

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**POPE COUNTY**  
**GLENWOOD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2009

## **Description of the Office of the State Auditor**

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

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

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

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

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

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

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Year Ended December 31, 2009**



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

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**ORGANIZATION  
2009**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Larry Kittelson**	January 2007	January 2011
2nd District	Gordy Wagner	January 2009	January 2013
3rd District	Paul Gerde	January 2009	January 2013
4th District	Larry Lindor	April 2009	January 2011
5th District	Randy Shaw*	January 2007	January 2011
<b>Officers</b>			
<b>Elected</b>			
Attorney	Belvin Doebbert	January 2007	January 2011
Auditor/Treasurer	Donna Quandt	January 2007	January 2011
County Recorder	Darby Bowen	January 2007	January 2011
Sheriff	Tom Larson	January 2007	January 2011
<b>Appointed</b>			
Assessor	Wayne Anderson	January 2009	December 2012
Coroner	Duane E. Westberg, M.D.		Indefinite
Highway Engineer	Brian Noetzelman	May 2006	May 2010
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Riaz Aziz		Indefinite
Surveyor	Rodney Eldevik		Indefinite
<b>Family Services</b>			
Director	Robert Cornelius		Indefinite
Manager	Mary Schley		Indefinite
Manager	Paula Hoverud		Indefinite
<b>Board</b>			
Member	Larry Kittelson	January 2007	January 2011
Member	Gordy Wagner	January 2009	January 2011
Member	Paul Gerde	January 2009	January 2011
Member	Larry Lindor	April 2009	January 2011
Member	Randy Shaw	January 2007	January 2011

\*Chair

\*\*Vice Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Pope County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise Pope County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pope 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County as of December 31, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Pope County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are 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 a report dated October 28, 2010, on our consideration of Pope 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/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 28, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2009  
(Unaudited)**

**INTRODUCTION**

Pope County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2009. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Pope County's financial statements and the notes to the financial statements.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$52,115,012, of which Pope County has invested \$45,447,295 in capital assets, net of related debt, and \$577,268 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2009, was \$6,093,745; the net cost was funded by general revenues and other items totaling \$7,030,440.
- Pope County's net assets increased by \$936,695 for the year ended December 31, 2009. The net assets of the County's discretely presented component unit increased by \$300,536.
- The long-term liabilities decreased in 2009 because payments are now being made on the 2007 G.O. Capital Notes. The Rainbow Rider liability increased to \$400,000 in 2009. Pope County is acting as a pass-through agency on this project; in 2010, grant dollars will be received to pay for this liability.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

Pope County's MD&A report serves as an introduction to the basic financial statements. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, and information on the County's other postemployment benefits are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.

<b>Management’s Discussion and Analysis</b> (Required Supplementary Information)
---

<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>
<b>Notes to the Financial Statements</b>	

<b>Required Supplementary Information</b> (Other than Management’s Discussion and Analysis)
--

Pope County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Pope County’s finances. The County’s fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Pope County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the County’s operations in more detail than the government-wide statements by providing information about the County’s most significant/major funds. The remaining statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

These two statements consider all of Pope County’s current year revenues and expenses regardless of when the County receives the revenue or pays the expenditure, and report the County’s net assets and changes in them. You can think of the County’s net assets--the difference between assets and liabilities--as one way to measure Pope County’s financial health or financial position. Over time, increases or decreases in the County’s net assets are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County’s property tax base and the general economic conditions of the state and County, to assess the overall health of Pope County.

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

- Governmental activities--Pope County reports its basic services in the “Governmental Activities” column of these reports. The activities reported by the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Pope County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- Component unit--Pope County reports the Pope County Housing and Redevelopment Authority in a separate column. Although legally separate, this “component unit” is important because the County is financially accountable for it.

### **Fund Financial Statements**

Pope County’s fund financial statements provide detailed information about the significant funds--not the County as a whole. Significant governmental and fiduciary funds may be established by the County to meet requirements of a specific state law, to help control and manage money for a particular purpose/project, or to show that it is meeting specific legal responsibilities and obligations when expending property tax revenues, grants, and/or other funds designated for a specific purpose.

Governmental funds--Most of Pope County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported in our financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. The governmental fund statements provide a detailed short-term view of the County’s general government operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available that can be spent in the near future to finance various programs within Pope County. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

### **Reporting the County’s Fiduciary Responsibilities**

Pope County is the trustee, or fiduciary, over assets which can only be used for the trust beneficiaries based on the trust arrangement. The County reports all of its fiduciary activities in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities have been excluded from the County’s other financial statements because the County cannot use these assets to finance its operations. Pope County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

## THE COUNTY AS A WHOLE

The analysis below focuses on the net assets (Table 1) and changes in net assets (Table 2) of the County's governmental activities.

**Table 1**  
**Net Assets**

	Governmental Activities		Percent Change (%)
	2009	2008	
<b>Assets</b>			
Current and other assets	\$ 8,935,663	\$ 9,962,650	(10.31)
Capital assets, net of accumulated depreciation	45,909,369	44,579,405	2.98
<b>Total Assets</b>	<b>\$ 54,845,032</b>	<b>\$ 54,542,055</b>	<b>0.56</b>
<b>Liabilities</b>			
Current liabilities	\$ 472,433	\$ 756,202	(37.53)
Long-term debt outstanding	2,257,587	2,607,536	(13.42)
<b>Total Liabilities</b>	<b>\$ 2,730,020</b>	<b>\$ 3,363,738</b>	<b>(18.84)</b>
<b>Net Assets</b>			
Invested in capital assets, net of debt	\$ 45,447,295	\$ 44,105,824	3.04
Restricted	577,268	836,853	(31.02)
Unrestricted	6,090,449	6,235,640	(2.33)
<b>Total Net Assets</b>	<b>\$ 52,115,012</b>	<b>\$ 51,178,317</b>	<b>1.83</b>

Pope County's total net assets for the year ended December 31, 2009, total \$52,115,012. The governmental activities' unrestricted net assets, totaling \$6,090,449, are available to finance the day-to-day operations of the governmental activities of Pope County.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Percent Change (%)
	2009	2008	
<b>Revenues</b>			
<b>Program revenues</b>			
Fees, charges, fines, and other	\$ 1,557,133	\$ 1,645,474	(5.37)
Operating grants and contributions	5,560,215	6,058,982	(8.23)
Capital grants and contributions	83,768	476,447	(82.42)
<b>General revenues</b>			
Property taxes	5,713,218	5,538,747	3.15
Other taxes	56,495	64,589	(12.53)
Grants and contributions not restricted to specific programs	1,038,623	1,022,756	1.55
Other general revenues	222,104	391,430	(43.26)
<b>Total Revenues</b>	<b>\$ 14,231,556</b>	<b>\$ 15,198,425</b>	<b>(6.36)</b>

	Governmental Activities		Percent Change (%)
	2009	2008	
Expenses			
General government	\$ 3,448,457	\$ 3,536,997	(2.50)
Public safety	1,749,202	1,590,718	9.96
Highways and streets	2,973,591	3,272,794	(9.14)
Sanitation	377,356	382,812	(1.43)
Human services	2,973,811	2,735,406	8.72
Health	956,292	969,655	(1.38)
Culture and recreation	263,142	151,632	73.54
Conservation of natural resources	372,932	396,346	(5.91)
Economic development	132,866	619,544	(78.55)
Interest	47,212	105,344	(55.18)
Total Expenses	<u>\$ 13,294,861</u>	<u>\$ 13,761,248</u>	(3.39)
Change in Net Assets	\$ 936,695	\$ 1,437,177	(34.82)
Net Assets - January 1	<u>51,178,317</u>	<u>49,741,140</u>	2.89
Net Assets - December 31	<u>\$ 52,115,012</u>	<u>\$ 51,178,317</u>	1.83

### Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2009, were \$14,231,556. The County's cost for all governmental activities for the year ended December 31, 2009, was \$13,294,861. The net assets for the County's governmental activities increased by \$936,695 in 2009.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$5,713,218, because \$7,201,116 of the costs were paid by those who directly benefited from the programs and \$1,095,118 paid by other governments and organizations that subsidized certain programs with grants and contributions. Pope County paid for the remaining "public benefit" portion of governmental activities with \$222,104 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue  
2009**

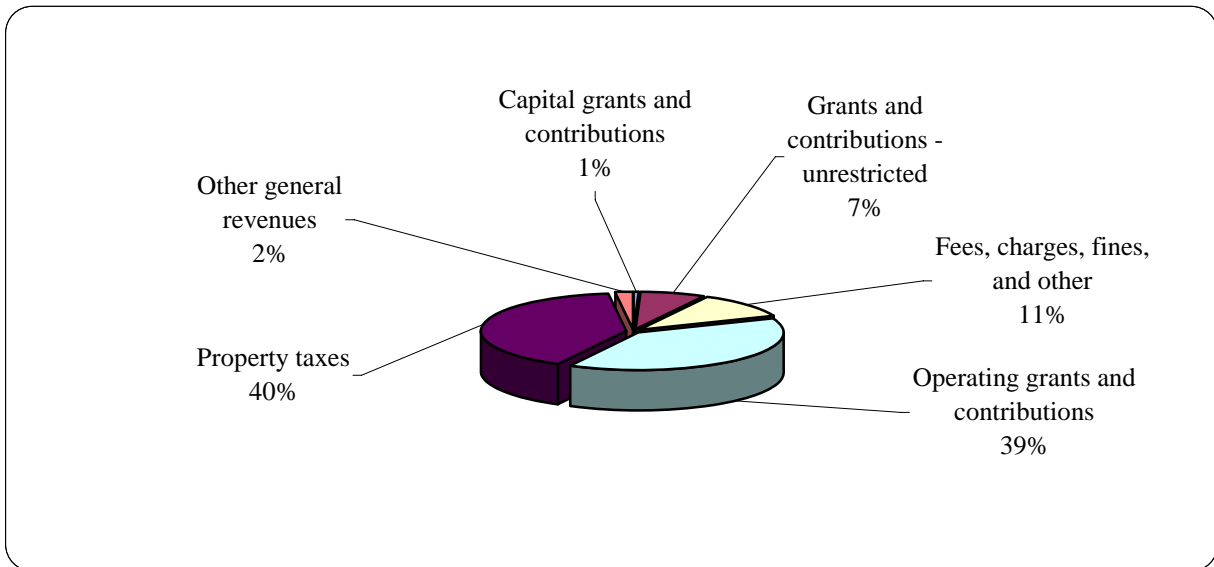
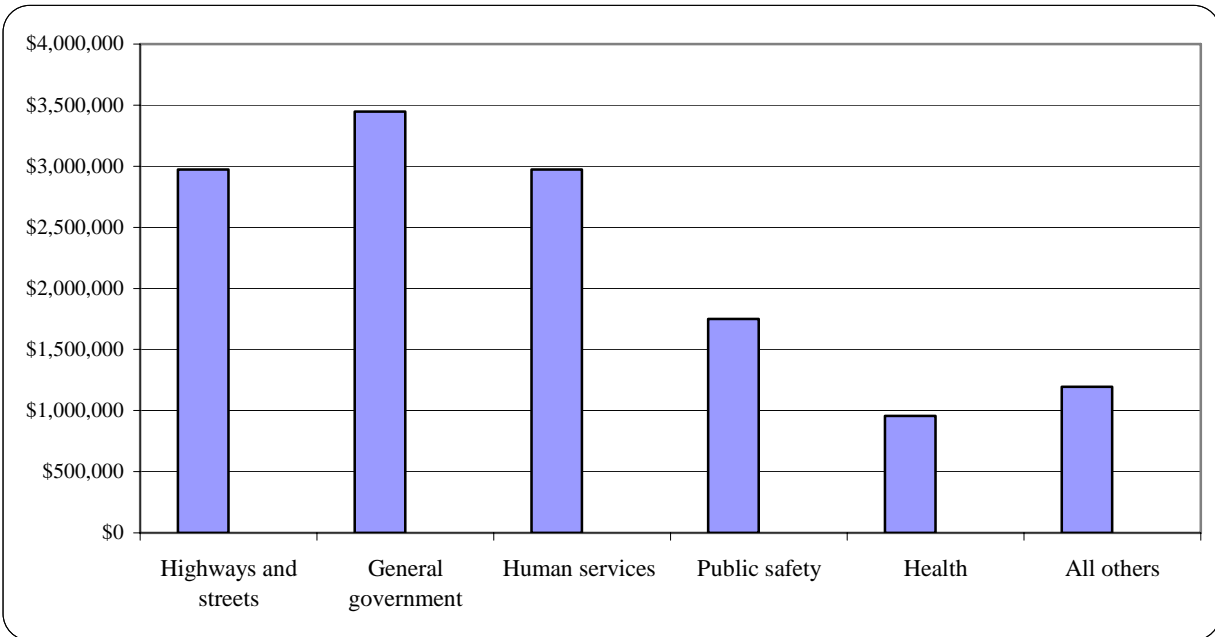


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	2009	
	Total Cost of Services	Net Cost of Services
Program Expenses		
General government	\$ 3,448,457	\$ 3,067,832
Public safety	1,749,202	1,287,706
Highways and streets	2,973,591	(408,271)
Human services	2,973,811	1,488,374
Health	956,292	43,867
All others	1,193,508	614,237
<b>Total Program Expenses</b>	<b>\$ 13,294,861</b>	<b>\$ 6,093,745</b>

**Governmental Activities Expenses  
2009**



**THE COUNTY’S FUNDS**

As Pope County completed the year, its governmental funds, as presented in the balance sheet, reported a combined fund balance of \$7,483,951.

**General Fund Budgetary Highlights**

The Pope County Board of Commissioners, over the course of a budget year, may amend/revise the County’s General Fund budget. During 2009, the County Board of Commissioners made no changes to the budget as originally adopted on December 16, 2008. Budget amendments/revisions fall into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the General Fund, the actual revenues were less than the expected revenues by \$150,633, and actual expenditures were \$265,557 less than budgeted expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2009, Pope County had \$45,909,369 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, infrastructure, equipment, and construction in progress (see Table 4 below).

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

	2009	2008	Percent Change (%)
Land	\$ 1,970,693	\$ 1,815,044	8.58
Buildings	3,239,790	3,299,017	(1.80)
Office furniture and equipment	295,535	308,843	(4.31)
Machinery and automotive equipment	1,267,758	1,318,139	(3.82)
Infrastructure	39,045,511	37,838,362	3.19
Construction in progress	90,082	-	100.0
Totals	<u>\$ 45,909,369</u>	<u>\$ 44,579,405</u>	2.98

### Debt Administration

At December 31, 2009, Pope County had \$1,312,974 of bonds and loans outstanding compared with \$1,696,393 as of December 31, 2008--a decrease of 22.6 percent--as shown in Table 5.

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

	Governmental Activities		Percent Change (%)
	2009	2008	
Bonds payable			
2002 Solid Waste Bonds	\$ 225,000	\$ 335,000	(32.84)
2007A G.O. Capital Improvement Bonds	970,000	1,270,000	(23.62)
Septic System Replacement Loans SRF0127	32,916	36,435	(9.66)
Septic System Replacement Loans SRF0185	85,058	54,958	54.77
Totals	<u>\$ 1,312,974</u>	<u>\$ 1,696,393</u>	(22.60)

Pope County maintains an "A3" rating from Moody's Investor Services. Other long-term obligations include compensated absences and other postemployment benefits. Pope County's notes to the financial statements provide detailed information about the County's long-term liabilities.



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

The County's elected and appointed officials considered many factors when setting the fiscal year 2010 budget and tax rates.

- Pope County's unemployment rates for 2008 and 2009 were 5.3 percent and 7.5 percent, respectively, compared to the Minnesota unemployment rate for 2008 and 2009, which averaged 5.4 percent and 8.0 percent, respectively. Should the unemployment rate continue to rise, it could impact the level of services requested by Pope County residents.
- Land development and regulation issues.
- Reviewing revenue sources and considering cost effective and efficient means for the delivery of Pope County programs and services will influence the development of future budgets.
- On December 15, 2009, the Pope County Board of Commissioners approved the 2010 budget at \$15,220,986. The 2010 total levy is \$6,859,526, less County Program Aid of \$494,030, for a net levy of \$6,365,496. The County Board approved a zero percent increase in the levy for 2010.
- The unallotments at the state level will affect the future of County government in that the County Board will have to continue to cut back on spending and look at generating revenues in other areas.

## **CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT**

Pope County's financial report provides citizens, taxpayers, customers, investors, and creditors with a general overview of Pope County's finances and shows the County's accountability for the money it receives and spends. If you have questions about this report, or need additional financial information, contact Donna Quandt, Pope County Auditor/Treasurer, 320-634-5705, Pope County Courthouse, 130 East Minnesota Avenue, Suite 218, Glenwood, Minnesota 56334-4525.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Pope County Housing and Redevelopment Authority</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 7,113,453	\$ 226,841
Petty cash and change funds	1,900	-
Departmental cash	5,654	-
Taxes receivable		
Delinquent	171,700	9,720
Special assessments receivable		
Delinquent	19,662	-
Deferred	187,057	-
Accounts receivable - net	33,130	-
Accrued interest receivable	9,231	-
Due from other governments	1,345,894	-
Loans receivable	-	127,833
Inventories	31,251	-
Deferred charges	16,731	65,975
Land held for resale	-	112,329
Restricted assets		
Cash and pooled investments	-	3,326,238
Capital assets		
Non-depreciable	2,060,775	502,972
Depreciable - net of accumulated depreciation	43,848,594	-
	<b>\$ 54,845,032</b>	<b>\$ 4,371,908</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 161,053	\$ 4,500
Salaries payable	226,538	-
Due to other governments	46,346	-
Accrued interest payable	10,585	67,908
Unearned revenue	27,911	-
Long-term liabilities		
Due within one year	853,547	40,000
Due in more than one year	1,404,040	3,400,000
	<b>\$ 2,730,020</b>	<b>\$ 3,512,408</b>

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

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2009**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Pope County Housing and Redevelopment Authority</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 45,447,295	\$ 389,210
Restricted for		
General government	390,079	-
Public safety	21,078	-
Highways and streets	31,251	-
Culture and recreation	36,903	-
Conservation of natural resources	19,998	-
Capital projects	77,959	-
Unrestricted	6,090,449	470,290
<b>Total Net Assets</b>	<b>\$ 52,115,012</b>	<b>\$ 859,500</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary Government</b>		
Governmental activities		
General government	\$ 3,448,457	\$ 345,073
Public safety	1,749,202	31,492
Highways and streets	2,973,591	58,343
Sanitation	377,356	328,170
Human services	2,973,811	192,177
Health	956,292	592,021
Culture and recreation	263,142	-
Conservation of natural resources	372,932	9,857
Economic development	132,866	-
Interest	47,212	-
<b>Total Primary Government</b>	<b><u>\$ 13,294,861</u></b>	<b><u>\$ 1,557,133</u></b>
<b>Component Unit</b>		
Housing and Redevelopment Authority	<b><u>\$ 320,177</u></b>	<b><u>\$ -</u></b>

**General Revenues**

Property taxes  
 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**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>	
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Component Unit Pope County Housing and Redevelopment Authority</b>
\$ 35,552	\$ -	\$ (3,067,832)	
430,004	-	(1,287,706)	
3,239,751	83,768	408,271	
55,475	-	6,289	
1,293,260	-	(1,488,374)	
320,404	-	(43,867)	
-	-	(263,142)	
185,769	-	(177,306)	
-	-	(132,866)	
-	-	(47,212)	
<b>\$ 5,560,215</b>	<b>\$ 83,768</b>	<b>\$ (6,093,745)</b>	
<b>\$ -</b>	<b>\$ -</b>		<b>\$ (320,177)</b>
		\$ 5,713,218	\$ 409,901
		56,495	-
		1,038,623	163,227
		144,575	47,585
		77,529	-
		<b>\$ 7,030,440</b>	<b>\$ 620,713</b>
		\$ 936,695	\$ 300,536
		<b>51,178,317</b>	<b>558,964</b>
		<b>\$ 52,115,012</b>	<b>\$ 859,500</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 2,809,391	\$ 1,015,835	\$ 1,754,180
Petty cash and change funds	1,900	-	-
Departmental cash	5,654	-	-
Taxes receivable			
Delinquent	100,827	20,632	36,805
Special assessments receivable			
Delinquent	1,204	-	-
Noncurrent	100,957	-	-
Accounts receivable	1,725	-	18,526
Accrued interest receivable	9,231	-	-
Due from other funds	-	-	-
Due from other governments	200,796	988,048	125,544
Inventories	-	31,251	-
Advances to other funds	79,947	-	-
	<u>\$ 3,311,632</u>	<u>\$ 2,055,766</u>	<u>\$ 1,935,055</u>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 32,703	\$ 28,587	\$ 95,276
Salaries payable	118,059	39,536	44,309
Due to other funds	195	-	1,152
Due to other governments	29,146	64	10,535
Deferred revenue - unavailable	294,715	523,619	36,805
Deferred revenue - unearned	27,911	-	-
Advances from other funds	-	-	-
	<u>\$ 502,729</u>	<u>\$ 591,806</u>	<u>\$ 188,077</u>
<b>Fund Balances</b>			
Reserved (Note 3.D.)	\$ 533,424	\$ 31,251	\$ -
Unreserved			
Designated (Note 3.D.)	1,838,628	-	515,556
Undesignated	436,851	1,432,709	1,231,422
Reported in nonmajor special revenue funds	-	-	-
	<u>\$ 2,808,903</u>	<u>\$ 1,463,960</u>	<u>\$ 1,746,978</u>
	<u>\$ 3,311,632</u>	<u>\$ 2,055,766</u>	<u>\$ 1,935,055</u>

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

**EXHIBIT 3**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 60,876	\$ 21,104	\$ 473,142	\$ 507,926	\$ 470,999	\$ 7,113,453
-	-	-	-	-	1,900
-	-	-	-	-	5,654
-	-	13,436	-	-	171,700
146	18,312	-	-	-	19,662
86,100	-	-	-	-	187,057
-	-	-	-	12,879	33,130
-	-	-	-	-	9,231
-	-	-	-	1,347	1,347
-	-	-	-	31,506	1,345,894
-	-	-	-	-	31,251
-	-	-	-	-	79,947
<b>\$ 147,122</b>	<b>\$ 39,416</b>	<b>\$ 486,578</b>	<b>\$ 507,926</b>	<b>\$ 516,731</b>	<b>\$ 9,000,226</b>
\$ -	\$ -	\$ -	\$ 1,749	\$ 2,738	\$ 161,053
-	-	-	-	24,634	226,538
-	-	-	-	-	1,347
-	6,315	-	-	286	46,346
86,246	18,312	13,436	-	-	973,133
-	-	-	-	-	27,911
79,947	-	-	-	-	79,947
<b>\$ 166,193</b>	<b>\$ 24,627</b>	<b>\$ 13,436</b>	<b>\$ 1,749</b>	<b>\$ 27,658</b>	<b>\$ 1,516,275</b>
\$ -	\$ -	\$ -	\$ -	\$ 12,593	\$ 577,268
-	-	-	-	-	2,354,184
(19,071)	14,789	473,142	506,177	-	4,076,019
-	-	-	-	476,480	476,480
<b>\$ (19,071)</b>	<b>\$ 14,789</b>	<b>\$ 473,142</b>	<b>\$ 506,177</b>	<b>\$ 489,073</b>	<b>\$ 7,483,951</b>
<b>\$ 147,122</b>	<b>\$ 39,416</b>	<b>\$ 486,578</b>	<b>\$ 507,926</b>	<b>\$ 516,731</b>	<b>\$ 9,000,226</b>

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2009**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$ 7,483,951</b>
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.		45,909,369
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.		
Deferred charges		16,731
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		
Deferred revenue		973,133
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	\$ (1,195,000)	
Loans payable	(117,974)	
Other liabilities - Rainbow Rider	(400,000)	
Compensated absences	(409,963)	
Net OPEB liability	(134,650)	(2,257,587)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(10,585)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u><u>\$ 52,115,012</u></u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
<b>Revenues</b>			
Taxes	\$ 3,369,226	\$ 666,431	\$ 1,244,530
Special assessments	16,739	-	-
Licenses and permits	41,036	-	-
Intergovernmental	1,067,600	4,145,888	1,574,004
Charges for services	280,683	57,074	62,059
Fines and forfeits	1,327	-	-
Gifts and contributions	30,044	-	-
Investment earnings	144,575	-	-
Miscellaneous	181,914	1,269	130,118
<b>Total Revenues</b>	<b><u>\$ 5,133,144</u></b>	<b><u>\$ 4,870,662</u></b>	<b><u>\$ 3,010,711</u></b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,772,102	\$ -	\$ -
Public safety	1,713,823	-	-
Highways and streets	-	4,027,514	-
Human services	-	-	3,044,939
Health	-	-	-
Culture and recreation	263,142	-	-
Conservation of natural resources	363,294	-	-
Economic development	19,872	-	-
<b>Intergovernmental</b>			
Highways and streets	-	263,658	-
Sanitation	55,475	-	-
Economic development	110,822	-	-
<b>Capital outlay</b>	415,890	107,146	-
<b>Debt service</b>			
Principal	3,519	-	-
Interest	711	-	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b><u>\$ 5,718,650</u></b>	<b><u>\$ 4,398,318</u></b>	<b><u>\$ 3,044,939</u></b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b><u>\$ (585,506)</u></b>	<b><u>\$ 472,344</u></b>	<b><u>\$ (34,228)</u></b>

**EXHIBIT 5**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 444,564	\$ -	\$ -	\$ 5,724,751
33,030	321,957	-	-	-	371,726
-	-	-	-	-	41,036
-	-	45,129	-	222,782	7,055,403
-	-	-	-	592,021	991,837
-	-	-	-	25,545	26,872
-	-	-	-	-	30,044
-	-	-	-	-	144,575
-	-	-	-	-	313,301
<b>\$ 33,030</b>	<b>\$ 321,957</b>	<b>\$ 489,693</b>	<b>\$ -</b>	<b>\$ 840,348</b>	<b>\$ 14,699,545</b>
\$ -	\$ -	\$ -	\$ -	\$ 29,447	\$ 2,801,549
-	-	-	-	-	1,713,823
-	-	-	-	-	4,027,514
-	-	-	-	-	3,044,939
-	-	-	-	947,870	947,870
-	-	-	-	-	263,142
5,712	-	-	-	-	369,006
-	-	-	-	-	19,872
-	-	-	-	-	263,658
-	321,881	-	-	-	377,356
-	-	-	-	-	110,822
-	-	-	290,242	-	813,278
-	-	410,000	-	-	413,519
574	-	52,275	-	-	53,560
-	-	450	-	-	450
<b>\$ 6,286</b>	<b>\$ 321,881</b>	<b>\$ 462,725</b>	<b>\$ 290,242</b>	<b>\$ 977,317</b>	<b>\$ 15,220,358</b>
<b>\$ 26,744</b>	<b>\$ 76</b>	<b>\$ 26,968</b>	<b>\$ (290,242)</b>	<b>\$ (136,969)</b>	<b>\$ (520,813)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ 4,373	\$ 192,747	\$ -
Transfers out	(289,202)	-	-
Proceeds from loan	30,100	-	-
Proceeds from the sale of capital assets	32,632	-	-
	<hr/>	<hr/>	<hr/>
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (222,097)</b>	<b>\$ 192,747</b>	<b>\$ -</b>
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balances</b>	<b>\$ (807,603)</b>	<b>\$ 665,091</b>	<b>\$ (34,228)</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - January 1</b>	<b>3,616,506</b>	<b>798,206</b>	<b>1,781,206</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>663</b>	<b>-</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balances - December 31</b>	<b><u>\$ 2,808,903</u></b>	<b><u>\$ 1,463,960</u></b>	<b><u>\$ 1,746,978</u></b>

**EXHIBIT 5**  
**(Continued)**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 134,870	\$ 331,990
(4,373)	-	-	-	(38,415)	(331,990)
-	-	-	-	-	30,100
-	-	-	-	-	32,632
<u>\$ (4,373)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,455</u>	<u>\$ 62,732</u>
\$ 22,371	\$ 76	\$ 26,968	\$ (290,242)	\$ (40,514)	\$ (458,081)
(41,442)	14,713	446,174	796,419	529,587	7,941,369
-	-	-	-	-	663
<u>\$ (19,071)</u>	<u>\$ 14,789</u>	<u>\$ 473,142</u>	<u>\$ 506,177</u>	<u>\$ 489,073</u>	<u>\$ 7,483,951</u>

**POPE COUNTY  
GLENWOOD, 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, 2009**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (458,081)**

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

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 973,133	
Deferred revenue - January 1	<u>(1,265,731)</u>	(292,598)

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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the fund statements, the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the assets disposed.

Expenditures for general capital assets and infrastructure	\$ 2,938,605	
Net book value of assets sold	(124,715)	
Current year depreciation	<u>(1,483,926)</u>	1,329,964

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Loans payable issued	\$ (30,100)	
Other long-term liabilities - Rainbow Rider	(23,980)	
Principal repayments	413,519	
Current year amortization of issuance costs	<u>(5,577)</u>	353,862

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

Change in accrued interest payable	\$ 12,375	
Change in compensated absences	51,007	
Change in inventories	663	
Change in net OPEB liability	<u>(60,497)</u>	<u>3,548</u>

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 936,695**

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

**FIDUCIARY FUNDS**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2009**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 435,904
Due from other governments	<u>57,410</u>
<b>Total Assets</b>	<b><u>\$ 493,314</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 12,755
Due to other governments	<u>480,559</u>
<b>Total Liabilities</b>	<b><u>\$ 493,314</u></b>

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2009. 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 issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Pope County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Coordinator serves as the Clerk of the Board of Commissioners but does not vote in its decisions.

Discretely Presented Component Unit

While part of the reporting entity, a discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Pope County is discretely presented:

<u>Component Unit</u>	<u>Component Unit of Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Pope County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	County appoints members, and the HRA is a financial burden.	Separate financial statements are not prepared.

Significant accounting policies of the component unit do not differ significantly from those of the County.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

The County participates in several joint ventures described in Note 5.C.

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 and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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 Family 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 properties.

The Solid Waste Special Revenue Fund is used to account for funds used in solid waste management. Financing is provided by special assessments against all parcels of property in the County.

The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

The Capital Projects Fund is used to account for the financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

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. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

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

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, 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 2009 were \$144,575.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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.”

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

3. Inventories

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by reserved fund balance to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for example, roads, bridges, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Office furniture and equipment	5 - 10
Machinery and automotive equipment	5 - 12
Infrastructure	50 - 75



**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide 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.

6. 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.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are 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 an other financing source. 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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

8. 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.

9. 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.

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2009, of \$19,071. The deficit will be eliminated with future special assessment levies against benefited properties.

B. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2009:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Special Revenue Funds			
Road and Bridge	\$ 4,398,318	\$ 4,041,719	\$ 356,599
Health Services	947,870	945,595	2,275

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Pope County's total cash and investments are recorded on the basic financial statements as follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 7,113,453
Petty cash and change funds	1,900
Departmental cash	5,654
Statement of fiduciary net assets	
Cash and pooled investments	<u>435,904</u>
 Total Cash and Investments	 <u><u>\$ 7,556,911</u></u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that the 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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2009, Pope County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) 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;

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The County had no investments as of December 31, 2009.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$187,057 of deferred special assessments.

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,815,044	\$ 155,649	\$ -	\$ 1,970,693
Construction in progress	-	90,082	-	90,082
Total capital assets not depreciated	\$ 1,815,044	\$ 245,731	\$ -	\$ 2,060,775
Capital assets depreciated				
Buildings	\$ 4,763,062	\$ 79,711	\$ -	\$ 4,842,773
Office furniture and equipment	658,501	71,767	36,210	694,058
Machinery and automotive equipment	3,444,422	329,654	525,782	3,248,294
Infrastructure	49,848,795	2,211,742	-	52,060,537
Total capital assets depreciated	\$ 58,714,780	\$ 2,692,874	\$ 561,992	\$ 60,845,662

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 1,464,045	\$ 138,938	\$ -	\$ 1,602,983
Office furniture and equipment	349,658	67,472	18,607	398,523
Machinery and automotive equipment	2,126,283	272,923	418,670	1,980,536
Infrastructure	12,010,433	1,004,593	-	13,015,026
Total accumulated depreciation	\$ 15,950,419	\$ 1,483,926	\$ 437,277	\$ 16,997,068
Total capital assets depreciated, net	\$ 42,764,361	\$ 1,208,948	\$ 124,715	\$ 43,848,594
Governmental Activities Capital Assets, Net	\$ 44,579,405	\$ 1,454,679	\$ 124,715	\$ 45,909,369

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

Governmental Activities	
General government	\$ 161,104
Public safety	72,434
Highways and streets, including depreciation of infrastructure assets	1,242,397
Human services	2,776
Conservation of natural resources	1,750
Health	3,465
Total Depreciation Expense - Governmental Activities	\$ 1,483,926

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2009, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
Health Services	General	\$ 195	To provide funding
Health Services	Family Services	1,152	For services provided
Total Due To/From Other Funds		\$ 1,347	

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 79,947

Over the past several years, the General Fund has advanced funds to the Ditch Special Revenue Fund for needed repairs. The advances will be paid off with future special assessments on the benefited properties.

3. Transfers

Interfund transfers for the year ended December 31, 2009, consisted of the following:

	Transfers In	Description
Transfer to Road and Bridge Special Revenue Fund from Gravel Tax Special Revenue Fund	\$ 38,415	To close out fund
Transfer to Health Services Special Revenue Fund from General Fund	134,870	To provide funding
Transfer to Road and Bridge Special Revenue Fund from General Fund	154,332	To pay back previous transfer
Transfer to General Fund from Ditch Special Revenue Fund	4,373	To reimburse payroll expenses and to fund the County bike trail
Total Interfund Transfers	\$ 331,990	

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state and federal grants and other revenues that are not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2009, is summarized below by fund:

	<u>Taxes and Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Total</u>
Governmental funds			
General Fund	\$ 202,988	\$ 119,638	\$ 322,626
Special Revenue Funds			
Road and Bridge	20,632	502,987	523,619
Family Services	36,805	-	36,805
Ditch	86,246	-	86,246
Solid Waste	18,312	-	18,312
Debt Service Fund	13,436	-	13,436
	<u>378,419</u>	<u>622,625</u>	<u>1,001,044</u>
Total	<u>\$ 378,419</u>	<u>\$ 622,625</u>	<u>\$ 1,001,044</u>
Deferred revenue			
Unavailable	\$ 378,419	\$ 594,714	\$ 973,133
Unearned	-	27,911	27,911
	<u>-</u>	<u>27,911</u>	<u>27,911</u>
Total	<u>\$ 378,419</u>	<u>\$ 622,625</u>	<u>\$ 1,001,044</u>



**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Long-Term Debt

Bond and note payments are typically made from the Debt Service Fund. Information on individual bonds and notes payables were as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
General Obligation Bonds					
2002 Solid Waste Bonds	12/01/2011	\$90,000 - \$115,000	2.00 - 3.70	\$ 1,030,000	\$ 225,000
2007A G.O. Capital Improvement Bonds	02/01/2012	\$300,000 - \$335,000	3.60	1,270,000	970,000
Total General Obligation Bonds				\$ 2,300,000	\$ 1,195,000
Septic System Replacement Loans					
SRF0127 State of Minnesota Septic System Replacement Loans	06/15/2018	\$1,733 - \$2,094	2.00	\$ 38,168	\$ 32,915
SRF0185 State of Minnesota Septic System Replacement Loans	06/15/2021	\$641 - \$781	2.00	85,059	85,059
Total State of Minnesota Septic System Replacement Loans				\$ 123,227	\$ 117,974

Debt service requirements at December 31, 2009, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2010	\$ 420,000	\$ 37,555	\$ 3,590	\$ 640
2011	440,000	22,165	7,523	1,403
2012	335,000	6,030	11,575	2,047
2013	-	-	11,808	1,814
2014	-	-	12,046	1,576
2015 - 2019	-	-	57,564	4,200
2020 - 2021	-	-	13,868	221
Total	\$ 1,195,000	\$ 65,750	\$ 117,974	\$ 11,901

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,605,000	\$ -	\$ 410,000	\$ 1,195,000	\$ 420,000
Loans payable	91,393	30,100	3,519	117,974	3,590
Other long-term liability	376,020	23,980	-	400,000	400,000
Compensated absences	460,970	563,339	614,346	409,963	29,957
Net OPEB liability	74,153	60,497	-	134,650	-
Long-Term Liabilities	<u>\$ 2,607,536</u>	<u>\$ 677,916</u>	<u>\$ 1,027,865</u>	<u>\$ 2,257,587</u>	<u>\$ 853,547</u>

The other long-term liability is for a payable to Rainbow Rider, a regional transportation service housed in Pope County. Grant money will be received to pay this liability in 2010.

Long-term debt was liquidated by payments from the following funds:

General Fund	\$ 3,519
Debt Service Fund	<u>410,000</u>
Total Principal Retirements	<u>\$ 413,519</u>

4. Other Postemployment Benefits (OPEB)

Plan Description

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Postemployment Benefits (OPEB) (Continued)

Participants

Participants of the plan consisted of the following at January 1, 2008, the date of the first actuarial valuation:

Active employees	118
Retired employees	<u>49</u>
Total Plan Participants	<u><u>167</u></u>

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Pope County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For fiscal year 2009, the County contributed \$211,066 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2009, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	271,563
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost	\$	271,563
Contributions during the year		(211,066)
		(211,066)
Increase in net OPEB obligation	\$	60,497
Net OPEB Obligation - Beginning of Year		74,153
		74,153
Net OPEB Obligation - End of Year	\$	134,650

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2008	\$ 271,563	\$ 197,410	72.69%	\$ 74,153
December 31, 2009	271,563	211,066	77.72	60,497
				\$ 134,650

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,561,170, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,561,170. The covered payroll (annual payroll of active employees covered by the plan) was \$4,610,899, and the ratio of the UAAL to the covered payroll was 77.23 percent.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

4. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

For January 1, 2008, the actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 9.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after 10 years. The actuarial value of assets was set to equal the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 years.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Reserved and Designated Fund Balances

Fund balances are reserved to show amounts segregated from available spendable resources.

	<u>General</u>	<u>Road and Bridge</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Reserved for				
Missing heirs	\$ 35,108	\$ -	\$ -	\$ 35,108
Advances to other funds	79,947	-	-	79,947
Law library	-	-	12,593	12,593
Recorder's equipment	30,905	-	-	30,905
Inventories	-	31,251	-	31,251
Sheriff's contingency	2,356	-	-	2,356
Capital expenditures	77,959	-	-	77,959
Workers' compensation	6,673	-	-	6,673
Petty cash	1,900	-	-	1,900
Recorder's compliance	133,329	-	-	133,329
D.A.R.E.	18,722	-	-	18,722
Bike path donations	28,710	-	-	28,710
Local water planning	9,339	-	-	9,339
Feedlot program	8,193	-	-	8,193
ISTS loan program	10,659	-	-	10,659
Election equipment	89,624	-	-	89,624
	<u>\$ 533,424</u>	<u>\$ 31,251</u>	<u>\$ 12,593</u>	<u>\$ 577,268</u>
Total Reserved Fund Balances	<u>\$ 533,424</u>	<u>\$ 31,251</u>	<u>\$ 12,593</u>	<u>\$ 577,268</u>

Designated fund balances show amounts that reflect tentative managerial plans or intent.

	<u>General</u>	<u>Human Services</u>	<u>Total</u>
Designated for			
Working capital cash flow	\$ 1,000,000	\$ 515,556	\$ 1,515,556
Compensated absences	350,000	-	350,000
Courthouse maintenance	100,000	-	100,000
Insurance	75,000	-	75,000
E-911	248,231	-	248,231
Permit to carry	12,450	-	12,450
Plat sign deposits	1,169	-	1,169
Veteran vans	20,537	-	20,537
Engineering services	9,152	-	9,152
Probation program expense	20,516	-	20,516
Domestic abuse	1,573	-	1,573
	<u>\$ 1,838,628</u>	<u>\$ 515,556</u>	<u>\$ 2,354,184</u>
Total Designated Fund Balances	<u>\$ 1,838,628</u>	<u>\$ 515,556</u>	<u>\$ 2,354,184</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

A. Plan Description

All full-time and certain part-time employees of Pope County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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.

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 defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level 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 Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

A. Plan Description (Continued)

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.

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. 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 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent.

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Public Employees Retirement Fund	\$ 326,111	\$ 294,510	\$ 282,452
Public Employees Police and Fire Fund	58,178	50,363	45,758



**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

B. Funding Policy (Continued)

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

5. Summary of Significant Contingencies and Other Items

A. 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. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. 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 coverage 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 \$430,000 per claim in 2009 and \$450,000 per claim in 2010. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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

B. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigations. The County Attorney estimates that the potential claims resulting from such litigation that would not be covered by insurance will not have a material adverse effect on the financial condition of the County.

C. Joint Ventures

Pope/Douglas Solid Waste Management

Douglas and Pope Counties entered into a joint powers agreement in 1983 to build and operate a solid waste incinerator, pursuant to Minn. Stat. § 471.59. In 1986, it was determined that the joint venture would eventually operate on user charges.

The management of the solid waste incinerator is vested in the joint board composed of three County Commissioners from Douglas County and two County Commissioners from Pope County, as provided by the joint powers agreement. Each member is entitled to one vote. The costs of operations are apportioned 75 percent to Douglas County and 25 percent to Pope County. The facility is located in Alexandria, Minnesota.

Pope/Douglas Solid Waste Management had net assets of \$17,908,577 as of December 31, 2009, which was a decrease of \$1,047,259 from the prior year.

Financing is provided by charges for services, special assessments levied in each county, state grants, and interest on investments.

Complete financial statements for Pope/Douglas Solid Waste Management can be obtained at 2110 South Jefferson, Alexandria, Minnesota 56308.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Central Minnesota Council on Aging

The Central Minnesota Council on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county. Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal does not discharge any liability incurred or chargeable to any county before the effective date of withdrawal. Control is vested in the Central Minnesota Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

Complete financial statements for the Central Minnesota Council on Aging can be obtained from its administrative office, P. O. Box 726, Fergus Falls, Minnesota 56538-0726.

Mid-State Community Health Services

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services pursuant to Minn. Stat. § 471.59 (following a budget approved by the five-county Board). Pope County Nursing Service receives and administers the grant money.

Complete financial statements for the Mid-State Community Health Services can be obtained from its administrative office at 211 E. Minnesota Avenue, Glenwood, Minnesota 56344.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Prime West Central County-Based Purchasing Initiative Joint Powers Board

In December 1998, Pope County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Renville, Stevens, and Traverse Counties. Pope County, in partnership with these nine counties, is able to directly purchase health care services for County residents who are eligible for Medical Assistance and General Assistance Medical Care. County-based purchasing is the local control alternative favored for improved coordination of services to the Prepaid Medical Insurance Program in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N. Funding comes primarily from the state. Douglas County acts as fiscal agent for the Prime West Central County-Based Purchasing Initiative Joint Powers Board and reports the cash transactions as an investment trust fund on its financial statements.

Complete financial information can be obtained from its administrative office at Prime West Health Systems, Douglas County Courthouse, 305 - 8th Avenue West, Alexandria, Minnesota 56308.

Crow River Joint Powers Agreement

In April 1999, the County entered into a joint powers agreement with Carver, Hennepin, Kandiyohi, McLeod, Meeker, Renville, Sibley, Stearns, and Wright Counties creating the Crow River Joint Powers Agreement. The Agreement is authorized by Minn. Stat. §§ 103B.311 and 103B.315. The Prairie County Resource Conservation and Development Council is the fiscal agent for this Joint Powers Agreement. The Board of Directors meets at least two times per year, or more often if needed, at the location to be set by the chair of the Joint Powers Board. The purpose of this Agreement is the joint exercise of powers by the member counties to promote the orderly water quality improvement and management of the Crow River Watershed through information sharing, education, coordination, and related support to the member counties by assisting in the implementation and goal achievement of comprehensive water plans.

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds. Current financial statements are not available.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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

D. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2009.

6. Pope County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA. The HRA is reporting as of and for the year ended December 31, 2009.

The accounts of the HRA are organized and operated on the basis of a single fund, which has a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenses. This fund is used to account for operations of the HRA and is grouped into the proprietary category. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The HRA's government-wide financial statements (the statement of net assets and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reporting Entity

The HRA is governed by a five-member Board of Directors who are appointed by the Pope County Board.

Basis of Presentation

The HRA does not prepare separate financial statements.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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6. Pope County Housing and Redevelopment Authority (HRA) (Continued)

B. Property Taxes

Property tax levies are set by the HRA and are certified to the County each year for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Real property taxes are generally due from taxpayers in equal installments on May 15 and October 15. The County remits tax settlements to the HRA at various times during the year. Taxes collectible in a given calendar year are generally recognized as revenue during that fiscal year.

C. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Bond Issuance Costs

Bond issuance costs are stated at historical cost and are amortized using the straight-line method over the life of the bonds.

E. Assets

1. Cash

All cash of the HRA is on deposit with the Pope County Auditor/Treasurer and included within its pooled cash and investments. At year-end December 31, 2009, the HRA had \$226,841 in cash and pooled investments and \$3,326,238 in restricted cash and pooled investments.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets (Continued)

2. Receivables

Receivables for the HRA at December 31, 2009, were as follows:

Taxes	\$ 9,720
Loan	<u>127,833</u>
Total Receivables	<u>\$ 137,553</u>

Of the loan receivable, \$123,214 is not expected to be collected within the next year.

3. Land Held for Resale

Property is acquired by the HRA for subsequent resale for redevelopment purposes and not as an investment program. In order to encourage development, the land is often resold at prices substantially lower than the HRA's cost and cannot be sold for more than expended. Land held for resale is reported as an asset at the net realizable value. When the land is subsequently sold, miscellaneous program income is recognized for the sale amount.

4. Capital Assets

Capital assets are stated at historical or estimated historical cost and are depreciated using the straight-line method over their estimated useful lives ranging from 8 to 40 years.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets

4. Capital Assets (Continued)

The HRA's capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 439,580	\$ -	\$ 10,370	\$ 429,210
Construction in progress	-	73,762	-	73,762
Total capital assets not depreciated	\$ 439,580	\$ 73,762	\$ 10,370	\$ 502,972
Capital assets depreciated				
Buildings	\$ 6,000	\$ -	\$ 6,000	\$ -
Less: accumulated depreciation	100	-	100	-
Total capital assets depreciated, net	\$ 5,900	\$ -	\$ 5,900	\$ -
Total Capital Assets, Net	\$ 445,480	\$ 73,762	\$ 16,270	\$ 502,972

F. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2009, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2009
2008A Public Project Revenue Bonds	02/01/2029	\$135,000 - \$285,000	3.20 - 4.90	\$ 3,400,000	\$ 3,400,000
Contracts for deed	01/01/2011	\$40,000 - \$60,000	5.75	\$ 400,000	\$ 40,000



**POPE COUNTY  
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

F. Liabilities

Long-Term Debt (Continued)

The debt service requirements as of December 31, 2009, are as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2010	\$ -	\$ 149,180
2011	-	149,180
2012	-	149,180
2013	135,000	147,020
2014	145,000	142,395
2015 - 2019	810,000	624,605
2020 - 2024	1,015,000	431,765
2025 - 2029	1,295,000	163,510
Total	<u>\$ 3,400,000</u>	<u>\$ 1,956,835</u>

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000	\$ -
Contracts for deed	100,000	-	60,000	40,000	40,000
Long-Term Liabilities	<u>\$ 3,500,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 3,440,000</u>	<u>\$ 40,000</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,610,300	\$ 3,610,300	\$ 3,369,226	\$ (241,074)
Special assessments	-	-	16,739	16,739
Licenses and permits	40,000	40,000	41,036	1,036
Intergovernmental	780,046	780,046	1,067,600	287,554
Charges for services	178,109	178,109	280,683	102,574
Fines and forfeits	100,000	100,000	1,327	(98,673)
Gifts and contributions	-	-	30,044	30,044
Investment earnings	200,000	200,000	144,575	(55,425)
Miscellaneous	375,322	375,322	181,914	(193,408)
<b>Total Revenues</b>	<b>\$ 5,283,777</b>	<b>\$ 5,283,777</b>	<b>\$ 5,133,144</b>	<b>\$ (150,633)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 207,092	\$ 207,092	\$ 185,118	\$ 21,974
County-wide	-	-	759	(759)
Wellness program	1,108	1,108	979	129
Information technology	154,637	154,637	131,562	23,075
Coordinator	248,942	248,942	236,986	11,956
Auditor/Treasurer	364,884	364,884	332,563	32,321
County assessor	316,545	316,545	323,841	(7,296)
Elections	2,500	2,500	12,238	(9,738)
Accounting and auditing	38,100	38,100	67,875	(29,775)
Data processing	53,000	53,000	44,911	8,089
Attorney	240,486	240,486	245,562	(5,076)
Recorder	249,372	249,372	249,469	(97)
Surveyor	4,000	4,000	-	4,000
Environmental services	275,395	275,395	272,888	2,507
Buildings	384,805	384,805	369,249	15,556
Veterans service officer	141,890	141,890	110,087	31,803
Other general government	159,000	159,000	188,015	(29,015)
<b>Total general government</b>	<b>\$ 2,841,756</b>	<b>\$ 2,841,756</b>	<b>\$ 2,772,102</b>	<b>\$ 69,654</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 1,057,548	\$ 1,057,548	\$ 790,301	\$ 267,247
Snowmobile grant	3,940	3,940	2,816	1,124
Boat and water safety	39,262	39,262	11,980	27,282
Coroner	6,180	6,180	8,776	(2,596)
Enhanced 911 system	33,300	33,300	28,324	4,976
Dispatchers	236,025	236,025	222,296	13,729
County jail	360,786	360,786	210,232	150,554
Court services	248,832	248,832	320,480	(71,648)
Sentenced to serve	86,733	86,733	87,396	(663)
Emergency management	78,022	78,022	31,222	46,800
<b>Total public safety</b>	<b>\$ 2,150,628</b>	<b>\$ 2,150,628</b>	<b>\$ 1,713,823</b>	<b>\$ 436,805</b>
<b>Culture and recreation</b>				
Historical society	\$ 49,000	\$ 49,000	\$ 49,000	\$ -
Let's go fishing	1,500	1,500	1,500	-
Regional library	50,000	50,000	107,914	(57,914)
Senior citizens	103,172	103,172	102,888	284
Other	111,854	111,854	1,840	110,014
<b>Total culture and recreation</b>	<b>\$ 315,526</b>	<b>\$ 315,526</b>	<b>\$ 263,142</b>	<b>\$ 52,384</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 70,000	\$ 70,000	\$ 101,752	\$ (31,752)
County extension	105,474	105,474	105,164	310
Agriculture ditch inspector	16,528	16,528	16,646	(118)
County fair	25,000	25,000	25,000	-
Water management	74,081	74,081	105,464	(31,383)
Shoreland management	4,842	4,842	9,268	(4,426)
<b>Total conservation of natural resources</b>	<b>\$ 295,925</b>	<b>\$ 295,925</b>	<b>\$ 363,294</b>	<b>\$ (67,369)</b>
<b>Economic development</b>				
Community development	\$ 17,824	\$ 17,824	\$ 17,824	\$ -
Senior citizens	2,048	2,048	2,048	-
<b>Total economic development</b>	<b>\$ 19,872</b>	<b>\$ 19,872</b>	<b>\$ 19,872</b>	<b>\$ -</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

***Schedule 1  
(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Intergovernmental</b>				
Sanitation				
Pope/Douglas Solid Waste Management	\$ 44,000	\$ 44,000	\$ 55,475	\$ (11,475)
Economic development	-	-	110,822	(110,822)
<b>Total intergovernmental</b>	<b>\$ 44,000</b>	<b>\$ 44,000</b>	<b>\$ 166,297</b>	<b>\$ (122,297)</b>
<b>Capital outlay</b>				
General government	\$ 216,500	\$ 216,500	\$ 396,188	\$ (179,688)
Public safety	100,000	100,000	19,702	80,298
<b>Total capital outlay</b>	<b>\$ 316,500</b>	<b>\$ 316,500</b>	<b>\$ 415,890</b>	<b>\$ (99,390)</b>
<b>Debt service</b>				
Principal	-	-	3,519	(3,519)
Interest	-	-	711	(711)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,230</b>	<b>\$ (4,230)</b>
<b>Total Expenditures</b>	<b>\$ 5,984,207</b>	<b>\$ 5,984,207</b>	<b>\$ 5,718,650</b>	<b>\$ 265,557</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (700,430)</b>	<b>\$ (700,430)</b>	<b>\$ (585,506)</b>	<b>\$ 114,924</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	4,373	4,373
Transfers out	-	-	(289,202)	(289,202)
Proceeds from loan	-	-	30,100	30,100
Proceeds from the sale of capital assets	-	-	32,632	32,632
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (222,097)</b>	<b>\$ (222,097)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (700,430)</b>	<b>\$ (700,430)</b>	<b>\$ (807,603)</b>	<b>\$ (107,173)</b>
<b>Fund Balance - January 1</b>	<b>3,616,506</b>	<b>3,616,506</b>	<b>3,616,506</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,916,076</b>	<b>\$ 2,916,076</b>	<b>\$ 2,808,903</b>	<b>\$ (107,173)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 768,477	\$ 768,477	\$ 666,431	\$ (102,046)
Intergovernmental	3,106,683	3,106,683	4,145,888	1,039,205
Charges for services	24,000	24,000	57,074	33,074
Miscellaneous	71,060	71,060	1,269	(69,791)
<b>Total Revenues</b>	<b>\$ 3,970,220</b>	<b>\$ 3,970,220</b>	<b>\$ 4,870,662</b>	<b>\$ 900,442</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 522,033	\$ 522,033	\$ 303,540	\$ 218,493
Maintenance	971,539	971,539	884,276	87,263
Engineering/construction	1,909,091	1,909,091	2,398,885	(489,794)
Equipment, maintenance, and shop	397,379	397,379	440,813	(43,434)
<b>Total highways and streets</b>	<b>\$ 3,800,042</b>	<b>\$ 3,800,042</b>	<b>\$ 4,027,514</b>	<b>\$ (227,472)</b>
<b>Intergovernmental</b>				
Highways and streets	241,677	241,677	263,658	(21,981)
<b>Capital outlay</b>				
Highways and streets	-	-	107,146	(107,146)
<b>Total Expenditures</b>	<b>\$ 4,041,719</b>	<b>\$ 4,041,719</b>	<b>\$ 4,398,318</b>	<b>\$ (356,599)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (71,499)</b>	<b>\$ (71,499)</b>	<b>\$ 472,344</b>	<b>\$ 543,843</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	192,747	192,747
<b>Net Change in Fund Balance</b>	<b>\$ (71,499)</b>	<b>\$ (71,499)</b>	<b>\$ 665,091</b>	<b>\$ 736,590</b>
<b>Fund Balance - January 1</b>	<b>798,206</b>	<b>798,206</b>	<b>798,206</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>663</b>	<b>663</b>
<b>Fund Balance - December 31</b>	<b>\$ 726,707</b>	<b>\$ 726,707</b>	<b>\$ 1,463,960</b>	<b>\$ 737,253</b>



**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,500,949	\$ 1,500,949	\$ 1,244,530	\$ (256,419)
Intergovernmental	1,238,233	1,238,233	1,574,004	335,771
Charges for services	55,815	55,815	62,059	6,244
Miscellaneous	55,000	55,000	130,118	75,118
<b>Total Revenues</b>	<b>\$ 2,849,997</b>	<b>\$ 2,849,997</b>	<b>\$ 3,010,711</b>	<b>\$ 160,714</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 854,729	\$ 854,729	\$ 801,223	\$ 53,506
Social services	2,223,950	2,223,950	2,216,446	7,504
Otto Bremer Foundation	-	-	27,270	(27,270)
<b>Total Expenditures</b>	<b>\$ 3,078,679</b>	<b>\$ 3,078,679</b>	<b>\$ 3,044,939</b>	<b>\$ 33,740</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (228,682)</b>	<b>\$ (228,682)</b>	<b>\$ (34,228)</b>	<b>\$ 194,454</b>
<b>Fund Balance - January 1</b>	<b>1,781,206</b>	<b>1,781,206</b>	<b>1,781,206</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,552,524</b>	<b>\$ 1,552,524</b>	<b>\$ 1,746,978</b>	<b>\$ 194,454</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 4**

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2009

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$3,561,170	\$3,561,170	0.0%	\$4,610,899	77.23%

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain special revenue funds. A budget is not adopted for the Solid Waste, Ditch, and Gravel Tax Special Revenue Funds because they are based on taxing and special assessments which cannot be determined on an annual basis. Similarly, the Law Library Special Revenue Fund is not budgeted due to the fact that financing is based on fees from court proceedings; therefore, expenditures cannot be determined. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the Pope County Auditor/Treasurer so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no supplemental budgetary appropriations.

Encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders or 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 Appropriations

The following major fund had expenditures in excess of budget for the year ended December 31, 2009:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund	\$ 4,398,318	\$ 4,041,719	\$ 356,599

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Other Postemployment Benefits Funding Status

The County implemented the requirements of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, for the fiscal year ended December 31, 2008. Currently, only one year's worth of data is available. Future reports will provide additional trend analysis to meet the three-year funding status requirements as the information becomes available.

**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Special Revenue Funds

Health Services - to account for funds designated for the operation and maintenance of a public health nursing service.

Law Library - to account for operation and maintenance of the law library. Financing is provided by fees from court proceedings in accordance with Minn. Stat. § 134A.10.

Gravel Tax - to account for all funds collected under state law for restoration of abandoned pits or quarries on public land or tax-forfeited land.

Agency Funds

School Districts - to account for collection and payment of money due to schools.

Select Account - to account for the collection and distribution of Pope County employees' pre-tax benefit plans.

Collaborative - to account for the receipts and disbursements of the Pope County Family Services Collaborative.

Glacial Ridge Hospital District - to account for funds collected for the Glacial Ridge Hospital District.

Taxes and Penalties - to account for collection of taxes and penalties and their payment to various taxing districts.

Towns and Cities - to account for the collection and payment of taxes due to towns and cities.

West Pope Hospital District - to account for funds collected for the West Pope Hospital District.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Agency Funds (Continued)

Farwell Kensington Sanitary District - to account for the receipts and disbursements of the Farwell Kensington Sanitary District.

Villard Lakes Sanitary District - to account for the receipts and disbursements of the Villard Lakes Sanitary District.

Sauk River Watershed District - to account for the collection and payment of funds due to the Sauk River Watershed District.

Middle Fork Crow River Watershed District - to account for the collection and payment of funds due to the Middle Fork Crow River Watershed District.

North Fork Watershed District - to account for collection and payment of funds due to the North Fork Watershed District.

State - to account for the receipt and remittance of funds collected for the State of Minnesota and other local units of government.

Regional Treatment and Correctional Center - to account for the collection and payment of funds due to the Regional Treatment and Correctional Center.

Mid-State Community Health - to account for the receipts and disbursements of Mid-State Community Health, a public health nursing service.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Statement 1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2009**

	<b>Health Services</b>	<b>Law Library</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 458,782	\$ 12,217	\$ 470,999
Taxes receivable			
Accounts receivable	12,879	-	12,879
Due from other funds	1,347	-	1,347
Due from other governments	29,756	1,750	31,506
<b>Total Assets</b>	<b>\$ 502,764</b>	<b>\$ 13,967</b>	<b>\$ 516,731</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,364	\$ 1,374	\$ 2,738
Salaries payable	24,634	-	24,634
Due to other governments	286	-	286
<b>Total Liabilities</b>	<b>\$ 26,284</b>	<b>\$ 1,374</b>	<b>\$ 27,658</b>
<b>Fund Balances</b>			
Reserved for			
Law library	\$ -	\$ 12,593	\$ 12,593
Unreserved			
Undesignated	476,480	-	476,480
<b>Total Fund Balances</b>	<b>\$ 476,480</b>	<b>\$ 12,593</b>	<b>\$ 489,073</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 502,764</b>	<b>\$ 13,967</b>	<b>\$ 516,731</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Health Services</u>	<u>Law Library</u>	<u>Gravel Tax</u>	<u>Total (Exhibit 5)</u>
<b>Revenues</b>				
Intergovernmental	\$ 222,782	\$ -	\$ -	\$ 222,782
Charges for services	592,021	-	-	592,021
Fines and forfeits	-	25,545	-	25,545
<b>Total Revenues</b>	<b>\$ 814,803</b>	<b>\$ 25,545</b>	<b>\$ -</b>	<b>\$ 840,348</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	\$ -	\$ 26,416	\$ 3,031	\$ 29,447
Health	947,870	-	-	947,870
<b>Total Expenditures</b>	<b>\$ 947,870</b>	<b>\$ 26,416</b>	<b>\$ 3,031</b>	<b>\$ 977,317</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (133,067)</b>	<b>\$ (871)</b>	<b>\$ (3,031)</b>	<b>\$ (136,969)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ 134,870	\$ -	\$ -	\$ 134,870
Transfers out	-	-	(38,415)	(38,415)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 134,870</b>	<b>\$ -</b>	<b>\$ (38,415)</b>	<b>\$ 96,455</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,803</b>	<b>\$ (871)</b>	<b>\$ (41,446)</b>	<b>\$ (40,514)</b>
<b>Fund Balance - January 1</b>	<b>474,677</b>	<b>13,464</b>	<b>41,446</b>	<b>529,587</b>
<b>Fund Balance - December 31</b>	<b>\$ 476,480</b>	<b>\$ 12,593</b>	<b>\$ -</b>	<b>\$ 489,073</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 144,795	\$ 144,795	\$ 222,782	\$ 77,987
Charges for services	<u>550,930</u>	<u>550,930</u>	<u>592,021</u>	<u>41,091</u>
<b>Total Revenues</b>	<b>\$ 695,725</b>	<b>\$ 695,725</b>	<b>\$ 814,803</b>	<b>\$ 119,078</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Health services	<u>945,595</u>	<u>945,595</u>	<u>947,870</u>	<u>(2,275)</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (249,870)</b>	<b>\$ (249,870)</b>	<b>\$ (133,067)</b>	<b>\$ 116,803</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	<u>-</u>	<u>134,870</u>	<u>134,870</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<b>\$ (249,870)</b>	<b>\$ (115,000)</b>	<b>\$ 1,803</b>	<b>\$ 116,803</b>
<b>Fund Balance - January 1</b>	<b><u>474,677</u></b>	<b><u>474,677</u></b>	<b><u>474,677</u></b>	<b><u>-</u></b>
<b>Fund Balance - December 31</b>	<b><u><u>\$ 224,807</u></u></b>	<b><u><u>\$ 359,677</u></u></b>	<b><u><u>\$ 476,480</u></u></b>	<b><u><u>\$ 116,803</u></u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 86,920</u>	<u>\$ 3,503,027</u>	<u>\$ 3,514,210</u>	<u>\$ 75,737</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 86,920</u>	<u>\$ 4,937,364</u>	<u>\$ 4,948,547</u>	<u>\$ 75,737</u>
 <b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 5,230</u>	<u>\$ 104,051</u>	<u>\$ 96,526</u>	<u>\$ 12,755</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ 5,230</u>	<u>\$ 107,875</u>	<u>\$ 100,350</u>	<u>\$ 12,755</u>
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 117,125</u>	<u>\$ 60,772</u>	<u>\$ 82,884</u>	<u>\$ 95,013</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 117,125</u>	<u>\$ 60,772</u>	<u>\$ 82,884</u>	<u>\$ 95,013</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>GLACIAL RIDGE HOSPITAL DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 5,471	\$ 247,064	\$ 247,160	\$ 5,375
<b><u>Liabilities</u></b>				
Due to other governments	\$ 5,471	\$ 347,354	\$ 347,450	\$ 5,375
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 34,921	\$ 14,824,292	\$ 14,816,710	\$ 42,503
<b><u>Liabilities</u></b>				
Due to other governments	\$ 34,921	\$ 14,914,132	\$ 14,906,550	\$ 42,503
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 72,095	\$ 3,360,419	\$ 3,374,416	\$ 58,098
<b><u>Liabilities</u></b>				
Due to other governments	\$ 72,095	\$ 4,774,232	\$ 4,788,229	\$ 58,098

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>WEST POPE HOSPITAL DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 102	\$ 406	\$ 508	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 102	\$ 712	\$ 814	\$ -
 <b><u>FARWELL KENSINGTON SANITARY DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 8	\$ 1,528	\$ 1,517	\$ 19
<b><u>Liabilities</u></b>				
Due to other governments	\$ 8	\$ 2,099	\$ 2,088	\$ 19
 <b><u>VILLARD LAKES SANITARY DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,362	\$ 3,017	\$ 4,374	\$ 5
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,362	\$ 7,107	\$ 8,464	\$ 5



**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<b><u>SAUK RIVER WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 226	\$ 16,830	\$ 16,998	\$ 58
<b><u>Liabilities</u></b>				
Due to other governments	\$ 226	\$ 18,156	\$ 18,324	\$ 58
 <b><u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 131	\$ 131	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 150	\$ 150	\$ -
 <b><u>NORTH FORK WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 497	\$ 25,053	\$ 24,734	\$ 816
<b><u>Liabilities</u></b>				
Due to other governments	\$ 497	\$ 31,934	\$ 31,615	\$ 816

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3*  
*(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 69,533	\$ 1,397,115	\$ 1,402,894	\$ 63,754
Due from other governments	677	-	677	-
	<b>\$ 70,210</b>	<b>\$ 1,397,115</b>	<b>\$ 1,403,571</b>	<b>\$ 63,754</b>
	<b>\$ 70,210</b>	<b>\$ 1,397,115</b>	<b>\$ 1,403,571</b>	<b>\$ 63,754</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 70,210</b>	<b>\$ 1,573,402</b>	<b>\$ 1,579,858</b>	<b>\$ 63,754</b>
	<b>\$ 70,210</b>	<b>\$ 1,573,402</b>	<b>\$ 1,579,858</b>	<b>\$ 63,754</b>
 <b><u>REGIONAL TREATMENT AND CORRECTIONAL CENTER</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ 9,828</b>	<b>\$ 150,000</b>	<b>\$ 155,807</b>	<b>\$ 4,021</b>
	<b>\$ 9,828</b>	<b>\$ 150,000</b>	<b>\$ 155,807</b>	<b>\$ 4,021</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 9,828</b>	<b>\$ 150,000</b>	<b>\$ 155,807</b>	<b>\$ 4,021</b>
	<b>\$ 9,828</b>	<b>\$ 150,000</b>	<b>\$ 155,807</b>	<b>\$ 4,021</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Statement 3**  
**(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>MID-STATE COMMUNITY HEALTH</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 822,106	\$ 744,356	\$ 77,750
Due from other governments	-	57,410	-	57,410
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 879,516</b>	<b>\$ 744,356</b>	<b>\$ 135,160</b>
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 879,516	\$ 744,356	\$ 135,160
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 403,318	\$ 24,515,811	\$ 24,483,225	\$ 435,904
Due from other governments	677	57,410	677	57,410
<b>Total Assets</b>	<b>\$ 403,995</b>	<b>\$ 24,573,221</b>	<b>\$ 24,483,902</b>	<b>\$ 493,314</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 5,230	\$ 107,875	\$ 100,350	\$ 12,755
Due to other governments	398,765	27,696,930	27,615,136	480,559
<b>Total Liabilities</b>	<b>\$ 403,995</b>	<b>\$ 27,804,805</b>	<b>\$ 27,715,486</b>	<b>\$ 493,314</b>

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**HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Statement 4**

**STATEMENT OF NET ASSETS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
DECEMBER 31, 2009**

**Assets**

**Current assets**

Cash and pooled investments	\$ 226,841
Taxes receivable	
Delinquent	9,720
Loans receivable	127,833
Land held for resale	112,329
Restricted assets	
Cash and pooled investments	3,326,238

**Total current assets** **\$ 3,802,961**

**Noncurrent assets**

Deferred charges	\$ 65,975
Capital assets	
Nondepreciable	502,972

**Total noncurrent assets** **\$ 568,947**

**Total Assets** **\$ 4,371,908**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 4,500
Accrued interest payable	67,908
Contract for deed payable - current	40,000

**Total current liabilities** **\$ 112,408**

**Noncurrent liabilities**

Revenue bonds payable - long-term	<b><u>\$ 3,400,000</u></b>
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**Total Liabilities** **\$ 3,512,408**

**Net Assets**

Invested in capital assets - net of related debt	\$ 389,210
Unrestricted	470,290

**Total Net Assets** **\$ 859,500**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Statement 5**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Operating Expenses</b>	
Personal services	\$ 34,844
Professional services	7,654
Insurance	1,948
Licenses and dues	587
Repairs and maintenance	11,309
Miscellaneous	10,086
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 66,428</b>
	<hr/>
<b>Operating Income (Loss)</b>	<b>\$ (66,428)</b>
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Property taxes	\$ 409,901
Intergovernmental revenue - local	163,227
Intergovernmental expense - economic development	(80,346)
Interest income	47,585
Interest expense	(169,931)
Amortization of deferred charges	(3,472)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 366,964</b>
	<hr/>
<b>Change in net assets</b>	<b>\$ 300,536</b>
	<hr/>
<b>Net Assets - January 1</b>	<b>558,964</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 859,500</b>
	<hr/> <hr/>



**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Statement 6**

**STATEMENT OF CASH FLOWS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Payments to suppliers	\$ (20,275)
Payments to employees	(35,514)
Purchases and costs of land held for resale	<u>(167,169)</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (222,958)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Property taxes	<b><u>\$ 406,170</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Intergovernmental	\$ 82,881
Principal paid on long-term debt	(60,000)
Interest paid on long-term debt	(102,023)
Purchases of capital assets	<u>(57,492)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (136,634)</u></b>
<b>Cash Flows from Investing Activities</b>	
Collections of loan principal	\$ 2,906
Interest received on loans	46,613
Insurance dividends	972
Loan granted	<u>(36,000)</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>\$ 14,491</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 61,069</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>3,492,010</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 3,553,079</u></u></b>
<b>Cash and Cash Equivalents - Exhibit 5</b>	
Cash and pooled investments	\$ 226,841
Restricted cash and pooled investments	<u>3,326,238</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 3,553,079</u></u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Statement 6**  
***(Continued)***

**STATEMENT OF CASH FLOWS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2009  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (66,428)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Increase (decrease) in salaries payable	\$ (670)
Purchases of land held for resale	<u>(155,860)</u>
<b>Total adjustments</b>	<b><u>\$ (156,530)</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ (222,958)</u></u></b>

## **OTHER SCHEDULES**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 6**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2009**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Pooled Deposits and Investments</b>			
<b>Certificates of deposit</b>			
Bremer Bank	1.10	November 26, 2010	\$ 90,000
Glenwood State Bank	2.15	July 11, 2011	24,000
Hometown Community Bank	1.70	April 30, 2010	200,000
Hometown Community Bank	2.00	November 5, 2010	100,000
Hometown Community Bank	2.00	July 17, 2010	225,000
Hometown Community Bank	1.60	June 24, 2010	300,000
Hometown Community Bank	1.60	June 26, 2010	400,000
Lowry State Bank	2.10	April 18, 2010	200,000
Lowry State Bank	1.50	July 1, 2010	150,000
<b>Total certificates of deposit</b>			<b><u>\$ 1,689,000</u></b>
<b>Checking accounts</b>			
Eagle Bank	0.10	Continuous	\$ 19,858
Glenwood State Bank	0.51	Continuous	26,331
<b>Total checking accounts</b>			<b><u>\$ 46,189</u></b>
<b>Savings accounts</b>			
Eagle Bank	0.85	Continuous	\$ 143,969
Eagle Bank	0.40	Continuous	3,480
Glenwood State Bank	1.00	Continuous	5,666,719
<b>Total savings accounts</b>			<b><u>\$ 5,814,168</u></b>
<b>Total Deposits and Investments</b>			<b><u>\$ 7,549,357</u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

Schedule 7

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS**

	2008		2009		2010	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
<b>Tax Capacity</b>						
Real property	\$ 13,162,120		\$ 14,601,223		\$ 16,542,915	
Personal property	270,730		271,929		288,849	
<b>Total Tax Capacity</b>	<b>\$ 13,432,850</b>		<b>\$ 14,873,152</b>		<b>\$ 16,831,764</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 3,873,385	26.456	\$ 3,944,010	24.370	\$ 3,749,231	20.639
Road and Bridge	822,123	5.577	800,172	4.912	866,997	4.743
Family Services	1,365,415	9.262	1,500,949	9.213	1,596,272	8.732
Incinerator Bonds	126,331	0.944	128,053	0.864	124,126	0.739
Capital Improvements Notes	363,006	2.711	362,200	2.442	366,200	2.180
LEC Bonds	-	-	180,000	1.214	156,700	0.933
<b>Total Levy for County Purposes</b>	<b>\$ 6,550,260</b>	<b>44.950</b>	<b>\$ 6,915,384</b>	<b>43.015</b>	<b>\$ 6,859,526</b>	<b>37.966</b>
<b>Less Credits Payable by State</b>	<b>544,992</b>		<b>549,888</b>		<b>494,030</b>	
<b>Net Levy Certified to State</b>	<b>\$ 6,005,268</b>		<b>\$ 6,365,496</b>		<b>\$ 6,365,496</b>	
<b>Less Market Value Credits Payable by State</b>	<b>566,189</b>		<b>543,626</b>		<b>519,584</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 5,439,079</b>		<b>\$ 5,821,870</b>		<b>\$ 5,845,912</b>	
<b>Tax Capacity - Light and Power</b>						
Assessed at 43%	\$ 27,106		\$ 35,458		\$ 52,060	
Assessed at 5%	2,150		2,112		2,074	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 29,256</b>		<b>\$ 37,570</b>		<b>\$ 54,134</b>	

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 7*  
*(Continued)*

**TAX CAPACITY, TAX RATES, LEVIES, AND PERCENTAGE OF COLLECTIONS**

	<b>2008</b>		<b>2009</b>		<b>2010</b>	
	<b>Amount</b>	<b>Net Tax Capacity Rate (%)</b>	<b>Amount</b>	<b>Net Tax Capacity Rate %</b>	<b>Amount</b>	<b>Net Tax Capacity Rate %</b>
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)</b>						
Assessed at 43%	\$ 24,028	88.649	\$ 29,758	83.923	\$ 39,520	75.911
Assessed at 5%	1,907	88.649	1,772	83.923	1,574	75.911
Market value based on property tax	2,226	0.152	3,118	0.166	4,336	0.160
State tax	13,443	45.949	17,108	45.535	24,837	45.881
<b>Total Light and Power Tax Levies</b>	<b>\$ 41,604</b>		<b>\$ 51,756</b>		<b>\$ 70,267</b>	
<b>Special Assessments</b>						
Ditch liens and assessments	<b>\$ 708,549</b>		<b>\$ 680,202</b>		<b>\$ 683,192</b>	
<b>Percentage of Tax Collections for All Purposes</b>	<b>98%</b>		<b>98%</b>		<b>0%</b>	

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2009**

	Assets			
	Cash and Investments	Special Assessments Receivable		Total
		Delinquent	Deferred	
<b>County Ditches</b>				
2	\$ 5,430	\$ -	\$ -	\$ 5,430
3	545	-	-	545
4	1,087	-	-	1,087
6	583	-	-	583
7	5,367	-	-	5,367
8	5,477	-	-	5,477
9	2,294	146	-	2,440
10	1,587	-	-	1,587
11	175	-	-	175
12	627	-	-	627
15	1,462	-	-	1,462
17	6,131	-	266	6,397
19	87	-	-	87
24	566	-	-	566
27	327	-	-	327
28	8,004	-	-	8,004
29	1,051	-	-	1,051
General	688	-	68,130	68,818
<b>Judicial Ditches</b>				
3 Pope and Douglas	12,349	-	-	12,349
4 Pope and Douglas	947	-	5,999	6,946
4 Pope and Swift	2,379	-	3,068	5,447
9 Pope and Swift	3,713	-	8,637	12,350
<b>Total</b>	<b>\$ 60,876</b>	<b>\$ 146</b>	<b>\$ 86,100</b>	<b>\$ 147,122</b>



**Schedule 8**

<u>Deferred Revenue</u>	<u>Liabilities Advance from Other Funds</u>	<u>Total</u>	<u>Fund Balances Undesignated</u>	<u>Total Liabilities and Fund Balances</u>
\$ -	\$ -	\$ -	\$ 5,430	\$ 5,430
-	-	-	545	545
-	-	-	1,087	1,087
-	-	-	583	583
-	-	-	5,367	5,367
-	-	-	5,477	5,477
146	-	146	2,294	2,440
-	-	-	1,587	1,587
-	-	-	175	175
-	-	-	627	627
-	-	-	1,462	1,462
266	-	266	6,131	6,397
-	-	-	87	87
-	-	-	566	566
-	-	-	327	327
-	-	-	8,004	8,004
-	-	-	1,051	1,051
68,130	58,397	126,527	(57,709)	68,818
-	-	-	12,349	12,349
5,999	-	5,999	947	6,946
3,068	11,600	14,668	(9,221)	5,447
8,637	9,950	18,587	(6,237)	12,350
<b><u>\$ 86,246</u></b>	<b><u>\$ 79,947</u></b>	<b><u>\$ 166,193</u></b>	<b><u>\$ (19,071)</u></b>	<b><u>\$ 147,122</u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 9*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Shared Revenue**

**State**

Highway users tax	\$ 2,794,248
Market value credit	456,916
Market value credit - mobile home	1,528
Market value credit - agricultural	72,331
PERA rate reimbursement	17,671
Disparity reduction aid	22,509
County program aid	467,668
Police aid	45,008
	45,008

**Total shared revenue** **\$ 3,877,879**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 280,425
--	------------

**Payments**

**Local**

Local contributions	\$ 320,166
Payments in lieu of taxes	56,495
	56,495

**Total payments** **\$ 376,661**

**Grants**

**State**

Minnesota Department/Board of	
Corrections	\$ 24,434
Public Safety	83,924
Transportation	84,388
Health	75,956
Natural Resources	100,892
Human Services	349,702
Trial Courts	2,374
Veterans Affairs	4,000
Water and Soil Resources	73,293
Pollution Control Agency	55,475
	55,475

**Total state** **\$ 854,438**

**Federal**

Department of	
Agriculture	\$ 137,266
Transportation	769,714
Health and Human Services	707,213
Homeland Security	51,807
	51,807

**Total federal** **\$ 1,666,000**

**Total state and federal grants** **\$ 2,520,438**

**Total Intergovernmental Revenue** **\$ 7,055,403**



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**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 10*

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009

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

- A. Our report expresses unqualified opinions on the basic financial statements of Pope County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Pope County and are 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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Pope 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 Pope 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:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grants for SNAP	CFDA #10.561
State Administrative Matching Grants for SNAP - ARRA	CFDA #10.561
Child Support Enforcement Cluster	
Child Support Enforcement	CFDA #93.563
Child Support Enforcement - ARRA	CFDA #93.563
Social Services Block Grant	CFDA #93.667
Medical Assistance Program	CFDA #93.778

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Pope County was not determined to be a low-risk auditee.

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

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS NOT RESOLVED**

96-1 **Departmental Internal Accounting Control**

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include Recorder, Environmental Services, Sheriff, Public Health, Highway, Social Services, Solid Waste, and Extension. In these offices, there may be only one employee to receive and account for departmental collections. This is not unusual in small departmental situations; however, Pope County's management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Examples of incompatible duties which should be performed by separate individuals are:

- receipting collections, posting collections to registers, and making bank deposits;
- signing checks and reconciling the bank accounts;
- receipting collections and posting collections to the accounts receivable records;
- approving receivable write-offs/write-downs and posting adjustments to the accounts receivable records; and
- entering data, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.

Some procedures the County's management may wish to consider to strengthen controls in these offices include:

- Department heads should monitor operations within their office to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

We recommend that County management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that adequate controls are in place over cash, receivables, and other items.

Client's Response:

*Pope County is aware of the internal accounting control problems arising due to limited office personnel. The Auditor/Treasurer's Office attempts to segregate duties within the confines of limited office personnel to address internal accounting control.*

*Offices that collect fees have been directed and are depositing more frequently, weekly or daily, to reduce the amount of funds on hand and department heads are taking a more active role in accounting functions of their individual departments as suggested. Reports are sent to departments on a monthly basis for individual department review.*

02-6 Preparation of Financial Statements

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

Pope County has established controls and procedures for recording, processing, and summarizing its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition is a result of the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than incur the time and expense of obtaining the necessary training and expertise required to prepare financial statements internally. As a result of this condition, the government lacks internal controls over the preparation and reporting of financial statements in accordance with GAAP.

We recommend Pope County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Pope County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

*Pope County continues to work toward preparing more of the information needed for the audits, including summary statements and trial balances.*

06-2 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

During our audit, we identified the following material adjustment:

Road and Bridge Special Revenue Fund

- Revenues were increased by \$400,000 for federal projects and deferred revenue decreased by the same amount. At the fund level, deferred revenue for the receivable was recorded, but the funds were received during the revenue recognition period.



The proposed audit adjustment was reviewed and approved by the appropriate staff and is reflected in the financial statements. Independent external auditors, however, should not be considered part of the government's internal control.

We recommend the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with GAAP.

Client's Response:

*Pope County will continue to establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with GAAP.*

07-1 Segregation of Duties - Disbursements

During the 2007 and 2008 audits, we reviewed the County's general disbursements process and noted that several individuals had the ability to both process disbursements and set up new vendors. During 2009, the County re-assigned some duties and resolved this issue for all but two individuals in the Auditor/Treasurer's Office. If possible, these duties should be segregated for all employees, and someone independent of the disbursements process should review, verify, and approve new vendors at least monthly.

We recommend that management re-evaluate whether separation of duties between disbursements and vendor set up is possible. Procedures should be developed to monitor new vendors entered into the system.

Client's Response:

*Pope County has established control over adding vendors as well as periodically reviewing the vendor file on the Integrated Financial System (IFS). The individual that adds or changes vendors is not involved in the payable process. A report is printed from IFS to verify that only the authorized person is adding or changing vendors.*

07-2 Payroll

Authorization for Pope County payroll changes, such as new hires, promotions, and pay increases, is initiated in the County Coordinator's Office. Notification of changes to be made is sent to the payroll clerk in the Auditor/Treasurer's Office, who inputs the changes to the master file of the payroll system in addition to processing payroll. A review of the "edits" as provided by the payroll clerk is performed by another individual in the Auditor/Treasurer's Office; however, the information for this review is not collected independently of the payroll clerk.

To strengthen internal controls, we recommend that someone independent of the payroll processing function review payroll edit reports that are obtained independent of the payroll clerk to make sure that all changes made to the payroll system master file were authorized.

Client's Response:

*Pope County continues to review procedures and has implemented controls necessary to see that changes in payroll are verified to ensure that the changes made were authorized and completed. After the change has been made in payroll, another person reviews the authorized change with the edit report to verify accuracy. A report is also printed or viewed by Human Resources to review changes made at any time.*

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Controls Over Journal Entries (07-3)**

Pope County limits access to the journal entry function to certain County employees. During previous audits, we noted that the employees with access to the journal entry function could both create and post journal entries without review or approval by a second person.

**Resolution**

Pope County has taken steps to tighten its controls over journal entries. Pope County established procedures in which two individuals review journal entries posted to the system, ensuring that all journal entries are properly approved and appropriate.

**Information System Risk Management (08-1)**

Pope County contracts with Computer Professionals Unlimited, Inc. (CPUI), a service organization, to provide computer hardware for hosting the County's applications; processing of accounting transactions of other data; daily, weekly, and full system backups of applications and processed data; and disaster recovery planning for continued operations. During our site visit to CPUI, we noted that computers were not located in a restricted area away from public view; the computers were in an unlocked cage; daily backup tapes for information processed Monday through Thursday were kept onsite in a locked metal cabinet; however, the cabinet was not designed to protect the tapes from the heat that would be generated in the event of a fire; one fire extinguisher was observed in the office; and weekly and full system backup information was kept at an offsite location.

**Resolution**

CPUI now has a Sentry Safe that protects up to 1,700 degrees. If necessary, the safe could be extracted through a nearby window in the event of a fire. In addition, the CPUI office now has two fire extinguishers, and computers are maintained in a locked storage room overnight. The County has adopted a policy to annually monitor internal controls at CPUI and review its disaster recovery plan.

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

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

**OTHER ITEM FOR CONSIDERATION**

**GASB Statement 54**

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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  
Pope County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 28, 2010. 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 Pope County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurances that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule

of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 06-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-1, 02-6, 07-1, and 07-2 to be significant deficiencies.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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 seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except we did not test for compliance in tax increment financing because the County does not have any tax increment financing districts.

The results of our tests indicate that, for the items tested, Pope County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

Pope County's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Pope County, 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

October 28, 2010

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## **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  
Pope County

### Compliance

We have audited the compliance of Pope 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, 2009. Pope 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 Pope 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, Pope 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, 2009.

#### Internal Control Over Compliance

Management of Pope 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 internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

#### Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 28, 2010. Our audit was performed for the purpose of forming opinions on the County's 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 basic financial statements taken as a whole.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within the County, 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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

October 28, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 11**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Mid-State Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 56,520
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	79,112
State Administrative Matching Grants for SNAP--ARRA	10.561	<u>1,634</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ <u>137,266</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	<b>\$ <u>222,304</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 16,450
Passed Through Minnesota Department of Human Services Projects for Assistance in Transition from Homelessness (PATH)	93.150	1,033
Promoting Safe and Stable Families	93.556	5,626
Temporary Assistance for Needy Families	93.558	69,428
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	149,506
Child Support Enforcement--ARRA	93.563	18,667
Refugee and Entrant Assistance - State-Administered Programs	93.566	197
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	4,884
Foster Care - Title IV-E Cluster		
Foster Care - Title IV-E	93.658	13,311
Foster Care - Title IV-E--ARRA	93.658	999
Social Services Block Grant	93.667	80,572
Medical Assistance Program	93.778	287,238
Block Grants for Community Mental Health Services	93.958	2,468

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 11  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services (Continued)</b>		
Passed Through Mid-State Community Health Services		
Public Health Emergency Preparedness Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.069	17,139
	93.283	20,656
Temporary Assistance for Needy Families	93.558	19,039
		<hr/>
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 707,213</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 25,736
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	11,584
Emergency Management Performance Grants	97.042	14,487
		<hr/>
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 51,807</b>
		<hr/>
<b>Total Federal Awards</b>		<b>\$ 1,118,590</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pope County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Pope County, it is not intended to and does not present the financial position or changes in net assets of Pope County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,666,000
Less: Highway Planning and Construction Grant monies expended in 2008, but not recognized as revenues in 2008 as the monies were not available (CFDA #20.205)	<u>(547,410)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 1,118,590</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Subrecipients

Of the expenditures presented in the schedule, Pope County provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
20.205	Highway Planning and Construction	<u>\$ 23,980</u>

6. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.