured as of June 30, 2017. The County recognized pension expense of $271,543 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

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

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

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

The $176,141 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2019 | $ (1,974) |
| 2020 | (99,968) |
| 2021 | (298,944) |
| 2022 | (789,191) |
| 2023 | (20,972) |

*Total Pension Expenses*

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

Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.25 percent and 1.0 percent respectively.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | Long-Term Expected Real Return of Return |
|---|---|---|
| Domestic stocks | 36% | 5.10% |
| International stocks | 17% | 5.30% |
| Bonds | 20% | 0.75% |
| Alternative assets | 25% | 5.90% |
| Cash | 2% | 0.00% |

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

*General Employees Retirement Plan*

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

*Publics Employees Police and Fire Plan*

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

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

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

**Defined Contribution Plan**

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

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

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

| | Employee | Employer |
|---|---|---|
| Contribution amount | $ 8,957 | $ 8,957 |
| Percentage of covered payroll | 5% | 5% |

## *Other Post-Employment Benefits*

Plan Description

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

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

As of January 1, 2018, there were approximately 321 participants in the plan, including 4 retirees and surviving spouses.

Total OPEB Liability

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

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

For more information, see Note 3 ("Detailed Notes on All Funds"), Part D ("Other Post-Employment Benefits (OPEB)") in the FY2018 Comprehensive Annual Financial Report.

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# PROPERTY VALUATIONS AND TAXES

## *Assessed Valuations/Tax Capacity and Market Valuations*

The County Assessor, pursuant to State law, is responsible for the assessment of all taxable property located within a County. State law provides, with certain exceptions, that all taxable property is to be valued at its market value. All real property subject to taxation must be listed and may be revalued each year with reference to its value as of January 2. The assessor views and reappraises all parcels at maximum intervals of four years. Personal property subject to taxation must also be listed and assessed annually as of January 2.

With certain exemptions, all property is valued at its Estimated Market Value ("EMV"), which is the value the assessor determines to be the price the property to be fairly worth. Taxable Market Value ("TMV") is EMV less certain exclusions, including the exclusions under the "This Old House" program for certain improvements made to homes over 45 years old and, for taxes payable in 2012 and thereafter, a homestead market value exclusion ("Homestead Exclusion") for homesteads valued at under $413,800. The Homestead Exclusion replaces the former residential homestead market value credit ("Homestead Credit"), which provided an offset of an amount of residential homeowner property taxes with a credit, which was reimbursed to the County by the State. Assuming a constant levy, the repeal of the Homestead Credit should not cause a decline in the total property taxes collected in the County, but will cause the property tax rates to change for certain taxpayers.

Net Tax Capacity ("NTC") is the value upon which taxes are levied and collected. The NTC is computed by applying the class rate percentages specific to each type of property classification against the TMV. Class rate percentages vary depending on the type of property.

The following table shows the class rates for selected property types for taxes payable in 2020.

**Table 14**
**Property Class Rates**

| Type of Property | Pay 2020 Class Rates |
|---|---|
| **Residential Homestead** | |
| First $500,000 Taxable Market Value | 1.00% |
| Over $500,000 Taxable Market Value | 1.25% |
| **Commercial/Industrial** | |
| First $150,000 Taxable Market Value | 1.50% |
| Over $150,000 Taxable Market Value | 2.00% |
| Non-Homestead Market Rate Apartments | 1.25% |

By dividing the EMV by the State Equalization Aid Review Committee's (EARC) "Sales Ratio" for any particular year, the Economic Market Value can be calculated which approximates actual market value. Sales ratios represent the relationship between the market value used for tax purposes and actual selling prices which were obtained in real estate transactions within a governmental unit in any particular year. The 2018 sales ratio for the County is 98.11%.

Table 15 on the next page presents the Economic Market Value, EMV, TMV and NTC of taxable property in the County for assessment year 2018/collection year 2019. Table 16 presents the Economic Market Value, EMV, TMV and NTC for the past five years.

**Table 15**
**Property Values**

| | Economic Market Value[1] | Estimated Market Value | Taxable Market Value | Net Tax Capacity |
|---|---|---|---|---|
| Real Estate: | $ 5,876,991,614 | $ 5,536,126,100 | $ 5,334,810,500 | $ 49,563,340 |
| Personal Property | 113,722,000 | 113,722,000 | 113,722,000 | 2,254,230 |
| Less: Increment Value | -- | -- | -- | (196,936) |
| Total | $ 5,990,713,614 | $ 5,649,848,100 | $ 5,448,532,500 | $ 51,620,634 |

[1] Economic market value is calculated using the Estimated Market Value of real estate divided by the sales ratio plus the Estimated Market Value of personal property.

Source: Polk County.

**Table 16**
**Property Value Trends**

| | Economic Market Value[1] | Sales Ratio | Estimated Market Value | Taxable Market Value | Net Tax Capacity |
|---|---|---|---|---|---|
| 2017/18 | $ 6,078,631,791 | 94.62% | $ 5,762,193,300 | $ 5,561,848,300 | 52,705,805 |
| 2016/17 | 5,979,373,347 | 94.41% | 5,654,295,000 | 5,451,536,300 | 50,591,175 |
| 2015/16 | 6,010,224,552 | 96.19% | 5,787,056,900 | 5,581,123,400 | 51,647,971 |
| 2014/15 | 5,858,374,935 | 91.57% | 5,376,443,200 | 5,166,992,800 | 47,689,363 |
| 2013/14 | 5,468,716,674 | 80.04% | 4,404,681,600 | 4,188,926,300 | 39,282,432 |

[1] The Economic Market Value is calculated taking the total Estimated Market Value divided by the sales ratio.

Source: Polk County.

Table 17 presents the Net Tax Capacity of real property in the County for assessment year 2018 by the various types of property.

**Table 17**
**Property Value by Category**

| Real Estate Only | Net Tax Capacity 2018/19 | % of Total Net Tax Capacity |
|---|---|---|
| Residential | $ 10,513,621 | 21.21% |
| Agricultural | 27,798,780 | 56.09% |
| Residential Non-Homestead | 2,966,021 | 5.99% |
| Public Utilities | 740,409 | 1.49% |
| Commercial/Railroad/Public Utility | 5,255,829 | 10.60% |
| Seasonal Recreational | 2,288,680 | 4.62% |
| Total Real Estate | $ 49,563,340 | 100.00% |

Source: Polk County.

## *Property Tax Levies and Collections*

The tax year in Minnesota is January 1 to December 31. Taxes are collected by the County Treasurer. The sequence of events in the taxation of property begins with the certification of the property tax levy to the County Auditor on or before December 28. The County Auditor then calculates the tax capacity rates and spreads the taxes designed to meet these property tax requirements. The resulting taxes on property are payable the following year. The due dates for taxes on real property are one-half on or before May 15 and one-half on or before October 15. The due dates for payment of personal property taxes are one-half on or before February 28 and one-half on or before June 30.

Penalties on unpaid taxes occur as follows: on May 16, unpaid property taxes (first one-half) are penalized at a rate of 3% on property classified as homestead and 7% on property classified as non-homestead. Thereafter, an additional 1% is charged on the first day of each month up to and including October 16 for both homestead and non-homestead property. On October 16 unpaid property taxes (second one-half) are penalized at a rate of 4% for both homestead and non-homestead property. Thereafter, an additional 2% on homestead property and 4% on non-homestead property is charged on the 16th day of each month up to and including December 16. An additional 2% penalty is charged on the first business day in January following the year in which the taxes were due, and interest is charged based on variable rates per annum, on the full amount of the taxes, penalties, and costs unpaid. Personal property tax not paid when due is penalized at a rate of 8%.

Table 18 shows the County's tax levies and collections for collection years 2015 through 2019.

**Table 18**
**Tax Levies and Collections**

| | | | Collected First Year | | Collected as of 02/05/20 | |
|---|---|---|---|---|---|---|
| Collection Year | Gross Levy | Adjusted Net Tax Levy | Amount | Percent of Net Levy | Amount | Percent of Net Levy |
| 2019 | $ 22,774,409 | $ 22,346,104 | $ 22,182,513 | 99.27% | $ 22,282,592 | 99.72% |
| 2018 | 22,105,661 | 21,615,060 | 21,489,655 | 99.42% | 21,714,263 | 100.46% |
| 2017 | 21,296,088 | 20,857,965 | 20,780,866 | 99.63% | 21,050,989 | 100.93% |
| 2016 | 20,823,785 | 20,392,430 | 20,352,618 | 99.80% | 20,618,882 | 101.11% |
| 2015 | 20,153,486 | 19,703,605 | 19,644,382 | 99.70% | 19,908,974 | 101.04% |

Source: Polk County.

## *Tax Rates*

After governmental units have determined their property tax requirements for the budget year, the tax rate required to generate the tax revenue is applied by the County against the Net Tax Capacity of real and personal property in the County. Table 19 shows the tax rates for a resident of the City of Crookston for the past five years.

**Table 19**
**Tax Rates**

| | 2018/19 | 2017/18 | 2016/17 | 2015/16 | 2014/14 |
|---|---|---|---|---|---|
| Polk County | 44.103% | 41.962% | 41.786% | 40.079% | 41.716% |
| City of Crookston | 57.367% | 54.785% | 58.720% | 55.900% | 64.959% |
| Crookston ISD No. 593 | 14.376% | 12.777% | 14.041% | 15.341% | 17.670% |
| Red Lake Watershed | 5.306% | 5.112% | 4.138% | 3.978% | 3.680% |
| Regional Development Commission | 0.212% | 0.200% | 0.203% | 0.190% | 0.193% |
| Total | 121.364% | 114.836% | 118.888% | 115.488% | 128.218% |

Source: Polk County.

### *Principal Taxpayers*

Table 20 provides a listing of the largest taxpayers within the County for the 2019 collection year.

**Table 20**
**Principal Taxpayers**

| Taxpayer | Type of Business/Service | Net Tax Capacity | % of Total Net Tax Capacity |
|---|---|---|---|
| Enbridge Energy LP | Utility | $ 1,366,722 | 2.65% |
| American Crystal Sugar Co. | Commercial | 1,155,708 | 2.24% |
| Burlington Northern | Railroad | 642855 | 1.25% |
| Ottertail Power Co. | Utility | 321,476 | 0.62% |
| Portal Pipeline Co & Enbridge Pipelines | Utility | 298,110 | 0.58% |
| Enbridge Pipelines LLC | Utility | 276,608 | 0.54% |
| Viking Gas & Viking Gas Transmission | Utility | 209,994 | 0.41% |
| Minnkota Power Co-op | Utility | 194,706 | 0.38% |
| CHS Inc. | Farm | 153,055 | 0.30% |
| Individual | Farm | 146,766 | 0.28% |
| Total | | $ 4,766,000 | 9.25% |

Source: Polk County.

## RATING

S&P Global Ratings ("S&P") has assigned an underlying rating of 'AA' to the Bonds. In addition, S&P assigned an enhanced rating of 'AAA' to the 2020A Bonds based on their participation in the Minnesota Public Facilities Authority Credit Enhancement Program. A rating is subject to withdrawal at any time; withdrawal of a rating may have an adverse effect on the marketability of the Bonds. For an explanation of the significance of the rating, an investor should communicate with the rating agency.

## TAX CONSIDERATIONS

The following is a summary of certain U.S. federal and Minnesota income tax considerations relating to the purchase, ownership, and disposition of the Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the "Code") and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the "IRS"), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Bonds. The County has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

**Prospective purchasers of Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Bonds based on their own particular circumstances.**

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences except with respect to Minnesota income tax to the extent expressly specified herein. This summary is limited to consequences to U.S. holders that purchase the Bonds for cash at original issue and hold the Bonds as "capital assets" (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; holders receiving payments in respect of the Bonds through foreign entities; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the "issue price" of a maturity of Bonds is the first price at which a substantial amount of Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

***Tax-Exempt Interest***

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, (iii) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and (iv) is not an item of tax preference for Minnesota alternative minimum tax purposes. Interest on the Bonds is included, however, in taxable income for purposes of the Minnesota franchise tax imposed on corporations and financial institutions.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Bond proceeds and other amounts. The County has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

***Market Discount***

If a Bond is purchased for a cost that is less than the Bond's issue price (plus accrued original issue discount, if any), the purchaser will be treated as having purchased the Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Bond (to the extent that the gain realized does not exceed the accrued market discount on the Bond).

***Bond Premium***

A holder that acquires a Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal and Minnesota tax bases for the Bond. Premium generally is amortized for federal income tax purposes and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes or for purposes of the Minnesota income tax applicable to individuals, estates, and trusts.

### *Related Tax Considerations*

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. The Bonds are "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. Accordingly, although interest expense allocable to the Bonds is not subject to the disallowance under Section 265(b) of the Code, the deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds may be subject to reduction under Section 291 of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

### *Sale or Other Disposition*

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Bond. A holder's adjusted tax basis in a Bond generally will be equal to the amount that the holder paid for the Bond, increased by any accrued original issue discount with respect to the Bond and reduced by the amount of any amortized bond premium on the Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

### *Information Reporting and Backup Withholding*

Payments of interest on the Bonds (including any allocable bond premium or accrued original issue discount) and proceeds from the sale or other disposition of the Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

## QUALIFIED TAX-EXEMPT OBLIGATIONS

The County will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, relating to the ability of financial institutions to deduct from income for Federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## APPROVAL OF LEGAL PROCEEDINGS

Legal matters incident to the authorization, validity and issuance of the Bonds are subject to receipt of the legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, Bond Counsel. The opinions of Bond Counsel for each respective series of the Bonds is attached to this Official Statement as Appendix B. Copies of the opinion will be available at the time of the initial delivery of the Bonds.

## MUNICIPAL ADVISOR

The County has retained PFM Financial Advisors LLC., of Minneapolis, Minnesota, as financial advisor (the "Municipal Advisor") in connection with the issuance of the Bonds. In preparing the Official Statement, the Municipal Advisor has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for the Official Statement, and the Municipal Advisor has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. The Municipal Advisor is not a public accounting firm and has not been engaged by the County to compile, review, examine or audit any information in the Official Statement in accordance with accounting standards. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities and therefore will not participate in the underwriting of the Bonds.

Requests for information concerning the County should be addressed to PFM Financial Advisors LLC., 50 South Sixth Street, Suite 2250, Minneapolis, Minnesota 55402 (612/338-3535).

## LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the County or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver the Bonds or otherwise questioning the validity of the Bonds.

## CERTIFICATION

The County will furnish a certificate of the County Administrator to the effect that this Official Statement, to the best of such officer's knowledge and belief as of the date of sale and the date of delivery, is true and correct in all material respects and does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading.

## MISCELLANEOUS

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of any Bonds.

This Official Statement has been approved by the County for distribution by the County Administrator to prospective purchasers of the Bonds.

**POLK COUNTY, MINNESOTA**

By: /s/ Charles Whiting
County Administrator

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# APPENDIX A

**The County's Audited Financial Statements for the Fiscal Year Ended December 31, 2018**

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# STATE OF MINNESOTA

## Office of the State Auditor

**Julie Blaha**
**State Auditor**

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

YEAR ENDED DECEMBER 31, 2018

# Description of the Office of the State Auditor

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

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

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

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

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

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

**Pension** – monitors investment, financial, and actuarial reporting for approximately 600 public pension funds; and

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.auditor.state.mn.us

# POLK COUNTY
# CROOKSTON, MINNESOTA

## Year Ended December 31, 2018

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

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2018

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

*Chair for 2018
**Vice Chair for 2018

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# Financial Section

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# MANAGEMENT'S DISCUSSION AND ANALYSIS

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## INTRODUCTION

Polk County's Management's Discussion and Analysis (MD&A) provides an overview of financial activities for the fiscal year ended December 31, 2018. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's financial statements and the notes to the financial statements.

## FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

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

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

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

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

## OVERVIEW OF THE FINANCIAL STATEMENTS

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

| Management's Discussion and Analysis |
|---|

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

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

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

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

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

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

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

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

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

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

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

**Fund Financial Statements**

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

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

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

The County reports four governmental fund types: General, Special Revenue, Debt Service, and Capital Projects. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, the Road and Bridge Special Revenue Fund, the Social Services Special Revenue Fund, the Public Safety Special Revenue Fund, the Ditch Debt Service Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other four Special Revenue Funds and the other two Debt Service Funds are combined into a single, aggregated presentation.

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

Polk County adopts annual budgets for its governmental funds, except the Ditch Special Revenue Fund, Ditch Debt Service Fund, Rhinehart Project Debt Service Fund, Capital Projects Fund, and Union Lake/Lake Sarah Debt Service Fund. Budgetary comparisons have been provided for these funds to demonstrate compliance with their budgets.

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

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

**Notes to the Financial Statements**

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

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

## THE COUNTY AS A WHOLE

Polk County's combined net position for the year ended December 31, 2018, was $151,595,977. The analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the County's governmental and business-type activities.

**Table 1**
**Net Position**

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

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

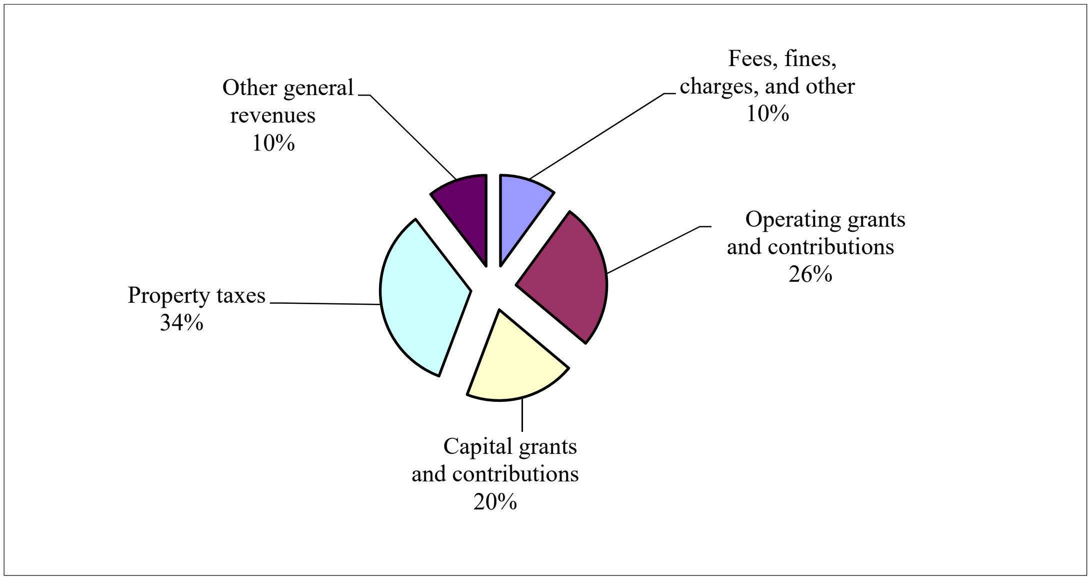
Polk County's total net position for the year ended December 31, 2018, is $151,595,977. Unrestricted net position totaling $6,424,653 is available to finance day-to-day operations. Of the unrestricted net position, $6,088,541 is available for governmental activities, and $336,112 is available for business-type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

**Table 2**
**Changes in Net Position**

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

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

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




## Governmental Activities

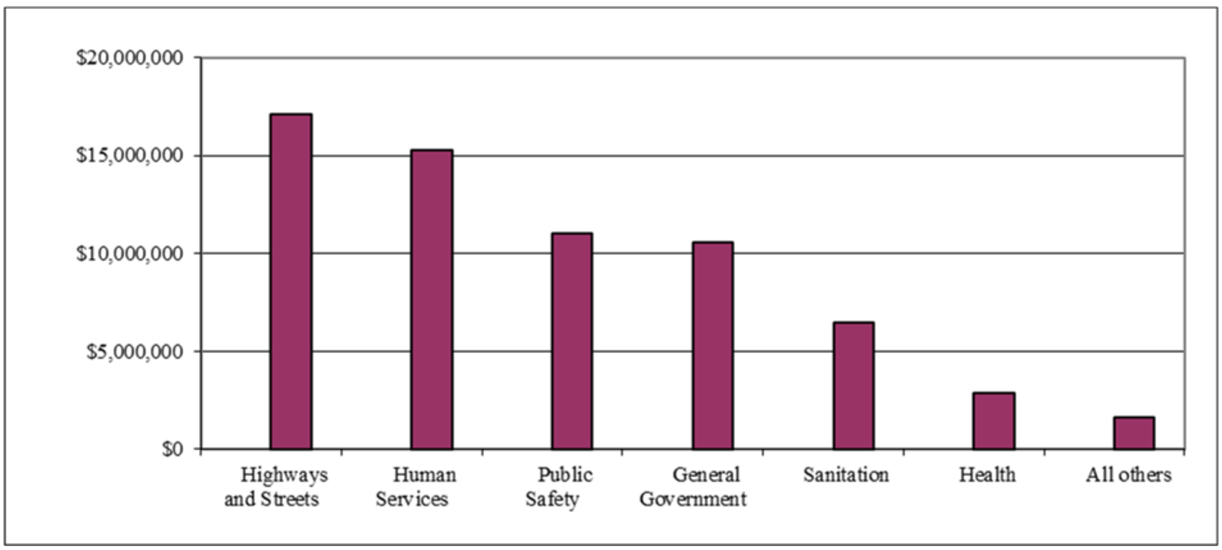
Revenues for Polk County's governmental activities for the year ended December 31, 2018, were $64,973,448. Costs for all governmental activities for the year ended December 31, 2018, were $64,995,040. As shown in the Statement of Activities, the amount that County taxpayers ultimately financed for these governmental activities through local property taxation was $21,950,232, because $6,525,485 of the costs were paid by those who directly benefited from the programs, and $29,692,952 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Polk County paid for the remaining "public benefit" portion of governmental activities with $6,804,779 in general revenues, primarily grants and contributions not restricted to specific programs or services, and with other revenues such as investment income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Polk County's six largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on the County's taxpayers by each of these functions.

**Table 3**
**Governmental Activities**

| | Total Cost of Services 2018 | Net Cost of Services 2018 |
|---|---|---|
| Program Expenses | | |
| Highways and Streets | $ 17,123,869 | $ 5,586,916 |
| Human Services | 15,296,796 | 3,639,163 |
| Public Safety | 11,038,542 | 9,427,206 |
| General Government | 10,571,510 | 8,859,927 |
| Sanitation | 6,477,344 | 157,196 |
| Health | 2,850,146 | 871,215 |
| All others | 1,636,833 | 234,980 |
| Total Program Expenses | $ 64,995,040 | $ 28,776,603 |

**Governmental Activities Expenses**
**2018**




## Business-Type Activities

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

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

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

**The County's Funds**

As Polk County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of $27,999,043, which is less than last year's total of $29,746,019. The decrease in fund balance of $1,746,976 is due primarily to the $3,312,591 decrease in the Capital Projects Fund caused by the spending down of the 2017 bond sale proceeds on capital project costs.

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

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

**General Fund Budgetary Highlights**

The Polk County Board of Commissioners, over the course of a budget year, may amend/revise the County's overall operating budget of the General Fund to reflect changes in revenue sources and expenditures that were not anticipated when the budget was established in the prior year. In 2018, the Board of Commissioners did not make any significant budget revisions to the General Fund budget.

If the Board had made significant changes to the budget as originally adopted on Tuesday, December 19, 2017, these budget amendments/revisions would have fallen into one of three categories: new information changing original budget estimations, greater than anticipated revenues or expenditures, or final agreement reached on employee contracts.

In Polk County's General Fund, the actual revenues exceeded the budgeted revenues by $490,904. Total actual expenditures in the General Fund exceeded the budgeted expenditures by $1,013,604.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018, Polk County had $159,603,070 invested in a broad range of capital assets, including land, buildings, highways and streets, and equipment (see Table 4). This amount represents a net increase (including additions and deductions) of $4,988,617, or a 3.2 percent increase, from last year.

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|---|---|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | $ 9,404,313 | $ 9,371,370 | $ 261,118 | $ 261,118 | $ 9,665,431 | $ 9,632,488 |
| Construction in progress | 776,536 | 5,027,232 | 1,659,071 | 2,561,112 | 2,435,607 | 7,588,344 |
| Land improvements | 848,884 | 983,522 | 79,192 | 82,309 | 928,076 | 1,065,831 |
| Buildings and improvements | 27,849,908 | 29,792,454 | 4,419,504 | 1,589,402 | 32,269,412 | 31,381,856 |
| Machinery, furniture, and equipment | 4,780,237 | 4,018,811 | 13,006,716 | 4,369,216 | 17,786,953 | 8,388,027 |
| Infrastructure | 96,182,746 | 96,095,335 | - | - | 96,182,746 | 96,095,335 |
| Landfill | - | - | 334,845 | 462,572 | 334,845 | 462,572 |
| Totals | $ 139,842,624 | $ 145,288,724 | $ 19,760,446 | $ 9,325,729 | $ 159,603,070 | $ 154,614,453 |

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

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

### Bonded Debt

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

**Table 5**
**Outstanding Debt at Year-End**

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

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

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

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

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

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

- Polk County's population at December 2018 was 31,627, an increase of 7 since the 2010 census. This ranks Polk County 34th out of the 87 counties in the State of Minnesota.

- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Polk County programs and services will influence the development of future budgets.

- On December 18, 2018, Polk County set its 2019 revenue and expenditure budgets.

## REQUESTS FOR INFORMATION

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

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# BASIC FINANCIAL STATEMENTS

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# GOVERNMENT-WIDE FINANCIAL STATEMENTS

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT 1*

STATEMENT OF NET POSITION
DECEMBER 31, 2018

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT 1*
*(Continued)*

**STATEMENT OF NET POSITION**
**DECEMBER 31, 2018**

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

# POLK COUNTY
# CROOKSTON, MINNESOTA

## STATEMENT OF ACTIVITIES
## FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

**Total general revenues and transfers**

**Change in net position**

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

**Net Position – Ending**

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

EXHIBIT 2

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

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# FUND FINANCIAL STATEMENTS

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# GOVERNMENTAL FUNDS

**POLK COUNTY**
**CROOKSTON, MINNESOTA**

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

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

*EXHIBIT 3*

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

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

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

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

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

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

***EXHIBIT 4***

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

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

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

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

*EXHIBIT 5*

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

*EXHIBIT 6*

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

| | | |
|---|---|---|
| **Net change in fund balances – total governmental funds (Exhibit 5)** | | **$ (1,736,994)** |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable. | | |
| Deferred inflows of resources – December 31 | $ 5,824,306 | |
| Deferred inflows of resources – January 1 | (7,612,162) | (1,787,856) |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of. | | |
| Expenditures for general capital assets and infrastructure | $ 1,359,599 | |
| Net book value of assets sold | (513,954) | |
| Current year depreciation | (6,291,745) | (5,446,100) |
| Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position. | | |
| Principal repayments | | |
| General obligation bonds | | 3,535,000 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | | |
| Change in accrued interest payable | $ 11,884 | |
| Change in compensated absences | (143,711) | |
| Change in other postemployment benefits liability | (122,176) | |
| Change in net pension liability | 3,168,319 | |
| Change in deferred pension outflows | (2,589,668) | |
| Change in deferred pension inflows | (598,407) | |
| Change in deferred other postemployment benefits outflows | 54,869 | |
| Change in unamortized premiums on general obligation bonds | 131,348 | |
| Change in inventories | (9,982) | (97,524) |
| **Change in Net Position of Governmental Activities (Exhibit 2)** | | **$ (5,533,474)** |

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

# PROPRIETARY FUNDS

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POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT 7*

**STATEMENT OF FUND NET POSITION**
**ENTERPRISE FUNDS**
**DECEMBER 31, 2018**

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT 7*
*(Continued)*

**STATEMENT OF FUND NET POSITION**
**ENTERPRISE FUNDS**
**DECEMBER 31, 2018**

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

***EXHIBIT 8***

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

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

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

*EXHIBIT 9*

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

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT 9*
*(Continued)*

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

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

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# FIDUCIARY FUNDS

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

***EXHIBIT 10***

**STATEMENT OF FIDUCIARY NET POSITION**
**FIDUCIARY FUNDS**
**DECEMBER 31, 2018**

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT 11*

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

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

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures, Jointly-Governed Organizations, and Related Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statement (Continued)

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

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

2. Fund Financial Statements

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

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

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

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

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

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

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

The County reports the following major enterprise funds:

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2018, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments of governmental and fiduciary funds are credited to the General Fund. Investment earnings on business-type activities are credited to the Landfill Fund and the Resource Recovery Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2018 were $235,359.

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

3. Receivables and Payables

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

1. Summary of Significant Accounting Policies

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

3. Receivables and Payables (Continued)

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

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

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

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

4. Special Assessments Receivable

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

5. Inventories and Prepaid Items

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

1. Summary of Significant Accounting Policies

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

5. Inventories and Prepaid Items (Continued)

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

6. Restricted Assets

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

7. Capital Assets

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

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

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

1. Summary of Significant Accounting Policies

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

7. Capital Assets (Continued)

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

| Assets | Years |
|---|---|
| Infrastructure | 50 – 75 |
| Buildings and improvements | 10 – 50 |
| Land improvements | 10 – 30 |
| Machinery and equipment | 3 – 15 |

The County landfill is depreciated based on capacity used.

8. Unearned Revenue

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

9. Compensated Absences

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

1. Summary of Significant Accounting Policies

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

10. Long-Term Obligations

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

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

11. Pension Plan

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

1. Summary of Significant Accounting Policies

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

12. Deferred Outflows/Inflows of Resources

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

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

13. Classification of Net Position

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

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

1. Summary of Significant Accounting Policies

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

13. Classification of Net Position (Continued)

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

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

14. Classification of Fund Balances

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

14. Classification of Fund Balances (Continued)

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

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

15. Minimum Fund Balance

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

16. Use of Estimates

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

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustment

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

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

2. Stewardship, Compliance, and Accountability

Ditch Fund Deficits

Of 177 drainage systems (Special Revenue and Debt Service), 26 have incurred expenditures in excess of revenues and available resources. These deficits will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balances of the County Ditch Special Revenue Fund and the Ditch Debt Service Fund as of December 31, 2018:

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

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

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

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit.

The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk for Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. It is the County's policy to obtain collateral or bond for all uninsured amounts on deposit. As of December 31, 2018, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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

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

Interest Rate Risk

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

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The County invests only in securities that meet the ratings requirements set by state statute. At December 31, 2018, the County's investments were in an external investment pool and, therefore, not subject to credit risk disclosure.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk. At December 31, 2018, none of the County's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, excluding U.S. guaranteed investments, external investment pools, and mutual funds. At December 31, 2018, the County's investments were in an external investment pool and, therefore, not subject to concentration of credit risk disclosure requirements.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

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

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

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities and business-type activities are as follows:

| | Total Receivables | Amounts Not Scheduled for Collection During the Subsequent Year |
|---|---|---|
| Governmental Activities | | |
| Taxes | $ 483,339 | $ - |
| Special assessments | 4,120,143 | 3,295,989 |
| Accounts | 188,861 | - |
| Interest | 101,090 | - |
| Due from other governments | 6,938,911 | - |
| Total Governmental Activities | $ 11,832,344 | $ 3,295,989 |
| Business-Type Activities | | |
| Accounts | $ 270,294 | $ - |
| Interest | 76,839 | - |
| Due from other governments | 227,521 | - |
| Total Business-Type Activities | $ 574,654 | $ - |

3. Capital Assets

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

Governmental Activities

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

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

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

Business-Type Activities

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

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

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

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

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

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

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables and Payables

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

1. Due To/From Other Funds

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

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

3. Detailed Notes on All Funds

B. Interfund Receivables and Payables (Continued)

2. Advances From/To Other Funds

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

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

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

3. Interfund Transfers

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

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

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

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2018, were as follows:

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

2. Construction Commitments

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

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

3. Capital Leases

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Capital Leases (Continued)

Crambo Grinder in 2017. The original lease balance totaled $304,300 at an interest rate of 2.89 percent. Payments on the capital lease are made from the Landfill Enterprise Fund. The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

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

4. Long-Term Debt

Governmental Activities

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

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt

Governmental Activities (Continued)

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

5. Debt Service Requirements

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

Governmental Activities

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

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

Governmental Activities

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

Business-Type Activities

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

7. Deferred Inflows of Resources – Unavailable Revenue

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

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

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

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

D. Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

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

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

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

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

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

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

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

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

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

Changes in the Total OPEB Liability

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

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

OPEB Liability Sensitivity

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

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

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

| | Health Care Trend Rate | Total OPEB Liability |
|---|---|---|
| 1% Decrease | 5.50% Decreasing to 4.00% | $ 814,194 |
| Current | 6.50% Decreasing to 5.00% | 884,383 |
| 1% Increase | 7.50% Decreasing to 6.00% | 965,548 |

OPEB Expense and Deferred Outflows of Resources Related to OPEB

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

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

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

The $60,605 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2019.

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

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

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

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

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

E. Defined Benefit Pension Plans

1. Plan Description

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

1. Plan Description (Continued)

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

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

2. Benefits Provided

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

3. Contributions (Continued)

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

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

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

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

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

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

4. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $12,837,123 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.2314 percent. It was 0.2441 percent measured as of June 30, 2017. The County recognized pension expense of $1,310,459 for its proportionate share of the General Employees Plan's pension expense.

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

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

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

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

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

General Employees Plan (Continued)

The $604,852 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2019 | $ 513,172 |
| 2020 | (493,836) |
| 2021 | (1,278,731) |
| 2022 | (267,932) |

Police and Fire Plan

At December 31, 2018, the County reported a liability of $2,129,662 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.200 percent. It was 0.206 percent measured as of June 30, 2017. The County recognized pension expense of $271,543 for its proportionate share of the Police and Fire Plan's pension expense.

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs

Police and Fire Plan (Continued)

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

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

The $176,141 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2019 | $ (1,974) |
| 2020 | (99,968) |
| 2021 | (298,944) |
| 2022 | (789,191) |
| 2023 | (20,972) |

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Total Pension Expense

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

5. Actuarial Assumptions

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

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

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

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

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

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

Police and Fire Plan

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

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

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

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

8. Pension Liability Sensitivity

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

3. Detailed Notes on All Funds

E. Defined Benefit Pension Plans

8. Pension Liability Sensitivity (Continued)

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

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

F. Defined Contribution Plan

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

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

3. Detailed Notes on All Funds

F. Defined Contribution Plan (Continued)

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

| | Employee | Employer |
|---|---|---|
| Contribution amount | $ 8,957 | $ 8,957 |
| Percentage of covered payroll | 5.00% | 5.00% |

4. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

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

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The Board is in compliance with these requirements. At December 31, 2018, investments of $1,755,637 are held for these purposes. Accumulated annual contributions and any payments of landfill postclosure care costs are reported in the Landfill Enterprise Fund. These are reported as restricted assets on the statement of net position. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment

4. Landfill Closure and Postclosure Care Costs (Continued)

earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

5. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2018 and 2019. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

6. Conduit Debt

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

6. Conduit Debt (Continued)

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

7. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

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

B. Joint Ventures

Marshall and Polk Rural Water System

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

General obligation debt issued by Marshall and Polk Counties to be retired from special assessments is reported both by Marshall and Polk Counties. The long-term debt at December 31, 2018, is $1,255,000, of which Polk County's share is $1,015,000. Polk County did not make any contributions in 2018.

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

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Marshall and Polk Rural Water System (Continued)

Complete financial information can be obtained from:

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

Northwest Minnesota Household Hazardous Waste Management Group

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

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

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Polk County paid an assessment of $8,288 to the Waste Management Group in 2018. Clearwater County, in an agent capacity, reports the cash transactions of the Waste Management Group as an agency fund on its financial statements.

Separate financial information can be obtained from:

Waste Management Group
PO Box 186
Bagley, Minnesota 56621

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Minnesota Regional Emergency Communication Board

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

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

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

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

The Northwest Minnesota Regional Emergency Communication Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Polk County did not make any contributions during 2018.

7. Summary of Significant Contingencies and Other Items

   B. Joint Ventures

      Northwest Minnesota Regional Emergency Communication Board (Continued)

      Complete financial information can be obtained from:

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

      Northwest Minnesota Six County Joint Powers Board

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

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

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

      Complete financial information can be obtained from:

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

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwest Service Cooperative

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

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

Complete financial information can be obtained from:

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

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. Mahnomen County withdrew from the NCDPSA in 2017. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and backup system.

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

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

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties when needed. Polk County did not contribute to the NCDPSA for the year ended 2018. Clearwater County, in an agent capacity, reports the cash transactions of the NCDPSA as an agency fund on its financial statements.

Complete financial information can be obtained from:

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

Polk County Collaborative

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

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

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

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk County Collaborative (Continued)

Complete financial information can be obtained from:

Polk County Social Services
612 North Broadway
Crookston, Minnesota 56716

Tri-County Community Corrections

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

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

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

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

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

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Tri-County Community Corrections (Continued)

Complete financial information can be obtained from:

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

Pine to Prairie Drug and Violent Crime Task Force

The Pine to Prairie Drug and Violent Crime Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59. The full members are Lake of the Woods, Norman, Pennington, Polk, and Roseau Counties; the Cities of Crookston, East Grand Forks, and Thief River Falls; and the federal agencies of the U.S. Customs and Border Protection and Homeland Security Investigations Department. Associate members are Red Lake County and the City of Ada, and liaison members are Kittson and Marshall Counties. The purpose of the Task Force is to coordinate efforts to investigate, apprehend, and prosecute drug, gang, and violent crime offenders.

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

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

7. Summary of Significant Contingencies and Other Items

B. Joint Ventures

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

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

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

Complete financial information can be obtain from:

City of Crookston
321 West Robert Street
Crookston, Minnesota 56716

C. Jointly-Governed Organizations

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

Job Training Partnership Act Joint Powers Agreement

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

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

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement (Continued)

Separate financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

Lake Agassiz Regional Library

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

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

Financial information can be obtained from:

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

Middle River-Snake River-Tamarac Watershed District

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Beltrami, Clay, Clearwater, Cook, Douglas, Grant, Itasca, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Norman, Otter Tail, Pennington, Polk, Pope, Red Lake, Roseau, Stevens, Todd, Traverse, and Wadena Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Polk County's responsibility does not extend beyond making this appointment.

Northwest Minnesota Multi-County Housing and Redevelopment Authority

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

Northwest Workforce Service Area

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

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

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

Complete financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

Red Lake River Corridor

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

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

Complete financial information can be obtained from:

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

Wild Rice Watershed District

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

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

Complete financial information can be obtained from:

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

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

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

Complete financial statements can be obtained from:

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Polk-Norman-Mahnomen-Community Health Board

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

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

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

Financing is provided by state and federal grants. Polk County acts as fiscal agent for the Board and reports the cash transactions of the Community Health Board as an agency fund on its annual financial statements. Polk County did not make a contribution in 2018.

Complete financial information can be obtained from:

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

7. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Region Three – Northwest Minnesota Homeland Security Emergency Management Organization

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

Complete financial information can be obtained from:

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

D. Related Organizations

Sand Hill River Watershed District

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

7. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

Red Lake Watershed District

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

8. Subsequent Event

Bond Issue

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

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# REQUIRED SUPPLEMENTARY INFORMATION

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POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT A-1*

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

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT A-1*
*(Continued)*

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

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Expenditures** | | | | |
| **Current (Continued)** | | | | |
| **Public safety** | | | | |
| Ambulance | $ 58,775 | $ 58,775 | $ 58,775 | $ - |
| Coroner | 77,840 | 77,840 | 76,143 | 1,697 |
| Victim assistance | 141,783 | 141,783 | 135,569 | 6,214 |
| **Total public safety** | **$ 278,398** | **$ 278,398** | **$ 270,487** | **$ 7,911** |
| **Health** | | | | |
| Occupational Development Center | $ 7,500 | $ 7,500 | $ 7,500 | $ - |
| Committee on Aging | 2,500 | 2,500 | 2,500 | - |
| Retired Senior Volunteer Program | 2,400 | 2,400 | 2,400 | - |
| **Total health** | **$ 12,400** | **$ 12,400** | **$ 12,400** | **$ -** |
| **Culture and recreation** | | | | |
| Historical society | $ 15,000 | $ 15,000 | $ 15,000 | $ - |
| County fairs | 20,000 | 20,000 | 20,000 | - |
| Heritage Center | 10,000 | 10,000 | 10,000 | - |
| Parks | 96,247 | 96,247 | 126,597 | (30,350) |
| Celebrations | 800 | 800 | 800 | - |
| Snowmobile and ski trails | 9,000 | 9,000 | 134,870 | (125,870) |
| **Total culture and recreation** | **$ 151,047** | **$ 151,047** | **$ 307,267** | **$ (156,220)** |
| **Conservation of natural resources** | | | | |
| Agricultural inspection | $ 45,188 | $ 45,188 | $ 1,385 | $ 43,803 |
| Cooperative extension | 135,414 | 135,414 | 127,888 | 7,526 |
| Soil and water conservation | 110,490 | 110,490 | 86,418 | 24,072 |
| Forfeited tax sale | - | - | 10,171 | (10,171) |
| **Total conservation of natural resources** | **$ 291,092** | **$ 291,092** | **$ 225,862** | **$ 65,230** |
| **Economic development** | | | | |
| Red River Valley Development Association | $ 800 | $ 800 | $ 800 | $ - |
| Tri-Valley Opportunity Council | 6,750 | 6,750 | 6,750 | - |
| **Total economic development** | **$ 7,550** | **$ 7,550** | **$ 7,550** | **$ -** |

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT A-1*
*(Continued)*

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

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

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

# POLK COUNTY
# CROOKSTON, MINNESOTA

*EXHIBIT A-2*

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

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

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

# POLK COUNTY
# CROOKSTON, MINNESOTA

***EXHIBIT A-3***

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

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

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

*EXHIBIT A-4*

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

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT A-5*

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

| | | 2018 |
|---|---|---|
| **Total OPEB Liability** | | |
| Service cost | $ | 43,449 |
| Interest | | 29,382 |
| Benefit payments | | (70,181) |
| **Net change in total OPEB liability** | **$** | **2,650** |
| **Total OPEB Liability – Beginning** | | **881,733** |
| **Total OPEB Liability – Ending** | **$** | **884,383** |
| Covered-employee payroll | $ | 17,406,695 |
| Total OPEB liability (asset) as a percentage of covered-employee payroll | | 5.08% |

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

# POLK COUNTY
# CROOKSTON, MINNESOTA

***EXHIBIT A-6***

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**
**PERA GENERAL EMPLOYEES RETIREMENT PLAN**
**DECEMBER 31, 2018**

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with Polk County (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b) | Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2018 | 0.2314 % | $ 12,837,123 | $ 421,098 | $ 13,258,221 | $ 15,670,603 | 81.92 % | 79.53 % |
| 2017 | 0.2441 | 15,583,182 | 195,948 | 15,779,130 | 15,696,364 | 99.28 | 75.90 |
| 2016 | 0.2200 | 17,862,909 | 233,324 | 18,096,233 | 13,652,766 | 130.84 | 68.91 |
| 2015 | 0.2262 | 11,722,858 | N/A | 11,722,858 | 13,291,603 | 88.20 | 78.19 |

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A – Not Applicable

## POLK COUNTY
## CROOKSTON, MINNESOTA

***EXHIBIT A-7***

### SCHEDULE OF CONTRIBUTIONS
### PERA GENERAL EMPLOYEES RETIREMENT PLAN
### DECEMBER 31, 2018

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b – a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 2018 | $ 1,199,787 | $ 1,199,787 | $ - | $ 15,997,162 | 7.50 % |
| 2017 | 1,152,077 | 1,152,077 | - | 15,361,026 | 7.50 |
| 2016 | 1,102,765 | 1,102,765 | - | 14,703,539 | 7.50 |
| 2015 | 1,029,642 | 1,029,642 | - | 13,728,560 | 7.50 |

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

# POLK COUNTY
# CROOKSTON, MINNESOTA

***EXHIBIT A-8***

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**
**PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN**
**DECEMBER 31, 2018**

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

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

*EXHIBIT A-9*

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

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b – a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 2018 | $ 352,009 | $ 352,009 | $ - | $ 2,172,895 | 16.20 % |
| 2017 | 330,824 | 330,824 | - | 2,042,124 | 16.20 |
| 2016 | 320,367 | 320,367 | - | 1,977,572 | 16.20 |
| 2015 | 305,142 | 305,142 | - | 1,883,593 | 16.20 |

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

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

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

1. Budgetary Information

Budget Policy

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

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

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

2. Excess of Expenditures Over Budget

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

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

3. Other Postemployment Benefits

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

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

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

The following changes in actuarial assumptions occurred in 2018:

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

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

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

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

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

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

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

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

General Employees Retirement Plan

2017 (Continued)

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019, and returns to $6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

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

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

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

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July1, 2048, if earlier.

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

Public Employees Police and Fire Plan

2018 (Continued)

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

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

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

2017

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

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

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

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

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

Public Employees Police and Fire Plan

2017 (Continued)

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

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

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

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

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

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

2016

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

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

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

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## SUPPLEMENTARY INFORMATION

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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

### DEBT SERVICE FUNDS

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

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

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**POLK COUNTY**
**CROOKSTON, MINNESOTA**

***EXHIBIT B-1***

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT B-2*

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

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

**POLK COUNTY**
**CROOKSTON, MINNESOTA**

***EXHIBIT B-3***

**COMBINING BALANCE SHEET**
**NONMAJOR SPECIAL REVENUE FUNDS**
**DECEMBER 31, 2018**

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT B-4*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

***EXHIBIT B-5***

### COMBINING BALANCE SHEET
### NONMAJOR DEBT SERVICE FUNDS
### DECEMBER 31, 2018

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

*EXHIBIT B-6*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

# POLK COUNTY
# CROOKSTON, MINNESOTA

*EXHIBIT B-7*

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

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

*EXHIBIT B-8*

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

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

***EXHIBIT B-9***

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

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

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## FIDUCIARY FUNDS

## AGENCY FUNDS

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

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

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

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

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

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POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT C-1*

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

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

**POLK COUNTY**
**CROOKSTON, MINNESOTA**

***EXHIBIT C-1***
***(Continued)***

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

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

# OTHER SCHEDULES

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POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT D-1*

**SCHEDULE OF DEPOSITS AND INVESTMENTS**
**DECEMBER 31, 2018**

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT D-2*

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT D-2*
*(Continued)*

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

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

## POLK COUNTY
## CROOKSTON, MINNESOTA

*EXHIBIT D-3*

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

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

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

POLK COUNTY
CROOKSTON, MINNESOTA

*EXHIBIT D-3*
*(Continued)*

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

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

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

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

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

1. Reporting Entity

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

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

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

## 4. Reconciliation to Schedule of Intergovernmental Revenue

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

# APPENDIX B

## Forms of Legal Opinion

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Polk County
Crookston, Minnesota

BNY Mellon Capital Markets, LLC
Pittsburgh, Pennsylvania

Re: $2,515,000 General Obligation Capital Improvement Plan Bonds, Series 2020A
Polk County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Polk County, Minnesota (the "County"), of the obligations described above, dated, as originally issued, as of March 12, 2020 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the County in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the County, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from ad valorem taxes heretofore duly levied on all taxable property in the County, but if necessary for payment thereof additional ad valorem taxes are required by law to be levied on all such property, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the County with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the County and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive

Dated this 12th day of March, 2020.

Very truly yours,

Polk County, Minnesota
Crookston, Minnesota

Robert W. Baird & Co., Inc.
Milwaukee, Wisconsin

Re: $1,700,000 General Obligation Watershed District Refunding Bonds, Series 2020B
Polk County, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by Polk County, Minnesota (the "County"), of the obligations described above, dated, as originally issued, as of March 12, 2020 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the County in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the County, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable from special assessments to be levied on property specially benefited by the improvements financed by the Bonds which have been pledged and appropriated for this purpose, but if necessary for payment thereof ad valorem taxes are required by law to be levied on all taxable property in the County, which taxes are not subject to any limitation as to rate or amount.

3. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds (a) is excluded from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes and (b) is not an item of tax preference for purposes of the Minnesota alternative minimum tax imposed on individuals, estates, and trusts.

5. The Bonds are "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3, 4, and 5 above are subject to the compliance by the County with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable net income of individuals, estates, and trusts for Minnesota income tax purposes or the Bonds failing to be qualified tax-exempt obligations, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds. We note, however, that notwithstanding the opinion expressed in paragraph 4 above, interest on the Bonds is included in net income of corporations and financial institutions for purposes of the Minnesota franchise tax.

In providing this opinion, we have relied upon representations of the County and its officers as to (i) the intended application of the proceeds of the Bonds, (ii) the nature, use, cost, and economic life of the facilities financed by the Bonds, and (iii) other matters relating to the exemption of the interest on the Bonds from federal income taxation.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated this 12th day of March, 2020.

Very truly yours,

# APPENDIX C

## Form of Continuing Disclosure

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## FORM OF CONTINUING DISCLOSURE

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the County hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The County is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the County fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The County will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the County, the following information at the following times:

(1) on or before twelve (12) months after the end of each fiscal year of the County, commencing with the fiscal year ending December 31, 2019, the following financial information and operating data in respect of the County (the "Disclosure Information"):

(A) the audited financial statements of the County for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the County, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the County; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: "Property Valuations and Taxes" and "Indebtedness," which information may be unaudited.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the County shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the County shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been submitted to the Municipal Securities Rulemaking Board

("MSRB") through its Electronic Municipal Market Access System ("EMMA") or to the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The County shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the County have materially changed or been discontinued, such Disclosure Information need no longer be provided if the County includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other County operations in respect of which data is not included in the Disclosure Information and the County determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the County shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

(2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a "Material Fact"):

(A) Principal and interest payment delinquencies;
(B) Non-payment related defaults, if material;
(C) Unscheduled draws on debt service reserves reflecting financial difficulties;
(D) Unscheduled draws on credit enhancements reflecting financial difficulties;
(E) Substitution of credit or liquidity providers, or their failure to perform;
(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
(G) Modifications to rights of security holders, if material;
(H) Bond calls, if material, and tender offers;
(I) Defeasances;
(J) Release, substitution, or sale of property securing repayment of the securities, if material;
(K) Rating changes;
(L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
(M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
(N) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
(O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
(P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term "financial obligation" means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, an event is "material" if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also "material" if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

(A) the failure of the County to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
(B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the County under subsection (d)(2);
(C) the termination of the obligations of the County under this section pursuant to subsection (d);
(D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
(E) any change in the fiscal year of the County.

(c) Manner of Disclosure.

(1) The County agrees to make available to the MSRB through EMMA, in an electronic format as prescribed by the MSRB, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the County in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the County under this section shall terminate and be without further effect as of any date on which the County delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the County to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the County from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a

resolution of this Board filed in the office of the recording officer of the County accompanied by an opinion of Bond Counsel, who may rely on certificates of the County and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the County or the type of operations conducted by the County, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the County agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.