

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**POPE COUNTY HOUSING AND  
REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF POPE COUNTY)  
GLENWOOD, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2016**

## **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 150 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 650 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.

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**POPE COUNTY HOUSING AND  
REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
(A COMPONENT UNIT OF POPE COUNTY)  
GLENWOOD, MINNESOTA**

**Year Ended December 31, 2016**



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

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

ORGANIZATION  
2016

Office	Name	Term	
		From	To
<b>Commissioners</b>			
Member	Larry Kittelson	January 2015	December 2018
Member	Cody Rogahn	January 2015	December 2018
Member	Dorothy Gaffaney	January 2012	December 2019
Member	Greg Vold	June 2015	December 2018
Member	John Shea	January 2016	December 2017
Member	Lori Vaadeland*	January 2012	December 2016
Member	Allen Rutter	January 2016	December 2020
<b>Officers</b>			
Executive Director	Jason Murray	October 2015	December 2016

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## INDEPENDENT AUDITOR'S REPORT

Board of Commissioners  
Pope County Housing and Redevelopment  
Authority/Economic Development Authority  
Glenwood, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the Pope County Housing and Redevelopment Authority/Economic Development Authority, a component unit of Pope County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express an opinion 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 from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pope County Housing and Redevelopment Authority/Economic Development Authority as of December 31, 2016, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 23, 2017, on our consideration of the Pope County Housing and Redevelopment Authority/Economic Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pope County Housing and Redevelopment Authority/Economic Development Authority's internal control over financial reporting and compliance.

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 23, 2017

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

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

**INTRODUCTION**

The Pope County Housing and Redevelopment Authority/Economic Development Authority's (Authority) Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial information, (b) provide an overview of the financial activity, (c) identify changes in the financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns. Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Authority's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Authority's total net position increased to \$1,106,653 in 2016, an increase of \$24,874, or 2.3 percent.
- At the close of 2016, the Authority's net position was \$1,106,653. There are two components that comprise this balance:
  - Net investment in capital assets of \$69,278, a decrease of \$111,853 when compared to the prior year.
  - Unrestricted net position of \$1,037,375, an increase of \$136,727 when compared to the prior year, is available for use in the operations and for meeting ongoing Authority obligations.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The Authority's basic financial statements consist of two parts: the financial statements and the notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The financial statements consist of the following:

- The statement of net position compares the assets and liabilities to give an overall view of the financial health of the Authority.
- The statement of revenues, expenses, and changes in net position provides information on an aggregate view of the Authority's finances. All of the current year's revenues and expenses are taken into account, regardless of when the cash was received or paid.
- The statement of cash flows provides sources and uses of cash for the Authority.

## FINANCIAL ANALYSIS

	Net Position			Percentage Change (%)
	2016	2015	Increase (Decrease)	
Assets				
Current assets	\$ 1,398,285	\$ 1,409,774	\$ (11,489)	(0.8)
Capital assets, net	2,359,482	2,412,538	(53,056)	(2.2)
Other assets	<u>2,655,000</u>	<u>2,815,000</u>	<u>(160,000)</u>	(5.7)
Total Assets	<u>\$ 6,412,767</u>	<u>\$ 6,637,312</u>	<u>\$ (224,545)</u>	(3.4)
Liabilities				
Current liabilities	\$ 392,391	\$ 382,939	\$ 9,452	2.5
Noncurrent liabilities	<u>4,913,723</u>	<u>5,172,594</u>	<u>(258,871)</u>	(5.0)
Total Liabilities	<u>\$ 5,306,114</u>	<u>\$ 5,555,533</u>	<u>\$ (249,419)</u>	(4.5)
Net Position				
Net investment in capital assets	\$ 69,278	\$ 181,131	\$ (111,853)	(61.8)
Unrestricted	<u>1,037,375</u>	<u>900,648</u>	<u>136,727</u>	15.2
Total Net Position	<u>\$ 1,106,653</u>	<u>\$ 1,081,779</u>	<u>\$ 24,874</u>	2.3

**Changes in Net Position**

	2016	2015	Increase (Decrease)	Percentage Change (%)
Nonoperating revenues				
Property taxes	\$ 257,643	\$ 268,408	\$ (10,765)	(4.0)
Intergovernmental revenue	9,676	9,174	502	5.5
Miscellaneous income	295,500	226,592	68,908	30.4
Investment earnings	3,666	1,748	1,918	109.7
Other income	29,537	-	29,537	100.0
<b>Total Revenues</b>	<b>\$ 596,022</b>	<b>\$ 505,922</b>	<b>\$ 90,100</b>	<b>17.8</b>
Operating expenses				
Personal services	\$ 15,629	\$ 10,091	\$ 5,538	54.9
Professional services	82,971	84,981	(2,010)	(2.4)
Insurance	9,115	12,884	(3,769)	(29.3)
Licenses and dues	-	200	(200)	(100.0)
Miscellaneous	33,465	24,922	8,543	34.3
Depreciation	53,056	53,056	-	-
Nonoperating expenses				
Intergovernmental expense	30,000	30,000	-	-
Repairs and maintenance	25,292	17,909	7,383	41.2
Loss on sale of capital assets	-	91,645	(91,645)	(100.0)
Loss on sale of land held for resale	86,172	-	86,172	100.0
Interest expense	194,498	195,165	(667)	(0.3)
Advertising	15,375	9,574	5,801	60.6
Other expense	25,575	-	25,575	100.0
<b>Total Expenses</b>	<b>\$ 571,148</b>	<b>\$ 530,427</b>	<b>\$ 40,721</b>	<b>7.7</b>
<b>Change in Net Position</b>	<b>\$ 24,874</b>	<b>\$ (24,505)</b>	<b>\$ 49,379</b>	<b>201.5</b>
Net Position - January 1	1,081,779	1,106,284	(24,505)	(2.2)
<b>Net Position - December 31</b>	<b>\$ 1,106,653</b>	<b>\$ 1,081,779</b>	<b>\$ 24,874</b>	<b>2.3</b>

## CAPITAL ASSETS

At year-end, the Authority had \$2,359,482 invested in capital assets, as reflected in the following schedule, a net decrease of \$53,056 due to annual depreciation of the assets.

	<b>Capital Assets (Net of Depreciation)</b>			Percentage Change
	2016	2015	Increase (Decrease)	(%)
Land	\$ 396,410	\$ 396,410	\$ -	-
Buildings	1,963,072	2,016,128	(53,056)	(2.6)
Total Capital Assets	<u>\$ 2,359,482</u>	<u>\$ 2,412,538</u>	<u>\$ (53,056)</u>	(2.2)

Additional information on capital assets can be found in Note 2.A.3. to the financial statements.

## DEBT OUTSTANDING

At year-end, the Authority had \$5,173,723 in debt outstanding, a decrease of \$248,871 from the prior year.

	<b>Debt (Net of Premium/Discount)</b>			Percentage Change
	2016	2015	Increase (Decrease)	(%)
Revenue bonds	\$ 2,795,416	\$ 2,948,784	\$ (153,368)	(5.2)
General obligation bonds	2,328,307	2,373,810	(45,503)	(1.9)
Contract for deed	50,000	100,000	(50,000)	(50.0)
Total Debt	<u>\$ 5,173,723</u>	<u>\$ 5,422,594</u>	<u>\$ (248,871)</u>	(4.6)

Additional information on long-term debt can be found in Note 2.B. to the financial statements.

## **ECONOMIC FACTORS**

The Authority depends on financial resources flowing from, or associated with, both the State of Minnesota and Pope County. Because of this dependency, the Authority is subject to changes in state and local laws and appropriations.

Significant economic factors that could affect the Authority include: (1) local inflationary, recessionary, and employment trends, which can affect the incomes of low-income public housing residents and, therefore, the amount of rental income; (2) inflationary pressure on utility rates, supplies, and other costs, which can impact economic development; and (3) local labor supply and demand, which can affect salary and wage rates.

## **CONTACTING THE AUTHORITY**

This MD&A is designed to provide a general overview. If you have any questions about this report, or need additional financial information, contact the Pope County Housing and Redevelopment Authority/Economic Development Authority, 130 East Minnesota Avenue, Glenwood, Minnesota 56334.

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## **BASIC FINANCIAL STATEMENTS**

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

***EXHIBIT 1***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Assets**

**Current assets**

Cash and cash equivalents	\$	469,992
Taxes receivable		
Delinquent		3,872
Accrued interest receivable		53,600
Due from primary government		3,820
Loans receivable		243,885
Lease receivable		160,000
Land held for resale		430,249
Restricted assets		
Cash for security deposits		9,384
Cash for workforce grant		23,483

<b>Total current assets</b>	<b>\$</b>	<b><u>1,398,285</u></b>
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**Noncurrent assets**

Lease receivable	\$	2,655,000
Capital assets		
Nondepreciable		396,410
Depreciable - net		1,963,072

<b>Total noncurrent assets</b>	<b>\$</b>	<b><u>5,014,482</u></b>
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<b>Total Assets</b>	<b>\$</b>	<b><u>6,412,767</u></b>
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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

**Liabilities**

**Current liabilities**

Accounts payable	\$	21,519
Accrued interest payable		78,005
General obligation bonds payable		50,000
Revenue bonds payable		160,000
Contract for deed payable		50,000
		50,000

**Total current liabilities** **\$ 359,524**

**Current liabilities payable from restricted assets**

Tenant security deposits	\$	9,384
Accounts payable		23,483
		23,483

**Total current liabilities payable from restricted assets** **\$ 32,867**

**Noncurrent liabilities**

General obligation bonds payable	\$	2,278,307
Revenue bonds payable		2,635,416
		2,635,416

**Total noncurrent liabilities** **\$ 4,913,723**

**Total Liabilities** **\$ 5,306,114**

**Net Position**

Net investment in capital assets	\$	69,278
Unrestricted		1,037,375
		1,037,375

**Total Net Position** **\$ 1,106,653**

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

***EXHIBIT 2***

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Operating Expenses</b>	
Personal services	\$ 15,629
Professional services	82,971
Insurance	9,115
Miscellaneous	33,465
Depreciation	<u>53,056</u>
<b>Total Operating Expenses</b>	<b><u>\$ 194,236</u></b>
<b>Operating Income (Loss)</b>	<b><u>\$ (194,236)</u></b>
<b>Nonoperating Revenues (Expenses)</b>	
Property taxes	\$ 257,643
Intergovernmental revenue	9,676
Intergovernmental expense - economic development	(30,000)
Miscellaneous income	295,500
Investment earnings	3,666
Other income	29,537
Repairs and maintenance	(25,292)
Loss on sale of land held for resale	(86,172)
Interest expense	(194,498)
Advertising	(15,375)
Other expense	<u>(25,575)</u>
<b>Total Nonoperating Revenues (Expenses)</b>	<b><u>\$ 219,110</u></b>
<b>Change in net position</b>	<b>\$ 24,874</b>
<b>Net Position - January 1</b>	<b><u>1,081,779</u></b>
<b>Net Position - December 31</b>	<b><u><u>\$ 1,106,653</u></u></b>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

**EXHIBIT 3**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Payments to suppliers	\$ (125,551)
Payments to employees	(16,261)
Purchase and maintenance of land held for resale	(137,965)
Proceeds from sale of land held for resale	<u>100</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (279,677)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Property taxes	\$ 258,363
Intergovernmental revenues	5,856
Grant proceeds from nongovernmental entity	29,537
Intergovernmental expense	(30,000)
Repairs and maintenance	(5,433)
Rent deposits	120,874
Advertising expense	(15,375)
Pass-through grant payments to nongovernmental entity	(2,092)
Insurance dividends	<u>732</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ 362,462</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Principal paid on long-term debt	\$ (200,000)
Interest paid on long-term debt	(196,011)
Proceeds received from capital lease	155,000
Interest and fee received on capital lease	<u>131,585</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (109,426)</u></b>
<b>Cash Flows from Investing Activities</b>	
Collections of loan principal	\$ 6,341
Loan granted	(1,525)
Interest received on loans	<u>2,934</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>\$ 7,750</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (18,891)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>521,750</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 502,859</u></u></b>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

***EXHIBIT 3  
(Continued)***

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
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>\$ (194,236)</u></b>
 <b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
Depreciation expense	\$ 53,056
(Increase) decrease in land held for resale	(37,865)
Increase (decrease) in salaries payable	(632)
Increase (decrease) in due to primary government	(50,000)
Increase (decrease) in contract for deed payable	<u>(50,000)</u>
 <b>Total adjustments</b>	 <b><u>\$ (85,441)</u></b>
 <b>Net Cash Provided by (Used in) Operating Activities</b>	 <b><u><u>\$ (279,677)</u></u></b>
 <b>Non-Cash Investing, Capital, and Financing Activities</b>	
Loss on sale of land held for resale	\$ (86,172)
Disposal of land held for resale	(177,172)
Sale of land held for resale purchased on account	91,000

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

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1. Summary of Significant Accounting Policies

The Pope County Housing and Redevelopment Authority/Economic Development Authority's (Authority) financial statements are prepared in accordance with accounting principles general accepted in the United States of America (GAAP) for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established by GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

The Pope County Housing and Redevelopment Authority was established in May 1994, having all the powers and duties of a county housing and redevelopment authority under the provisions of Minn. Stat. §§ 469.001 to 469.047. In April 2011, the Authority was granted powers of an Economic Development Authority under Minn. Stat. §§ 469.090 to 469.1081. The Authority is governed by a seven-member Board of Commissioners who are appointed by the Pope County Board of Commissioners.

The Authority is considered to be a component unit of Pope County and is included in Pope County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The accounts of the Pope County Housing Redevelopment Authority/Economic Development Authority are presented as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basis of Presentation (Continued)

Enterprise 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 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.

C. Measurement Focus and Basis of Accounting

The Authority's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of cash flows.

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

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Receivables

Property tax levies are set by the Authority and are certified to Pope 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 Authority at various times during the year. Taxes collectible in a given calendar year are generally recognized as revenue during that fiscal year.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position

2. Receivables (Continued)

No allowance for uncollected receivables has been provided because such amounts are not expected to be material.

3. Property Held for Resale

Property is acquired by the Authority 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 Authority's cost and cannot be sold for more than expended. Land held for resale is reported as an asset at the net realizable value.

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include land and buildings, are reported in the financial statements. Capital assets are defined by the Authority 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 acquisition value.

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

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from 8 to 40 years.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

7. Classification of Net Position

Net position is classified in the following categories:

Net investment in capital assets - net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets, net of unspent related debt proceeds, if any.

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

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

8. 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.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The Authority's total deposits are reported as follows:

Cash and cash equivalents	\$ 469,992
Restricted assets	
Cash for security deposits	9,384
Cash for workforce grant	23,483
	<hr/>
Total Deposits	\$ 502,859

a. Deposits

The Authority 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 Authority 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 securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2016, the Authority's deposits were not exposed to custodial credit risk.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

The Authority 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;
- (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 Authority had no investments as of December 31, 2016.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables at December 31, 2016, were as follows:

Taxes receivable - delinquent	\$ 3,872
Accrued interest receivable	53,600
Due from primary government	3,820
Loans receivable	<u>243,885</u>
Total Receivables	<u>\$ 305,177</u>

Of the loans receivable, \$236,907 is not expected to be collected within the next year.

Capital Lease Receivable

The Authority and Pope County have jointly constructed a Government Law Enforcement Center. To finance this building, the Authority authorized the sale of \$3,400,000 Public Project Revenue Bonds, Series 2008A. Pope County has pledged its taxing power toward repayment of the bonds. The building was completed in 2011.

On December 1, 2008, Pope County entered into a lease agreement with the Authority, which provides that the County is liable for the full amount of the bond principal and interest costs in return for the right to own the building once it is completed.

Pope County is carrying the building for \$3,400,000, the initial value of the Authority revenue bonds. The Authority is carrying the bond liability on its records and records the lease receivable for the value of the bonds. As of December 31, 2016, the amount of the bonds outstanding is \$2,815,000. The interest received is recorded as nonoperating miscellaneous revenue. For 2016, the Authority recorded interest revenue of \$185,185; \$53,600 of this is recorded as accrued interest receivable. Principal payments of \$155,000 were made by the County to the Authority and by the Authority on the bond liability for 2016. The current portion of the lease receivable is \$160,000.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

The Authority's capital asset activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 396,410	\$ -	\$ -	\$ 396,410
Capital assets depreciated				
Buildings	\$ 2,122,240	\$ -	\$ -	\$ 2,122,240
Less: accumulated depreciation for Buildings	(106,112)	(53,056)	-	(159,168)
Total capital assets depreciated, net	\$ 2,016,128	\$ (53,056)	\$ -	\$ 1,963,072
Business-Type Activities Capital Assets, Net	<u>\$ 2,412,538</u>	<u>\$ (53,056)</u>	<u>\$ -</u>	<u>\$ 2,359,482</u>

B. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2016, consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2016
2008A Public Project Revenue Bonds	02/01/2029	\$135,000 - \$285,000	3.20 - 4.90	<u>\$ 3,400,000</u>	<u>\$ 2,815,000</u>
2013A General Obligation Bonds	02/01/2034	\$40,000 - \$245,000	0.85 - 3.10	<u>\$ 2,405,000</u>	<u>\$ 2,320,000</u>
Contract for Deed	09/01/2017	\$50,000 - \$150,000	5.00	<u>\$ 400,000</u>	<u>\$ 50,000</u>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities

Long-Term Debt (Continued)

The debt service requirements as of December 31, 2016, are as follows:

Year Ending December 31	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 160,000	\$ 125,440	\$ 50,000	\$ 58,323
2018	170,000	118,755	55,000	57,798
2019	175,000	111,595	60,000	57,043
2020	185,000	103,943	70,000	56,003
2021	195,000	95,675	75,000	54,842
2022 - 2026	1,115,000	334,660	525,000	247,024
2027 - 2031	815,000	60,998	810,000	165,886
2032 - 2034	-	-	675,000	32,493
Total	\$ 2,815,000	\$ 951,066	\$ 2,320,000	\$ 729,412

Year Ending December 31	Contract for Deed	
	Principal	Interest
2017	\$ 50,000	\$ -
2018	-	-
2019	-	-
2020	-	-
2021	-	-
2022 - 2026	-	-
2027 - 2031	-	-
Total	\$ 50,000	\$ -

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 2,970,000	\$ -	\$ 155,000	\$ 2,815,000	\$ 160,000
(Discount)/premium	(21,216)	-	(1,632)	(19,584)	-
General obligation bonds	2,365,000	-	45,000	2,320,000	50,000
(Discount)/premium	8,810	-	503	8,307	-
Contract for deed	100,000	-	50,000	50,000	50,000
Long-Term Liabilities	\$ 5,422,594	\$ -	\$ 248,871	\$ 5,173,723	\$ 260,000

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

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3. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters. To manage these risks, the Authority has joined the Minnesota Counties Intergovernmental Trust (MCIT) and purchases commercial insurance. The Authority retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.



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REBECCA OTTO  
STATE AUDITOR

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

### Independent Auditor's Report

Board of Commissioners  
Pope County Housing and Redevelopment  
Authority/Economic Development Authority  
Glenwood, Minnesota

We have audited, 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, the financial statements of the Pope County Housing and Redevelopment Authority/Economic Development Authority, a component unit of Pope County, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 23, 2017.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Pope County Housing and Redevelopment Authority/Economic Development Authority's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as described in the accompanying Schedule of Findings and Recommendations, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other items 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 Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiency described in the accompanying Schedule of Findings and Recommendations as item 2016-003 to be a material weakness and items 2016-001, 2016-002, 2016-004, and 2016-005 to be significant deficiencies.

### **Compliance and Other Matters**

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

### **Minnesota Legal Compliance**

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Authority's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the Authority administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Pope County Housing and Redevelopment Authority/Economic Development Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions.

## **Pope County Housing and Redevelopment Authority/Economic Development Authority's Response to Findings**

The Pope County Housing and Redevelopment Authority/Economic Development Authority's responses to the internal control findings identified in our audit are described in the Corrective Action Plan. The Authority's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 23, 2017

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

Finding Number 2016-001

Segregation of Duties

**Criteria:** A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

**Condition:** The Pope County Housing and Redevelopment Authority/Economic Development Authority (Authority) has one person who is responsible for billing, collecting, recording, and depositing receipts.

**Context:** Due to the limited number of personnel within the Authority, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the Authority; however, 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.

**Effect:** Inadequate segregation of duties could adversely affect the Authority's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by personnel in the normal course of performing their assigned functions.

**Cause:** The Authority has informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to adequately segregate duties.

**Recommendation:** We recommend the Authority's Board and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure the internal control policies and procedures are being implemented by personnel to the extent possible.

**View of Responsible Official:** Concur

Finding Number 2016-002

Accounting Policies and Procedures

**Criteria:** Management is responsible for developing and monitoring its internal controls. An essential element of monitoring internal controls includes documenting the governmental entity's accounting policies and procedures. Significant internal controls to be documented would include areas such as receipts, disbursements, capital assets, net position, journal entries, budget adjustments, and annual financial reporting.

**Condition:** The Authority does not have a current and comprehensive accounting policies and procedures manual, including documentation of significant internal controls of its accounting system.

**Context:** Written policies and procedures over significant financial operations provide consistency over time and guidance to new officials and personnel.

**Effect:** The Authority's practices may not be followed as intended by management, personnel may not understand the purpose of internal controls, and circumstances may have changed within the organization's structure that require changes to the controls.

**Cause:** The Authority has begun the documentation process, but has not finalized the policies and procedures manual and presented it to the Board of Commissioners for approval.

**Recommendation:** We recommend the Authority continue its efforts to formalize the documentation of its policies and procedures, including documentation for the internal control systems over receipts, disbursements, capital assets, net position, journal entries, budget adjustments, and annual financial reporting.

**View of Responsible Official:** Concur

Finding Number 2016-003

Audit Adjustment

**Criteria:** 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. Auditing standards define 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.

**Condition:** During our audit, we identified a material adjustment that resulted in significant changes to the Authority's financial statements.

**Context:** The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

**Effect:** An audit adjustment was necessary to record a capital lease receipt which increased cash and cash equivalents by \$222,265; increased revenue and net position by \$67,265; and decreased the capital lease receivable by \$155,000. This audit adjustment was reviewed and approved by the appropriate level of management and is reflected in the financial statements.

**Cause:** This was a capital lease transaction paid by Pope County and recorded in the County's general ledger system during the first quarter of 2016. During that time, the County was still acting as the Authority's fiscal agent and the Authority was using the County's financial system for its accounting. When the Authority subsequently switched to a private bookkeeping firm during 2016, this transaction did not get recorded as part of the set-up in the new general ledger. The error was noted during the audit procedures to reconcile the two systems.

**Recommendation:** We recommend the Authority review its policies and procedures to ensure that transactions are recorded in accordance with generally accepted accounting principles.

**View of Responsible Official:** Concur

Finding Number 2016-004

Supporting Documentation

**Criteria:** Retaining supporting documentation for transactions entered into the financial system is a fundamental requirement of a sound internal control system. All transactions entered in the Authority's general ledger system should be supported by documentation, which provides evidence used and explain the nature of the Authority's financial activities that have occurred during the year.

**Condition:** During our testing, we noted that transactions entered into the system through manual journal entries lacked supporting documentation.

**Context:** A large majority of the manual journal entries lacking support were a series of corrections that were made when the Authority began using the new financial system.

**Effect:** Failure to maintain supporting documentation for any type of transaction increases the risk of fraudulent activity.

**Cause:** Backup documentation was not maintained for journal entries entered into the financial system.

**Recommendation:** We recommend all transactions entered into the financial system be supported by adequate documentation and maintained on file.

**View of Responsible Official:** Concur

Finding Number 2016-005

Documentation of Approval

**Criteria:** Management is responsible for establishing and maintaining internal controls over the various accounting cycles, including the processing of journal entries and bank reconciliations. Management is also responsible for the accuracy and completeness of all financial records and related information, including but not limited to, the controls over initiating, authorizing, recording, and processing journal entries in the general ledger system and bank reconciliations.

**Condition:** During our testing, we noted there was no documented approval for journal entries entered into the general ledger system or for bank reconciliations.

**Context:** Monthly and year-to-date financial reports are presented to the Board of Commissioners for review.

**Effect:** There is an increased risk errors or irregularities will not be detected in a timely manner.

**Cause:** The Authority currently has no formal process to document its review and approval of journal entries and bank reconciliations.

**Recommendation:** We recommend internal controls be implemented to ensure that all journal entries are reviewed and approved by management before posting to the general ledger. We further recommend bank reconciliations be reviewed and approved by someone independent of the preparer in a timely manner. All reviews should be documented by signing and dating, and the documentation should be maintained as support.

**View of Responsible Official:** Concur

**REPRESENTATION OF  
POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/  
ECONOMIC DEVELOPMENT AUTHORITY  
GLENWOOD, MINNESOTA**

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Finding Number: 2016-001**

**Finding Title: Segregation of Duties**

Name of Contact Person Responsible for Corrective Action:

HRA Board of Commissioners  
Jason Murray, Executive Director

Corrective Action Planned:

It is difficult for an organization of our size and financial resources to truly establish segregation of accounting duties. The Board and Staff will establish policies and practices to best address internal accounting controls.

Anticipated Completion Date:

4th Quarter 2017

**Finding Number: 2016-002**

**Finding Title: Accounting Policies and Procedures**

Name of Contact Person Responsible for Corrective Action:

HRA Board of Commissioners  
Jason Murray, Executive Director

Corrective Action Planned:

Organization will implement the following policies to address accounting and financial management:

1. Procurement Policy
2. Investment Policy
3. Accounting Policy

Anticipated Completion Date:

4th Quarter 2017

**Finding Number: 2016-003**

**Finding Title: Audit Adjustment**

Name of Contact Persons Responsible for Corrective Action:

Jason Murray, Executive Director  
Donna Stelter, Wangsness Ogdahl Associates

Corrective Action Planned:

We believe this is a one-time oversight due to a transition in accounting duties and responsibilities. We believe by implementing future organizational policies to address oversight and process, we will alleviate these adjustments.

Anticipated Completion Date:

4th Quarter 2017

**Finding Number: 2016-004**

**Finding Title: Supporting Documentation**

Name of Contact Persons Responsible for Corrective Action:

Jason Murray, Executive Director  
Donna Stelter, Wangsness Ogdahl Associates

Corrective Action Planned:

Again, we believe this a one-time oversight as we were transitioning accounting responsibilities and duties. Future manual adjustments will be well documented. As we develop our organizational policies, we will address the required documentation and processes.

Anticipated Completion Date:

4th Quarter 2017

**Finding Number: 2016-005**

**Finding Title: Documentation of Approval**

Name of Contact Person Responsible for Corrective Action:

HRA Board of Commissioners  
Jason Murray, Executive Director

Corrective Action Planned:

The HRA will implement a policy and practice:

1. To ensure all journal entries are reviewed and approved by management before being posted to the general ledger.
2. Reconciliations be reviewed and approved by someone independent of the preparer in a timely manner.
3. All reviews be documented, by signing and dating, with the documentation being maintained as support.

Anticipated Completion Date:

4th Quarter 2017