

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2011

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.

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Year Ended December 31, 2011



**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
2011**

Office	Name	Term	
		From	To
Commissioners			
1st District	Larry Kittelson	January 2011	January 2015
2nd District	Gordy Wagner*	January 2009	January 2013
3rd District	Paul Gerde**	January 2009	January 2013
4th District	Larry Lindor	January 2011	January 2015
5th District	Cody Rogahn	January 2011	January 2015
Officers			
Elected			
Attorney	Neil Nelson	January 2011	January 2015
Auditor/Treasurer	Donna Quandt	January 2011	January 2015
County Recorder	Darby Bowen	January 2011	January 2015
Sheriff	Tim Riley	January 2011	January 2015
Appointed			
Assessor	Wayne Anderson	January 2009	December 2012
Coroner	Duane E. Westberg, M.D.		Indefinite
Highway Engineer	Brian Noetzelman	June 2010	May 2014
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Jim Thoreen		Indefinite
Surveyor	Rodney Eldevik		Indefinite
Human Services			
Director	Rhonda Antrim		Indefinite
Manager	Mary Schley		Indefinite
Manager	Paula Hoverud		Indefinite
Board			
Member	Larry Kittelson	January 2011	January 2015
Member	Gordy Wagner	January 2009	January 2013
Member	Paul Gerde	January 2009	January 2013
Member	Larry Lindor	January 2011	January 2015
Member	Cody Rogahn	January 2011	January 2015

*Chair

**Vice 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 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, 2011, which collectively comprise the 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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. 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, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.9., Pope County adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. GASB Statement 54 provides clearer fund balance classifications that can be more consistently applied and clarifies existing governmental fund type definitions.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pope County's basic financial statements as a whole. The supplementary information, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, and the other information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2012, 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

REBECCA OTTO
STATE AUDITOR

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011
(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, 2011. 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 \$53,828,661 of which Pope County has invested \$51,179,656 in capital assets, net of related debt, and \$1,504,874 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2011, was \$6,378,016; the net cost was funded by general revenues and other items totaling \$7,389,655.
- Pope County's net assets increased by \$1,011,639 for the year ended December 31, 2011. The net assets of the County's discretely presented component unit increased by \$154,451.

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) and certain budgetary comparison schedules are required to accompany the basic financial statements and, therefore, are included as required supplementary information. The following chart demonstrates how the different pieces are inter-related.

Management’s Discussion and Analysis

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

Pope County presents two government-wide financial statements—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, 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 includes one separate legal entity on its report. The Housing and Redevelopment Authority is presented 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 (%)
	2011	2010	
Assets			
Current and other assets	\$ 7,919,588	\$ 8,764,257	(9.64)
Capital assets, net of accumulated depreciation	<u>51,281,845</u>	<u>47,799,197</u>	7.29
Total Assets	<u>\$ 59,201,433</u>	<u>\$ 56,563,454</u>	4.66
Liabilities			
Current liabilities	\$ 586,271	\$ 1,039,902	(43.62)
Long-term debt outstanding	<u>4,786,501</u>	<u>2,706,530</u>	76.85
Total Liabilities	<u>\$ 5,372,772</u>	<u>\$ 3,746,432</u>	43.41
Net Assets			
Invested in capital assets, net of debt	\$ 51,179,656	\$ 47,607,223	7.50
Restricted	1,504,874	509,635	195.28
Unrestricted	<u>1,144,131</u>	<u>4,700,164</u>	(75.66)
Total Net Assets	<u>\$ 53,828,661</u>	<u>\$ 52,817,022</u>	1.92

Pope County's total net assets for the year ended December 31, 2011, total \$53,828,661. The governmental activities' unrestricted net assets, totaling \$1,144,131, 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 (%)
	2011	2010	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 1,945,104	\$ 1,531,708	26.99
Operating grants and contributions	5,600,066	6,082,678	(7.93)
Capital grants and contributions	218,002	-	N/A
General revenues			
Property taxes	6,207,502	5,903,464	5.15
Other taxes	96,754	66,682	45.10
Grants and contributions not restricted to specific programs	764,738	763,072	0.22
Other general revenues	<u>320,661</u>	<u>206,600</u>	55.21
Total Revenues	<u>\$ 15,152,827</u>	<u>\$ 14,554,204</u>	4.11

	Governmental Activities		Percent Change (%)
	2011	2010	
Expenses			
General government	\$ 3,603,157	\$ 3,564,284	1.09
Public safety	1,605,769	1,982,659	(19.01)
Highways and streets	3,331,653	2,777,712	19.94
Sanitation	382,457	378,069	1.16
Human services	3,112,341	2,980,637	4.42
Health	1,014,334	934,317	8.56
Culture and recreation	267,562	265,893	0.63
Conservation of natural resources	616,585	434,297	41.97
Economic development	20,033	421,020	(95.24)
Interest	187,297	196,071	(4.47)
Total Expenses	\$ 14,141,188	\$ 13,934,959	1.48
Increase in Net Assets	\$ 1,011,639	\$ 619,245	63.37
Net Assets - January 1	52,817,022	52,197,777	1.19
Net Assets - December 31	\$ 53,828,661	\$ 52,817,022	1.92

Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2011, were \$15,152,827. The County's cost for all governmental activities for the year ended December 31, 2011, was \$14,141,188. The net assets for the County's governmental activities increased by \$1,011,639 in 2011.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$6,207,502 because \$7,763,172 of the costs were paid by those who directly benefited from the programs, and \$764,738 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 \$417,415 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue
2011**

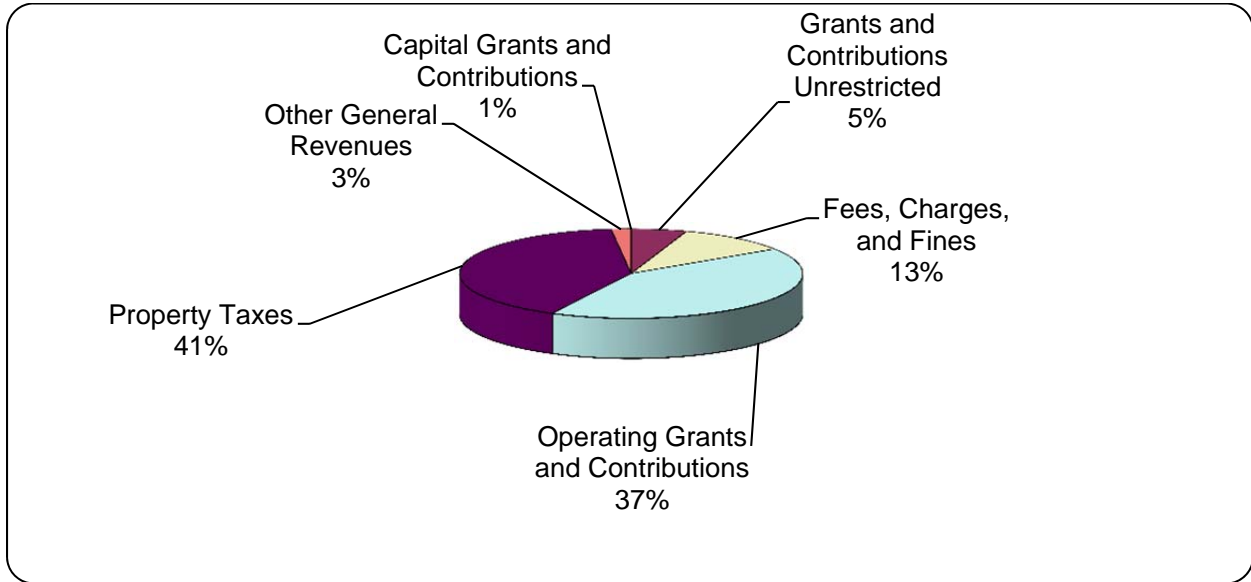


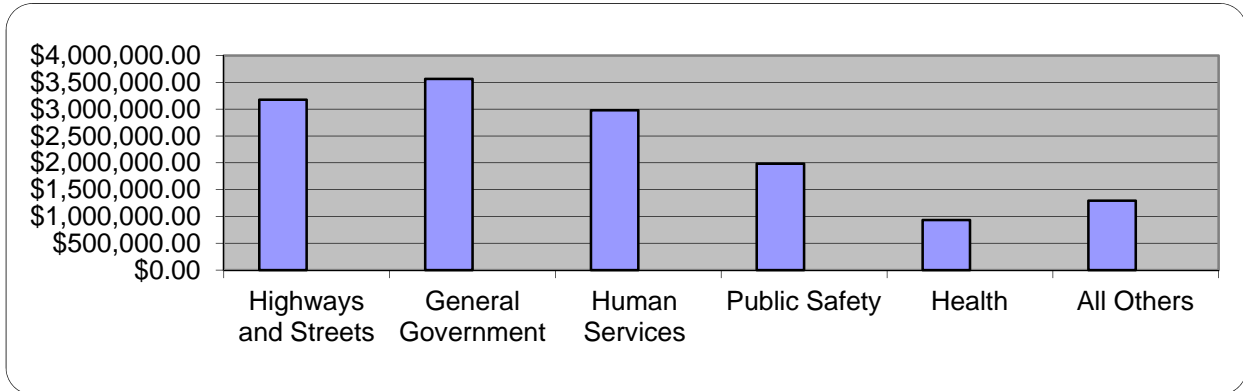
Figure 1

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**

	Total Cost of Services 2011	Net Cost of Services 2011
Program Expenses		
General government	\$ 3,603,157	\$ 2,982,506
Public safety	1,605,769	1,035,531
Highways and streets	3,331,653	(80,500)
Human services	3,112,341	1,394,519
Health	1,014,334	59,610
All others	1,473,934	986,350
Total Program Expenses	\$ 14,141,188	\$ 6,378,016

**Governmental Activities Expenses
2011**



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 \$6,145,856.

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 2011, the County Board of Commissioners made no changes to the budget as originally adopted on December 14, 2010. 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, actual revenues were more than expected revenues by \$512,978. However, actual expenditures were \$2,671,302 more than expected mainly because \$2,233,109 of construction costs associated with the Government Law Enforcement Center, financed by the Pope County HRA, were included as expenditures in 2011.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, Pope County had \$51,281,845 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, equipment, and construction in progress (see Table 4). Additional information on capital assets can be found in Note 3.A.3 to the financial statements.

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

	2011	2010	Percent Change (%)
Land	\$ 1,973,718	\$ 1,972,368	.07
Buildings	6,107,235	3,107,719	96.52
Office furniture and equipment	806,568	309,882	160.28
Machinery and equipment	1,011,658	1,224,226	(17.36)
Infrastructure	41,286,489	39,928,029	3.40
Construction in progress	96,177	1,256,973	(92.35)
Totals	<u>\$ 51,281,845</u>	<u>\$ 47,799,197</u>	7.29

Debt Administration

At December 31, 2011, Pope County had \$4,162,472 outstanding debt compared with \$2,064,275 as of December 31, 2010—an increase due mainly to the capital lease the County has with the Pope County HRA for the new Law Enforcement Center, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Percent Change (%)
	2011	2010	
Bonds payable:			
2002 Solid Waste Bonds	\$ -	\$ 115,000	(100.00)
2007 G.O. Capital Improvement Bonds	335,000	660,000	(49.24)
Capital lease - Law Enforcement Center	3,400,000	1,166,891	191.37
Loans			
Septic System Replacement Program loan SRF0127	25,663	29,325	(12.49)
Septic System Replacement Program loan SRF0185	101,809	93,059	9.40
State of Minnesota Agricultural Best Management Practices Loan Program	300,000	-	N/A
Totals	<u>\$ 4,162,472</u>	<u>\$ 2,064,275</u>	101.64

Pope County maintains an “A3” rating from Moody’s Investor Services. Other long-term obligations include compensated absences, and Other Post-Employment Benefits (OPEB). Pope County’s notes to the financial statements provide detailed information about the County’s long-term liabilities; see Note 3.C.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2012 budget and tax rates.

- Pope County's unemployment rates for 2010 and 2011 is 6.6 percent and 5.7 percent, respectively, compared to the Minnesota unemployment rate for 2010 and 2011 which averaged 7.3 percent and 6.4 percent, respectively. The unemployment rate continues to 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 20, 2011, The Pope County Board of Commissioners approved the 2012 Budget at \$15,168,459. The 2012 total levy is \$8,012,041 less County Program Aid of \$327,095 for a net levy of \$7,684,946. The Board approved a 14.99% increase in the levy for 2012.

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, 2011**

	Primary Government Governmental Activities	Component Unit Pope County Housing and Redevelopment Authority
<u>Assets</u>		
Cash and pooled investments	\$ 5,869,104	\$ 390,933
Petty cash and change funds	1,900	-
Departmental cash	1,656	-
Taxes receivable		
Delinquent	157,305	4,928
Special assessments receivable		
Current	513	-
Delinquent	17,389	-
Deferred	423,801	-
Accounts receivable - net	32,861	-
Accrued interest receivable	3,597	638
Due from other governments	1,383,145	-
Lease receivable	-	3,400,000
Loans receivable	-	190,958
Inventories	23,311	-
Deferred charges	5,006	31,286
Land held for resale	-	12,790
Capital assets		
Non-depreciable	2,069,895	429,210
Depreciable - net of accumulated depreciation	49,211,950	-
Total Assets	\$ 59,201,433	\$ 4,460,743
<u>Liabilities</u>		
Accounts payable	\$ 222,912	\$ 3,235
Salaries payable	258,735	206
Contracts payable	12,106	-
Due to other governments	60,451	-
Accrued interest payable	5,025	62,158
Unearned revenue	27,042	-
Long-term liabilities		
Due within one year	350,368	-
Due in more than one year	4,436,133	3,372,256
Total Liabilities	\$ 5,372,772	\$ 3,437,855

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2011**

	Primary Government Governmental Activities	Component Unit Pope County Housing and Redevelopment Authority
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 51,179,656	\$ 429,210
Restricted for		
General government	228,024	-
Public safety	342,314	-
Highways and streets	19,290	-
Sanitation	14,714	-
Ditch construction and maintenance	53,153	-
Conservation of natural resources	5,925	-
Capital projects	232,811	-
Debt service	608,643	-
Unrestricted	1,144,131	593,678
Total Net Assets	\$ 53,828,661	\$ 1,022,888

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary Government		
Governmental activities		
General government	\$ 3,603,157	\$ 581,976
Public safety	1,605,769	42,721
Highways and streets	3,331,653	64,146
Sanitation	382,457	331,680
Human services	3,112,341	312,586
Health	1,014,334	599,904
Culture and recreation	267,562	-
Conservation of natural resources	616,585	12,091
Economic development	20,033	-
Interest	187,297	-
	\$ 14,141,188	\$ 1,945,104
Total Primary Government	\$ 14,141,188	\$ 1,945,104
Component Unit		
Housing and Redevelopment Authority	\$ 223,877	\$ -

General Revenues

Property taxes
Mortgage registry and deed tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Gain on sale of capital assets
Miscellaneous

Total general revenues

Change in net assets

Net Assets - Beginning

Net Assets - Ending

EXHIBIT 2

<u>Program Revenues</u> <u>Operating</u> <u>Grants and</u> <u>Contributions</u>		<u>Capital</u> <u>Grants and</u> <u>Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>				
			<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>	<u>Component Unit</u> <u>Pope County</u> <u>Housing and</u> <u>Redevelopment</u> <u>Authority</u>			
\$	38,675	\$	-	\$	(2,982,506)		
	353,460		174,057		(1,035,531)		
	3,304,062		43,945		80,500		
	55,950		-		5,173		
	1,405,236		-		(1,394,519)		
	354,820		-		(59,610)		
	-		-		(267,562)		
	87,863		-		(516,631)		
	-		-		(20,033)		
	-		-		(187,297)		
\$	5,600,066	\$	218,002	\$	(6,378,016)		
\$	-	\$	-			\$ (223,877)	
				\$	6,207,502	\$	200,818
					10,204		-
					86,550		-
					764,738		-
					57,336		15,464
					91,149		8,461
					172,176		153,585
				\$	7,389,655	\$	378,328
				\$	1,011,639	\$	154,451
					52,817,022		868,437
				\$	53,828,661	\$	1,022,888

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 1,211,464	\$ 1,497,414	\$ 1,985,548
Petty cash and change funds	1,900	-	-
Departmental cash	1,293	-	-
Taxes receivable			
Delinquent	88,443	18,395	35,277
Special assessments receivable			
Current	-	-	-
Delinquent	394	-	-
Noncurrent	378,199	-	-
Accounts receivable	425	243	24,594
Accrued interest receivable	3,597	-	-
Due from other funds	3,603	-	-
Due from other governments	666,898	516,129	163,232
Inventories	-	23,311	-
Advances to other funds	69,564	-	-
Total Assets	<u>\$ 2,425,780</u>	<u>\$ 2,055,492</u>	<u>\$ 2,208,651</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 87,124	\$ 14,839	\$ 117,574
Salaries payable	134,177	38,468	53,578
Contracts payable	12,106	-	-
Due to other funds	-	-	3,603
Due to other governments	42,007	571	7,669
Deferred revenue - unavailable	540,910	532,992	35,277
Deferred revenue - unearned	27,042	-	-
Advances from other funds	-	-	-
Total Liabilities	<u>\$ 843,366</u>	<u>\$ 586,870</u>	<u>\$ 217,701</u>
Fund Balances (Note 3.D.)			
Nonspendable	\$ 69,564	\$ 23,311	\$ -
Restricted	593,587	-	-
Assigned	157,065	1,445,311	1,990,950
Unassigned	762,198	-	-
Total Fund Balances	<u>\$ 1,582,414</u>	<u>\$ 1,468,622</u>	<u>\$ 1,990,950</u>
Total Liabilities and Fund Balances	<u>\$ 2,425,780</u>	<u>\$ 2,055,492</u>	<u>\$ 2,208,651</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>
\$ 71,650	\$ 24,266	\$ 608,643	\$ 232,811	\$ 237,308	\$ 5,869,104
-	-	-	-	-	1,900
-	-	-	-	363	1,656
-	-	15,190	-	-	157,305
513	-	-	-	-	513
-	16,995	-	-	-	17,389
45,602	-	-	-	-	423,801
-	-	-	-	7,599	32,861
-	-	-	-	-	3,597
-	-	-	-	-	3,603
-	-	-	-	36,886	1,383,145
-	-	-	-	-	23,311
-	-	-	-	-	69,564
\$ 117,765	\$ 41,261	\$ 623,833	\$ 232,811	\$ 282,156	\$ 7,987,749
\$ -	\$ -	\$ -	\$ -	\$ 3,375	\$ 222,912
-	-	-	-	32,512	258,735
-	-	-	-	-	12,106
-	-	-	-	-	3,603
-	9,552	-	-	652	60,451
46,116	16,995	15,190	-	-	1,187,480
-	-	-	-	-	27,042
69,564	-	-	-	-	69,564
\$ 115,680	\$ 26,547	\$ 15,190	\$ -	\$ 36,539	\$ 1,841,893
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,875
53,153	14,714	608,643	232,811	1,966	1,504,874
-	-	-	-	243,651	3,836,977
(51,068)	-	-	-	-	711,130
\$ 2,085	\$ 14,714	\$ 608,643	\$ 232,811	\$ 245,617	\$ 6,145,856
\$ 117,765	\$ 41,261	\$ 623,833	\$ 232,811	\$ 282,156	\$ 7,987,749

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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, 2011**

Fund balance - total governmental funds (Exhibit 3)		\$ 6,145,856
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.		51,281,845
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.		
Deferred charges		5,006
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		
Deferred revenue		1,187,480
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	\$ (335,000)	
Discounts/premiums on bonds	571	
Loans payable	(427,472)	
Lease payable	(3,400,000)	
Compensated absences	(435,332)	
Net OPEB liability	<u>(189,268)</u>	(4,786,501)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(5,025)</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 53,828,661</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 3,527,784	\$ 701,881	\$ 1,400,513
Special assessments	19,572	-	-
Licenses and permits	42,271	-	-
Intergovernmental	1,278,424	3,811,097	1,659,318
Charges for services	267,115	41,497	52,304
Fines and forfeits	1,998	-	-
Gifts and contributions	8,630	-	-
Investment earnings	57,336	-	-
Miscellaneous	266,665	22,649	262,682
Total Revenues	\$ 5,469,795	\$ 4,577,124	\$ 3,374,817
Expenditures			
Current			
General government	\$ 3,168,153	\$ -	\$ -
Public safety	1,606,601	-	-
Highways and streets	-	4,091,347	-
Human services	-	-	3,188,833
Health	-	-	-
Culture and recreation	267,562	-	-
Conservation of natural resources	578,402	-	-
Economic development	19,593	-	-
Intergovernmental			
Highways and streets	-	357,787	-
Sanitation	55,950	-	-
Capital outlay	2,806,592	-	-
Debt service			
Principal	3,662	-	-
Interest	7,921	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 8,514,436	\$ 4,449,134	\$ 3,188,833
Excess of Revenues Over (Under) Expenditures	\$ (3,044,641)	\$ 127,990	\$ 185,984

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>
\$ -	\$ -	\$ 595,479	\$ -	\$ -	\$ 6,225,657
27,289	326,507	-	-	-	373,368
-	-	-	-	-	42,271
-	-	40,611	-	250,942	7,040,392
-	-	-	-	599,904	960,820
-	-	-	-	15,013	17,011
-	-	-	-	-	8,630
-	-	-	-	-	57,336
-	-	-	-	-	551,996
\$ 27,289	\$ 326,507	\$ 636,090	\$ -	\$ 865,859	\$ 15,277,481
\$ -	\$ -	\$ -	\$ -	\$ 19,438	\$ 3,187,591
-	-	-	-	-	1,606,601
-	-	-	-	-	4,091,347
-	-	-	-	-	3,188,833
-	-	-	-	1,004,973	1,004,973
-	-	-	-	-	267,562
29,947	-	-	-	-	608,349
-	-	-	-	-	19,593
-	-	-	-	-	357,787
-	326,507	-	-	-	382,457
-	-	-	31,405	-	2,837,997
-	-	440,000	-	-	443,662
3,137	-	171,795	-	-	182,853
-	-	881	-	-	881
\$ 33,084	\$ 326,507	\$ 612,676	\$ 31,405	\$ 1,024,411	\$ 18,180,486
\$ (5,795)	\$ -	\$ 23,414	\$ (31,405)	\$ (158,552)	\$ (2,903,005)

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	(16,000)	-	-
Loan issued	308,750	-	-
Capital lease	2,233,109	-	-
Sale of capital assets	100,000	-	-
	<u>2,625,859</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 2,625,859	\$ -	\$ -
Net Change in Fund Balances	\$ (418,782)	\$ 127,990	\$ 185,984
Fund Balances - January 1	2,001,196	1,340,889	1,804,966
Increase (decrease) in inventories	<u>-</u>	<u>(257)</u>	<u>-</u>
Fund Balances - December 31	<u>\$ 1,582,414</u>	<u>\$ 1,468,622</u>	<u>\$ 1,990,950</u>

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>
\$ -	\$ -	\$ -	\$ -	\$ 16,000	\$ 16,000
-	-	-	-	-	(16,000)
-	-	-	-	-	308,750
-	-	-	-	-	2,233,109
-	-	-	-	-	100,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,000</u>	<u>\$ 2,641,859</u>
\$ (5,795)	\$ -	\$ 23,414	\$ (31,405)	\$ (142,552)	\$ (261,146)
7,880	14,714	585,229	264,216	388,169	6,407,259
-	-	-	-	-	(257)
<u>\$ 2,085</u>	<u>\$ 14,714</u>	<u>\$ 608,643</u>	<u>\$ 232,811</u>	<u>\$ 245,617</u>	<u>\$ 6,145,856</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, 2011**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (261,146)

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	\$ 1,187,480	
Deferred revenue - January 1	(1,315,118)	(127,638)

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	\$ 5,156,772	
Net book value of assets disposed	(12,629)	
Current year depreciation	(1,661,495)	3,482,648

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 issued	\$ (308,750)	
Capital lease	(2,233,109)	
Principal repayments	443,662	
Current year amortization of issuance costs and discounts	(8,793)	(2,106,990)

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	\$ 5,230	
Change in compensated absences	41,842	
Change in inventories	(257)	
Change in net OPEB liability	(22,050)	24,765

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,011,639

FIDUCIARY FUNDS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 497,937
Due from other governments	<u>176,220</u>
Total Assets	<u>\$ 674,157</u>
<u>Liabilities</u>	
Accounts payable	\$ 17,967
Due to other governments	<u>656,190</u>
Total Liabilities	<u>\$ 674,157</u>

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011. 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**

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**

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 accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

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

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

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**

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, 2011, 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 2011 were \$57,336.

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 nonspendable fund balance 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**

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 nonspendable 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**

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**

1. Summary of Significant Accounting Policies

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

8. Classification of Net Assets

Net assets in government-wide statements are classified in the following categories:

Invested in capital assets, net of related debt - the amount of net assets representing capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

9. Classification of Fund Balances

In 2011, the County implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions. The statement requires retroactive restatement of fund balance for the reclassifications made to conform to this statement. Total fund balance did not change.

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Classification of Fund Balances (Continued)

- Restricted - amounts in which constraints have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. The action must be approved no later than the close of the reporting period and remains binding unless removed in the same manner.
- Assigned - the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining positive amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by County Auditor or his/her designee, who has been delegated that authority by Board resolution.
- Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Classification of Fund Balances (Continued)

Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

10. Minimum Fund Balance

The County has adopted a minimum fund balance policy for the General Fund in order to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. Therefore, the County Board has determined it needs to maintain a minimum level of unrestricted fund balance (committed, assigned, and unassigned) of 35 to 50 percent of operating revenues or no less than five months of operating expenditures, based on the previous year. The Fund Balance Policy was adopted by the County Board on December 27, 2011. At December 31, 2011, unrestricted fund balance for the General Fund was below the minimum fund balance levels.

11. Use of Estimates

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2011:

	Expenditures	Final Budget	Excess
General Fund	\$ 8,514,436	\$ 5,843,134	\$ 2,671,302
Special Revenue Funds			
Road and Bridge	4,449,134	4,068,879	380,255
Health Services	1,004,973	985,874	19,099
Debt Service Fund	612,676	489,718	122,958

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	\$ 5,869,104
Petty cash and change funds	1,900
Departmental cash	1,656
Statement of fiduciary net assets	
Cash and pooled investments	497,937
Total Cash and Investments	\$ 6,370,597

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

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, 2011, Pope County's deposits were exposed to custodial credit risk in the amount of \$16,947.

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;

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

The County had no investments as of December 31, 2011.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$423,801 of deferred special assessments.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,972,368	\$ 1,350	\$ -	\$ 1,973,718
Construction in progress	1,256,973	6,095	1,166,891	96,177
Total capital assets not depreciated	\$ 3,229,341	\$ 7,445	\$ 1,166,891	\$ 2,069,895
Capital assets depreciated				
Buildings	\$ 4,849,697	\$ 3,180,770	\$ -	\$ 8,030,467
Office furniture and equipment	775,074	600,681	37,050	1,338,705
Machinery and automotive equipment	3,491,700	82,695	178,570	3,395,825
Infrastructure	53,986,160	2,452,072	-	56,438,232
Total capital assets depreciated	\$ 63,102,631	\$ 6,316,218	\$ 215,620	\$ 69,203,229
Less: accumulated depreciation for				
Buildings	\$ 1,741,978	\$ 181,254	\$ -	\$ 1,923,232
Office furniture and equipment	465,192	100,217	33,272	532,137
Machinery and automotive equipment	2,267,474	286,412	169,719	2,384,167
Infrastructure	14,058,131	1,093,612	-	15,151,743
Total accumulated depreciation	\$ 18,532,775	\$ 1,661,495	\$ 202,991	\$ 19,991,279
Total capital assets depreciated, net	\$ 44,569,856	\$ 4,654,723	\$ 12,629	\$ 49,211,950
Governmental Activities Capital Assets, Net	\$ 47,799,197	\$ 4,662,168	\$ 1,179,520	\$ 51,281,845

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

Governmental Activities	
General government	\$ 202,392
Public safety	99,774
Highways and streets, including depreciation of infrastructure assets	1,342,503
Human services	1,063
Conservation of natural resources	7,574
Health	8,189
Total Depreciation Expense - Governmental Activities	\$ 1,661,495

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2011, is as follows:

1. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Description</u>
General	Human Services	<u>\$ 3,603</u>	To provide funding

2. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	<u>\$ 69,564</u>

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, 2011, consisted of the following:

	<u>Transfers In</u>	<u>Description</u>
Transfer to Health Services Special Revenue Fund from: General Fund	<u>\$ 16,000</u>	To provide funding

**POPE COUNTY
GLENWOOD, MINNESOTA**

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, 2011, is summarized below by fund:

	<u>Taxes and Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Total</u>
Governmental funds			
General Fund	\$ 467,035	\$ 100,917	\$ 567,952
Special Revenue Funds			
Road and Bridge	18,395	514,597	532,992
Human Services	35,277	-	35,277
Ditch	46,116	-	46,116
Solid Waste	16,995	-	16,995
Debt Service Fund	15,190	-	15,190
	<u>\$ 599,008</u>	<u>\$ 615,514</u>	<u>\$ 1,214,522</u>
Total			
Deferred revenue			
Unavailable	\$ 599,008	\$ 588,472	\$ 1,187,480
Unearned	-	27,042	27,042
	<u>\$ 599,008</u>	<u>\$ 615,514</u>	<u>\$ 1,214,522</u>
Total			

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Lease

The HRA and Pope County have jointly constructed a Government Law Enforcement Center. To finance this project, the HRA 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 HRA 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 at the expiration of the lease.

Pope County is carrying the building and the liability (capital lease) on its records in the amount of \$3,400,000, which is the value of the project completed at fiscal year end December 31, 2011. The HRA is carrying the bond liability on its records and records the lease receivable for the value of the project completed at fiscal year end December 31, 2011. The interest revenue is recorded as non-operating miscellaneous revenue. For 2011, the HRA recorded interest revenue on the lease of \$149,630. During 2011, no principal payments were made by the County to the HRA. Repayment of the principal for the bonds is to begin in 2013.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Long-Term Debt

Bond and lease payments are typically made from the Debt Service Fund, and loan payments are made from the General Fund. Information on individual debt instruments follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2011
General Obligation Bonds 2007A G.O. Capital Improvement Notes	02/01/2012	\$300,000 - \$335,000	3.60	\$ 1,270,000	\$ 335,000
Loans Payable SRF0127 State of Minnesota Septic System Replacement Loans	06/15/2018	\$1,733 - \$2,094	2.00	\$ 38,168	\$ 25,663
SRF0185 State of Minnesota Septic System Replacement Loans	06/15/2021	\$701 - \$855	2.00	101,809	101,809
State of Minnesota Agricultural Best Management Loan Program	*	*	0.00	300,000	300,000
Total Loans Payable				\$ 439,977	\$ 427,472
Capital lease payable	02/29/2029	\$135,000 - \$285,000	3.20 - 4.90	\$ 3,400,000	\$ 3,400,000

* - These loans do not have a final maturity or final installation amounts until the program ends, which is expected to be in 2012. These are zero percent non-revolving loans.

3. Detailed Notes on All Funds

**POPE COUNTY
GLENWOOD, MINNESOTA**

C. Liabilities

3. Long-Term Debt (Continued)

Debt service requirements at December 31, 2011, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable		Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 335,000	\$ 6,030	\$ 13,119	\$ 2,353	\$ -	\$ 149,180
2013	-	-	13,383	2,088	135,000	147,020
2014	-	-	13,653	1,818	145,000	142,395
2015	-	-	13,928	1,543	150,000	137,230
2016	-	-	14,209	1,262	155,000	131,585
2017-2021	-	-	59,180	2,373	885,000	555,408
2022-2026	-	-	-	-	1,115,000	334,660
2027-2029	-	-	-	-	815,000	60,998
Total	\$ 335,000	\$ 6,030	\$ 127,472	\$ 11,437	\$ 3,400,000	\$ 1,658,476

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 775,000	\$ -	\$ 440,000	\$ 335,000	\$ 335,000
Discounts/premiums	(2,137)	-	(1,566)	(571)	(571)
Loans payable	122,384	308,750	3,662	427,472	3,735
Lease payable	1,166,891	2,233,109	-	3,400,000	-
Compensated absences	477,174	586,790	628,632	435,332	12,204
Net OPEB liability	167,218	22,050	-	189,268	-
Long-Term Liabilities	\$ 2,706,530	\$ 3,150,699	\$ 1,070,728	\$ 4,786,501	\$ 350,368

5. 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**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB) (Continued)

Participants

Participants of the plan consisted of the following at January 1, 2011, the date of the most recent actuarial valuation:

Active employees	115
Retired employees	32
Spouses	<u>4</u>
Total Plan Participants	<u><u>151</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 2011, the County contributed \$234,081 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 2011, 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

5. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	258,858
Interest on net OPEB obligation		7,525
Adjustment to ARC		(10,252)
		(10,252)
Annual OPEB cost	\$	256,131
Contributions during the year		(234,081)
		(234,081)
Increase in net OPEB obligation	\$	22,050
Net OPEB Obligation - Beginning of Year		167,218
		167,218
Net OPEB Obligation - End of Year	\$	189,268

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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
December 31, 2010	271,563	238,995	88.01	32,568
December 31, 2011	256,131	234,081	91.39	22,050
				\$ 189,268
				Cumulative Net OPEB Obligation

Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,235,761, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,235,761. The covered payroll (annual payroll of active employees covered by the plan) was \$5,020,667, and the ratio of the UAAL to the covered payroll was 64.45 percent.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. 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, 2011, the most recent 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 8.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent over six 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, 2011, was 26 years.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

The summary of fund balance classifications is as follows:

	General Fund	Road and Bridge	Human Services	Ditch	Solid Waste	Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable									
Inventories	\$ -	\$ 23,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 23,311
Advances to other funds	69,564	-	-	-	-	-	-	-	69,564
Total Nonspendable	\$ 69,564	\$ 23,311	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 92,875
Restricted									
Missing heirs	\$ 36,158	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,158
Recorder's technology equipment	51,185	-	-	-	-	-	-	-	51,185
Recorder's compliance	77,113	-	-	-	-	-	-	-	77,113
E-911	307,668	-	-	-	-	-	-	-	307,668
D.A.R.E	10,995	-	-	-	-	-	-	-	10,995
Permit to carry	19,445	-	-	-	-	-	-	-	19,445
Drug and alcohol investigations	4,206	-	-	-	-	-	-	-	4,206
Roads and bridges	6,382	-	-	-	-	-	-	-	6,382
County state-aid highway system	12,908	-	-	-	-	-	-	-	12,908
Feedlot program	3,934	-	-	-	-	-	-	-	3,934
Other specific purposes	5,431	-	-	-	-	-	-	-	5,431
Shoreland administration	1,991	-	-	-	-	-	-	-	1,991
Election equipment	56,171	-	-	-	-	-	-	-	56,171
Ditch maintenance and construction	-	-	-	53,153	-	-	-	-	53,153
Solid waste	-	-	-	-	14,714	-	-	-	14,714
Debt service	-	-	-	-	-	608,643	-	-	608,643
Capital projects	-	-	-	-	-	-	232,811	-	232,811
Law library	-	-	-	-	-	-	-	1,966	1,966
Total Restricted	\$ 593,587	\$ -	\$ -	\$ 53,153	\$ 14,714	\$ 608,643	\$ 232,811	\$ 1,966	\$ 1,504,874
Assigned									
Plat sign deposits	\$ 1,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,169
Veterans' van	17,202	-	-	-	-	-	-	-	17,202
Chemical use assessment	1,752	-	-	-	-	-	-	-	1,752
Probation program expense	23,993	-	-	-	-	-	-	-	23,993
Probation support fees	11,464	-	-	-	-	-	-	-	11,464
Workers' compensation	6,673	-	-	-	-	-	-	-	6,673
Capital expenditures	94,812	-	-	-	-	-	-	-	94,812
Highways and streets	-	1,445,311	-	-	-	-	-	-	1,445,311
Human services	-	-	1,990,950	-	-	-	-	-	1,990,950
Health services	-	-	-	-	-	-	-	243,651	243,651
Total Assigned	\$ 157,065	\$ 1,445,311	\$ 1,990,950	\$ -	\$ -	\$ -	\$ -	\$ 243,651	\$ 3,836,977
Total Unassigned	\$ 762,198	\$ -	\$ -	\$ (51,068)	\$ -	\$ -	\$ -	\$ -	\$ 711,130
Total Fund Balances	\$ 1,582,414	\$ 1,468,622	\$ 1,990,950	\$ 2,085	\$ 14,714	\$ 608,643	\$ 232,811	\$ 245,617	\$ 6,145,856

**POPE COUNTY
GLENWOOD, MINNESOTA**

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 General 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.

General 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 and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first eligible for membership after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after five years and increasing 10 percent for each year of service until fully vested after ten years. Members eligible for membership before July 1, 2010, are fully vested after three years of service.

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. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for the General Employees Retirement Fund 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

A. Plan Description (Continued)

For General 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 General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	14.40

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2011, 2010, and 2009, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
General Employees Retirement Fund	\$ 354,195	\$ 343,809	\$ 326,111
Public Employees Police and Fire Fund	72,866	59,909	58,178

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). 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 \$450,000 per claim in 2011 and \$460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

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 COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pope/Douglas Solid Waste Management (Continued)

Pope/Douglas Solid Waste Management had net assets of \$16,660,187 as of December 31, 2011, which was a decrease of \$920,585 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.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Horizon 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). Mid-State Community Health Services' was renamed to Horizon Community Health Services when Douglas County was added as a member on January 1, 2011. The budget is now approved by the six-county Board. Pope County Nursing Service receives and administers the grant money.

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

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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.

Region 4 South Adult Mental Health Consortium

Pope, Douglas, Grant, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating Region 4 South Adult Mental Health Consortium, pursuant to Minn. Stat. § 471.59, to provide a system of care that will serve the needs of adults with serious and persistent mental illness for the mutual benefit of each of the joint participants.

Control of the Consortium is vested in a Governing Board, which consists of each participating County's Director of Social Services, Family Services or Human Services, as the case may be. The Governing Board operates under the ultimate authority of the Executive Commissioner Board. The Executive Commissioner Board is composed of one Commissioner of each county appointed by their respective County Board.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the date of the proposed withdrawal. Withdrawal does not act to discharge any liability incurred or chargeable to any county before the effective date of the withdrawal.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

Dissolution of the Consortium shall occur by unanimous vote of the counties, or when the membership in the Consortium is reduced to less than two counties. Upon dissolution of the Consortium, the member counties shall share in the current liabilities and current financial assets, including real property, of the Consortium equally if no county has contributed during the term of the Consortium or based upon their percentage of contribution to the Consortium's budget during the period applicable to such liabilities and assets.

Financing is predominantly provided by state grants. Grant County, in a fiscal host capacity, reports the cash transactions of the Consortium as an agency fund on its financial statements.

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 2011.

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, 2011.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies (Continued)

The HRA applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as all applicable Financial Accounting Standards Board pronouncements issued on or before November 30, 1989.

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 seven-member Board of Directors who are appointed by the Pope County Board.

Basis of Presentation

The HRA does not prepare separate financial statements.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

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, 2011, the HRA had \$390,933 in cash and pooled investments.

The HRA has defined cash and cash equivalents to include all of the HRA cash that is on deposit with the Pope County Auditor/Treasurer.

2. Receivables

Receivables for the HRA at December 31, 2011, were as follows:

Taxes	\$ 4,928
Interest	638
Loan	<u>190,958</u>
Total Receivables	<u>\$ 196,524</u>

Of the loan receivable, \$105,093 is not expected to be collected within the next year.

Capital Lease Receivable

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets

2. Receivables

Capital Lease Receivable (Continued)

On December 1, 2008, Pope County entered into a lease agreement with the HRA, 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 at the expiration of the lease.

Pope County is carrying the building and the liability (capital lease) on its records via a capital lease for \$3,400,000, the value of the HRA Revenue Bonds outstanding as of December 31, 2011. The HRA is carrying the bond liability on its records and records the lease receivable for the value of the bonds. The interest revenue is recorded as nonoperating miscellaneous revenue. For 2011, the HRA recorded interest revenue of \$149,630. No principal payments have been made by the County to the HRA or the HRA to the bond liability for 2011. Repayment of the principal for the bonds is to begin in 2013.

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, 2011, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 429,210	\$ -	\$ -	\$ 429,210

F. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2011, for the HRA consists of the following:

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

The debt service requirements as of December 31, 2011, are as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2012	\$ -	\$ 149,180
2013	135,000	147,020
2014	145,000	142,395
2015	150,000	137,230
2016	155,000	131,585
2017 - 2021	885,000	555,408
2022 - 2026	1,115,000	334,660
2027 - 2029	815,000	60,998
Total	\$ 3,400,000	\$ 1,658,476

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

F. Liabilities

Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000	\$ -
Discount/premium	(29,376)	-	(1,632)	(27,744)	-
Contracts for deed	40,000	-	40,000	-	-
Long-Term Liabilities	<u>\$ 3,410,624</u>	<u>\$ -</u>	<u>\$ 38,368</u>	<u>\$ 3,372,256</u>	<u>\$ -</u>

REQUIRED SUPPLEMENTARY INFORMATION

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,723,344	\$ 3,723,344	\$ 3,527,784	\$ (195,560)
Special assessments	-	-	19,572	19,572
Licenses and permits	30,100	30,100	42,271	12,171
Intergovernmental	655,468	655,468	1,278,424	622,956
Charges for services	234,450	234,450	267,115	32,665
Fines and forfeits	5,000	5,000	1,998	(3,002)
Gifts and contributions	-	-	8,630	8,630
Investment earnings	150,000	150,000	57,336	(92,664)
Miscellaneous	158,455	158,455	266,665	108,210
Total Revenues	\$ 4,956,817	\$ 4,956,817	\$ 5,469,795	\$ 512,978
Expenditures				
Current				
General government				
Commissioners	\$ 244,900	\$ 244,900	\$ 164,426	\$ 80,474
Wellness program	1,108	1,108	1,491	(383)
Information technology	199,319	199,319	347,029	(147,710)
Coordinator	235,365	235,365	185,655	49,710
Auditor/Treasurer	385,340	385,340	362,868	22,472
County assessor	339,933	339,933	334,748	5,185
Elections	4,000	4,000	6,713	(2,713)
Accounting and auditing	55,000	55,000	58,843	(3,843)
Data processing	74,100	74,100	67,226	6,874
Attorney	235,306	235,306	251,037	(15,731)
Recorder	341,317	341,317	314,553	26,764
Surveyor	3,500	3,500	-	3,500
Environmental services	290,729	290,729	274,023	16,706
Buildings	324,280	324,280	331,066	(6,786)
Veterans service officer	113,002	113,002	114,788	(1,786)
Other general government	174,000	74,000	353,687	(279,687)
Total general government	\$ 3,021,199	\$ 2,921,199	\$ 3,168,153	\$ (246,954)

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 974,875	\$ 974,875	\$ 823,165	\$ 151,710
Snowmobile grant	3,396	3,396	1,642	1,754
Boat and water safety	37,236	37,236	19,417	17,819
Coroner	9,500	9,500	20,385	(10,885)
Enhanced 911 system	36,300	36,300	28,980	7,320
Dispatchers	286,722	286,722	261,179	25,543
County jail	352,013	352,013	188,649	163,364
Court services	221,433	221,433	150,468	70,965
Sentenced to serve	90,618	90,618	69,580	21,038
Emergency management	39,843	39,843	35,477	4,366
ARMER implementation	-	100,000	7,659	92,341
Total public safety	\$ 2,051,936	\$ 2,151,936	\$ 1,606,601	\$ 545,335
Culture and recreation				
Historical society	\$ 48,000	\$ 48,000	\$ 48,000	\$ -
Let's go fishing	1,400	1,400	1,400	-
Regional library	105,867	105,867	105,867	-
Senior citizens	111,471	111,471	110,565	906
Other	3,830	3,830	1,730	2,100
Total culture and recreation	\$ 270,568	\$ 270,568	\$ 267,562	\$ 3,006
Conservation of natural resources				
Soil and water conservation	\$ 69,000	\$ 69,000	\$ 346,326	\$ (277,326)
County extension	108,783	108,783	96,102	12,681
Agriculture ditch inspector	25,000	25,000	27,313	(2,313)
County fair	24,000	24,000	24,000	-
West central initiative grant	-	-	6,164	(6,164)
Water management	71,406	71,406	71,596	(190)
Shoreland management	4,842	4,842	6,901	(2,059)
Total conservation of natural resources	\$ 303,031	\$ 303,031	\$ 578,402	\$ (275,371)
Economic development				
Community development	\$ 17,524	\$ 17,524	\$ 17,524	\$ -
Senior citizens	2,069	2,069	2,069	-
Total economic development	\$ 19,593	\$ 19,593	\$ 19,593	\$ -

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Intergovernmental				
Sanitation				
Pope/Douglas Solid Waste Management	\$ 50,000	\$ 50,000	\$ 55,950	\$ (5,950)
Capital outlay				
General government	\$ 126,807	\$ 126,807	\$ 78,833	\$ 47,974
Public safety	-	-	2,727,759	(2,727,759)
Total capital outlay	\$ 126,807	\$ 126,807	\$ 2,806,592	\$ (2,679,785)
Debt service				
Principal	\$ -	\$ -	\$ 3,662	\$ (3,662)
Interest	-	-	7,921	(7,921)
Total debt service	\$ -	\$ -	\$ 11,583	\$ (11,583)
Total Expenditures	\$ 5,843,134	\$ 5,843,134	\$ 8,514,436	\$ (2,671,302)
Excess of Revenues Over (Under)				
Expenditures	\$ (886,317)	\$ (886,317)	\$ (3,044,641)	\$ (2,158,324)
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (16,000)	\$ (16,000)
Loan issued	-	-	308,750	308,750
Capital lease	-	-	2,233,109	2,233,109
Sale of capital assets	-	-	100,000	100,000
Other	461,317	461,317	-	(461,317)
Total Other Financing Sources (Uses)	\$ 461,317	\$ 461,317	\$ 2,625,859	\$ 2,164,542
Net Change in Fund Balance	\$ (425,000)	\$ (425,000)	\$ (418,782)	\$ 6,218
Fund Balance - January 1	2,001,196	2,001,196	2,001,196	-
Fund Balance - December 31	\$ 1,576,196	\$ 1,576,196	\$ 1,582,414	\$ 6,218

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 781,418	\$ 781,418	\$ 701,881	\$ (79,537)
Intergovernmental	3,097,461	3,097,461	3,811,097	713,636
Charges for services	35,000	35,000	41,497	6,497
Miscellaneous	-	-	22,649	22,649
Total Revenues	\$ 3,913,879	\$ 3,913,879	\$ 4,577,124	\$ 663,245
Expenditures				
Current				
Highways and streets				
Administration	\$ 485,064	\$ 485,064	\$ 331,979	\$ 153,085
Maintenance	1,016,635	1,016,635	865,946	150,689
Engineering/construction	1,873,114	1,873,114	2,432,257	(559,143)
Equipment, maintenance, and shop	410,155	410,155	461,165	(51,010)
Total highways and streets	\$ 3,784,968	\$ 3,784,968	\$ 4,091,347	\$ (306,379)
Intergovernmental				
Highways and streets	283,911	283,911	357,787	(73,876)
Total Expenditures	\$ 4,068,879	\$ 4,068,879	\$ 4,449,134	\$ (380,255)
Excess of Revenues Over (Under) Expenditures	\$ (155,000)	\$ (155,000)	\$ 127,990	\$ 282,990
Other Financing Sources (Uses)				
Other	155,000	155,000	-	(155,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 127,990	\$ 127,990
Fund Balance - January 1	1,340,889	1,340,889	1,340,889	-
Increase (decrease) in inventories	-	-	(257)	(257)
Fund Balance - December 31	\$ 1,340,889	\$ 1,340,889	\$ 1,468,622	\$ 127,733

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,541,963	\$ 1,541,963	\$ 1,400,513	\$ (141,450)
Intergovernmental	1,296,008	1,296,008	1,659,318	363,310
Charges for services	57,515	57,515	52,304	(5,211)
Miscellaneous	84,220	84,220	262,682	178,462
Total Revenues	\$ 2,979,706	\$ 2,979,706	\$ 3,374,817	\$ 395,111
Expenditures				
Current				
Human services				
Income maintenance	\$ 894,751	\$ 894,751	\$ 874,430	\$ 20,321
Social services	2,319,955	2,319,955	2,284,403	35,552
Otto Bremer Foundation	-	-	30,000	(30,000)
Total Expenditures	\$ 3,214,706	\$ 3,214,706	\$ 3,188,833	\$ 25,873
Excess of Revenues Over (Under) Expenditures	\$ (235,000)	\$ (235,000)	\$ 185,984	\$ 420,984
Other Financing Sources (Uses)				
Other	235,000	235,000	-	(235,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 185,984	\$ 185,984
Fund Balance - January 1	1,804,966	1,804,966	1,804,966	-
Fund Balance - December 31	\$ 1,804,966	\$ 1,804,966	\$ 1,990,950	\$ 185,984

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 489,718	\$ 489,718	\$ 595,479	\$ 105,761
Intergovernmental	-	-	40,611	40,611
Total Revenues	\$ 489,718	\$ 489,718	\$ 636,090	\$ 146,372
Expenditures				
Current				
Debt service				
Principal retirement	\$ 489,718	\$ 489,718	\$ 440,000	\$ 49,718
Interest	-	-	171,795	(171,795)
Administrative charges	-	-	881	(881)
Total Expenditures	\$ 489,718	\$ 489,718	\$ 612,676	\$ (122,958)
Net Change in Fund Balance	\$ -	\$ -	\$ 23,414	\$ 23,414
Fund Balance - January 1	585,229	585,229	585,229	-
Fund Balance - December 31	\$ 585,229	\$ 585,229	\$ 608,643	\$ 23,414

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2011**

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%
January 1, 2011	-	3,235,761	3,235,761	0.0%	5,020,667	64.45%

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, certain special revenue funds, and the Debt Service Fund. A budget is not adopted for the Solid Waste or Ditch 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.

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the fund level for the year ended December 31, 2011:

	Actual	Expenditures	
		Final Budget	Excess
General Fund	\$ 8,514,436	\$ 5,843,134	\$ 2,671,302
Road and Bridge Special Revenue Fund	4,449,134	4,068,879	380,255
Debt Service Fund	612,676	489,718	122,958

**POPE COUNTY
GLENWOOD, MINNESOTA**

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 two years' 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.

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.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Agency Funds (Continued)

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.

Horizon Community Health – to account for the receipts and disbursements of Horizon Community Health, a public health nursing service.

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**

EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2011**

	Health Services	Law Library	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 234,108	\$ 3,200	\$ 237,308
Departmental cash	363	-	363
Accounts receivable	7,599	-	7,599
Due from other governments	35,899	987	36,886
Total Assets	\$ 277,969	\$ 4,187	\$ 282,156
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 1,154	\$ 2,221	\$ 3,375
Salaries payable	32,512	-	32,512
Due to other governments	652	-	652
Total Liabilities	\$ 34,318	\$ 2,221	\$ 36,539
Fund Balances			
Restricted	\$ -	\$ 1,966	\$ 1,966
Assigned	243,651	-	243,651
Total Fund Balances	\$ 243,651	\$ 1,966	\$ 245,617
Total Liabilities and Fund Balances	\$ 277,969	\$ 4,187	\$ 282,156

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Health Services	Law Library	Total (Exhibit 5)
Revenues			
Intergovernmental	\$ 250,942	\$ -	\$ 250,942
Charges for services	599,904	-	599,904
Fines and forfeits	-	15,013	15,013
	\$ 850,846	\$ 15,013	\$ 865,859
Expenditures			
Current			
General government	\$ -	\$ 19,438	\$ 19,438
Health	1,004,973	-	1,004,973
	\$ 1,004,973	\$ 19,438	\$ 1,024,411
Excess of Revenues Over (Under) Expenditures	\$ (154,127)	\$ (4,425)	\$ (158,552)
Other Financing Sources (Uses)			
Transfers in	16,000	-	16,000
	\$ (138,127)	\$ (4,425)	\$ (142,552)
Net Change in Fund Balance			
Fund Balance - January 1	381,778	6,391	388,169
Fund Balance - December 31	\$ 243,651	\$ 1,966	\$ 245,617

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-3

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 192,907	\$ 192,907	\$ 250,942	\$ 58,035
Charges for services	<u>562,645</u>	<u>562,645</u>	<u>599,904</u>	<u>37,259</u>
Total Revenues	\$ 755,552	\$ 755,552	\$ 850,846	\$ 95,294
Expenditures				
Current				
Health				
Health services	<u>985,874</u>	<u>985,874</u>	<u>1,004,973</u>	<u>(19,099)</u>
Excess of Revenues Over (Under) Expenditures	\$ (230,322)	\$ (230,322)	\$ (154,127)	\$ 76,195
Other Financing Sources (Uses)				
Transfers in	<u>107,805</u>	<u>107,805</u>	<u>16,000</u>	<u>(91,805)</u>
Net Change in Fund Balance	\$ (122,517)	\$ (122,517)	\$ (138,127)	\$ (15,610)
Fund Balance - January 1	<u>381,778</u>	<u>381,778</u>	<u>381,778</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 259,261</u></u>	<u><u>\$ 259,261</u></u>	<u><u>\$ 243,651</u></u>	<u><u>\$ (15,610)</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 71,290</u>	<u>\$ 3,588,856</u>	<u>\$ 3,568,843</u>	<u>\$ 91,303</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 71,290</u>	<u>\$ 3,751,456</u>	<u>\$ 3,731,443</u>	<u>\$ 91,303</u>
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 12,874</u>	<u>\$ 132,030</u>	<u>\$ 132,215</u>	<u>\$ 12,689</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 12,874</u>	<u>\$ 145,272</u>	<u>\$ 145,457</u>	<u>\$ 12,689</u>
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 104,375</u>	<u>\$ 33,695</u>	<u>\$ 62,823</u>	<u>\$ 75,247</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 104,375</u>	<u>\$ 33,695</u>	<u>\$ 62,823</u>	<u>\$ 75,247</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 4,064</u>	<u>\$ 243,421</u>	<u>\$ 242,743</u>	<u>\$ 4,742</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 4,064</u>	<u>\$ 252,228</u>	<u>\$ 251,550</u>	<u>\$ 4,742</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 20,450</u>	<u>\$ 15,519,259</u>	<u>\$ 15,516,727</u>	<u>\$ 22,982</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 20,450</u>	<u>\$ 15,555,523</u>	<u>\$ 15,552,991</u>	<u>\$ 22,982</u>
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 54,915</u>	<u>\$ 3,509,772</u>	<u>\$ 3,482,504</u>	<u>\$ 82,183</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 54,915</u>	<u>\$ 3,646,953</u>	<u>\$ 3,619,685</u>	<u>\$ 82,183</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>WEST POPE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 25	\$ 1	\$ 24
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 49	\$ 25	\$ 24
 <u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 88	\$ 2,667	\$ 2,680	\$ 75
<u>Liabilities</u>				
Due to other governments	\$ 88	\$ 2,830	\$ 2,843	\$ 75
 <u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 563	\$ 1,739	\$ 2,277	\$ 25
<u>Liabilities</u>				
Due to other governments	\$ 563	\$ 2,328	\$ 2,866	\$ 25

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT B-4
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 155	\$ 26,493	\$ 26,551	\$ 97
<u>Liabilities</u>				
Due to other governments	\$ 155	\$ 26,746	\$ 26,804	\$ 97
 <u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 210	\$ 193	\$ 17
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 227	\$ 210	\$ 17
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,144	\$ 40,233	\$ 40,328	\$ 1,049
<u>Liabilities</u>				
Due to other governments	\$ 1,144	\$ 42,426	\$ 42,521	\$ 1,049

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 70,729	\$ 1,463,526	\$ 1,479,164	\$ 55,091
<u>Liabilities</u>				
Due to other governments	\$ 70,729	\$ 1,562,796	\$ 1,578,434	\$ 55,091
 <u>HORIZON COMMUNITY HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,567,230	\$ 1,414,817	\$ 152,413
Due from other governments	-	176,220	-	176,220
Total Assets	\$ -	\$ 1,743,450	\$ 1,414,817	\$ 328,633
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 5,278	\$ -	\$ 5,278
Due to other governments	-	2,099,366	1,776,011	323,355
Total Liabilities	\$ -	\$ 2,104,644	\$ 1,776,011	\$ 328,633

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MID-STATE COMMUNITY HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 76,066	\$ 105,769	\$ 181,835	\$ -
Due from other governments	104,691	-	104,691	-
	\$ 180,757	\$ 105,769	\$ 286,526	\$ -
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 2,828	\$ 2,828	\$ -
Due to other governments	180,757	273,511	454,268	-
	\$ 180,757	\$ 276,339	\$ 457,096	\$ -
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 416,713	\$ 26,234,925	\$ 26,153,701	\$ 497,937
Due from other governments	104,691	176,220	104,691	176,220
	\$ 521,404	\$ 26,411,145	\$ 26,258,392	\$ 674,157
<u>Liabilities</u>				
Accounts payable	12,874	153,378	148,285	17,967
Due to other governments	508,530	27,250,134	27,102,474	656,190
	\$ 521,404	\$ 27,403,512	\$ 27,250,759	\$ 674,157

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HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-1

**STATEMENT OF NET ASSETS
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
DECEMBER 31, 2011**

Assets

Current assets

Cash and pooled investments	\$ 390,933
Taxes receivable	
Delinquent	4,928
Accrued interest receivable	638
Loans receivable	190,958
Land held for resale	12,790

Total current assets **\$ 600,247**

Noncurrent assets

Deferred charges	\$ 31,286
Lease receivable	3,400,000
Capital assets	
Nondepreciable	429,210

Total noncurrent assets **\$ 3,860,496**

Total Assets **\$ 4,460,743**

Liabilities

Current liabilities

Accounts payable	\$ 3,235
Salaries payable	206
Accrued interest payable	62,158

Total current liabilities **\$ 65,599**

Noncurrent liabilities

Revenue bonds payable - long-term	3,372,256
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Total Liabilities **\$ 3,437,855**

Net Assets

Invested in capital assets - net of related debt	\$ 429,210
Unrestricted	593,678

Total Net Assets **\$ 1,022,888**

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2011**

Operating Expenses	
Personal services	\$ 21,745
Professional services	12,293
Insurance	2,211
Licenses and dues	240
Miscellaneous	2,436
	<hr/>
Total Operating Expenses	\$ 38,925
	<hr/>
Operating Income (Loss)	\$ (38,925)
	<hr/>
Nonoperating Revenues (Expenses)	
Property taxes	\$ 200,818
Intergovernmental expense - economic development	(30,000)
Miscellaneous income	153,585
Interest income	15,464
Gain on sale/disposal of land held for resale	8,461
Interest expense	(151,480)
Amortization of deferred charges	(3,472)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 193,376
	<hr/>
Change in net assets	\$ 154,451
	<hr/>
Net Assets - January 1	868,437
	<hr/>
Net Assets - December 31	\$ 1,022,888
	<hr/> <hr/>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-3

**STATEMENT OF CASH FLOWS
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Payments to suppliers	\$ (17,180)
Payments to employees	(22,398)
Sale of land held for resale	<u>20,472</u>
Net cash provided by (used in) operating activities	<u>\$ (19,106)</u>
Cash Flows from Noncapital Financing Activities	
Property taxes	\$ 201,457
Intergovernmental expense	(30,000)
Interest and fee received on lease	149,630
Miscellaneous	<u>3,955</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 325,042</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (40,000)
Interest paid on long-term debt	(151,480)
Purchases of capital assets for Pope County	<u>(2,540,259)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (2,731,739)</u>
Cash Flows from Investing Activities	
Collections of loan principal	\$ 4,573
Interest received on loans	12,946
Insurance dividends	1,880
Loan granted	<u>(44,120)</u>
Net cash provided by (used in) investing activities	<u>\$ (24,721)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (2,450,524)
Cash and Cash Equivalents at January 1	<u>2,841,457</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 390,933</u></u>
Cash and Cash Equivalents - Exhibit 1	<u><u>\$ 390,933</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT C-3
(Continued)**

**STATEMENT OF CASH FLOWS
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2011
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (38,925)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in land held for resale	\$ 20,472
Increase (decrease) in salaries payable	<u>(653)</u>
Total adjustments	<u>\$ 19,819</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (19,106)</u></u>

OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2011**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pooled Deposits and Investments			
Certificates of deposit			
Bremer Bank	0.30	November 26, 2012	\$ 90,000
Glenwood State Bank	0.55	March 30, 2012	1,500,000
Glenwood State Bank	1.75	December 5, 2016	25,000
Glenwood State Bank	1.25	July 11, 2013	24,000
Hometown Community Bank	0.55	April 30, 2012	200,000
Hometown Community Bank	1.00	July 17, 2012	100,000
Hometown Community Bank	0.55	June 25, 2012	300,000
Lowry State Bank	1.00	April 18, 2012	200,000
Lowry State Bank	0.75	July 1, 2012	150,000
Total certificates of deposit			\$ 2,589,000
Checking accounts			
Eagle Bank	0.10	Continuous	\$ 39,914
Glenwood State Bank	0.25	Continuous	22,412
Total checking accounts			\$ 62,326
Savings accounts			
Eagle Bank	0.25	Continuous	\$ 96,446
Eagle Bank	0.15	Continuous	3,487
Glenwood State Bank	0.50	Continuous	3,615,782
Total savings accounts			\$ 3,715,715
Total Deposits and Investments			\$ 6,367,041

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2011**

	Assets			
	Cash and Investments	Special Assessments Receivable		Total
		Current	Deferred	
County Ditches				
2	\$ 4,702	\$ -	\$ -	\$ 4,702
3	518	-	-	518
4	1,034	-	-	1,034
6	469	-	-	469
7	5,089	-	-	5,089
8	7,721	-	-	7,721
9	2,069	-	-	2,069
10	1,943	-	972	2,915
12	455	-	-	455
15	7,694	-	-	7,694
17	6,546	-	-	6,546
19	83	-	-	83
24	407	-	-	407
27	311	-	-	311
28	3,091	-	-	3,091
Prop CD 29	8,516	-	-	8,516
General	775	-	36,498	37,273
Judicial Ditches				
3 Pope and Douglas	444	-	-	444
4 Pope and Douglas	4,448	-	2,758	7,206
4 Pope and Swift	7,766	408	1,874	10,048
9 Pope and Swift	7,569	105	3,500	11,174
Total	\$ 71,650	\$ 513	\$ 45,602	\$ 117,765

EXHIBIT D-2

Deferred Revenue	Liabilities		Fund Balances (Unassigned)/Restricted	Total Liabilities and Fund Balances
	Advances from Other Funds	Total		
\$ -	\$ -	\$ -	\$ 4,702	\$ 4,702
-	-	-	518	518
-	-	-	1,034	1,034
-	-	-	469	469
-	-	-	5,089	5,089
-	-	-	7,721	7,721
-	-	-	2,069	2,069
972	2,500	3,472	(557)	2,915
-	-	-	455	455
-	-	-	7,694	7,694
-	-	-	6,546	6,546
-	-	-	83	83
-	-	-	407	407
-	-	-	311	311
-	-	-	3,091	3,091
-	-	-	8,516	8,516
36,498	45,014	81,512	(44,239)	37,273
-	500	500	(56)	444
2,758	-	2,758	4,448	7,206
2,283	11,600	13,883	(3,835)	10,048
3,605	9,950	13,555	(2,381)	11,174
<u>\$ 46,116</u>	<u>\$ 69,564</u>	<u>\$ 115,680</u>	<u>\$ 2,085</u>	<u>\$ 117,765</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2011**

Shared Revenue

State

Highway users tax	\$ 3,585,568
Market value credit	396,720
PERA rate reimbursement	17,671
Disparity reduction aid	21,713
County program aid	327,095
Police aid	46,565
Performance aid	1,539

Total shared revenue **\$ 4,396,871**

Reimbursement for Services

State

Minnesota Department of Public Safety	\$ 3,465
Minnesota Department of Human Services	316,359

Total reimbursement for services **\$ 319,824**

Payments

Local

Local contributions	\$ 155,347
Payments in lieu of taxes	86,550

Total payments **\$ 241,897**

Grants

State

Minnesota Department/Board of Corrections	\$ 15,668
Public Safety	241,964
Health	85,998
Natural Resources	9,689
Human Services	353,959
Trial Courts	1,534
Veterans Affairs	31,000
Water and Soil Resources	78,174
Pollution Control Agency	55,950

Total state **\$ 873,936**

Federal

Department of Agriculture	\$ 156,722
Commerce	365
Transportation	43,945
Health and Human Services	810,498
Homeland Security	196,334

Total federal **\$ 1,207,864**

Total state and federal grants **\$ 2,081,800**

Total Intergovernmental Revenue **\$ 7,040,392**

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Horizon Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 61,230
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>95,492</u>
Total U.S. Department of Agriculture		\$ <u>156,722</u>
U.S. Department of Commerce		
Passed Through City of Saint Cloud, Minnesota Public Safety Interoperable Communications Grant Program	11.555	\$ <u>365</u>
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 42,837
State and Community Highway Safety	20.600	<u>1,108</u>
Total U.S. Department of Transportation		\$ <u>43,945</u>
U.S. Department of Health and Human Services		
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 Promoting Safe and Stable Families	93.556	11,387
Temporary Assistance for Needy Families (TANF) Cluster		
Temporary Assistance for Needy Families	93.558	67,761
Emergency Contingency Fund for TANF State Program - ARRA	93.714	2,627
Child Support Enforcement	93.563	153,366
Child Care and Development Fund Cluster		
Child Care and Development Block Grant	93.575	1,246
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	1,915
Foster Care - Title IV-E	93.658	72,666
Social Services Block Grant	93.667	80,214
Block Grants for Community Mental Health Services	93.958	2,813
Chafee Foster Care Independence Program	93.674	8,955
Children's Health Insurance Program	93.767	57
Medical Assistance Program	93.778	286,373
Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	93.779	300

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

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**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT D-4
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Minnesota Department of Health		
Immunization Cluster		
Immunization - ARRA	93.712	4,463
Passed Through Horizon Community Health Board		
Public Health Emergency Preparedness	93.069	48,553
Universal Newborn Hearing Screening	93.251	300
Immunization Cluster		
Immunization Cooperative Agreements	93.268	300
PPHF 2012 National Public Health Improvement Initiative	93.507	1,027
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families	93.558	22,606
Medical Assistance Program	93.778	11,064
Maternal and Child Health Services Block Grant to the States	93.994	15,401
		<hr/>
Total U.S. Department of Health and Human Services		\$ 809,844
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 22,277
Passed Through Minnesota Department of Public Safety		
Emergency Management Performance Grants	97.042	16,134
Homeland Security Grant Program	97.067	112,775
Passed Through City of Saint Cloud, Minnesota		
Homeland Security Grant Program	97.067	10,904
Passed Through West Central Minnesota Emergency Medical Services Regulatory Board		
Homeland Security Grant Program	97.067	50,378
		<hr/>
Total U.S. Department of Homeland Security		\$ 212,468
		<hr/>
Total Federal Awards		\$ 1,223,344

**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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. Clusters

Clusters of programs are groupings of closely related programs that share common compliance requirements. Total expenditures by cluster are:

Temporary Assistance for Needy Families Cluster	\$ 92,994
Child Care and Development Fund Cluster	3,161
Immunization Cluster	4,763

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,207,864
Expenditures occurred in 2011 and revenue recognized in 2012	
Emergency Management Performance Grants	16,134
Expenditures occurred prior to 2011 but reimbursed in 2011	
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	<u>(654)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,223,344</u>

6. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2011.

7. 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.

**Other Information
Section**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT E-1

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

	2010		2011		2012	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
Tax Capacity						
Real property	\$ 16,542,915		\$ 16,447,203		\$ 15,486,641	
Personal property	288,849		336,699		334,153	
Total Tax Capacity	\$ 16,831,764		\$ 16,783,902		\$ 15,820,794	
Taxes Levied for County Purposes						
General	\$ 3,749,231	20.639	\$ 4,053,840	22.491	\$ 5,075,063	30.972
Road and Bridge	866,997	4.743	826,509	4.547	812,424	4.946
Human Services	1,596,272	8.732	1,650,406	9.089	1,826,154	11.118
Incinerator Bonds	124,126	0.739	125,218	0.748	-	-
Capital Improvement Notes	366,200	2.180	364,500	2.177	-	-
LEC Bonds	156,700	0.933	156,700	0.936	298,400	1.817
Total Levy for County Purposes	\$ 6,859,526	37.966	\$ 7,177,173	39.988	\$ 8,012,041	48.853
Less Credits Payable by State	494,030		494,030		327,095	
Net Levy Certified to State	\$ 6,365,496		\$ 6,683,143		\$ 7,684,946	
Less Market Value Credits Payable by State	519,584		530,490		129,244	
Net Levy for County Purposes	\$ 5,845,912		\$ 6,152,653		\$ 7,555,702	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 52,060		\$ 55,508		\$ 54,400	
Assessed at 5%	2,074		2,212		2,256	
Total Tax Capacity - Light and Power	\$ 54,134		\$ 57,720		\$ 56,656	

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT E-1
(Continued)**

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

	2010		2011		2012	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 39,520	75.911	\$ 43,416	78.217	\$ 48,795	89.694
Assessed at 5%	1,574	75.911	1,730	78.217	2,024	89.694
Market value based on property tax	4,336	0.160	4,291	0.0149	4,390	0.1550
State tax	24,837	45.881	28,308	49.043	28,951	51.100
Total Light and Power Tax Levies	\$ 70,267		\$ 77,745		\$ 84,160	
Special Assessments						
Ditch liens and assessments	\$ 683,192		\$ 675,726		\$ 676,512	
Percentage of Tax Collections for All Purposes	98%		98%		N/A	

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unqualified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? **Yes**

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778
Homeland Security Grant Program	CFDA #97.067

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

Pope County qualified as low-risk auditee? **No**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Departmental Internal Accounting Control

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: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts. Departments that do not have sufficient segregation of duties include Recorder, Environmental Services, Sheriff, Public Health, Highway, Social Services, Solid Waste, and Extension.

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

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

Cause: The County does not have the economic resources needed to hire additional qualified accounting staff in order to adequately segregate duties in every department.

Recommendation: We recommend that the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

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.

ITEMS ARISING THIS YEAR

11-1 Control Procedures Not Followed in Environmental Services Office

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various County departments that collect fees.

Condition: During previous reviews of the Environmental Services office we noted that some internal controls had been put in place to mitigate the segregation of duties risks. During our review of Environmental Services as part of the 2011 audit we found that several of these controls were no longer being followed. For instance, the cash box was not locked, some receipts could not be provided to us, and for those receipts we were able to review we were unable to identify who performed the receipting.

Context: There has been a significant change in staffing in the Environmental Services office. There was limited guidance available to those staff members who were helping to continue operations of the Environmental Services office.

Effect: Inadequate controls affect the County's ability to ensure that proper cash handling and revenue recognition procedures are being followed as well as safeguarding of the County's cash.

Cause: Lack of guidance or disregard of the controls in place regarding cash and cash receipting.

Recommendation: We recommend that the County's management ensure that staff are aware of the proper controls regarding cash and cash receipting and that these controls remain in operation. This could include the department head monitoring operations within the office, ensuring that reports are submitted properly and timely, and directing staff to maintain proper supporting documentation for these activities.

Client's Response:

Pope County is currently re-building the staffing for the Office of Land and Resources Management due to a complete turnover in all personnel. With the guidance of the contracted, interim Department leader, the internal procedures regarding cash and cash receipting will return to previously OSA-recommended processes. The cash will be receipted daily in the Auditor/Treasurer's office. The Department leader will verify, on at least a weekly basis, that all receipts have been properly processed and that there is a clear sequence of receipts with signed initials or signatures of issuers.

11-2 Human Services Disbursements Approval

Criteria: Management is responsible for establishing and maintaining internal control over the various accounting cycles, including the processing of disbursements. 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 disbursements in the general ledger system.

Condition: Based on our testing of internal control over disbursements and compliance with County policy, we found there is no documentation to indicate that Human Services disbursements are being reviewed and approved by a supervisor or the Director.

Context: The approval of disbursements by a supervisor or the Director is an important function ensuring that amounts paid by the County are accurate and proper.

Effect: As a result of this condition the Human Services department lacks proper internal controls over the disbursements process, increasing the risk of fraudulent disbursements.

Cause: There were several changes in staffing in the Human Services department and the control procedure was not carried out as staff was unsure who to have review and approve disbursements being processed.

Recommendation: We recommend that the internal control previously in place regarding documentation of review of disbursements by a Human Services supervisor or the Director be reinstated.

Client's Response:

The Social Services or Income Maintenance Supervisor or Fiscal Officer or Director will approve requested expenditures prior to payment. This will be implemented immediately.

PREVIOUSLY REPORTED ITEMS RESOLVED

Preparation of Financial Statements (02-6)

The County needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

Resolution

The County provides a general ledger, accruals, a GASB34 Audit List, and other supporting schedules necessary, and prepared trial balances for preparing fund level and government-wide financial statements. The County has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

Segregation of Duties – Disbursements (07-1)

During previous 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. Over the last several years controls have been added; however there were still no procedures to monitor new vendors entered into the system.

Resolution

In our review of the disbursements process for the 2011 audit we found that the County has established controls over adding vendors as well as periodically reviewing the vendor files. The individual that adds or changes vendors is not involved in the payable process.

Payroll (07-2)

During our review of internal controls over payroll, we noted County personnel who enter information from employees’ time sheets into the payroll system also had access to the payroll master file, allowing them to make changes to employee payroll records and add employees to the payroll system. An independent review of those “edits” was not performed.

Resolution

In our review of payroll internal controls for the 2011 audit we found that the County has implemented an independent review of the “edits” as a compensating control over this process.

Preparation of the Schedule of Expenditures of Federal Awards (10-1)

The County needed to improve its system of identifying federal award information to facilitate preparation of the Schedule of Expenditures of Federal Awards (SEFA).

Resolution

The County has improved its system of identifying federal award information and prepared a draft of the SEFA for the audit.

Prior Period Adjustment (10-2)

Pope County’s 2010 financial statements included the following prior period adjustment identified by our audit: The beginning net assets/fund balance in Pope County’s governmental activities and Debt Service Fund, and the beginning net assets in the Pope County Housing and Redevelopment Authority (HRA) component unit, were restated by \$82,765 to recognize taxes that were levied by the County’s Debt Service Fund but were erroneously recorded in the Pope County HRA. The need for prior period adjustments can raise doubts as to the reliability of the County’s financial information being presented.

Resolution

There were no material prior period adjustments required during our 2011 audit of the County’s financial statements.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

11-3 Supervisory Review of Case Files

Program: Medical Assistance Program (CFDA No. 93.778) and Child Support Enforcement (CFDA No. 93.563)

Criteria: Standard internal control procedures should include a review process for case files to ensure the intake functions related to eligibility (CFDA No. 93.778) and special tests and provisions (CFDA No. 93.563) requirements are met. This review should be documented and the results of the reviews should be made available.

Condition: During our testing of controls over Medical Assistance and Child Care case files, we noted there was no documented review process of case files.

Questioned Costs: None

Context: The lack of a County review process over case files requires us to perform more detailed testing.

Effect: The lack of periodic review of case files by program supervisors increases the risk that a participant will receive benefits for which they are not eligible.

Cause: The County had several changes in Human Services Directors during the year. The resulting changes in staffing meant there was not enough time to perform adequate case file reviews.

Recommendation: We recommend that Pope County establish a process for reviewing a sample of case files periodically by a program supervisor, or other person with knowledge of the program, to ensure that all required information affecting eligibility is obtained and correctly entered. We further recommend that the reviewers track the case files reviewed and document the findings of their review.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Income Maintenance Supervisor

Corrective Action Planned:

The Income Maintenance Supervisor will randomly pull and review and track/keep a log of health care cases pulled and reviewed for accuracy.

Anticipated Completion Date:

Immediately

11-4 Approval of Disbursements

Program: Medical Assistance Program (CFDA No. 93.778) and Child Support Enforcement (CFDA No. 93.563)

Criteria: OMB Circular A-133, Subpart C, § .300, indicates auditee responsibilities include maintaining internal controls over federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition: Based on our testing of internal control over disbursements and compliance with County policy, we found there is no documentation to indicate that Human Services disbursements are being reviewed and approved by a supervisor or the Director.

Questioned Costs: None

Context: The approval of disbursements by a supervisor or the Director is an important function ensuring that amounts charged to federal programs are accurate and proper.

Effect: As a result of this condition the Human Services department lacks proper internal controls over the disbursements process, increasing the risk of fraudulent disbursements and incorrect charges to federal programs.

Cause: There were several changes in staffing in the Human Services department and the control procedure was not carried out as staff was unsure who to have review and approve disbursements being processed.

Recommendation: We recommend that the internal control previously in place regarding documentation of review of disbursements by a Human Services supervisor or the Director be reinstated.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Income Maintenance Supervisor or Fiscal Officer

Corrective Action Planned:

The Income Maintenance Supervisor or Fiscal Officer or Director will approve requested expenditures prior to payment. A printout will be included with disbursements to document the accuracy of disbursements.

Anticipated Completion Date:

Immediately

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM RESOLVED

Contract Compliance (10-3)

The County delegated authority to pay claims for the Courthouse Renovation Project, which was funded by the Pope County Housing and Redevelopment Authority (HRA), in a manner inconsistent with Minn Stat. § 375.18, Subd, 1b. Further the County Board and the HRA Board awarded contracts in a manner inconsistent with state law, as they were unable to provide minutes to demonstrate that the required bidding was done in a public manner with public record as required.

Resolution

During the 2011 audit the County completed the award of contracts in a manner consistent with state statutes. The County did not delegate its authority regarding this process.



REBECCA OTTO
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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*

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, 2011, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2012. 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

Management of Pope County is responsible for establishing and maintaining effective 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.

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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the Schedule of Findings and Questioned Costs as items 96-1, 11-1, and 11-2 that we consider to be significant deficiencies in internal control over financial reporting. 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.

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 Political Subdivisions*, 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 Political Subdivisions* 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 that 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.

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

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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REBECCA OTTO
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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Pope County

Compliance

We have audited Pope County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. 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 of the County's compliance with those requirements.

In our opinion, Pope County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

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 to determine the 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. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying Schedule of Findings and Questions Costs as items 11-3 and 11-4. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Pope County's corrective action plans to the federal award findings identified in our audit are included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plans 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 and 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

September 27, 2012

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR