

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

POLK COUNTY
CROOKSTON, MINNESOTA

YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

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

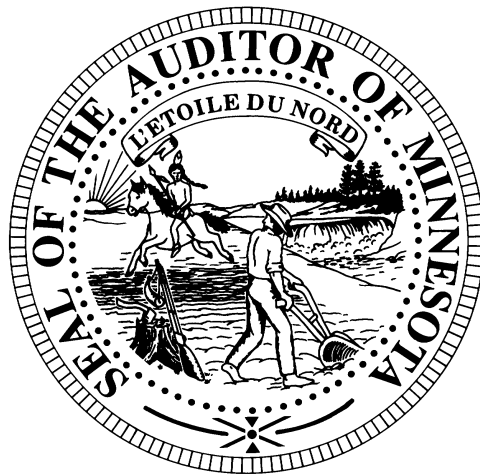
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**POLK COUNTY
CROOKSTON, MINNESOTA**

Year Ended December 31, 2005



**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**

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CROOKSTON, MINNESOTA**

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**POLK COUNTY
CROOKSTON, MINNESOTA**

**ORGANIZATION SCHEDULE
DECEMBER 31, 2005**

Office	Name	Term Expires
Commissioners		
1st District	Gerald Jacobson*	January 2009
2nd District	Warren Strandell	January 2007
3rd District	William Montague	January 2009
4th District	Warren Affeldt	January 2007
5th District	Don Diedrich	January 2009
Officers		
Elected		
Attorney	Gregory A. Widseth	January 2009
Sheriff	Mark LeTexier	January 2009
Appointed		
Auditor/Treasurer	Gerald J. Amiot	Indefinite
County Recorder and Registrar of Titles	Marlene Hanson	Indefinite
Assessor	Robert Wagner	December 2008
Court Administrator	Kathy Narlock	Indefinite
Medical Examiner	Michael McGee, M.D.	Indefinite
County Coordinator	John P. Schmalenberg	Indefinite
Highway Engineer	Richard Sanders	April 2007
Court Service Director	Tami Jo Leiberg	Indefinite
Surveyor	Brian Hoffart	Indefinite
Veterans Service Officer	Les Goodwin	July 2007
Environmental Services Administrator	Jon Steiner	Indefinite
Facilities Manager	Bill Wilson	Indefinite
Welfare Board		
Chair	Warren Affeldt	January 2007
Vice Chair	William Montague	January 2009
Secretary	Cathy Gutterud	July 2006
Member	Gerald Jacobson	January 2009
Member	Paula Waters	July 2007
Member	Don Diedrich	January 2009
Director	Kent Johnson	Indefinite

*Chair

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STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Polk County

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, Minnesota, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements. These financial statements are the responsibility of Polk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County, as of and for the year ended December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The required supplementary information listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which

consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Polk County has not presented a Management's Discussion and Analysis that the GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Polk County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006, on our consideration of Polk County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 11, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and pooled investments	\$ 27,109,533	\$ 739,539	\$ 27,849,072
Departmental cash	1,616	-	1,616
Cash with escrow agent	411,333	-	411,333
Investments	16,020,600	-	16,020,600
Taxes receivable			
Current - net	293,448	-	293,448
Prior - net	240,038	-	240,038
Special assessments receivable			
Current - net	109,498	-	109,498
Prior - net	140,972	-	140,972
Deferred	6,972,568	-	6,972,568
Accounts receivable - net	148,086	263,653	411,739
Accrued interest receivable	420,058	2,062	422,120
Internal balances	(52,775)	52,775	-
Due from other governments	4,163,703	143,504	4,307,207
Inventories	566,966	-	566,966
Restricted assets			
Temporarily restricted			
Investments	901,949	-	901,949
Permanently restricted			
Cash and pooled investments	-	39,260	39,260
Investments	-	1,022,398	1,022,398
Deferred charges	186,497	-	186,497
Accrued interest receivable	-	25,976	25,976
Capital assets			
Non-depreciable	15,588,754	11,085	15,599,839
Depreciable - net of accumulated depreciation	93,542,740	5,044,662	98,587,402
Total Assets	\$ 166,765,584	\$ 7,344,914	\$ 174,110,498
Liabilities			
Accounts payable	\$ 963,607	\$ 137,863	\$ 1,101,470
Salaries payable	47,895	23,253	71,148
Contracts payable	937,784	45,829	983,613
Due to other governments	260,448	-	260,448
Accrued interest payable	339,669	-	339,669
Long-term liabilities			
Due within one year	1,942,916	41,842	1,984,758
Due in more than one year	31,737,538	2,187,781	33,925,319
Total Liabilities	\$ 36,229,857	\$ 2,436,568	\$ 38,666,425

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Net Assets			
Invested in capital assets - net of related debt	\$ 102,677,237	\$ 5,055,747	\$ 107,732,984
Restricted for			
General government	576,759	-	576,759
Public safety	3,531,719	-	3,531,719
Highways and streets	1,738,333	-	1,738,333
Other purposes	1,727	-	1,727
Unrestricted	22,009,952	(147,401)	21,862,551
Total Net Assets	\$ 130,535,727	\$ 4,908,346	\$ 135,444,073

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary Government		
Governmental activities		
General government	\$ 4,708,847	\$ 755,613
Public safety	4,492,191	516,890
Highways and streets	8,132,621	458,858
Sanitation	1,434,110	1,547,832
Human services	13,744,858	766,800
Health	1,499,598	531,492
Culture and recreation	311,290	31,685
Conservation of natural resources	1,788,992	161,206
Economic development	29,526	-
Interest	752,043	-
Bond issuance costs	8,423	-
	\$ 36,902,499	\$ 4,770,376
Business-type activities		
Landfill	\$ 551,323	\$ 481,355
Resource recovery	2,801,404	2,973,510
	\$ 3,352,727	\$ 3,454,865
Total Primary Government	\$ 40,255,226	\$ 8,225,241

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Local sales tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ 104,161	\$ -	\$ (3,849,073)	\$ -	\$ (3,849,073)
455,767	75,937	(3,443,597)	-	(3,443,597)
8,014,224	2,925,597	3,266,058	-	3,266,058
-	-	113,722	-	113,722
8,790,040	-	(4,188,018)	-	(4,188,018)
527,843	-	(440,263)	-	(440,263)
3,940	-	(275,665)	-	(275,665)
2,423,990	-	796,204	-	796,204
-	-	(29,526)	-	(29,526)
-	-	(752,043)	-	(752,043)
-	-	(8,423)	-	(8,423)
\$ 20,319,965	\$ 3,001,534	\$ (8,810,624)	\$ -	\$ (8,810,624)
\$ 32,468	\$ -	\$ -	\$ (37,500)	\$ (37,500)
29,651	-	-	201,757	201,757
\$ 62,119	\$ -	\$ -	\$ 164,257	\$ 164,257
\$ 20,382,084	\$ 3,001,534	\$ (8,810,624)	\$ 164,257	\$ (8,646,367)
		\$ 12,683,672	\$ -	\$ 12,683,672
		63,544	-	63,544
		28,594	-	28,594
		14	-	14
		62,995	-	62,995
		3,558,410	5,165	3,563,575
		964,314	19,156	983,470
		647,579	-	647,579
		\$ 18,009,122	\$ 24,321	\$ 18,033,443
		\$ 9,198,498	\$ 188,578	\$ 9,387,076
		121,337,229	4,719,768	126,056,997
		\$ 130,535,727	\$ 4,908,346	\$ 135,444,073

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge Special Revenue	Human Services Special Revenue
<u>Assets</u>			
Cash and pooled investments	\$ 11,640,390	\$ 4,165,078	\$ 3,938,260
Petty cash and change funds	3,800	-	-
Undistributed cash in agency funds	186,238	111,638	88,117
Departmental cash	-	-	-
Cash with escrow agent	-	-	-
Investments	197,091	-	-
Taxes receivable			
Current	169,249	39,134	81,312
Prior	138,196	29,534	69,539
Special assessments receivable			
Current	-	-	-
Prior	-	-	-
Deferred	-	-	-
Accounts receivable	57,958	735	698
Accrued interest receivable	275,219	-	112
Due from other funds	21,152	19,880	-
Due from other governments	56,176	2,615,048	1,135,378
Inventories	-	566,966	-
Advances to other funds	59,025	-	-
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	-	-
Total Assets	\$ 12,804,494	\$ 7,548,013	\$ 5,313,416

EXHIBIT 3

<u>Ditch Special Revenue</u>	<u>Public Safety Special Revenue</u>	<u>Ditch Debt Service</u>	<u>Jail/Office Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,770,529	\$ 1,929,145	\$ 876,764	\$ -	\$ 2,166,654	\$ 26,486,820
-	500	-	-	190	4,490
25,701	83,341	32,497	-	90,691	618,223
-	1,616	-	-	-	1,616
-	-	-	411,333	-	411,333
165,000	117,217	-	15,416,221	125,071	16,020,600
-	-	-	-	3,753	293,448
-	-	-	-	2,769	240,038
16,183	-	19,860	-	73,455	109,498
32,650	-	20,962	-	87,360	140,972
1,154,831	-	5,280,684	-	537,053	6,972,568
-	5,069	-	-	83,626	148,086
2,150	88	-	142,489	-	420,058
-	107	-	-	538	41,677
6,176	183,171	-	-	167,754	4,163,703
-	-	-	-	-	566,966
-	-	-	-	-	59,025
-	-	901,949	-	-	901,949
<u>\$ 3,173,220</u>	<u>\$ 2,320,254</u>	<u>\$ 7,132,716</u>	<u>\$ 15,970,043</u>	<u>\$ 3,338,914</u>	<u>\$ 57,601,070</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge Special Revenue	Human Services Special Revenue
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 80,459	\$ 185,751	\$ 334,866
Salaries payable	10,088	19,256	1,491
Contracts payable	76,314	491,199	-
Due to other funds	9,786	325	10,610
Due to other governments	27,811	22,449	181,015
Deferred revenue - unavailable	238,247	1,545,221	218,439
Advance from other funds	-	-	-
	\$ 442,705	\$ 2,264,201	\$ 746,421
Fund Balances			
Reserved for			
Encumbrances	\$ 340,000	\$ 88,911	\$ -
Inventories	-	566,966	-
Advances to other funds	59,025	-	-
State-aid highway projects	-	803,745	-
Missing heirs	1,727	-	-
Law library	163,832	-	-
Recorder's equipment purchases	38,607	-	-
Recorder's compliance fund	34,320	-	-
Gravel pit restoration	-	55,147	-
Unreserved			
Designated for debt service	-	-	-
Designated for future building projects	4,397,053	-	-
Undesignated	7,327,225	3,769,043	4,566,995
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Debt services funds	-	-	-
	\$ 12,361,789	\$ 5,283,812	\$ 4,566,995
Total Fund Balances	\$ 12,361,789	\$ 5,283,812	\$ 4,566,995
Total Liabilities and Fund Balances	\$ 12,804,494	\$ 7,548,013	\$ 5,313,416

EXHIBIT 3
(Continued)

<u>Ditch Special Revenue</u>	<u>Public Safety Special Revenue</u>	<u>Ditch Debt Service</u>	<u>Jail/Office Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 68,900	\$ -	\$ -	\$ 219,881	\$ 73,750	\$ 963,607
-	1,269	-	-	15,791	47,895
-	-	-	370,271	-	937,784
-	8,208	-	-	65,523	94,452
1,235	-	-	-	27,938	260,448
1,204,736	-	5,307,018	-	762,990	9,276,651
58,929	-	96	-	-	59,025
\$ 1,333,800	\$ 9,477	\$ 5,307,114	\$ 590,152	\$ 945,992	\$ 11,639,862
\$ -	\$ -	\$ -	\$ 3,531,719	\$ -	\$ 3,960,630
-	-	-	-	-	566,966
-	-	-	-	-	59,025
-	-	-	-	-	803,745
-	-	-	-	-	1,727
-	-	-	-	-	163,832
-	-	-	-	-	38,607
-	-	-	-	-	34,320
-	-	-	-	-	55,147
-	-	1,825,602	-	-	1,825,602
-	-	-	-	-	4,397,053
1,839,420	2,310,777	-	11,848,172	-	31,661,632
-	-	-	-	2,200,002	2,200,002
-	-	-	-	192,920	192,920
\$ 1,839,420	\$ 2,310,777	\$ 1,825,602	\$ 15,379,891	\$ 2,392,922	\$ 45,961,208
\$ 3,173,220	\$ 2,320,254	\$ 7,132,716	\$ 15,970,043	\$ 3,338,914	\$ 57,601,070

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**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Fund balances - total governmental funds (Exhibit 3)		\$ 45,961,208
Amounts reported for governmental activities in the statement of net assets 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.		109,131,494
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		9,276,651
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (30,176,579)	
Revenue bonds	(2,345,000)	
Capital leases	(36,811)	
Compensated absences	(935,567)	
Accrued interest payable	(339,669)	
	(33,833,626)	(33,833,626)
Net assets of governmental activities (Exhibit 1)		<u>\$ 130,535,727</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>	<u>Human Services Special Revenue</u>
Revenues			
Taxes	\$ 3,585,249	\$ 1,751,852	\$ 3,516,649
Special assessments	-	-	-
Licenses and permits	9,115	-	-
Intergovernmental	2,564,301	12,029,830	9,258,085
Charges for services	692,603	371,719	127,544
Fines and forfeits	47,816	-	-
Gifts and contributions	2,694	-	12,050
Interest on investments	719,654	-	1,037
Miscellaneous	668,987	62,923	988,012
Total Revenues	\$ 8,290,419	\$ 14,216,324	\$ 13,903,377
Expenditures			
Current			
General government	\$ 4,407,166	\$ -	\$ -
Public safety	67,486	-	-
Highways and streets	-	10,575,512	-
Sanitation	-	-	-
Human services	-	-	13,714,563
Health	71,306	-	-
Culture and recreation	128,376	-	-
Conservation of natural resources	368,767	-	-
Economic development	29,526	-	-
Intergovernmental	-	752,096	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Culture and recreation	380,939	-	-
Debt service			
Principal	248,087	800,000	-
Interest	103,319	61,603	-
Bond issuance costs	-	-	-
Total Expenditures	\$ 5,804,972	\$ 12,189,211	\$ 13,714,563
Excess of Revenues Over (Under) Expenditures	\$ 2,485,447	\$ 2,027,113	\$ 188,814

EXHIBIT 5

<u>Ditch Special Revenue</u>	<u>Public Safety Special Revenue</u>	<u>Ditch Debt Service</u>	<u>Jail/Office Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 3,400,984	\$ -	\$ -	\$ 706,624	\$ 12,961,358
534,376	-	1,067,853	-	1,380,150	2,982,379
-	-	-	-	37,764	46,879
1,529	876,963	-	-	668,166	25,398,874
-	64,297	-	-	519,299	1,775,462
-	-	-	-	-	47,816
-	-	-	-	-	14,744
5,009	3,665	18,846	213,180	2,923	964,314
3,023	452,593	-	-	271,658	2,447,196
\$ 543,937	\$ 4,798,502	\$ 1,086,699	\$ 213,180	\$ 3,586,584	\$ 46,639,022
\$ -	\$ -	\$ -	\$ -	\$ 132,340	\$ 4,539,506
-	4,439,804	-	-	-	4,507,290
-	-	-	-	-	10,575,512
-	-	-	-	1,462,398	1,462,398
-	-	-	-	-	13,714,563
-	-	-	-	1,435,054	1,506,360
-	-	-	-	180,381	308,757
440,925	-	-	-	32,043	841,735
-	-	-	-	-	29,526
-	-	935,631	-	-	1,687,727
-	-	-	754,494	-	754,494
-	-	-	2,121,405	-	2,121,405
-	-	-	-	-	380,939
-	-	998,000	-	44,000	2,090,087
-	-	394,415	-	31,713	591,050
-	-	8,423	192,612	-	201,035
\$ 440,925	\$ 4,439,804	\$ 2,336,469	\$ 3,068,511	\$ 3,317,929	\$ 45,312,384
\$ 103,012	\$ 358,698	\$ (1,249,770)	\$ (2,855,331)	\$ 268,655	\$ 1,326,638

**POLK COUNTY
CROOKSTON, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge Special Revenue</u>	<u>Human Services Special Revenue</u>
Other Financing Sources (Uses)			
Transfers in	\$ 1,000,000	\$ -	\$ -
Transfers out	(662,298)	-	(1,000,000)
Bonds issued	-	-	-
Premium on bond/note issuance	-	-	-
Discount on bond/note issuance	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 337,702</u>	<u>\$ -</u>	<u>\$ (1,000,000)</u>
Net Change in Fund Balance	<u>\$ 2,823,149</u>	<u>\$ 2,027,113</u>	<u>\$ (811,186)</u>
Fund Balance - January 1	\$ 9,538,640	\$ 3,252,311	\$ 5,670,487
Prior period adjustment	-	-	(292,306)
Fund Balance - January 1, as restated	<u>\$ 9,538,640</u>	<u>\$ 3,252,311</u>	<u>\$ 5,378,181</u>
Increase (decrease) in reserved for inventories	<u>-</u>	<u>4,388</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 12,361,789</u>	<u>\$ 5,283,812</u>	<u>\$ 4,566,995</u>

EXHIBIT 5
(Continued)

<u>Ditch Special Revenue</u>	<u>Public Safety Special Revenue</u>	<u>Ditch Debt Service</u>	<u>Jail/Office Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 59,351	\$ -	\$ -	\$ 602,947	\$ -	\$ 1,662,298
-	-	-	-	-	(1,662,298)
-	-	1,540,000	17,500,000	-	19,040,000
-	-	-	132,275	-	132,275
-	-	(5,288)	-	-	(5,288)
\$ 59,351	\$ -	\$ 1,534,712	\$ 18,235,222	\$ -	\$ 19,166,987
\$ 162,363	\$ 358,698	\$ 284,942	\$ 15,379,891	\$ 268,655	\$ 20,493,625
\$ 1,677,057	\$ 1,952,079	\$ 1,540,660	\$ -	\$ 2,124,267	\$ 25,755,501
-	-	-	-	-	(292,306)
\$ 1,677,057	\$ 1,952,079	\$ 1,540,660	\$ -	\$ 2,124,267	\$ 25,463,195
-	-	-	-	-	4,388
\$ 1,839,420	\$ 2,310,777	\$ 1,825,602	\$ 15,379,891	\$ 2,392,922	\$ 45,961,208

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	20,493,625
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Expenditures for general capital assets, infrastructure, and other related capital assets adjustment	\$ 9,418,249	
Current year depreciation	(3,107,573)	6,310,676
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		9,276,651
<p>Revenues reported in the fund statements in the current year, but reported in the government-wide statement of activities in the prior year.</p>		
		(9,814,676)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:</p>		
		(18,981,579)
<p>Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal repayments		
General obligation bonds	\$ 1,842,000	
Revenue bonds	160,000	
Capital lease	88,087	2,090,087
<p>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.</p>		
Change in accrued interest payable	\$ (160,993)	
Change in compensated absences	(19,681)	
Change in inventories	4,388	(176,286)
Change in net assets of governmental activities (Exhibit 2)	\$	<u>9,198,498</u>

PROPRIETARY FUNDS

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**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 7

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	Enterprise Funds		
	Landfill	Resource Recovery	Totals
<u>Assets</u>			
Current assets			
Cash and pooled investments	\$ 298,255	\$ 441,144	\$ 739,399
Petty cash and change funds	100	40	140
Accounts receivable - net	11,951	251,702	263,653
Accrued interest receivable	-	2,062	2,062
Due from other funds	956	52,454	53,410
Due from other governments	2,534	140,970	143,504
Total current assets	\$ 313,796	\$ 888,372	\$ 1,202,168
Restricted assets			
Permanent			
Cash and pooled investments	\$ 39,260	-	\$ 39,260
Investments	1,022,398	-	1,022,398
Accrued interest receivable	25,976	-	25,976
Total restricted assets	\$ 1,087,634	\$ -	\$ 1,087,634
Capital assets			
Nondepreciable	\$ -	\$ 11,085	\$ 11,085
Depreciable - net	436,560	4,608,102	5,044,662
Total capital assets	\$ 436,560	\$ 4,619,187	\$ 5,055,747
Total Assets	\$ 1,837,990	\$ 5,507,559	\$ 7,345,549
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 14,262	\$ 123,601	\$ 137,863
Salaries payable	1,658	21,595	23,253
Compensated absences payable - current	3,811	38,031	41,842
Contracts payable	-	45,829	45,829
Due to other funds	97	538	635
Total current liabilities	\$ 19,828	\$ 229,594	\$ 249,422
Noncurrent liabilities			
Compensated absences payable - long-term	\$ 13,405	\$ 55,817	\$ 69,222
Estimated liability for landfill closure/postclosure	2,118,559	-	2,118,559
Total noncurrent liabilities	\$ 2,131,964	\$ 55,817	\$ 2,187,781
Total Liabilities	\$ 2,151,792	\$ 285,411	\$ 2,437,203
<u>Net Assets</u>			
Invested in capital assets	\$ 436,560	\$ 4,619,187	\$ 5,055,747
Unrestricted	(750,362)	602,961	(147,401)
Total Net Assets	\$ (313,802)	\$ 5,222,148	\$ 4,908,346

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Enterprise Funds		
	Landfill	Resource Recovery	Totals
Operating Revenues			
Charges for services	\$ 480,498	\$ 2,543,090	\$ 3,023,588
Miscellaneous	857	430,420	431,277
Total Operating Revenues	\$ 481,355	\$ 2,973,510	\$ 3,454,865
Operating Expenses			
Personal services	\$ 148,305	\$ 1,006,661	\$ 1,154,966
Other services and charges	195,414	392,682	588,096
Supplies	4,771	207,335	212,106
Utilities	5,304	374,353	379,657
Transportation and disposal	-	418,669	418,669
Depreciation	103,594	401,704	505,298
Landfill closure and postclosure costs	93,935	-	93,935
Total Operating Expenses	\$ 551,323	\$ 2,801,404	\$ 3,352,727
Operating Income (Loss)	\$ (69,968)	\$ 172,106	\$ 102,138
Nonoperating Revenues (Expenses)			
Intergovernmental	\$ 413	\$ 34,403	\$ 34,816
Interest income	32,468	19,156	51,624
Total Nonoperating Revenues (Expenses)	\$ 32,881	\$ 53,559	\$ 86,440
Change in Net Assets	\$ (37,087)	\$ 225,665	\$ 188,578
Net Assets - January 1, as previously reported	\$ (197,067)	\$ 4,996,483	\$ 4,799,416
Prior period adjustment	(79,648)	-	(79,648)
Net Assets - January 1	\$ (276,715)	\$ 4,996,483	\$ 4,719,768
Net Assets - December 31	\$ (313,802)	\$ 5,222,148	\$ 4,908,346

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds		
	Landfill	Resource Recovery	Totals
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 481,714	\$ 2,817,996	\$ 3,299,710
Payments to suppliers	(203,202)	(1,360,005)	(1,563,207)
Payments to employees	(148,945)	(1,016,708)	(1,165,653)
Net cash provided by (used in) operating activities	\$ 129,567	\$ 441,283	\$ 570,850
Cash Flows From Noncapital Financing Activities			
Intergovernmental	\$ 413	\$ 40,194	\$ 40,607
Cash Flows From Capital and Related Financing Activities			
Purchases of capital assets	\$ (58,962)	\$ (784,618)	\$ (843,580)
Cash Flows From Investing Activities			
Purchase of investments	\$ (22,227)	\$ -	\$ (22,227)
Investment earnings received	22,214	18,219	40,433
Net cash provided by (used in) investing activities	\$ (13)	\$ 18,219	\$ 18,206
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 71,005	\$ (284,922)	\$ (213,917)
Cash and Cash Equivalents at January 1	266,610	726,106	992,716
Cash and Cash Equivalents at December 31	\$ 337,615	\$ 441,184	\$ 778,799
Cash and Cash Equivalents - Exhibit 7			
Cash and pooled investments	\$ 298,255	\$ 441,144	\$ 739,399
Petty cash and change funds	100	40	140
Restricted cash and pooled investments	39,260	-	39,260
Total Cash and Cash Equivalents	\$ 337,615	\$ 441,184	\$ 778,799

**POLK COUNTY
CROOKSTON, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds		
	Landfill	Resource Recovery	Totals
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities			
Operating income (loss)	\$ (69,968)	\$ 172,106	\$ 102,138
Adjustments to reconcile operating income to net cash provided by (used in) operating activities			
Depreciation expense	\$ 103,594	\$ 401,704	\$ 505,298
(Increase) decrease in accounts receivable	(1,558)	(104,831)	(106,389)
(Increase) decrease in due from other governments	782	(46,596)	(45,814)
(Increase) decrease in due from other funds	1,135	(4,087)	(2,952)
Increase (decrease) in accounts payable	2,732	33,713	36,445
Increase (decrease) in salaries payable	(334)	(3,327)	(3,661)
Increase (decrease) in compensated absences payable	(306)	(6,720)	(7,026)
Increase (decrease) in due to other funds	(65)	(613)	(678)
Increase (decrease) in due to other governments	(380)	(66)	(446)
Increase (decrease) in landfill closure costs	93,935	-	93,935
Total adjustments	\$ 199,535	\$ 269,177	\$ 468,712
Net Cash Provided by (Used in) Operating Activities	\$ 129,567	\$ 441,283	\$ 570,850

FIDUCIARY FUNDS

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**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 10

**FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2005**

	Investment Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 718,497	\$ 2,285,305
Receivables		
Accounts	-	23,836
Interest	2,920	-
Due from other governments	-	835
Total Assets	\$ 721,417	\$ 2,309,976
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 8,030
Due to other governments	-	2,283,831
Funds held in trust	-	18,115
Total Liabilities	\$ -	\$ 2,309,976
<u>Net Assets</u>		
Net assets, held in trust for pool participants	\$ 721,417	

**POLK COUNTY
CROOKSTON, MINNESOTA**

EXHIBIT 11

**FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Investment Trust
<u>Additions</u>	
Contributions from participants	\$ 4,795,212
Investment earnings	
Interest	24,574
Total Additions	\$ 4,819,786
<u>Deductions</u>	
Pool participant withdrawals	5,016,355
Change in Net Assets	\$ (196,569)
Net Assets - Beginning of the Year	917,986
Net Assets - End of the Year	\$ 721,417

**POLK COUNTY
CROOKSTON, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2005. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. 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 has the powers, duties, and privileges granted counties by state law, codified in 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 Coordinator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote in its decisions.

Joint Ventures

The County participates in several joint ventures which are described in Note 8.B. The County also participates in jointly-governed organizations and related organizations which are described in Note 8.C. and 8.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

In the government-wide statement of net assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental, 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 and enterprise funds are aggregated and reported as nonmajor funds.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

The Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The Public Safety Special Revenue Fund is used to account for 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.

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The Jail/Office Capital Project Fund is used to account for the construction activities associated with the building of the new law enforcement center.

The County reports the following major enterprise 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.

Additionally, the County reports the following fund types:

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 to be available if they are collected within 60 days after the end of the current period. Property and other taxes, shared revenues, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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 they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

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

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2005, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2005 were \$733,837.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

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 MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

3. Receivables and Payables

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).

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 reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Inventories and Prepaid Items

All inventories are valued at cost using the first in/first out (FIFO) 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.

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

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets 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, applicable laws and regulations limit their use.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets 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 estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

Property, plant, and equipment of the County is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10 - 50
Building improvements	10 - 30
Public domain infrastructure	50 - 75
Furniture, equipment, and vehicles	3 - 15

The County landfill is depreciated based on capacity used.

7. Compensated Absences

The liability for compensated absences reported in 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.

8. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

9. 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

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Long-Term Obligations (Continued)

activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustment

Fund balance at January 1, 2005, for the Human Services Special Revenue Fund was decreased by \$292,306 to correct an omission of a fund liability in the 2004 financial statements. The fund balance of the Human Services Special Revenue Fund was adjusted from \$5,670,487 to \$5,378,181.

Net assets at January 1, 2005, for the Landfill Enterprise Fund were decreased by \$79,648 to correct overstatement of net capital assets. The net assets of the Landfill Enterprise Fund were adjusted from a deficit of \$197,067 to \$276,715.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The following major fund had deficit net assets as of December 31, 2005:

Landfill Enterprise Fund	\$ 313,802
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The Landfill Enterprise Fund deficit will be eliminated with future revenues from operations.

Ditch Fund Deficits

Of 211 drainage systems, 21 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 Ditch Special Revenue and Debt Service Funds as of December 31, 2005.

Account balances	\$ 3,744,897
Account deficits	(79,875)
Fund Balance	\$ 3,665,022

**POLK COUNTY
CROOKSTON, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures Over Budget

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

The following is a summary of the individual funds which had expenditures in excess of budget for the year ended December 31, 2005:

	Expenditures	Budget	Excess
Special Revenue Funds			
Environmental Services	\$ 1,594,738	\$ 1,577,303	\$ 17,435
Public Safety	4,439,804	4,423,391	16,413
Ditch	440,925	-	440,925
Human Services	13,714,563	13,557,464	157,099

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County's total cash and investments are reported as follows:

Primary government		
Cash and pooled investments	\$	27,849,072
Departmental cash		1,616
Investments		16,020,600
Cash with escrow agent		411,333
Restricted assets		
Temporarily restricted investments		901,949
Cash and pooled investments		39,260
Investments		1,022,398
Fiduciary funds		
Cash and pooled investments		
Investment trust fund		718,497
Agency funds		2,285,305
		\$ 49,250,030
Total Cash and Investments		\$ 49,250,030

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2005, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

**POLK COUNTY
CROOKSTON, MINNESOTA**

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. It is the County's policy to invest only in securities that meet the ratings requirement set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County does not have a policy on custodial credit risk.

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. It is the County's policy that U.S. Treasury securities, U.S. Agency securities, and obligations backed by U.S. Treasury and/or U.S. Agency securities, may be held without limit.

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 % of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. Government Agency Securities					
Federal National Mortgage Association	A-1+	S&P		6/19/06	\$ 851,656
Federal National Mortgage Association	AAA	S&P		2/15/07	745,158
Federal National Mortgage Association	AAA	S&P		3/15/07	725,353
Federal National Mortgage Association	AAA	S&P		4/15/07	689,281
Federal National Mortgage Association	AAA	S&P		5/15/07	627,856
Federal National Mortgage Association	AAA	S&P		7/15/07	486,632
Total Federal National Mortgage Association			11.2%		\$ 4,125,936
Federal Home Loan Mortgage Corporation					
Federal Home Loan Mortgage Corporation	A-1+	S&P		1/17/06	\$ 713,599
Federal Home Loan Mortgage Corporation	A-1+	S&P		2/21/06	745,392
Federal Home Loan Mortgage Corporation	A-1+	S&P		3/21/06	767,572
Federal Home Loan Mortgage Corporation	A-1+	S&P		4/11/06	780,361
Federal Home Loan Mortgage Corporation	A-1+	S&P		5/8/06	812,109
Federal Home Loan Mortgage Corporation	A-1+	S&P		7/5/06	849,838
Federal Home Loan Mortgage Corporation	A-1+	S&P		8/15/06	845,402
Federal Home Loan Mortgage Corporation	A-1+	S&P		9/27/06	845,587
Federal Home Loan Mortgage Corporation	A-1+	S&P		10/17/06	843,344
Federal Home Loan Mortgage Corporation	AAA	S&P		1/19/07	805,650
Federal Home Loan Mortgage Corporation	AAA	S&P		8/17/07	988,750
Total Federal Home Loan Mortgage Corporation			24.5%		\$ 8,997,604
Federal Home Loan Bank					
Federal Home Loan Bank	AAA	S&P		11/15/06	\$ 847,907
Federal Home Loan Bank	AAA	S&P		12/29/06	837,078
Federal Home Loan Bank	AAA	S&P		6/8/07	607,696
Total Federal Home Loan Bank			6.2%		\$ 2,292,681
Investment pools/mutual funds/MAGIC Fund			N/A	N/A	\$ 10,361,620
Negotiable certificates of deposit			N/A	N/A	\$ 10,937,000
Total Investments					\$ 36,714,841
Deposits					12,528,943
Change Funds					4,630
Departmental Cash					1,616
Total Cash and Investments					\$ 49,250,030

N/A - Not Applicable

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2005, 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	\$ 533,486	\$ -
Special assessments	7,223,038	5,923,759
Due from other governments	4,163,703	-
Accounts	148,086	-
Interest	420,058	-
Total Governmental Activities	\$ 12,488,371	\$ 5,923,759
Business-Type Activities		
Due from other governments	\$ 143,504	\$ -
Accounts	263,653	-
Interest	2,062	-
Total Business-Type Activities	\$ 409,219	\$ -

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 8,508,424	\$ 130,878	\$ -	\$ 8,639,302
Construction in progress	3,446,666	6,589,632	3,086,846	6,949,452
Total capital assets not depreciated	<u>\$ 11,955,090</u>	<u>\$ 6,720,510</u>	<u>\$ 3,086,846</u>	<u>\$ 15,588,754</u>
Capital assets depreciated				
Land improvements	\$ 214,538	\$ -	\$ -	\$ 214,538
Buildings	13,086,292	-	-	13,086,292
Building improvements	1,097,760	-	-	1,097,760
Machinery, furniture, and equipment	6,461,993	686,826	387,545	6,761,274
Infrastructure	103,161,597	5,097,759	-	108,259,356
Total capital assets depreciated	<u>\$ 124,022,180</u>	<u>\$ 5,784,585</u>	<u>\$ 387,545</u>	<u>\$ 129,419,220</u>
Less: accumulated depreciation for				
Land improvements	\$ 122,773	\$ 8,825	\$ -	\$ 131,598
Buildings	5,793,538	296,814	-	6,090,352
Building improvements	281,707	30,433	-	312,140
Machinery, furniture, and equipment	4,619,813	632,854	387,545	4,865,122
Infrastructure	22,338,621	2,138,647	-	24,477,268
Total accumulated depreciation	<u>\$ 33,156,452</u>	<u>\$ 3,107,573</u>	<u>\$ 387,545</u>	<u>\$ 35,876,480</u>
Total capital assets depreciated, net	<u>\$ 90,865,728</u>	<u>\$ 2,677,012</u>	<u>\$ -</u>	<u>\$ 93,542,740</u>
Governmental Activities Capital Assets, Net	<u>\$ 102,820,818</u>	<u>\$ 9,397,522</u>	<u>\$ 3,086,846</u>	<u>\$ 109,131,494</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance As Restated	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 11,085	\$ -	\$ -	\$ 11,085
Capital assets depreciated				
Buildings	\$ 4,085,840	\$ -	\$ -	\$ 4,085,840
Landfill	3,439,617	-	-	3,439,617
Improvements other than building	232,718	-	-	232,718
Machinery, furniture, and equipment	6,449,773	847,232	-	7,297,005
Total capital assets depreciated	\$ 14,207,948	\$ 847,232	\$ -	\$ 15,055,180
Less: accumulated depreciation for				
Buildings	\$ 1,451,178	\$ 102,784	\$ -	\$ 1,553,962
Landfill	2,981,983	85,757	-	3,067,740
Improvements other than building	97,951	7,419	-	105,370
Machinery, furniture, and equipment	4,974,108	309,338	-	5,283,446
Total accumulated depreciation	\$ 9,505,220	\$ 505,298	\$ -	\$ 10,010,518
Total capital assets depreciated, net	\$ 4,702,728	\$ 341,934	\$ -	\$ 5,044,662
Business-Type Activities Capital Assets, Net	\$ 4,713,813	\$ 341,934	\$ -	\$ 5,055,747

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

Governmental Activities	
General government	\$ 183,174
Public safety	273,110
Highways and streets, including depreciation of infrastructure assets	2,557,459
Sanitation	76,911
Human services	929
Health	13,457
Culture and recreation	2,533
Total Depreciation Expense - Governmental Activities	<u>\$ 3,107,573</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities			
Landfill	\$	103,594	
Resource Recovery		401,704	
Total Depreciation Expense - Business-Type Activities	\$	505,298	

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 325
	Human Services	10,580
	Public Health	2,713
	Forfeited Tax	7,534
Total Due to General Fund		\$ 21,152
Road and Bridge	General	\$ 9,786
	Public Safety	8,208
	Environmental Services	1,789
	Landfill	97
Total Due to Road and Bridge Fund		\$ 19,880
Public Safety	Human Services	\$ 30
	Forfeited Tax	77
Total Due to Public Safety Fund		\$ 107
Environmental Services	Resource Recovery	\$ 538
Resource Recovery	Environmental Services	\$ 52,454
Landfill	Environmental Services	\$ 956
Total Due To/From Other Funds		\$ 95,087

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch Special Revenue	\$ 58,929
	Ditch Debt Service	96
Total Due to General Fund		\$ 59,025

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to Jail/Office Capital Project Fund from General Fund	\$ 602,947	To transfer General Fund's share of construction expenditures
Transfers to Ditch Fund from General Fund	59,351	Ditch interest
Transfers to General Fund from Human Services to General Fund	1,000,000	To transfer excess funds for cash flow purposes
Total Interfund Transfers	\$ 1,662,298	

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 963,607	\$ 137,863
Salaries	47,895	23,253
Contracts	937,784	45,829
Due to other governments	260,448	-
	<u>\$ 2,209,734</u>	<u>\$ 206,945</u>
Total Payables		

2. Deferred Revenue

Deferred revenue as of December 31, 2005, for the County's governmental activities are as follows:

	<u>Deferred Unavailable</u>	<u>Deferred Unearned</u>
Governmental Activities		
Taxes	\$ 405,945	\$ -
Deferred liens	7,171,107	-
State-aid highway allotments	1,291,436	-
Charges for services	147,208	-
Grants	258,692	-
Other	2,263	-
	<u>\$ 9,276,651</u>	<u>\$ -</u>
Total Governmental Activities		

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The government has active construction projects as of December 31, 2005. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental activities		
Roads and bridges	\$ 3,037,650	\$ 4,361,325
County-wide spraying	42,859	88,911
Park/Bathhouse improvements	253,622	340,000
Jail/Office capital project	1,326,804	3,531,719

4. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General Obligation Bonds					
2005 G.O. Jail Bonds	2026	\$400,000 - \$1,275,000	3.500	\$ 17,500,000	\$ 17,500,000
2005 G.O. Water System Bonds	2016	\$150,000 - \$155,000	3.250	1,540,000	1,540,000
2004 G.O. Water Refunding Bonds	2025	\$20,000 - \$305,000	4.117	2,640,000	2,620,000
2004 Watershed District Refunding Bonds	2018	\$65,000 - \$95,000	3.640	935,000	935,000
2003 G.O. State-Aid Highway Bonds	2008	\$800,000	2.1729	4,000,000	2,400,000
2002 G.O. Bonds	2018	\$50,000 - \$55,000	3.816	820,000	715,000
2000 G.O. Watershed District Bonds	2016	\$25,000 - \$30,000	5.6253	390,000	280,000
1999 G.O. Improvement Bonds	2020	\$30,000 - \$35,000	5.2962	610,000	460,000

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Long-Term Debt

Governmental Activities (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
General Obligation Bonds (Continued)					
1998 G.O. Watershed District Bonds	2020	\$155,000 - \$170,000	4.8744	3,265,000	2,435,000
1997 G.O. Bonds for Watershed District Projects	2018	\$30,000 - \$225,000	5.473	1,390,000	540,000
1997 G.O. Bonds for Watershed District Projects	2018	\$30,000 - \$35,000	5.189	675,000	450,000
1996 G.O. Bonds for Watershed District Projects	2011	\$85,000 - \$90,000	5.3168	1,340,000	360,000
Total General Obligation Bonds				<u>\$ 35,105,000</u>	<u>\$ 30,235,000</u>
Add: Unamortized premium					<u>128,076</u>
Total General Obligation Bonds, net					<u>\$ 30,363,076</u>
Revenue Bonds					
2003 Correctional Facility Revenue Refunding Bonds	2017	\$106,000 - \$235,000	3.770	<u>\$ 2,505,000</u>	<u>\$ 2,345,000</u>
Installment Purchase Contracts					
1999 telephone system	2006	\$2,536	17.80	\$ 174,799	\$ 4,961
1996 energy conservation measures	2005	\$32,713	5.42	500,000	31,850
Total Installment Purchase Contracts				<u>\$ 674,799</u>	<u>\$ 36,811</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 1,360,000	\$ 1,019,866	\$ 165,000	\$ 79,270
2007	2,010,000	1,246,536	165,000	75,764
2008	2,215,000	1,183,897	170,000	71,570
2009	1,435,000	1,125,030	175,000	66,608
2010	1,375,000	1,076,997	185,000	60,884
2011- 2015	7,255,000	4,625,206	1,020,000	196,603
2016- 2020	6,975,000	2,580,800	465,000	19,286
2021- 2025	6,335,000	1,021,509	-	-
2026	1,275,000	28,688	-	-
Total	\$ 30,235,000	\$ 13,908,529	\$ 2,345,000	\$ 569,985

Year Ending December 31	Installment Purchases	
	Principal	Interest
2006	\$ 36,811	\$ 974

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 13,037,000	\$ 19,040,000	\$ 1,842,000	\$ 30,235,000	\$ 1,360,000
Revenue bonds	2,505,000	-	160,000	2,345,000	165,000
Add: Unamortized premium	-	132,275	4,199	128,076	-
Total bonds payable	\$ 15,542,000	\$ 19,172,275	\$ 2,006,199	\$ 32,708,076	\$ 1,525,000
Installment purchases	124,898	-	88,087	36,811	36,811
Compensated absences	915,886	1,008,485	988,804	935,567	381,105
Governmental Activity Long-Term Liabilities	\$ 16,582,784	\$ 20,180,760	\$ 3,083,090	\$ 33,680,454	\$ 1,942,916

**POLK COUNTY
CROOKSTON, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Estimated liability for landfill closure/postclosure	\$ 2,024,624	\$ 93,935	\$ -	\$ 2,118,559	\$ -
Compensated absences	118,090	95,246	102,272	111,064	41,842
Business-Type Activity Long-Term Liabilities	<u>\$ 2,142,714</u>	<u>\$ 189,181</u>	<u>\$ 102,272</u>	<u>\$ 2,229,623</u>	<u>\$ 41,842</u>

4. Employee Retirement Systems and Pension Plans

A. Plan Description

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

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

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

**POLK COUNTY
CROOKSTON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

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

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

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and

**POLK COUNTY
CROOKSTON, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Funding Policy (Continued)

5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.5 percent. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2005	\$ 529,485	\$ 108,686
2004	509,031	113,027
2003	519,189	113,502

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

5. 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 Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,118,559

**POLK COUNTY
CROOKSTON, MINNESOTA**

5. Landfill Closure and Postclosure Care Costs (Continued)

landfill closure and postclosure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of 81 percent of the estimated capacity for the mixed municipal solid waste cells and 36 percent of the estimated capacity for incinerator ash cells in the Gentilly Landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$547,684 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Based on current capacity, the landfill expects to stop accepting municipal solid waste in 2030 and ash in 2036. 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 and, at December 31, 2005, investments of \$1,061,658 are held for these purposes. These are reported as restricted assets on the balance sheet. Polk County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. 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 Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. 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 \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POLK COUNTY
CROOKSTON, MINNESOTA**

6. Risk Management (Continued)

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

7. Conduit Debt

In 2002, the Riverview Healthcare Association issued a \$7,425,000 Health Care Facilities Revenue Note, Series 2002, to finance the expansion, renovation, and equipping of the existing hospital and nursing home facilities operated by the Association. 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, the state, or any political subdivision thereof is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2005, the outstanding principal amount payable was \$6,661,694.

In 2002, the Villa St. Vincent, a Minnesota non-profit corporation, issued Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002A, in an amount not to exceed \$4,990,000, and its Taxable Nursing Home and Multi-Family Housing Revenue Bonds, Series 2002B, in an amount not to exceed \$110,000, pursuant to the Finance Act to finance the renovation, equipping, and construction of an addition to the existing nursing care facility. The project is deemed to be in the public interest. The note is secured by the property financed through a series of loan agreements and is payable solely from revenues of the entity. The County, state, or any political subdivision thereof is not obligated in any manner for repayment of the note. Accordingly, the note is not reported as a liability in the accompanying financial statements. As of December 31, 2005, the outstanding principal amount payable was \$5,040,000.

The County designated and allocated \$1,490,000 of the Series 2002A Bonds as “qualified tax-exempt obligations.” Not more than \$10,000,000 of tax-exempt obligations issued by the County during 2002 have been designated as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Code.

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. 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 is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

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 and in the financial statements of the joint ventures. Long-term debt of the Water System at December 31, 2005, is \$3,488,000, of which Polk County's share is \$2,520,000.

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.

Separate financial information can be obtained from:

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

Northwestern Minnesota Household Hazardous Waste Management Group

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

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

Responsibility for budgeted expenditures is shared, with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution of the Northwestern Minnesota Household Hazardous Waste Management Group Joint Powers Board, the net assets of the Waste Management Group at that time shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Northwestern Minnesota Household Hazardous Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. 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 Office
P. O. Box 186
Bagley, Minnesota 56621

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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

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

Tri-County Community Corrections' long-term debt consists of \$167,143 for compensated absences and \$8,957 for a lease purchase agreement to purchase a copier at December 31, 2004 (latest information available).

Financing is provided by state, federal, and local grants; charges for services; and appropriations from member counties. Receipts and disbursements are recorded in the Tri-County Community Corrections' operating fund by the Polk County Auditor/Treasurer. Polk County's contribution for 2005 was \$1,649,023.

Separate financial information can be obtained from:

Northwest Regional Correction Center
600 Bruce Street
Crookston, Minnesota 56716

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the NCDPSA is vested in the NCDPSA Joint Powers Board, which comprises one County Commissioner from each member county. In the event of dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contribution.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties.

Separate financial information can be obtained from:

Clearwater County Auditor
213 North Main Avenue
Bagley, Minnesota 56621

Polk-Norman-Red Lake-Pennington Counties Drug Task Force

The Polk-Norman-Red Lake-Pennington Counties Drug Task Force Joint Powers Agreement was formed March 17, 1999, under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Polk, Norman, Red Lake and Pennington Counties, and the Cities of Ada, Crookston, and East Grand Forks. The purpose of this agreement is to promote the effective enforcement of the laws of the State of Minnesota, particularly those laws concerning controlled substances and related crimes.

Control of the Task Force is vested in a Board of Directors, comprised of the County Sheriff and County Attorney of the member counties and the chief law enforcement officers of the member cities.

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk-Norman-Red Lake-Pennington Counties Drug Task Force (Continued)

The Polk County Sheriff's Office acts as the fiscal agent. Transactions of the Drug Task Force are reported in the Public Safety Special Revenue Fund in Polk County's financial statements.

Separate financial information can be obtained from:

Polk County Sheriff's Office
600 Bruce Street
Crookston, Minnesota 56716

The Polk-Norman-Red Lake-Pennington Counties Drug Task Force was dissolved during 2005.

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 and a larger school district.

Financing is provided by state and local grants and appropriations from the participating agencies. Polk County acts as fiscal agent for the Polk County Collaborative and reports the cash transactions of the Collaborative as an agency fund in its financial statements. During 2005, the County contributed \$1,500 to the Collaborative.

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Polk County Collaborative (Continued)

Complete financial information can be obtained from:

Polk County Human Services
612 North Broadway
Crookston, Minnesota 56716

C. Jointly-Governed Organizations

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

Agassiz Recreational Trail Joint Powers Board

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

Job Training Partnership Act Joint Powers Agreement

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

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Job Training Partnership Act Joint Powers Agreement (Continued)

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

Separate financial information can be obtained from:

Northwest Regional Development Commission
Warren, Minnesota 56762

Middle River - Snake River - Tamarac Watershed District

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

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.

Wild Rice Watershed District

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

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Wild Rice Watershed District (Continued)

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

Minnesota Rural Counties Caucus

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

Northwest Workforce Service Area

The Northwest Workforce Service Area was formed in July 2000 under the authority of the Workforce Investment Act of 1998 (Public Law 105-22) and includes Kittson, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Service Area is to increase a participant's employment, retention, earnings, and occupational skill attainment, and result in improved workforce quality, reduced welfare dependency, and enhanced productivity and competitiveness.

Control of the Northwest Workforce Service Area is vested in the Northwest Private Industry Council/Workforce Council, comprised 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 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.

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Northwest Workforce Service Area (Continued)

Separate financial information can be obtained from:

Northwest Regional Development Commission
115 South Main
Warren, Minnesota 56762

Red Lake River Corridor Joint Powers Agreement

The Red Lake River Corridor Joint Powers Agreement was formed in January 2003 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Pennington, Polk, and Red Lake Counties; the Cities of Thief River Falls, St. Hilaire, Red Lake Falls, Crookston, Fisher, and East Grand Forks; and the Red Lake Band of Chippewa Reservation. The purpose of the Joint Powers Agreement is to cooperate in the planning for and implementation of programs, activities, services, and projects that enhance the Corridor.

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

Separate financial information can be obtained from:

Red Lake River Corridor
Northwest Regional Development Sustainable Partnership
262 Owen Hall
2900 University Avenue
Crookston, Minnesota 56716

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 Mahnomon, Norman, and Polk Counties. The purpose of the District is to conserve the natural

**POLK COUNTY
CROOKSTON, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

D. Related Organizations

Sand Hill River Watershed District (Continued)

resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural resources. Control of the District is vested in the Sand Hill River Watershed District Board of Managers that is composed of five members appointed by the Polk County Board for staggered terms of three years each. Polk County's responsibility does not extend beyond making the appointments.

Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective, March 25, 1975, and includes land within Beltrami, Clearwater, Itasca, Koochiching, Mahnomon, Marshall, Polk, and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land-use planning, flood control, the use of sound scientific principles for the protection of the public health and welfare, and the provident use of natural resources. Control of the District is vested in the Red Lake Watershed District Board of Managers that is composed of seven members with one representative from each of the seven counties and an additional member from Polk County. Polk County's responsibility does not extend beyond making the appointments.

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REQUIRED SUPPLEMENTARY INFORMATION

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**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,613,982	\$ 3,613,982	\$ 3,585,249	\$ (28,733)
Licenses and permits	-	-	9,115	9,115
Intergovernmental	128,631	128,631	2,564,301	2,435,670
Charges for services	645,200	645,200	692,603	47,403
Fines and forfeits	28,000	28,000	47,816	19,816
Gifts and contributions	-	-	2,694	2,694
Investments earnings	-	-	719,654	719,654
Miscellaneous	532,108	532,108	668,987	136,879
Total Revenues	\$ 4,947,921	\$ 4,947,921	\$ 8,290,419	\$ 3,342,498
Expenditures				
Current				
General government				
Commissioners	\$ 254,893	\$ 254,893	\$ 233,389	\$ 21,504
Courts	53,000	53,000	49,616	3,384
Law library	-	-	40,403	(40,403)
County coordinator	247,185	247,185	255,694	(8,509)
County auditor/treasurer	531,758	531,758	537,026	(5,268)
Motor vehicle	119,768	119,768	115,106	4,662
County assessor	703,466	703,466	684,602	18,864
Elections	5,820	5,820	5,423	397
Accounting and auditing	50,000	50,000	70,661	(20,661)
Data processing	95,636	95,636	80,737	14,899
Central services	208,100	208,100	140,483	67,617
Personnel	92,850	92,850	40,993	51,857
Attorney	695,424	695,424	641,967	53,457
Recorder	328,746	328,746	311,323	17,423
Surveyor	100,000	100,000	57,004	42,996
Buildings and plant	1,051,262	1,051,262	622,898	428,364
Veteran's service officer	102,974	102,974	99,187	3,787
Unallocated	512,500	512,500	420,654	91,846
Total general government	\$ 5,153,382	\$ 5,153,382	\$ 4,407,166	\$ 746,216
Public safety				
Coroner	\$ 51,230	\$ 51,230	\$ 67,486	\$ (16,256)
Health				
Aging grant	\$ 650	\$ 650	\$ 237	\$ 413
Ambulance	130,057	130,057	58,775	71,282
Occupation development center	7,500	7,500	7,500	-
Community health services	-	-	194	(194)
Committee on aging	1,600	1,600	1,600	-
Retired senior program	2,000	2,000	2,000	-
Rural life outreach	1,000	1,000	1,000	-
Total health	\$ 142,807	\$ 142,807	\$ 71,306	\$ 71,501

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 12,500	\$ 12,500	\$ 12,500	\$ -
County fairs	17,500	17,500	17,500	-
Heritage center	6,000	6,000	6,000	-
Mentoring grant	-	-	9,342	(9,342)
Parks	374,400	374,400	78,603	295,797
Humane society	2,000	2,000	3,711	(1,711)
Celebrations	840	840	720	120
Total culture and recreation	\$ 413,240	\$ 413,240	\$ 128,376	\$ 284,864
Conservation of natural resources				
Cooperative extension	\$ 194,062	\$ 194,062	\$ 193,332	\$ 730
Soil and water conservation	76,974	76,974	160,973	(83,999)
Agricultural inspections	63,850	63,850	-	63,850
Ditch inspection	4,122	4,122	8,962	(4,840)
Ag center	2,000	2,000	2,000	-
People connection	3,500	3,500	3,500	-
Water planning	500	500	-	500
Total conservation of natural resources	\$ 345,008	\$ 345,008	\$ 368,767	\$ (23,759)
Economic development				
Red River Valley	\$ 1,600	\$ 1,600	\$ 1,600	\$ -
Tri-Valley Opportunity Council	22,911	22,911	24,851	(1,940)
Housing Rehabilitation Authority	3,075	3,075	3,075	-
Total economic development	\$ 27,586	\$ 27,586	\$ 29,526	\$ (1,940)
Capital outlay				
Capital outlay - public safety	\$ 7,800,000	\$ -	\$ -	\$ -
Capital outlay - culture and recreation	-	-	380,939	(380,939)
Total capital outlay	\$ 7,800,000	\$ -	\$ 380,939	\$ (380,939)
Debt service				
Principal	\$ 242,520	\$ 242,520	\$ 248,087	\$ (5,567)
Interest	\$ 2,000	\$ 2,000	\$ 103,319	\$ (101,319)
Total Expenditures	\$ 14,177,773	\$ 6,377,773	\$ 5,804,972	\$ 572,801

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Excess of Revenues Over (Under) Expenditures	\$ (9,229,852)	\$ (1,429,852)	\$ 2,485,447	\$ 3,915,299
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 1,000,000	\$ 1,000,000
Transfers out	-	-	(662,298)	(662,298)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 337,702	\$ 337,702
Net Change in Fund Balance	\$ (9,229,852)	\$ (1,429,852)	\$ 2,823,149	\$ 4,253,001
Fund Balance - January 1	9,538,640	9,538,640	9,538,640	-
Fund Balance - December 31	\$ 308,788	\$ 8,108,788	\$ 12,361,789	\$ 4,253,001

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,900,000	\$ 1,900,000	\$ 1,751,852	\$ (148,148)
Intergovernmental	11,465,000	11,465,000	12,029,830	564,830
Charges for services	120,000	120,000	371,719	251,719
Miscellaneous	121,000	121,000	62,923	(58,077)
Total Revenues	\$ 13,606,000	\$ 13,606,000	\$ 14,216,324	\$ 610,324
Expenditures				
Current				
Highways and streets				
Administration	\$ 286,477	\$ 286,477	\$ 296,774	\$ (10,297)
Maintenance	2,101,282	2,101,282	2,221,464	(120,182)
Construction	9,002,539	9,002,539	7,130,944	1,871,595
Equipment maintenance and shop	556,702	556,702	926,330	(369,628)
Total highways and streets	\$ 11,947,000	\$ 11,947,000	\$ 10,575,512	\$ 1,371,488
Intergovernmental				
Highways and streets	775,000	775,000	752,096	22,904
Debt service				
Principal	800,000	800,000	800,000	-
Interest	84,000	84,000	61,603	22,397
Total Expenditures	\$ 13,606,000	\$ 13,606,000	\$ 12,189,211	\$ 1,416,789
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 2,027,113	\$ 2,027,113
Fund Balance - January 1	3,252,311	3,252,311	3,252,311	-
Increase (decrease) in reserved for inventories	-	-	4,388	4,388
Fund Balance - December 31	\$ 3,252,311	\$ 3,252,311	\$ 5,283,812	\$ 2,031,501

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,955,111	\$ 3,955,111	\$ 3,516,649	\$ (438,462)
Intergovernmental	8,737,589	8,737,589	9,258,085	520,496
Charges for services	121,729	121,729	127,544	5,815
Gifts and contributions	300	300	12,050	11,750
Interest on investments	375	375	1,037	662
Miscellaneous	742,360	742,360	988,012	245,652
Total Revenues	\$ 13,557,464	\$ 13,557,464	\$ 13,903,377	\$ 345,913
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,997,695	\$ 2,997,695	\$ 3,027,149	\$ (29,454)
Social services	10,559,769	10,559,769	10,687,414	(127,645)
Total Expenditures	\$ 13,557,464	\$ 13,557,464	\$ 13,714,563	\$ (157,099)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 188,814	\$ 188,814
Other Financing Sources (Uses)				
Transfers out	-	-	(1,000,000)	(1,000,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (811,186)	\$ (811,186)
Fund Balance - January 1	\$ 5,670,487	\$ 5,670,487	\$ 5,670,487	\$ -
Prior period adjustment	(292,306)	(292,306)	(292,306)	-
Fund Balance - January 1, as restated	\$ 5,378,181	\$ 5,378,181	\$ 5,378,181	\$ -
Fund Balance - December 31	\$ 5,378,181	\$ 5,378,181	\$ 4,566,995	\$ (811,186)

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 578,320	\$ 578,320	\$ 534,376	\$ (43,944)
Intergovernmental	-	-	1,529	1,529
Interest on investments	-	-	5,009	5,009
Miscellaneous	-	-	3,023	3,023
Total Revenues	\$ 578,320	\$ 578,320	\$ 543,937	\$ (34,383)
Expenditures				
Current				
Conservation of natural resources				
Drainage ditches	-	-	440,925	(440,925)
Excess of Revenues Over (Under) Expenditures	\$ 578,320	\$ 578,320	\$ 103,012	\$ (475,308)
Other Financing Sources (Uses)				
Transfers in	-	-	59,351	59,351
Net Change in Fund Balance	\$ 578,320	\$ 578,320	\$ 162,363	\$ (415,957)
Fund Balance - January 1	1,677,057	1,677,057	1,677,057	-
Fund Balance - December 31	\$ 2,255,377	\$ 2,255,377	\$ 1,839,420	\$ (415,957)

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
PUBLIC SAFETY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,792,907	\$ 3,792,907	\$ 3,400,984	\$ (391,923)
Intergovernmental	155,745	155,745	876,963	721,218
Charges for services	52,000	52,000	64,297	12,297
Interest on investments	-	-	3,665	3,665
Miscellaneous	380,631	380,631	452,593	71,962
Total Revenues	\$ 4,381,283	\$ 4,381,283	\$ 4,798,502	\$ 417,219
Expenditures				
Current				
Public safety				
Sheriff	\$ 2,187,427	\$ 2,187,427	\$ 2,086,483	\$ 100,944
Narcotics task force	-	-	20,031	(20,031)
Body armor	-	-	3,679	(3,679)
Safe & sober	848	848	-	848
DWI	-	-	15,575	(15,575)
Boat and water safety	20,083	20,083	13,875	6,208
Emergency services	558,510	558,510	458,069	100,441
Homeland security	-	-	135,087	(135,087)
E-911 system	-	-	47,621	(47,621)
Community corrections	1,649,023	1,649,023	1,649,023	-
DARE program	7,500	7,500	10,185	(2,685)
Civil defense	-	-	176	(176)
Total Expenditures	\$ 4,423,391	\$ 4,423,391	\$ 4,439,804	\$ (16,413)
Excess of Revenues Over (Under) Expenditures	\$ (42,108)	\$ (42,108)	\$ 358,698	\$ 400,806
Other Financing Sources (Uses)				
Transfers in	42,108	42,108	-	(42,108)
Net Change in Fund Balance	\$ -	\$ -	\$ 358,698	\$ 358,698
Fund Balance - January 1	1,952,079	1,952,079	1,952,079	-
Fund Balance - December 31	\$ 1,952,079	\$ 1,952,079	\$ 2,310,777	\$ 358,698

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**POLK COUNTY
CROOKSTON, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund. All annual appropriations lapse at fiscal year-end. The County adopted only a tax levy for the Ditch Special Revenue Fund.

On or before mid-July or August of each year, all departments and agencies submit requests for budget appropriations to the County Coordinator so that a budget can be prepared. Before September 15, the proposed budget is presented to the County Board for review. The Board continues to refine the budget, holds departmental budget meetings, 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 head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made supplemental budgetary amendments throughout the governmental funds.

Encumbrances (for example, purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Budget

The following is a summary of individual funds, which had expenditures in excess of budget for the year ended December 31, 2005.

	Expenditures	Final Budget	Excess
Special Revenue Funds			
Human Services	\$ 13,714,563	\$ 13,557,464	\$ 157,099
Ditch	440,925	-	440,925
Public Safety	4,439,804	4,423,391	16,413

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SUPPLEMENTARY INFORMATION

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NONMAJOR GOVERNMENTAL FUNDS

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**POLK COUNTY
CROOKSTON, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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.

Forfeited Tax Sale - to account for the proceeds from the sale or rental of lands forfeited to the State of Minnesota. The net proceeds, after deducting allowable expenses, are apportioned to various County funds and taxing districts.

Public Health - to account for providing 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 accumulation of resources and the payment of principal and interest of general obligation improvement bonds for the Rhinehart road project.

Union Lake/Lake Sarah - to account for the accumulation of resources and the payment of principal and interest of general obligation improvement bonds for the Union Lake/Lake Sarah project.

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**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue (Statement B-1)	Debt Service (Statement C-1)	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 2,104,525	\$ 62,129	\$ 2,166,654
Petty cash and change funds	190	-	190
Undistributed cash in agency funds	87,080	3,611	90,691
Investments	-	125,071	125,071
Taxes receivable			
Current	3,753	-	3,753
Prior	2,769	-	2,769
Special assessments receivable			
Current	70,614	2,841	73,455
Prior	85,401	1,959	87,360
Deferred	-	537,053	537,053
Accounts receivable	83,626	-	83,626
Due from other funds	538	-	538
Due from other governments	167,754	-	167,754
	\$ 2,606,250	\$ 732,664	\$ 3,338,914
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 73,750	\$ -	\$ 73,750
Salaries payable	15,791	-	15,791
Due to other funds	65,523	-	65,523
Due to other governments	27,938	-	27,938
Deferred revenue - unavailable	223,246	539,744	762,990
	\$ 406,248	\$ 539,744	\$ 945,992
Fund Balances			
Unreserved			
Designated for debt service	\$ -	\$ 192,920	\$ 192,920
Undesignated	2,200,002	-	2,200,002
	\$ 2,200,002	\$ 192,920	\$ 2,392,922
	\$ 2,606,250	\$ 732,664	\$ 3,338,914

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Special Revenue (Statement B-2)	Debt Service (Statement C-2)	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues			
Taxes	\$ 706,624	\$ -	\$ 706,624
Special assessments	1,299,740	80,410	1,380,150
Licenses and permits	37,764	-	37,764
Intergovernmental	668,166	-	668,166
Charges for services	519,299	-	519,299
Investment earnings	-	2,923	2,923
Miscellaneous	271,658	-	271,658
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Total Revenues	\$ 3,503,251	\$ 83,333	\$ 3,586,584
Expenditures			
Current			
General government	\$ 132,340	\$ -	\$ 132,340
Sanitation	1,462,398	-	1,462,398
Health	1,435,054	-	1,435,054
Culture and recreation	180,381	-	180,381
Conservation of natural resources	32,043	-	32,043
Debt service			
Principal	-	44,000	44,000
Interest	-	31,713	31,713
	<hr/>	<hr/>	<hr/>
Total Expenditures	\$ 3,242,216	\$ 75,713	\$ 3,317,929
Excess of Revenues Over (Under) Expenditures	\$ 261,035	\$ 7,620	\$ 268,655
Fund Balance - January 1	1,938,967	185,300	2,124,267
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Fund Balance - December 31	\$ 2,200,002	\$ 192,920	\$ 2,392,922
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**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
DECEMBER 31, 2005**

	Agassiz Regional Library	Environmental Services	Forfeited Tax	Public Health	Total (Statement A-1)
<u>Assets</u>					
Cash and pooled investments	\$ 70,233	\$ 930,939	\$ 16,880	\$ 1,086,473	\$ 2,104,525
Petty cash and change funds	-	40	-	150	190
Undistributed cash in agency funds	4,744	71,919	-	10,417	87,080
Taxes receivable					
Current	3,753	-	-	-	3,753
Prior	2,708	61	-	-	2,769
Special assessments receivable					
Current	-	70,614	-	-	70,614
Prior	-	85,401	-	-	85,401
Accounts receivable	-	49,236	-	34,390	83,626
Due from other funds	-	538	-	-	538
Due from other governments	-	520	-	167,234	167,754
	\$ 81,438	\$ 1,209,268	\$ 16,880	\$ 1,298,664	\$ 2,606,250
 <u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ -	\$ 63,487	\$ -	\$ 10,263	\$ 73,750
Salaries payable	-	6,459	-	9,332	15,791
Due to other funds	-	55,199	7,611	2,713	65,523
Due to other governments	-	18,624	9,269	45	27,938
Deferred revenue - unavailable	4,641	128,400	-	90,205	223,246
	\$ 4,641	\$ 272,169	\$ 16,880	\$ 112,558	\$ 406,248
 Fund Balance					
Unreserved					
Undesignated	76,797	937,099	-	1,186,106	2,200,002
	\$ 81,438	\$ 1,209,268	\$ 16,880	\$ 1,298,664	\$ 2,606,250

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Agassiz Regional Library	Environmental Services	Forfeited Tax	Public Health	Total (Statement A-2)
Revenues					
Taxes	\$ 166,159	\$ 115,409	\$ -	\$ 425,056	\$ 706,624
Special assessments	-	1,299,740	-	-	1,299,740
Licenses and permits	-	37,764	-	-	37,764
Intergovernmental	14,600	90,309	-	563,257	668,166
Charges for services	-	31,678	-	487,621	519,299
Miscellaneous	-	93,130	130,599	47,929	271,658
Total Revenues	\$ 180,759	\$ 1,668,030	\$ 130,599	\$ 1,523,863	\$ 3,503,251
Expenditures					
Current					
General government	\$ -	\$ 132,340	\$ -	\$ -	\$ 132,340
Sanitation	-	1,462,398	-	-	1,462,398
Health	-	-	-	1,435,054	1,435,054
Culture and recreation	180,381	-	-	-	180,381
Conservation of natural resources	-	-	32,043	-	32,043
Total Expenditures	\$ 180,381	\$ 1,594,738	\$ 32,043	\$ 1,435,054	\$ 3,242,216
Excess of Revenues Over (Under) Expenditures	\$ 378	\$ 73,292	\$ 98,556	\$ 88,809	\$ 261,035
Fund Balance - January 1	76,419	863,807	(98,556)	1,097,297	1,938,967
Fund Balance - December 31	\$ 76,797	\$ 937,099	\$ -	\$ 1,186,106	\$ 2,200,002

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement C-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Rhinehart Project	Union Lake/ Lake Sarah	Total (Statement A-1)
<u>Assets</u>			
Cash and pooled investments	\$ 37,488	\$ 24,641	\$ 62,129
Undistributed cash in agency funds	2,762	849	3,611
Investments	-	125,071	125,071
Special assessments receivable			
Current	517	2,324	2,841
Prior	-	1,959	1,959
Deferred	145,792	391,261	537,053
Total Assets	\$ 186,559	\$ 546,105	\$ 732,664
 <u>Liabilities and Fund Balance</u>			
Liabilities			
Deferred revenue - unavailable	\$ 145,792	\$ 393,952	\$ 539,744
Fund Balance			
Unreserved			
Designated for debt service	40,767	152,153	192,920
Total Liabilities and Fund Balance	\$ 186,559	\$ 546,105	\$ 732,664

**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Rhinehart Project	Union Lake/ Lake Sarah	Total (Statement A-2)
Revenues			
Special assessments	\$ 22,196	\$ 58,214	\$ 80,410
Investment earnings	-	2,923	2,923
	\$ 22,196	\$ 61,137	\$ 83,333
Expenditures			
Debt service			
Principal	\$ 14,000	\$ 30,000	\$ 44,000
Interest	6,743	24,970	31,713
	\$ 20,743	\$ 54,970	\$ 75,713
Excess of Revenues Over (Under) Expenditures	\$ 1,453	\$ 6,167	\$ 7,620
Fund Balance - January 1	39,314	145,986	185,300
Fund Balance - December 31	\$ 40,767	\$ 152,153	\$ 192,920

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
JAIL/OFFICE CAPITAL PROJECT FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest on investments	\$ -	\$ -	\$ 213,180	\$ 213,180
Expenditures				
Capital outlay				
Capital outlay - general government	\$ -	\$ 2,106,000	\$ 754,494	\$ 1,351,506
Capital outlay - public safety	-	5,694,000	2,121,405	3,572,595
Total capital outlay	\$ -	\$ 7,800,000	\$ 2,875,899	\$ 4,924,101
Debt service				
Bond issuance costs	-	-	192,612	(192,612)
Total Expenditures	\$ -	\$ 7,800,000	\$ 3,068,511	\$ 4,731,489
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (7,800,000)	\$ (2,855,331)	\$ 4,944,669
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 602,947	\$ 602,947
Bonds issued	-	-	17,500,000	17,500,000
Premium on debt issued	-	-	132,275	132,275
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 18,235,222	\$ 18,235,222
Net Change in Fund Balance	\$ -	\$ (7,800,000)	\$ 15,379,891	\$ 23,179,891
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	\$ -	\$ (7,800,000)	\$ 15,379,891	\$ 23,179,891

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
AGASSIZ REGIONAL LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 180,381	\$ 180,381	\$ 166,159	\$ (14,222)
Intergovernmental	-	-	14,600	14,600
Total Revenues	\$ 180,381	\$ 180,381	\$ 180,759	\$ 378
Expenditures				
Current				
Culture and recreation				
Regional library	180,381	180,381	180,381	-
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 378	\$ 378
Fund Balance - January 1	76,419	76,419	76,419	-
Fund Balance - December 31	\$ 76,419	\$ 76,419	\$ 76,797	\$ 378

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
ENVIRONMENTAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 129,932	\$ 129,932	\$ 115,409	\$ (14,523)
Special assessments	1,297,000	1,297,000	1,299,740	2,740
Licenses and permits	31,400	31,400	37,764	6,364
Intergovernmental	77,500	77,500	90,309	12,809
Charges for services	30,000	30,000	31,678	1,678
Miscellaneous	45,638	45,638	93,130	47,492
Total Revenues	\$ 1,611,470	\$ 1,611,470	\$ 1,668,030	\$ 56,560
Expenditures				
Current				
General government				
Planning and zoning	\$ 130,882	\$ 130,882	\$ 132,340	\$ (1,458)
Sanitation				
Solid waste	\$ 883,926	\$ 883,926	\$ 875,247	\$ 8,679
Recycling	263,905	263,905	320,058	(56,153)
Hazardous waste	48,479	48,479	43,324	5,155
Transfer station	250,111	250,111	223,769	26,342
Total sanitation	\$ 1,446,421	\$ 1,446,421	\$ 1,462,398	\$ (15,977)
Total Expenditures	\$ 1,577,303	\$ 1,577,303	\$ 1,594,738	\$ (17,435)
Excess of Revenues Over (Under) Expenditures	\$ 34,167	\$ 34,167	\$ 73,292	\$ 39,125
Fund Balance - January 1	863,807	863,807	863,807	-
Fund Balance - December 31	\$ 897,974	\$ 897,974	\$ 937,099	\$ 39,125

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
PUBLIC HEALTH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 478,550	\$ 478,550	\$ 425,056	\$ (53,494)
Intergovernmental	518,571	518,571	563,257	44,686
Charges for services	535,641	535,641	487,621	(48,020)
Miscellaneous	33,884	33,884	47,929	14,045
Total Revenues	\$ 1,566,646	\$ 1,566,646	\$ 1,523,863	\$ (42,783)
Expenditures				
Current				
Health				
Nursing service	1,529,876	1,529,876	1,435,054	94,822
Excess of Revenues Over (Under)				
Expenditures	\$ 36,770	\$ 36,770	\$ 88,809	\$ 52,039
Fund Balance - January 1	1,097,297	1,097,297	1,097,297	-
Fund Balance - December 31	\$ 1,134,067	\$ 1,134,067	\$ 1,186,106	\$ 52,039

FIDUCIARY FUNDS

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**POLK COUNTY
CROOKSTON, MINNESOTA**

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-Marshall Family Service Collaborative - to account for the receipt and payment of state, local, and federal grants and membership contributions for the Collaborative.

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**POLK COUNTY
CROOKSTON, MINNESOTA**

Statement D-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>AGENCY</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 693,531	\$ 33,926,788	\$ 34,123,064	\$ 497,255
Accounts receivable	23,434	18,743	23,434	18,743
Due from other funds	100	-	100	-
Due from other governments	3,758	835	3,758	835
Total Assets	<u>\$ 720,823</u>	<u>\$ 33,946,366</u>	<u>\$ 34,150,356</u>	<u>\$ 516,833</u>
<u>Liabilities</u>				
Accounts payable	\$ 16,565	\$ 108,549	\$ 117,084	\$ 8,030
Due to other funds	-	21,819	21,819	-
Due to other governments	684,664	33,751,334	33,945,310	490,688
Funds held in trust	19,594	64,664	66,143	18,115
Total Liabilities	<u>\$ 720,823</u>	<u>\$ 33,946,366</u>	<u>\$ 34,150,356</u>	<u>\$ 516,833</u>
 <u>POLK COUNTY COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,171,189	\$ 1,116,768	\$ 499,907	\$ 1,788,050
Accounts receivable	1,945	5,093	1,945	5,093
Total Assets	<u>\$ 1,173,134</u>	<u>\$ 1,121,861</u>	<u>\$ 501,852</u>	<u>\$ 1,793,143</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 1,173,134</u>	<u>\$ 1,121,861</u>	<u>\$ 501,852</u>	<u>\$ 1,793,143</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Statement D-1
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,864,720	\$ 35,043,556	\$ 34,622,971	\$ 2,285,305
Accounts receivable	25,379	23,836	25,379	23,836
Due from other funds	100	-	100	-
Due from other governments	3,758	835	3,758	835
Total Assets	<u>\$ 1,893,957</u>	<u>\$ 35,068,227</u>	<u>\$ 34,652,208</u>	<u>\$ 2,309,976</u>
<u>Liabilities</u>				
Accounts payable	\$ 16,565	\$ 108,549	\$ 117,084	\$ 8,030
Due to other funds	-	21,819	21,819	-
Due to other governments	1,857,798	34,873,195	34,447,162	2,283,831
Funds held in trust	19,594	64,664	66,143	18,115
Total Liabilities	<u>\$ 1,893,957</u>	<u>\$ 35,068,227</u>	<u>\$ 34,652,208</u>	<u>\$ 2,309,976</u>

OTHER SCHEDULES

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 10

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2005**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Cash and Pooled Investments			
Non-interest-bearing checking (2)	N/A	Continuous	\$ 340,419
Interest-bearing checking (5)	0.15 to 1.75	Continuous	2,229,673
Certificates of deposit (9)	2.05 to 3.65	January 14, 2006 to October 27, 2006	1,475,000
Brokerage certificates of deposit (104)	3.33 to 5.15	January 20, 2006 to October 1, 2007	9,972,000
Repurchase agreements-checking (2)	Variable	Continuous	5,977,523
Repurchase agreements-savings (4)	2.55 to 4.61	May 28, 2006 to November 28, 2006	1,000,000
Minnesota Association of Governments Investing for Counties (MAGIC) Fund (2)	Variable	Continuous	<u>9,892,889</u>
Total cash and pooled investments			<u>\$ 30,887,504</u>
Fund Investments			
General Fund			
Money market savings (Law Library)	3.92	Continuous	\$ 195,364
Money market savings (Missing Heirs)	0.25	Continuous	<u>1,727</u>
Total General Fund			<u>\$ 197,091</u>
Special Revenue Funds			
Ditch			
Certificate of deposit	4.10	September 6, 2006	\$ 165,000
Public Safety			
Money market savings	3.92	Continuous	<u>117,217</u>
Total special revenue funds			<u>\$ 282,217</u>
Capital Project Fund			
FNMA	4.31 to 4.49	June 19, 2006 to July 15, 2007	\$ 4,125,936
FHLMC	4.07 to 4.52	January 17, 2006 to August 17, 2007	8,997,604
FHLB	4.48 to 4.51	November 15, 2006 to June 8, 2007	2,292,681
MAGIC Fund	Variable	Continuous	<u>411,333</u>
Total capital project fund			<u>\$ 15,827,554</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

***Schedule 10
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2005**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Debt Service Funds			
Ditch			
Escrow account	Variable	Continuous	\$ 901,949
Union Lake/Lake Sarah			
Money market savings	3.92	Continuous	<u>125,071</u>
Total debt service funds			<u>\$ 1,027,020</u>
Enterprise Funds			
Restricted			
Landfill			
Brokerage certificates of deposit (10)	3.50 to 4.24	January 20, 2006 to August 16, 2006	\$ 965,000
MAGIC Fund	Variable	Continuous	<u>57,398</u>
Total landfill			<u>\$ 1,022,398</u>
Total fund investments			<u>\$ 18,356,280</u>
Total Deposits and Investments			<u>\$ 49,243,784</u>

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
County Ditches				
1	\$ 32,376	\$ 82	\$ -	\$ -
2	56,090	-	-	-
6	8,160	-	-	-
7	23,078	-	-	-
9	18,741	-	-	-
10	2,912	7	-	-
11	857	-	-	-
12	-	-	-	-
13	1,478	7	-	-
14	18,055	201	-	-
15	9,832	-	-	-
16	11,873	-	-	-
19	4,237	642	-	-
20	14,808	97	-	-
23	15,335	-	-	-
24	5,936	210	-	-
25	13,647	-	-	-
26	12,722	-	-	-
27	20,342	220	-	-
28	2,009	39	-	-
31 Improvement	1,338	-	-	-
30	-	1,185	-	-
31	7,250	119	-	-
32	30,173	-	-	-
33	15	43	-	-
34	21,854	106	-	-
35	37,677	-	-	-
36	12,303	38	-	-
37 Improvement	60,139	-	-	-
37	60,568	1,976	-	-
38 Improvement	86,049	-	-	-
38	82,370	1,827	-	-
39	-	1,368	-	-
40	20,885	268	-	-
41	27,417	-	-	-
42	15,303	-	-	-
43	5,315	134	-	-
44	865	422	-	-
45	6,893	-	-	-
46	23,786	56	-	-
47	1,816	-	-	-
48	13,458	96	-	-
49	8,055	-	-	-
50	3,125	51	-	-
51	6,229	53	-	-

Schedule 11

Assets									
Special Assessments Receivable		Accrued Interest Receivable		Due from Other Governments		Due from Other Ditches		Total	
Delinquent	Deferred								
\$ 27	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,485	
170	-	-	-	-	-	-	-	56,260	
-	-	-	-	-	-	-	-	8,160	
16	-	-	-	-	-	-	-	23,094	
-	-	-	-	-	-	-	-	18,741	
13	701	-	-	-	-	-	-	3,633	
-	-	-	-	-	-	-	-	857	
-	100	-	-	-	-	-	-	100	
-	1,250	-	-	-	-	-	-	2,735	
-	-	-	-	-	-	-	-	18,256	
-	-	-	-	-	-	-	-	9,832	
-	-	-	-	-	-	-	-	11,873	
208	19,204	-	-	-	-	1,445	-	25,736	
20	-	-	-	-	-	-	-	14,925	
-	-	-	-	-	-	-	-	15,335	
-	4,900	-	-	-	-	-	-	11,046	
-	5,400	-	-	-	-	-	-	19,047	
-	-	-	-	-	-	-	-	12,722	
-	-	-	-	-	-	-	-	20,562	
-	2,001	-	-	-	-	-	-	4,049	
-	-	-	-	-	-	-	-	1,338	
-	17,333	-	-	-	-	-	-	18,518	
-	4,800	-	-	-	-	-	-	12,169	
-	-	-	-	-	-	-	-	30,173	
-	-	-	-	-	-	-	-	58	
-	-	-	-	-	-	-	-	21,960	
97	-	-	-	-	-	-	-	37,774	
2,774	5,350	-	-	-	-	-	-	20,465	
-	-	-	-	-	-	-	-	60,139	
4,479	134,992	-	-	-	-	-	-	202,015	
493	-	-	-	-	-	-	-	86,542	
3,194	213,020	-	-	-	-	-	-	300,411	
9,957	49,776	-	-	-	-	-	-	61,101	
447	-	-	-	-	-	-	-	21,600	
-	-	-	-	-	-	-	-	27,417	
36	-	-	-	-	-	-	-	15,339	
-	4,072	-	-	-	-	-	378	9,899	
1	1,150	-	-	-	-	-	-	2,438	
91	2,500	-	-	-	-	-	-	9,484	
991	8,651	-	-	-	-	-	-	33,484	
-	-	-	-	-	-	-	-	1,816	
513	4,875	-	-	-	-	-	-	18,942	
-	-	-	-	-	-	-	-	8,055	
3	1,801	-	-	-	-	-	-	4,980	
242	2,000	-	-	-	-	-	-	8,524	

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Liabilities			
	Accounts Payable	Due to Other Governments	Deferred Revenue	Advance from Other Funds
County Ditches				
1	\$ 300	\$ -	\$ 3	\$ -
2	-	-	170	-
6	-	-	-	-
7	-	-	16	-
9	-	-	-	-
10	460	-	714	-
11	-	-	-	-
12	-	-	100	120
13	280	-	1,250	-
14	200	-	-	-
15	211	-	-	-
16	-	-	-	-
19	21,455	-	19,412	-
20	837	-	20	-
23	-	-	-	-
24	-	-	4,900	-
25	-	-	5,400	-
26	966	-	-	-
27	-	-	-	-
28	893	-	2,001	-
31 Improvement	-	-	-	-
30	-	-	17,333	8,156
31	-	-	4,800	-
32	-	-	-	-
33	-	-	-	-
34	-	-	-	-
35	-	-	97	-
36	150	-	8,050	-
37 Improvement	-	-	-	-
37	-	-	139,471	-
38 Improvement	-	-	493	-
38	-	-	216,213	-
39	-	-	59,575	36,902
40	-	-	383	-
41	-	-	-	-
42	-	-	36	-
43	-	-	4,072	-
44	-	-	1,152	-
45	557	-	2,500	-
46	2,227	-	9,505	-
47	-	-	-	-
48	-	-	5,382	-
49	-	-	-	-
50	598	-	1,801	-
51	-	-	2,242	-

Schedule 11
(Continued)

	Fund Balances				Total Liabilities and Fund Balances
	Due to Other Ditches	Total	Designated for Debt Service	Undesignated	
\$ -	\$ 303	\$ -	\$ 32,182	\$ 32,182	\$ 32,485
-	170	-	56,090	56,090	56,260
-	-	-	8,160	8,160	8,160
-	16	-	23,078	23,078	23,094
-	-	-	18,741	18,741	18,741
-	1,174	-	2,459	2,459	3,633
-	-	-	857	857	857
-	220	-	(120)	(120)	100
-	1,530	-	1,205	1,205	2,735
-	200	-	18,056	18,056	18,256
-	211	-	9,621	9,621	9,832
-	-	-	11,873	11,873	11,873
-	40,867	-	(15,131)	(15,131)	25,736
-	857	-	14,068	14,068	14,925
-	-	-	15,335	15,335	15,335
-	4,900	-	6,146	6,146	11,046
-	5,400	-	13,647	13,647	19,047
-	966	-	11,756	11,756	12,722
-	-	-	20,562	20,562	20,562
-	2,894	-	1,155	1,155	4,049
-	-	-	1,338	1,338	1,338
-	25,489	-	(6,971)	(6,971)	18,518
-	4,800	-	7,369	7,369	12,169
-	-	-	30,173	30,173	30,173
-	-	-	58	58	58
-	-	-	21,960	21,960	21,960
-	97	-	37,677	37,677	37,774
-	8,200	-	12,265	12,265	20,465
-	-	-	60,139	60,139	60,139
-	139,471	62,544	-	62,544	202,015
-	493	-	86,049	86,049	86,542
-	216,213	84,198	-	84,198	300,411
-	96,477	-	(35,376)	(35,376)	61,101
-	383	-	21,217	21,217	21,600
-	-	-	27,417	27,417	27,417
-	36	-	15,303	15,303	15,339
3,794	7,866	-	2,033	2,033	9,899
3,712	4,864	-	(2,426)	(2,426)	2,438
-	3,057	-	6,427	6,427	9,484
-	11,732	-	21,752	21,752	33,484
-	-	-	1,816	1,816	1,816
-	5,382	-	13,560	13,560	18,942
-	-	-	8,055	8,055	8,055
-	2,399	-	2,581	2,581	4,980
-	2,242	-	6,282	6,282	8,524

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
County Ditches (Continued)				
52	3,550	-	-	-
53	7,132	120	-	-
54	5,385	101	-	-
55	13,650	22	-	-
56	2,150	27	-	-
57	7,486	-	-	-
58	2,544	7	-	-
59	23,050	452	-	-
61	-	-	-	-
62	8,204	-	-	-
63	6,006	-	-	-
64	8,245	-	-	-
65	12,331	179	-	-
66	40,323	-	-	-
67	4,292	7	-	-
68	5,465	67	-	-
69	6,902	-	-	-
70	5,757	-	-	-
79 and 12	4,307	-	-	-
72	22,750	177	-	-
73	38,333	(15)	-	-
74	2,248	1	-	-
75	2,391	-	-	-
77	13,381	344	-	-
78	3,772	-	-	-
79	-	-	-	-
80	7,755	-	-	-
81	28,046	685	-	-
82	6,671	-	-	-
83	2,643	-	-	-
84	11,111	5	-	-
85	5,553	114	-	-
86	7,666	-	-	-
87	-	-	-	-
88	9,573	79	-	-
89	18,533	-	-	-
90	19,740	82	-	-
91	18,762	32	-	-
92	6,222	147	-	-
93	1,312	17	-	-
94	-	-	-	-
95	10,076	-	-	-
96	2,780	23	-	-

Schedule 11
(Continued)

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable Delinquent	Deferred				
-	-	-	-	-	3,550
144	7,200	-	-	800	15,396
-	-	-	-	-	5,486
76	5,050	-	-	-	18,798
111	1,000	-	-	-	3,288
-	-	-	-	-	7,486
21	1,350	-	-	-	3,922
164	-	-	-	-	23,666
-	250	-	-	-	250
-	-	-	-	-	8,204
-	-	-	-	-	6,006
-	-	-	-	-	8,245
42	-	-	-	-	12,552
-	-	-	-	-	40,323
438	-	-	-	-	4,737
49	-	-	-	-	5,581
-	2,500	-	-	-	9,402
-	-	-	-	-	5,757
-	-	-	-	-	4,307
687	-	-	-	-	23,614
218	-	-	-	-	38,536
-	1,250	-	-	-	3,499
-	-	-	-	-	2,391
344	4,250	-	-	-	18,319
-	-	-	-	-	3,772
8	599	-	-	-	607
11	-	-	-	-	7,766
1,906	-	-	-	-	30,637
-	-	-	-	-	6,671
87	2,100	-	-	-	4,830
7	-	-	-	-	11,123
15	1,733	-	-	-	7,415
-	-	-	-	-	7,666
-	2,900	-	-	-	2,900
-	-	-	-	-	9,652
-	3,900	-	-	-	22,433
-	5,350	-	-	-	25,172
1,059	5,350	-	-	-	25,203
-	2,200	-	-	-	8,569
74	4,250	-	-	-	5,653
-	1,250	-	-	-	1,250
-	-	-	-	-	10,076
68	1,000	-	-	-	3,871

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Liabilities			
	Accounts Payable	Due to Other Governments	Deferred Revenue	Advance from Other Funds
County Ditches (Continued)				
52	-	-	-	-
53	1,259	-	7,256	-
54	-	-	-	-
55	-	-	5,126	-
56	-	-	1,108	-
57	-	-	-	-
58	-	-	1,360	-
59	-	-	164	-
61	-	-	250	218
62	-	-	-	-
63	-	-	-	-
64	347	-	-	-
65	358	-	24	-
66	-	-	-	-
67	-	-	438	-
68	-	-	-	-
69	869	-	2,500	-
70	-	-	-	-
79 and 12	-	-	-	699
72	2,084	-	436	-
73	2,107	-	120	-
74	649	-	1,250	-
75	-	-	-	-
77	2,650	-	4,590	-
78	153	-	-	-
79	200	-	608	-
80	-	-	11	-
81	3,300	-	1,753	-
82	-	-	-	-
83	-	-	2,172	-
84	-	-	7	-
85	-	-	1,744	-
86	828	-	-	-
87	-	-	2,900	2,310
88	-	-	-	-
89	-	-	3,900	-
90	1,959	-	5,350	-
91	-	-	6,408	-
92	-	-	2,200	-
93	1,894	-	4,250	-
94	682	-	1,250	534
95	705	-	-	-
96	404	-	1,000	-

Schedule 11
(Continued)

Due to Other Ditches	Fund Balances				Total Liabilities and Fund Balances
	Total	Designated for Debt Service	Undesignated	Total	
-	-	-	3,550	3,550	3,550
-	8,515	-	6,881	6,881	15,396
-	-	-	5,486	5,486	5,486
-	5,126	-	13,672	13,672	18,798
-	1,108	-	2,180	2,180	3,288
-	-	-	7,486	7,486	7,486
-	1,360	-	2,562	2,562	3,922
-	164	-	23,502	23,502	23,666
-	468	-	(218)	(218)	250
-	-	-	8,204	8,204	8,204
-	-	-	6,006	6,006	6,006
-	347	-	7,898	7,898	8,245
-	382	-	12,170	12,170	12,552
-	-	-	40,323	40,323	40,323
-	438	-	4,299	4,299	4,737
-	-	-	5,581	5,581	5,581
-	3,369	-	6,033	6,033	9,402
-	-	-	5,757	5,757	5,757
-	699	-	3,608	3,608	4,307
-	2,520	-	21,094	21,094	23,614
-	2,227	-	36,309	36,309	38,536
-	1,899	-	1,600	1,600	3,499
-	-	-	2,391	2,391	2,391
-	7,240	-	11,079	11,079	18,319
-	153	-	3,619	3,619	3,772
-	808	-	(201)	(201)	607
-	11	-	7,755	7,755	7,766
-	5,053	-	25,584	25,584	30,637
-	-	-	6,671	6,671	6,671
-	2,172	-	2,658	2,658	4,830
-	7	-	11,116	11,116	11,123
-	1,744	-	5,671	5,671	7,415
-	828	-	6,838	6,838	7,666
-	5,210	-	(2,310)	(2,310)	2,900
-	-	-	9,652	9,652	9,652
-	3,900	-	18,533	18,533	22,433
-	7,309	-	17,863	17,863	25,172
-	6,408	-	18,795	18,795	25,203
-	2,200	-	6,369	6,369	8,569
-	6,144	-	(491)	(491)	5,653
-	2,466	-	(1,216)	(1,216)	1,250
-	705	-	9,371	9,371	10,076
-	1,404	-	2,467	2,467	3,871

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
County Ditches (Continued)				
98	5,886	-	-	-
99	5,479	32	-	-
100	4,050	-	-	-
103 Improvement of outlet	2,664	-	-	-
103	4,568	522	-	-
104	-	-	-	-
106	5,902	-	-	-
106 Branch 1	9,522	-	-	-
107	-	-	-	-
108	1,824	178	-	-
109	38,186	-	-	-
109 Improvement	7,923	-	-	-
110	3,149	86	-	-
111	14,859	391	-	-
112	4,768	-	-	-
113	4,635	274	-	-
115	-	304	-	-
116	12,028	-	-	-
117	13,269	32	-	-
118	4,449	-	-	-
119	30,311	-	-	-
120	2,985	-	-	-
121	1,227	28	-	-
122	615	-	-	-
123	1,644	59	-	-
124	7,497	-	-	-
125	7,654	-	-	-
126	31,169	-	-	-
129	5,011	-	-	-
130	223	-	-	-
131	3,360	30	-	-
132	664	-	-	-
134	7,004	-	-	-
135	5,934	5	-	-
136	32,035	-	-	-
139	5,616	-	-	-
140	68,114	-	-	-
142	4,986	-	-	-
143	14,235	-	-	-
144	17,250	-	-	-
146	2,580	28	-	-
147	-	-	-	-

Schedule 11
(Continued)

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable Delinquent	Deferred				
-	-	-	-	-	5,886
-	1,800	-	-	-	7,311
-	1,100	-	-	-	5,150
-	-	-	-	-	2,664
180	3,450	-	-	-	8,720
-	50	-	-	-	50
-	-	-	-	-	5,902
-	-	-	-	-	9,522
-	-	-	-	-	-
14	1,250	-	-	-	3,266
-	-	-	-	-	38,186
-	-	-	-	-	7,923
51	1,500	-	-	-	4,786
31	-	-	-	-	15,281
-	-	-	-	-	4,768
67	1,700	-	-	-	6,676
8,685	-	-	-	-	8,989
12	-	-	-	-	12,040
-	-	-	-	-	13,301
-	2,500	-	-	-	6,949
-	-	-	-	-	30,311
-	-	-	-	-	2,985
-	414	-	-	-	1,669
145	1,500	-	-	-	2,260
4,890	-	-	-	-	6,593
-	-	-	-	-	7,497
-	-	-	-	-	7,654
280	-	-	-	-	31,449
-	-	-	-	-	5,011
-	-	-	-	-	223
13	1,850	-	-	-	5,253
266	2,000	-	-	-	2,930
-	-	-	-	-	7,004
14	-	-	-	-	5,953
-	-	-	-	-	32,035
-	-	-	-	-	5,616
-	-	-	-	-	68,114
4	-	-	-	-	4,990
-	-	-	-	-	14,235
-	-	-	-	-	17,250
-	975	-	-	-	3,583
-	1,500	-	-	-	1,500

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Liabilities			
	Accounts Payable	Due to Other Governments	Deferred Revenue	Advance from Other Funds
County Ditches (Continued)				
98	-	-	-	-
99	-	-	1,800	-
100	613	-	1,100	-
103 Improvement of outlet	-	-	-	-
103	290	-	3,630	-
104	-	-	50	30
106	-	-	-	-
106 Branch 1	-	-	-	-
107	-	-	-	6,919
108	207	-	1,264	-
109	-	-	-	-
109 Improvement	-	-	-	-
110	594	-	1,551	-
111	-	-	-	-
112	319	-	-	-
113	-	-	1,700	-
115	-	-	8,685	121
116	463	-	12	-
117	6,846	-	-	-
118	875	-	2,500	-
119	-	-	-	-
120	450	-	-	-
121	-	-	414	-
122	-	-	1,645	-
123	-	-	4,890	-
124	-	-	-	-
125	-	-	-	-
126	-	-	280	-
129	200	-	-	-
130	-	-	-	-
131	160	-	1,863	-
132	-	-	2,266	-
134	-	-	-	-
135	587	-	14	-
136	1,440	-	-	-
139	680	-	-	-
140	2,974	-	-	-
142	-	-	4	-
143	231	-	-	-
144	936	-	-	-
146	94	-	975	-
147	-	-	1,500	431

Schedule 11
(Continued)

Due to Other Ditches	Fund Balances				Total Liabilities and Fund Balances
	Total	Designated for Debt Service	Undesignated	Total	
-	-	-	5,886	5,886	5,886
-	1,800	-	5,511	5,511	7,311
-	1,713	-	3,437	3,437	5,150
-	-	-	2,664	2,664	2,664
1,626	5,546	-	3,174	3,174	8,720
-	80	-	(30)	(30)	50
-	-	-	5,902	5,902	5,902
-	-	-	9,522	9,522	9,522
313	7,232	-	(7,232)	(7,232)	-
-	1,471	-	1,795	1,795	3,266
-	-	-	38,186	38,186	38,186
-	-	-	7,923	7,923	7,923
-	2,145	-	2,641	2,641	4,786
-	-	-	15,281	15,281	15,281
-	319	-	4,449	4,449	4,768
-	1,700	-	4,976	4,976	6,676
-	8,806	-	183	183	8,989
-	475	-	11,565	11,565	12,040
-	6,846	-	6,455	6,455	13,301
-	3,375	-	3,574	3,574	6,949
-	-	-	30,311	30,311	30,311
-	450	-	2,535	2,535	2,985
-	414	-	1,255	1,255	1,669
-	1,645	-	615	615	2,260
104	4,994	-	1,599	1,599	6,593
-	-	-	7,497	7,497	7,497
-	-	-	7,654	7,654	7,654
-	280	-	31,169	31,169	31,449
-	200	-	4,811	4,811	5,011
-	-	-	223	223	223
-	2,023	-	3,230	3,230	5,253
-	2,266	-	664	664	2,930
-	-	-	7,004	7,004	7,004
-	601	-	5,352	5,352	5,953
-	1,440	-	30,595	30,595	32,035
-	680	-	4,936	4,936	5,616
-	2,974	-	65,140	65,140	68,114
-	4	-	4,986	4,986	4,990
-	231	-	14,004	14,004	14,235
-	936	-	16,314	16,314	17,250
-	1,069	-	2,514	2,514	3,583
-	1,931	-	(431)	(431)	1,500

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
County Ditches (Continued)				
148	70	-	-	-
150	1,049	-	-	-
152	1,050	-	-	-
155	2,812	-	-	-
156	2,450	-	-	-
158	-	85	-	-
161	1,435	53	-	-
163	6,575	55	-	-
166	10,153	-	-	-
167	2,915	-	-	-
169	3,318	-	-	-
171	6,760	-	-	-
176	17,650	-	-	-
Grand Marais	53,912	-	-	-
Badger Creek	2,735	-	-	-
State Ditches				
6 and 7	8,804	-	-	-
61	9,420	111	-	-
61 Improvement of outlet	6,422	-	-	-
61 Improvement of 2nd outlet	11,888	-	-	-
Judicial Ditches				
1	-	1,158	-	-
2	-	-	-	-
17	-	845	-	-
24	-	-	-	-
25-I	-	-	-	-
25-II	-	-	-	-
52 and 2	1,006	-	-	-
53	-	-	-	-
57	18,210	-	-	-
68	-	1,747	-	-
73	11,096	62	-	-
75	-	2,950	-	-
75 maint	-	-	-	-

Schedule 11
(Continued)

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable					
Delinquent	Deferred				
-	-	-	-	-	70
-	-	-	-	-	1,049
-	-	-	-	-	1,050
-	-	-	-	-	2,812
-	-	-	-	-	2,450
38	6,650	-	-	-	6,773
-	900	-	-	-	2,388
26	1,750	-	-	-	8,406
-	-	-	-	-	10,153
-	-	-	-	-	2,915
-	-	-	-	-	3,318
-	-	-	-	-	6,760
-	-	-	-	-	17,650
-	-	-	-	-	53,912
-	-	-	-	-	2,735
-	-	-	-	-	8,804
109	3,250	-	-	-	12,890
-	-	-	-	-	6,422
-	-	-	-	-	11,888
633	28,790	-	-	2,887	33,468
-	-	-	-	-	-
4	6,270	-	-	-	7,119
-	1,850	-	-	-	1,850
594	-	-	-	-	594
19	12,830	-	-	-	12,849
-	-	-	-	-	1,006
-	-	-	-	-	-
240	-	-	-	-	18,450
-	4,860	-	-	-	6,607
56	-	-	-	-	11,214
1,323	426,610	-	-	-	430,883
365	31,033	-	-	5,499	36,897

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Liabilities			
	Accounts Payable	Due to Other Governments	Deferred Revenue	Advance from Other Funds
County Ditches (Continued)				
148	-	-	-	-
150	-	-	-	-
152	-	-	-	-
155	-	-	-	-
156	-	-	-	-
158	-	-	6,687	106
161	434	-	900	-
163	-	-	1,776	-
166	473	-	-	-
167	-	-	-	-
169	12	-	-	-
171	-	-	-	-
176	440	-	-	-
Grand Marais	-	-	-	-
Badger Creek	-	-	-	-
State Ditches				
6 and 7	-	-	-	-
61	-	-	3,250	-
61 Improvement of outlet	-	-	75	-
61 Improvement of 2nd outlet	-	-	-	-
Judicial Ditches				
1	-	78	29,277	-
2	-	-	-	36
17	-	-	6,275	-
24	-	-	1,850	-
25-I	-	-	594	-
25-II	-	-	12,849	-
52 and 2	-	-	-	-
53	-	-	-	190
57	-	-	240	-
68	-	-	4,860	-
73	-	-	37	-
75	-	-	427,434	-
75 maint	-	-	31,273	-

Schedule 11
(Continued)

Due to Other Ditches	Fund Balances			Total Liabilities and Fund Balances
	Total	Designated for Debt Service	Undesignated	
-	-	-	70	70
-	-	-	1,049	1,049
-	-	-	1,050	1,050
-	-	-	2,812	2,812
-	-	-	2,450	2,450
-	6,793	-	(20)	6,773
619	1,953	-	435	2,388
313	2,089	-	6,317	8,406
-	473	-	9,680	10,153
-	-	-	2,915	2,915
-	12	-	3,306	3,318
-	-	-	6,760	6,760
-	440	-	17,210	17,650
-	-	-	53,912	53,912
-	-	-	2,735	2,735
-	-	-	8,804	8,804
-	3,250	-	9,640	12,890
-	75	-	6,347	6,422
-	-	-	11,888	11,888
-	29,355	-	4,113	33,468
-	36	-	(36)	-
-	6,275	-	844	7,119
-	1,850	-	-	1,850
-	594	-	-	594
1,259	14,108	-	(1,259)	12,849
-	-	-	1,006	1,006
-	190	-	(190)	-
-	240	-	18,210	18,450
-	4,860	-	1,747	6,607
-	37	-	11,177	11,214
-	427,434	3,449	-	430,883
-	31,273	-	5,624	36,897

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
Joint County Ditches				
1	-	-	-	-
3	1,310	46	-	-
60	11,308	-	-	-
60 Improvement of outlet	408	-	-	-
64	23,113	340	-	-
66	19,770	-	-	-
71	2,129	-	-	-
72	21,561	114	-	-
Joint Ditches				
Burnham Creek	38,516	-	-	-
Burnham Creek maint	-	205	-	-
Clearwater River	20	1,958	-	-
Lost River Improvement	8,649	-	165,000	-
Marshall-Polk Rural Water System				
600	-	707	-	-
601	-	2,388	-	-
602	-	-	-	-
603	-	1,642	-	-
604	-	967	-	-
605	-	596	-	-
606	-	1,553	-	-
Red Lake Watershed District				
Ditch 2	-	-	-	-
Ditch 7	389	-	-	-
Project 53	1,821	44	-	-
Project 106	17,844	-	-	21,647
Project 117	19,672	-	-	60,431
Project 117 maint	-	2,162	-	-
Project 115	-	-	-	-
Project 119	153,381	789	-	393,250
Project 119 maint	-	67	-	-
Project 123	21,298	-	-	47,803
Project 134	21,030	-	-	-
Project 134 maint	-	-	-	-
Project 135	32,911	1,780	-	-
Project 135 maint	-	102	-	-
Sandhill Watershed District				
Project 11	-	-	-	-
Project 12	167,870	-	-	362,583
Project 12 maint	-	-	-	-
Project 13	8,513	-	-	16,235
Project 13 maint	-	-	-	-
Project 17	291,307	-	-	-
Sandhill River	-	63	-	-

Schedule 11
(Continued)

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable Delinquent	Deferred				
-	-	-	-	-	-
-	700	-	-	-	2,056
-	-	-	905	-	12,213
-	-	-	-	-	408
161	-	-	340	-	23,954
29	-	-	276	-	20,075
53	2,125	-	86	-	4,393
-	8,500	-	4,569	-	34,744
-	-	-	-	-	38,516
152	-	-	-	-	357
-	-	-	-	-	1,978
-	-	2,150	-	-	175,799
2,364	-	-	-	-	3,071
6,506	165,824	-	-	-	174,718
728	163	-	-	-	891
2,619	40,811	-	-	-	45,072
3,461	265,348	-	-	-	269,776
3,181	215,893	-	-	-	219,670
722	453,030	-	-	-	455,305
-	-	-	-	-	-
-	-	-	-	-	389
22	269	-	-	731	2,887
-	2,370	-	-	-	41,861
-	58,775	-	-	-	138,878
-	-	-	-	-	2,162
-	4,409	-	-	-	4,409
2,619	291,308	-	-	-	841,347
224	-	-	-	-	291
259	33,413	-	-	-	102,773
4	93,879	-	-	-	114,913
-	12,000	-	-	-	12,000
-	134,769	-	-	-	169,460
-	-	-	-	-	102
6	4,000	-	-	-	4,006
944	304,514	-	-	-	835,911
116	7,500	-	-	-	7,616
-	8,494	-	-	-	33,242
-	3,500	-	-	-	3,500
-	1,233,238	-	-	-	1,524,545
244	14,991	-	-	-	15,298

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Liabilities			
	Accounts Payable	Due to Other Governments	Deferred Revenue	
Joint County Ditches				
1	-	-	-	1,110
3	-	-	700	-
60	-	-	905	-
60 Improvement of outlet	-	-	-	-
64	-	-	377	-
66	-	-	305	-
71	-	-	2,211	-
72	-	1,157	13,069	-
Joint Ditches				
Burnham Creek	-	-	-	-
Burnham Creek maint	-	-	48	-
Clearwater River	-	-	-	-
Lost River Improvement	-	-	-	-
Marshall-Polk Rural Water System				
600	-	-	2,364	96
601	-	-	171,706	-
602	-	-	891	-
603	-	-	43,234	-
604	-	-	267,437	-
605	-	-	219,020	-
606	-	-	453,030	-
Red Lake Watershed District				
Ditch 2	-	-	-	697
Ditch 7	-	-	-	-
Project 53	-	-	291	-
Project 106	-	-	2,370	-
Project 117	-	-	58,774	-
Project 117 maint	-	-	-	-
Project 115	-	-	4,409	350
Project 119	-	-	292,798	-
Project 119 maint	-	-	127	-
Project 123	-	-	33,413	-
Project 134	-	-	93,879	-
Project 134 maint	-	-	12,000	-
Project 135	-	-	134,769	-
Project 135 maint	-	-	-	-
Sandhill Watershed District				
Project 11	-	-	4,006	-
Project 12	-	-	305,143	-
Project 12 maint	-	-	7,577	-
Project 13	-	-	8,494	-
Project 13 maint	-	-	3,500	-
Project 17	-	-	1,233,238	-
Sandhill River	-	-	15,176	-

Schedule 11
(Continued)

Due to Other Ditches	Fund Balances				Total Liabilities and Fund Balances
	Total	Designated for Debt Service	Undesignated	Total	
-	1,110	-	(1,110)	(1,110)	-
-	700	-	1,356	1,356	2,056
-	905	-	11,308	11,308	12,213
-	-	-	408	408	408
-	377	-	23,577	23,577	23,954
-	305	-	19,770	19,770	20,075
-	2,211	-	2,182	2,182	4,393
-	14,226	-	20,518	20,518	34,744
-	-	-	38,516	38,516	38,516
-	48	-	309	309	357
-	-	-	1,978	1,978	1,978
-	-	-	175,799	175,799	175,799
-	2,460	611	-	611	3,071
-	171,706	3,012	-	3,012	174,718
-	891	-	-	-	891
-	43,234	-	1,838	1,838	45,072
-	267,437	2,339	-	2,339	269,776
-	219,020	-	650	650	219,670
-	453,030	-	2,275	2,275	455,305
-	697	-	(697)	(697)	-
-	-	-	389	389	389
-	291	-	2,596	2,596	2,887
-	2,370	39,491	-	39,491	41,861
-	58,774	80,104	-	80,104	138,878
-	-	-	2,162	2,162	2,162
-	4,759	-	(350)	(350)	4,409
-	292,798	548,549	-	548,549	841,347
-	127	-	164	164	291
-	33,413	69,360	-	69,360	102,773
-	93,879	21,034	-	21,034	114,913
-	12,000	-	-	-	12,000
-	134,769	34,691	-	34,691	169,460
-	-	-	102	102	102
-	4,006	-	-	-	4,006
-	305,143	530,768	-	530,768	835,911
-	7,577	-	39	39	7,616
-	8,494	24,748	-	24,748	33,242
-	3,500	-	-	-	3,500
-	1,233,238	291,307	-	291,307	1,524,545
-	15,176	-	122	122	15,298

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Cash	Undistributed Cash	Investments	Cash With Fiscal Agent
Joint Ditches (Continued)				
Wild Rice Watershed				
Norman-Polk Project 5	-	-	-	-
Project 14	-	-	-	-
Middle River-Snake River Watershed				
District				
Ditch 5	-	10,494	-	-
Ditch 5 maint	-	-	-	-
Ditch 6	-	8,619	-	-
Ditch 6 maint	-	-	-	-
Ditch 7	-	425	-	-
Ditch 7 Improvement	-	479	-	-
Ditch 175	-	1,703	-	-
Total	\$ 2,647,293	\$ 58,198	\$ 165,000	\$ 901,949
Eliminations	-	-	-	-
Total	\$ 2,647,293	\$ 58,198	\$ 165,000	\$ 901,949
Presented as				
Ditch Special Revenue Fund	\$ 1,770,529	\$ 25,701	\$ 165,000	\$ -
Ditch Debt Service Fund	876,764	32,497	-	901,949
Total	\$ 2,647,293	\$ 58,198	\$ 165,000	\$ 901,949

Schedule 11
(Continued)

Assets		Accrued Interest Receivable	Due from Other Governments	Due from Other Ditches	Total
Special Assessments Receivable Delinquent	Deferred				
-	4,694	-	-	-	4,694
-	66	-	-	-	66
7,703	1,134,560	-	-	-	1,152,757
-	12,842	-	-	-	12,842
7,966	779,570	-	-	-	796,155
1,126	-	-	-	-	1,126
79	19,400	-	-	-	19,904
12	5,410	-	-	-	5,901
995	35,410	-	-	-	38,108
\$ 89,655	\$ 6,435,515	\$ 2,150	\$ 6,176	\$ 11,740	\$ 10,317,676
-	-	-	-	(11,740)	(11,740)
\$ 89,655	\$ 6,435,515	\$ 2,150	\$ 6,176	\$ -	\$ 10,305,936
\$ 48,833	\$ 1,154,831	\$ 2,150	\$ 6,176	\$ -	\$ 3,173,220
40,822	5,280,684	-	-	-	7,132,716
\$ 89,655	\$ 6,435,515	\$ 2,150	\$ 6,176	\$ -	\$ 10,305,936

**POLK COUNTY
CROOKSTON, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE AND DITCH DEBT SERVICE FUNDS
DECEMBER 31, 2005**

	Liabilities			
	Accounts Payable	Due to Other Governments	Deferred Revenue	
Joint Ditches (Continued)				
Wild Rice Watershed				
Norman-Polk Project 5	-	-	4,694	-
Project 14	-	-	66	-
Middle River-Snake River Watershed				
District				
Ditch 5	-	-	1,138,453	-
Ditch 5 maint	-	-	12,841	-
Ditch 6	-	-	781,062	-
Ditch 6 maint	-	-	-	-
Ditch 7	-	-	23,964	-
Ditch 7 Improvement	-	-	1,092	-
Ditch 175	-	-	35,535	-
Total	\$ 68,900	\$ 1,235	\$ 6,511,754	\$ 59,025
Eliminations	-	-	-	-
Total	\$ 68,900	\$ 1,235	\$ 6,511,754	\$ 59,025
Presented as				
Ditch Special Revenue Fund	\$ 68,900	\$ 1,235	\$ 1,204,736	\$ 58,929
Ditch Debt Service Fund	-	-	5,307,018	96
Total	\$ 68,900	\$ 1,235	\$ 6,511,754	\$ 59,025

Schedule 11
(Continued)

Due to Other Ditches	Fund Balances				Total Liabilities and Fund Balances
	Total	Designated for Debt Service	Undesignated	Total	
-	4,694	-	-	-	4,694
-	66	-	-	-	66
-	1,138,453	14,304	-	14,304	1,152,757
-	12,841	-	1	1	12,842
-	781,062	15,093	-	15,093	796,155
-	-	-	1,126	1,126	1,126
-	23,964	-	(4,060)	(4,060)	19,904
-	1,092	-	4,809	4,809	5,901
-	35,535	-	2,573	2,573	38,108
\$ 11,740	\$ 6,652,654	\$ 1,825,602	\$ 1,839,420	\$ 3,665,022	\$ 10,317,676
(11,740)	(11,740)	-	-	-	(11,740)
\$ -	\$ 6,640,914	\$ 1,825,602	\$ 1,839,420	\$ 3,665,022	\$ 10,305,936
\$ -	\$ 1,333,800	\$ -	\$ 1,839,420	\$ 1,839,420	\$ 3,173,220
-	5,307,114	1,825,602	-	1,825,602	7,132,716
\$ -	\$ 6,640,914	\$ 1,825,602	\$ 1,839,420	\$ 3,665,022	\$ 10,305,936

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 12

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Total Governmental Funds	Total Enterprise Funds	Total All Funds
Shared Revenue			
State			
Highway users tax	\$ 10,931,900	\$ -	\$ 10,931,900
HACA	1,831,426	-	1,831,426
PERA rate reimbursement	43,810	5,165	48,975
Disparity reduction aid	77,191	-	77,191
Police aid	113,027	-	113,027
Market value credit	1,217,998	-	1,217,998
Disparity credit	387,985	-	387,985
	\$ 14,603,337	\$ 5,165	\$ 14,608,502
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 3,801,120	\$ -	\$ 3,801,120
Payments			
Local			
Payments in lieu of taxes	\$ 62,995	\$ -	\$ 62,995
Grants			
State			
Minnesota Department of			
Public Safety	\$ 135,956	\$ -	\$ 135,956
Transportation	648,124	-	648,124
Health	183,043	-	183,043
Human Services	3,054,296	-	3,054,296
Water and Soil Resources Board	3,940	-	3,940
Office of Environmental Assistance	75,049	29,651	104,700
Peace Officer Standards and Training Board	10,222	-	10,222
	\$ 4,110,630	\$ 29,651	\$ 4,140,281
Federal			
Department of			
Agriculture	\$ 115,065	\$ -	\$ 115,065
Justice	66,752	-	66,752
Transportation	200,951	-	200,951
Health and Human Services	2,216,619	-	2,216,619
Homeland Security	221,405	-	221,405
	\$ 2,820,792	\$ -	\$ 2,820,792
Total State and Federal Grants	\$ 6,931,422	\$ 29,651	\$ 6,961,073
Total Intergovernmental Revenue	\$ 25,398,874	\$ 34,816	\$ 25,433,690

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**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 13

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the financial statements of Polk County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Polk County and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The reportable condition is not a material weakness.
- C. No instances of noncompliance material to the financial statements of Polk County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Polk County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:

Foster Care Title IV-E	CFDA #93.658
Social Services Block Grant Title XX	CFDA #93.667
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Polk County was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-6 Segregation of Duties

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

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

Client's Response:

The County Board realizes that there are a limited number of office personnel within the County to segregate the accounting functions. The Board also realizes that with the combination of the County Auditor's and County Treasurer's offices, there needs to be a fuller awareness of the need, to the extent possible, to segregate the internal accounting controls. We have noted your office's recommendations and will consider implementing the recommendations that fit within the limited personnel constraints we have.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-1 Credit Card Policy

The County Board does not have a credit card policy. Minn Stat. § 375.171 authorizes and restricts the use of credit cards by counties. Pursuant to the language of the statute, county credit cards should be used only by those officers and employees otherwise authorized to make county purchases. Use of the credit card is restricted to purchases for the county, therefore, no personal use is permitted. The statute further provides that if officers and employees make purchases that are not authorized by the county board, they become personally liable for the amount of the purchase.

Minn. Stat. § 375.171 further requires that the use of a credit card must be consistent with other state law. For example, Minn. Stat. § 375.17, subd. 2, requires the publishing of an itemized account of amounts paid out, to whom and for what purpose to the extent that the published proceedings of the county board contain the information. If the publishing of disbursement is required, the actual vendors providing the goods and services to the county must be identified and not just the credit card company. The bills received from a credit card company lack sufficient detail to comply with that statutory section. Therefore, the county must also have the invoices and receipts needed to support the items charged in the bill from the credit card company.

Further, the use of credit cards would require the county board to act in compliance with Minn. Stat. ch. 475. This statutory chapter governs the issuance of debt by public entities and a number of restrictions attached to the issuance of the obligation. Minn. Stat. § 375.171 was not intended to be another method of creating debt for the county, but rather authorizes another type of payment method. Therefore, it is incumbent on the county board to adopt a policy of paying off credit card charges on a monthly basis.

In addition to the statutory restrictions on the use of credit cards, we recommend that the County Board develop a comprehensive credit card policy providing other safeguards for the County. A comprehensive policy should:

- identify the officers and employees who are authorized to make purchases on behalf of the County and are eligible to use the card;
- identify the particular purchases that are to be made with the credit card;
- set up a review process for all purchases made with the credit card;
- prohibit the use of a County credit card for personal purposes; and
- require supporting documentation.

The County Board may want to restrict the total amount of charges that can be made on County credit cards. This will help limit the County's exposure to theft or other improper use.

Client's Response:

Polk County has followed the recommendation of the State Auditor's Office and has developed and adopted a comprehensive credit card policy on June 6, 2006.

B. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

00-3 Landfill Enterprise Fund Net Assets

At December 31, 2005, the Landfill Enterprise Fund had a net assets deficit of \$313,802.

While this fund had a favorable cash balance at December 31, 2005, estimated liabilities associated with closure and postclosure care costs of the landfill resulted in the deficit net assets.

We recommend that Polk County continue to monitor the operations of the Landfill Enterprise Fund to determine if net income is sufficient to cover the costs associated with closure and postclosure care.

Client's Response:

Polk County will monitor the operations of the Landfill Enterprise Fund to determine that net income is sufficient to cover the costs associated with closure and postclosure.

01-4

Consolidated General Ledger

Currently, the County Auditor and the Social Services Department maintain separate general ledgers. Each department enters its detailed transactions into its general ledger. The detailed financial transactions recorded in the Social Services Department's general ledger are interfaced with the County's main general ledger, maintained by the County Auditor, as "batched" totals. Effective January 1, 2002, the County combined the Road and Bridge Department's general ledger with the County's main general ledger.

Accounting and reporting controls are more effective when all transactions are accounted for in one centralized general ledger. Access controls to a centralized general ledger could be established so that departments would have the same responsibility and authority for entering detailed transactions as is currently done with separate departmental general ledgers. A centralized general ledger generally provides more uniformity and consistency in accounting for financial transactions. In addition, it allows senior management to have independent access to financial information for the entire County as needed to manage or to monitor its financial operations. Governmental Accounting Standards Board (GASB) Statement 34 requires the County's financial statements to be reported on the accrual basis of accounting, and having one general ledger will allow for an easier conversion to the accrual basis.

We strongly recommend that the County Board provide the necessary directives to department managers that would allow for the recording of all detailed financial transactions in a consolidated general ledger.

Client's Response:

Polk County will follow the recommendations of the State Auditor's Office.

01-5 Capital Asset Accounting System

In 2003, Polk County implemented GASB Statement 34. Under GASB Statement 34, capital assets, including infrastructure assets, are reported on the statement of net assets and depreciation expenses for those assets are on the statement of activities. In addition, capital outlay expenditures in a governmental fund's statement of revenues and expenditures are eliminated in the new statement of activities.

In an effort to comply with GASB Statement 34, the County established accounting policies for capital assets including capitalization thresholds, useful lives, and the designation of specific general ledger account codes to record the purchases and construction costs of capital assets. The County also purchased new capital asset software in an effort to centralize their capital asset records; however, this new software is not being used.

The County currently maintains capital asset records in several departments including: Resource Recovery, Landfill, Environmental Services, Social Services, Public Safety, Road and Bridge, Public Health, and the Auditor's Office. The Auditor's Office maintains the general County capital assets on an Excel spreadsheet. The detail from some, but not all of the other departments, has been added to the Excel spreadsheet.

Generally, purchases of capital assets are recorded manually in each of the capital asset systems after year-end. At that time, County personnel analyze all capital outlay and maintenance expenditure accounts for additions and remove items sold or discarded during the year.

We recommend that the County Board take steps to centralize the accounting of capital assets into one capital asset system.

Client's Response:

Polk County will follow the recommendations of the State Auditor's Office.

PREVIOUSLY REPORTED ITEMS RESOLVED

Ditch Fund Balance Deficits (96-1)

Twenty-three of the 214 individual ditch systems had deficit unreserved, undesignated fund balances at December 31, 2004, totaling \$126,777.

Resolution

Although the County still has several ditch systems that have deficit unreserved undesignated fund balances, much improvement has been made over the past few years. If we consider the deferred revenue for assessments not collected soon enough after year-end to be considered current revenue, the County would only have seven of the 211 individual ditch systems with deficit balances. Only three individual ditch systems would have deficit balances in excess of \$1,000. Of those three ditch systems, one system is deficit due to an error in outlet charges which will be levied for next year, one system received a bill after the levy was set on December 20, 2005, and the third system needs to have a determination of benefits before a levy can be set. The County has exercised good management practices in an effort to reduce the amount of ditch systems with deficit unreserved undesignated fund balances.

Forfeited Tax Sale Fund Balance Deficit (02-4)

At December 31, 2004, the Forfeited Tax Sale Special Revenue Fund had a fund balance deficit of \$98,556.

Resolution

The proceeds from the sale of forfeited property in 2005 were sufficient to pay back the advance from the General Fund and cover the fund balance deficit.

C. **OTHER ITEM FOR CONSIDERATION**

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, like what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various postemployment

benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pension plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- Determine if employees are provided OPEB;
- if OPEB are being provided, the County Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the County Board determines that the establishment of a trust is desirable in order to fund the OPEB, the County Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the County Board will have to decide whether to hire an actuary.

If applicable for Polk County, GASB Statements 43 and 45 would be implemented for the years ending December 31, 2007 and 2008, respectively.

OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of County Commissioners
Polk County

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County as of and for the year ended December 31, 2005, and have issued our report thereon dated May 11, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Polk County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements

being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Polk County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 02-1.

This report is intended solely for the information and use of the Board, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 11, 2006



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of County Commissioners
Polk County

Compliance

We have audited the compliance of Polk County with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Polk County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Polk County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Polk County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Polk County as of and for the year ended December 31, 2005, and have issued our report thereon dated May 11, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: May 11, 2006

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 124,837
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Food Stamp Program	10.561	21,468
Total U.S. Department of Agriculture		\$ 146,305
U.S. Department of Justice		
Passed Through Minnesota Department of Public Safety Crime Victim Assistance Grant	16.575	\$ 60,595
Local Law Enforcement Block Grant	16.592	6,157
Total U.S. Department of Justice		\$ 66,752
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Health Centers for Disease Control and Prevention - Investigations and Immunization Grants	93.268	\$ 1,800
Technical Assistance	93.283	57,176
Temporary Assistance for Needy Families	93.558	22,134
Maternal and Child Health Services Block Grant	93.994	48,761
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	43,111
Promoting Safe and Stable Families	93.556	83,019
Temporary Assistance for Needy Families	93.558	484,711
Child Care Mandatory and Matching Funds	93.596	599,322
Child Welfare Services - State Grants	93.645	7,065
Foster Care Title IV-E	93.658	371,862
Social Services Block Grant Title XX	93.667	364,503
Chafee Foster Care Independent Living	93.674	15,613
Community Mental Health Services Block Grant	93.958	30,025
Direct Drug-Free Communities Support Program	93.276	66,699
Total U.S. Department of Health and Human Services		\$ 2,195,801

**POLK COUNTY
CROOKSTON, MINNESOTA**

Schedule 14
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Grant	97.004	\$ 137,774
Public Assistance Grants	97.036	7,694
Homeland Security Grant Program	97.067	<u>75,937</u>
Total U.S. Department of Homeland Security		\$ 221,405
Total Federal Awards		\$ 2,630,263

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Polk County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agencies.
4. During 2005, the County did not pass any federal money to subrecipients.