

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2014

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 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, 2014



**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
2014**

Office	Name	Term	
		From	To
Commissioners			
1st District	Larry Kittelson**	January 2011	January 2015
2nd District	Gordy Wagner	January 2013	January 2017
3rd District	Paul Gerde	January 2013	January 2017
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	Michael Wacker	March 2013	December 2017
Coroner	Duane E. Westberg, M.D.		Indefinite
Highway Engineer	Brian Giese	May 2014	April 2018
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Jim Thoreen		Indefinite
Surveyor	Rodney Eldevik		Indefinite
Human Services			
Director	Nicole Names		Indefinite
Manager	Phyllis Reller		Indefinite
Manager	Paula Hoverud		Indefinite
Board			
Member	Larry Kittelson	January 2011	January 2015
Member	Gordy Wagner	January 2013	January 2017
Member	Paul Gerde	January 2013	January 2017
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

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pope County
Glenwood, Minnesota

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pope County's basic financial statements. The supplementary information and the other information section as 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. Such 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2015, 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* in considering Pope County’s internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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. The 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 SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 24, 2015

/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, 2014
(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, 2014. 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 position is \$60,536,537, of which Pope County has invested \$50,116,814 in capital assets, net of related debt, and \$2,087,131 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2014, was \$6,854,856; the net cost was funded by general revenues and other items totaling \$9,417,093.
- Pope County's net position increased by \$2,562,237 for the year ended December 31, 2014. The net position of the County's discretely presented component unit increased by \$54,518.

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 Position and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of 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 Position and the Statement of Activities

The Statement of Net Position 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 position and changes in them. You can think of the County's net position--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 position 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 Position 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/Economic Development 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 Position 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 position and changes in fiduciary net position. 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 position (Table 1) and changes in net position (Table 2) of the County's governmental activities.

Table 1
Net Position

	Governmental Activities		Percent Change (%)
	2014	2013	
Assets			
Current and other assets	\$ 13,690,990	\$ 11,362,017	20.50
Capital assets, net of accumulated depreciation	54,031,691	54,009,517	0.04
Total Assets	\$ 67,722,681	\$ 65,371,534	3.60
Liabilities			
Current liabilities	\$ 1,067,300	\$ 946,023	12.82
Long-term debt outstanding	6,118,844	6,451,211	(5.15)
Total Liabilities	\$ 7,186,144	\$ 7,397,234	(2.85)
Net Position			
Net investment in capital assets	\$ 50,116,814	\$ 50,068,103	0.10
Restricted	2,087,131	2,229,517	(6.39)
Unrestricted	8,332,592	5,676,680	46.79
Total Net Position	\$ 60,536,537	\$ 57,974,300	4.42

Pope County's total net position for the year ended December 31, 2014, totals \$60,536,537. The governmental activities' unrestricted net position, totaling \$8,332,592, is available to finance the day-to-day operations of the governmental activities of Pope County.

Table 2
Changes in Net Position

	Governmental Activities		Percent Change (%)
	2014	2013	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 2,067,646	\$ 1,877,062	10.15
Operating grants and contributions	6,502,519	6,218,062	4.57
Capital grants and contributions	17,650	80,606	(78.10)
General revenues			
Property taxes	8,451,641	8,088,286	4.49
Other taxes	274,328	99,988	174.36
Grants and contributions not restricted to specific programs	564,142	560,522	0.65
Other general revenues	126,982	160,867	(21.06)
Total Revenues	\$ 18,004,908	\$ 17,085,393	5.38

	Governmental Activities		Percent Change (%)
	2014	2013	
Expenses			
General government	\$ 3,744,430	\$ 3,543,643	5.67
Public safety	2,023,166	1,932,463	4.69
Highways and streets	3,449,550	3,663,039	(5.83)
Sanitation	393,674	392,643	0.26
Human services	3,543,962	3,317,958	6.81
Health	1,397,548	1,134,248	23.21
Culture and recreation	268,400	257,582	4.20
Conservation of natural resources	445,973	354,301	25.87
Economic development	19,000	17,635	7.74
Interest	156,968	190,755	(17.71)
Total Expenses	<u>\$ 15,442,671</u>	<u>\$ 14,804,267</u>	4.31
Increase in Net Position	\$ 2,562,237	\$ 2,281,126	12.32
Net Position - January 1	<u>57,974,300</u>	<u>55,693,174</u>	4.10
Net Position - December 31	<u>\$ 60,536,537</u>	<u>\$ 57,974,300</u>	4.42

Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2014, were \$18,004,908. The County's cost for all governmental activities for the year ended December 31, 2014, was \$15,442,671. The net position for the County's governmental activities increased by \$2,562,237 in 2014.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$8,451,641 because \$2,067,646 of the costs were paid by those who directly benefited from the programs, and \$7,084,311 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 \$401,310 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Figure 1
Total County Revenue
2014**

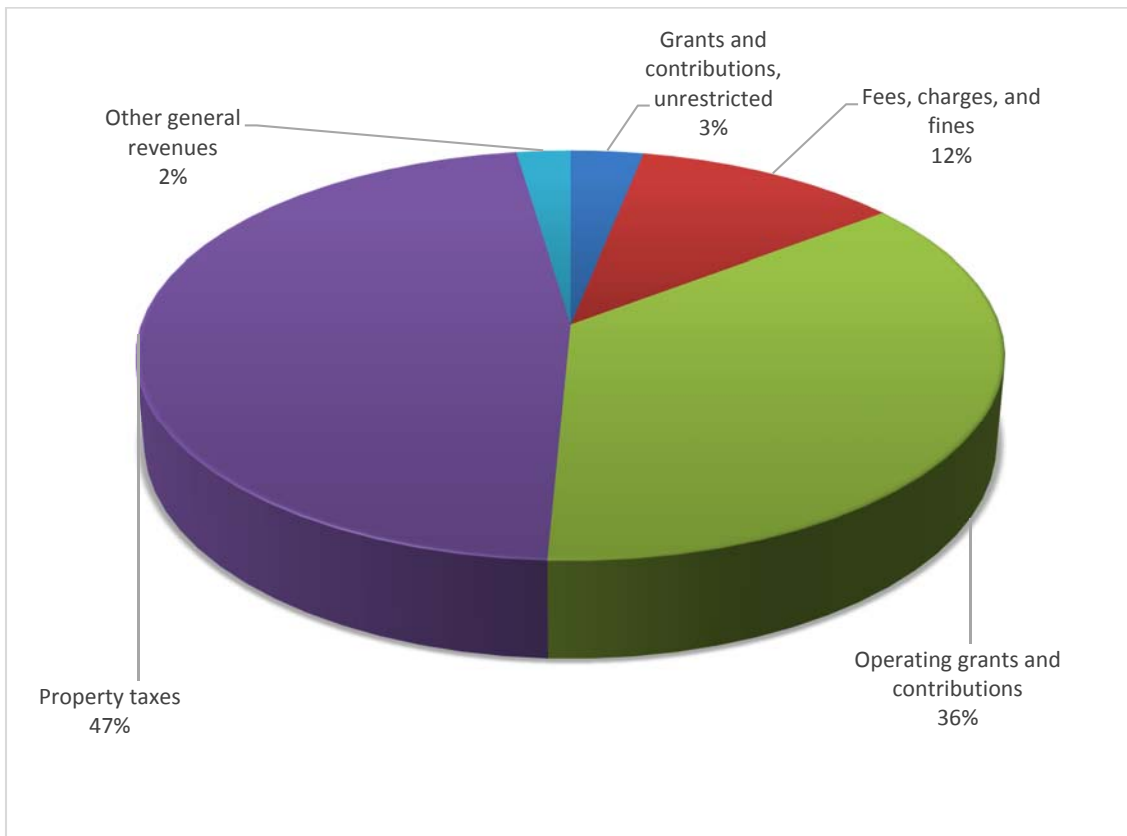
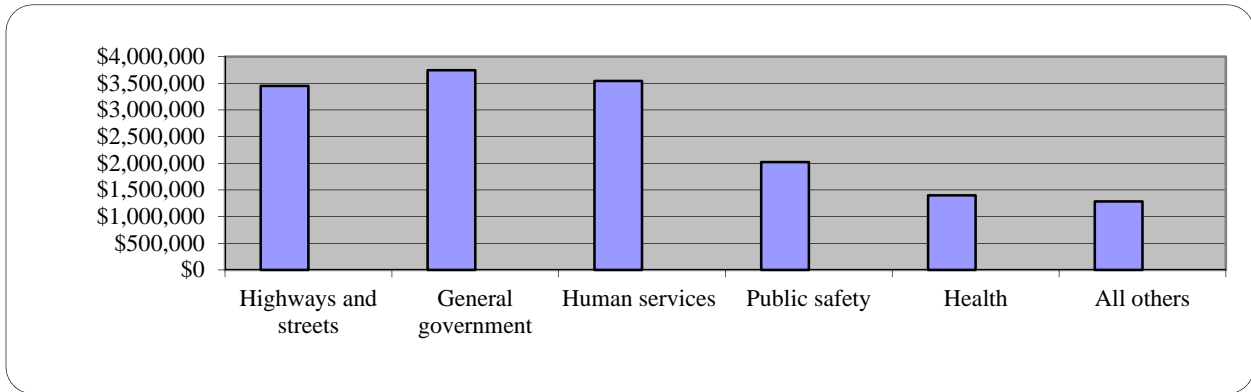


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2014	Net Cost of Services 2014
Program Expenses		
General government	\$ 3,744,430	\$ 3,373,738
Public safety	2,023,166	1,696,126
Highways and streets	3,449,550	(167,131)
Human services	3,543,962	1,311,620
Health	1,397,548	82,758
All others	1,284,015	557,745
Total Program Expenses	\$ 15,442,671	\$ 6,854,856

**Figure 2
Governmental Activities Expenses
2014**



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 \$10,632,997.

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 2014, the County Board of Commissioners made no changes to the budget as originally adopted on December 17, 2013. 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 \$549,638. However, actual expenditures were \$445,932 less than expected in the year 2014.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2014, Pope County had \$54,031,691 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)

	2014	2013	Percent Change (%)
Land	\$ 2,104,449	\$ 2,029,251	3.71
Buildings	5,714,021	5,557,007	2.83
Office furniture and equipment	823,409	916,309	(10.14)
Machinery and equipment	844,890	823,961	2.54
Infrastructure	44,386,733	44,057,243	0.75
Construction in progress	158,189	625,746	(74.72)
Totals	<u>\$ 54,031,691</u>	<u>\$ 54,009,517</u>	0.04

Debt Administration

At December 31, 2014, Pope County had \$5,526,801 outstanding debt compared with \$5,866,910 as of December 31, 2013--a decrease of \$340,109, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Percent Change (%)
	2014	2013	
Contract for Deed	\$ 7,266	\$ 8,275	(12.19)
2013A G.O. Capital Equipment and Improvement			
Bonds	1,655,000	1,830,000	(9.56)
Capital lease - Law Enforcement Center	3,120,000	3,265,000	(4.44)
Loans			
Septic System Replacement Program loan SRF0127	10,825	15,368	(29.56)
Septic System Replacement Program loan SRF0185	60,973	71,392	(14.59)
Septic System Replacement Program loan SRF0253	108,997	44,830	143.13
State of Minnesota Agricultural Best Management Practices Loan Program	563,740	632,045	(10.81)
Totals	<u>\$ 5,526,801</u>	<u>\$ 5,866,910</u>	(5.80)

Pope County maintains an “A1” rating from Moody’s Investor Services. Other long-term obligations include compensated absences and other postemployment 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 2015 budget and tax rates.

- Pope County's unemployment rates for 2013 and 2014 were 4.2 percent and 3.6 percent, respectively, compared to the Minnesota unemployment rate for 2013 and 2014, which averaged 4.9 percent and 4.1 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 16, 2014, the Pope County Board of Commissioners approved the 2015 budget at \$16,956,645. The 2015 total levy is \$9,113,383, less County Program Aid of \$220,446 for a net levy of \$8,892,937. The Board approved a 3.99 percent increase in the levy for 2015.

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 POSITION
DECEMBER 31, 2014**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority/Economic Development Authority
<u>Assets</u>		
Cash and pooled investments	\$ 11,018,470	\$ 481,281
Petty cash and change funds	1,900	-
Taxes receivable		
Delinquent	167,734	5,048
Special assessments receivable		
Delinquent	25,758	-
Noncurrent	719,439	-
Accounts receivable - net	96,067	-
Accrued interest receivable	672	600
Due from other governments	1,491,808	-
Due from component unit	100,000	-
Lease receivable	-	3,120,000
Loans receivable	-	190,238
Inventories	69,142	-
Land held for resale	-	574,664
Capital assets		
Non-depreciable	2,262,638	514,210
Depreciable - net of accumulated depreciation	51,769,053	2,069,184
Total Assets	\$ 67,722,681	\$ 6,955,225
<u>Liabilities</u>		
Accounts payable	\$ 292,768	\$ 4,412
Salaries payable	367,186	-
Due to other governments	179,189	-
Due to other primary government	-	100,000
Accrued interest payable	64,897	83,064
Unearned revenue	163,260	-
Long-term liabilities		
Due within one year	529,440	240,000
Due in more than one year	5,470,643	5,421,465
Other postemployment benefits obligations	118,761	-
Total Liabilities	\$ 7,186,144	\$ 5,848,941

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

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**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2014**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority/Economic Development Authority
<u>Net Position</u>		
Net investment in capital assets	\$ 50,116,814	\$ 321,290
Restricted for		
General government	224,300	-
Public safety	432,080	-
Highways and streets	32,921	-
Ditch construction and maintenance	66,881	-
Conservation of natural resources	720,916	-
Capital projects	59,619	-
Debt service	550,414	-
Unrestricted	8,332,592	784,994
Total Net Position	\$ 60,536,537	\$ 1,106,284

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary Government		
Governmental activities		
General government	\$ 3,744,430	\$ 357,065
Public safety	2,023,166	84,668
Highways and streets	3,449,550	61,462
Sanitation	393,674	334,747
Human services	3,543,962	472,053
Health	1,397,548	588,881
Culture and recreation	268,400	-
Conservation of natural resources	445,973	168,770
Economic development	19,000	-
Interest	156,968	-
	\$ 15,442,671	\$ 2,067,646
Total Primary Government		
Component Unit		
Housing and Redevelopment Authority/Economic Development Authority	\$ 409,520	\$ 50
 General Revenues		
Property taxes		
Mortgage registry and deed tax		
Wheelage tax		
Other taxes		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Investment earnings		
Gain on sale of capital assets		
Miscellaneous		
	Total general revenues	
	Change in net position	
	Net Position - Beginning	
	Net Position - Ending	

EXHIBIT 2

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority/Economic Development Authority</u>
\$ 13,627	\$ -	\$ (3,373,738)	
224,722	17,650	(1,696,126)	
3,555,219	-	167,131	
63,803	-	4,876	
1,760,289	-	(1,311,620)	
725,909	-	(82,758)	
-	-	(268,400)	
158,950	-	(118,253)	
-	-	(19,000)	
-	-	(156,968)	
<u>\$ 6,502,519</u>	<u>\$ 17,650</u>	<u>\$ (6,854,856)</u>	
<u>\$ -</u>	<u>\$ -</u>		<u>\$ (409,470)</u>
		\$ 8,451,641	\$ 272,231
		9,696	-
		124,287	-
		29,445	-
		110,900	-
		564,142	6,421
		49,048	3,042
		1,205	-
		76,729	182,294
		<u>\$ 9,417,093</u>	<u>\$ 463,988</u>
		\$ 2,562,237	\$ 54,518
		<u>57,974,300</u>	<u>1,051,766</u>
		<u>\$ 60,536,537</u>	<u>\$ 1,106,284</u>

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014**

	General	Road and Bridge	Human Services
<u>Assets</u>			
Cash and pooled investments	\$ 4,743,235	\$ 1,886,585	\$ 2,620,240
Petty cash and change funds	1,900	-	-
Taxes receivable			
Delinquent	105,941	14,804	35,739
Special assessments receivable			
Delinquent	9,379	-	-
Noncurrent	688,867	-	-
Accounts receivable	-	50	92,646
Accrued interest receivable	672	-	-
Due from other funds	5,471	5,444	-
Due from other governments	161,353	844,886	362,735
Due from component unit	100,000	-	-
Inventories	-	69,142	-
Advances to other funds	17,650	-	-
	\$ 5,834,468	\$ 2,820,911	\$ 3,111,360
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 102,715	\$ 37,764	\$ 147,580
Salaries payable	186,640	53,292	82,477
Due to other funds	-	-	5,471
Due to other governments	39,868	11,146	113,377
Unearned revenue	163,260	-	-
Advances from other funds	-	-	-
	\$ 492,483	\$ 102,202	\$ 348,905
Deferred Inflows of Resources			
Unavailable revenue (Note 3.C.)	\$ 990,723	\$ 850,863	\$ 152,152
Fund Balances (Note 3.D.)			
Nonspendable	\$ 17,650	\$ 69,142	\$ -
Restricted	697,289	-	-
Assigned	186,555	1,798,704	2,610,303
Unassigned	3,449,768	-	-
	\$ 4,351,262	\$ 1,867,846	\$ 2,610,303
	\$ 5,834,468	\$ 2,820,911	\$ 3,111,360

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>
\$ 47,742	\$ 7,143	\$ 539,164	\$ 860,123	\$ 314,238	\$ 11,018,470
-	-	-	-	-	1,900
-	-	11,250	-	-	167,734
35	16,344	-	-	-	25,758
30,572	-	-	-	-	719,439
-	-	-	-	3,371	96,067
-	-	-	-	-	672
-	-	-	-	-	10,915
-	-	-	-	122,834	1,491,808
-	-	-	-	-	100,000
-	-	-	-	-	69,142
-	-	-	-	-	17,650
\$ 78,349	\$ 23,487	\$ 550,414	\$ 860,123	\$ 440,443	\$ 13,719,555
\$ -	\$ -	\$ -	\$ -	\$ 4,709	\$ 292,768
-	-	-	-	44,777	367,186
5,444	-	-	-	-	10,915
7,032	7,143	-	-	623	179,189
-	-	-	-	-	163,260
17,650	-	-	-	-	17,650
\$ 30,126	\$ 7,143	\$ -	\$ -	\$ 50,109	\$ 1,030,968
\$ 30,607	\$ 16,344	\$ 11,250	\$ -	\$ 3,651	\$ 2,055,590
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,792
36,274	-	539,164	860,123	14,681	2,147,531
-	-	-	-	372,002	4,967,564
(18,658)	-	-	-	-	3,431,110
\$ 17,616	\$ -	\$ 539,164	\$ 860,123	\$ 386,683	\$ 10,632,997
\$ 78,349	\$ 23,487	\$ 550,414	\$ 860,123	\$ 440,443	\$ 13,719,555

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2014**

Fund balance - total governmental funds (Exhibit 3)		\$ 10,632,997
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		54,031,691
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		2,055,590
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (1,655,000)	
Discounts/premiums on bonds	8,535	
Contract for deed	(7,266)	
Loans payable	(744,535)	
Lease payable	(3,120,000)	
Compensated absences	(481,817)	
Net OPEB liability	<u>(118,761)</u>	(6,118,844)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(64,897)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 60,536,537</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 5,504,890	\$ 805,408	\$ 1,701,527
Special assessments	105,977	-	-
Licenses and permits	52,554	-	-
Intergovernmental	1,024,062	3,080,959	1,981,654
Charges for services	355,067	55,307	346,887
Fines and forfeits	7,162	-	-
Gifts and contributions	5,277	-	-
Investment earnings	49,048	-	-
Miscellaneous	179,007	5,840	40,250
Total Revenues	<u>\$ 7,283,044</u>	<u>\$ 3,947,514</u>	<u>\$ 4,070,318</u>
Expenditures			
Current			
General government	\$ 3,347,170	\$ -	\$ -
Public safety	1,813,134	-	-
Highways and streets	-	3,319,490	-
Human services	-	-	3,662,006
Health	-	-	-
Culture and recreation	268,400	-	-
Conservation of natural resources	368,202	-	-
Economic development	16,522	-	-
Intergovernmental			
Highways and streets	-	396,838	-
Sanitation	63,803	-	-
Capital outlay	121,477	6,144	-
Debt service			
Principal	84,276	-	-
Interest	2,109	-	-
Administrative charges	-	-	-
Total Expenditures	<u>\$ 6,085,093</u>	<u>\$ 3,722,472</u>	<u>\$ 3,662,006</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 1,197,951</u>	<u>\$ 225,042</u>	<u>\$ 408,312</u>

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>
\$ -	\$ -	\$ 594,875	\$ -	\$ -	\$ 8,606,700
55,863	329,871	-	-	-	491,711
-	-	-	-	-	52,554
-	-	14,362	-	629,008	6,730,045
-	-	-	-	588,881	1,346,142
-	-	-	-	18,369	25,531
-	-	-	-	-	5,277
-	-	-	-	-	49,048
-	-	-	-	-	225,097
\$ 55,863	\$ 329,871	\$ 609,237	\$ -	\$ 1,236,258	\$ 17,532,105
\$ -	\$ -	\$ -	\$ -	\$ 17,772	\$ 3,364,942
-	-	-	10,391	-	1,823,525
-	-	-	-	-	3,319,490
-	-	-	-	-	3,662,006
-	-	-	-	1,395,840	1,395,840
-	-	-	-	-	268,400
72,518	-	-	-	-	440,720
-	-	-	-	-	16,522
-	-	-	-	-	396,838
-	329,871	-	-	-	393,674
-	-	-	218,397	-	346,018
-	-	320,000	-	-	404,276
341	-	159,245	-	-	161,695
-	-	-	-	-	-
\$ 72,859	\$ 329,871	\$ 479,245	\$ 228,788	\$ 1,413,612	\$ 15,993,946
\$ (16,996)	\$ -	\$ 129,992	\$ (228,788)	\$ (177,354)	\$ 1,538,159

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 12,896	\$ -	\$ -
Transfers out	(231,944)	-	-
Loan issued	64,167	-	-
Sale of capital assets	1,205	-	-
Total Other Financing Sources (Uses)	\$ (153,676)	\$ -	\$ -
Net Change in Fund Balances	\$ 1,044,275	\$ 225,042	\$ 408,312
Fund Balances - January 1	3,306,987	1,616,414	2,201,991
Increase (decrease) in inventories	-	26,390	-
Fund Balances - December 31	<u>\$ 4,351,262</u>	<u>\$ 1,867,846</u>	<u>\$ 2,610,303</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>
\$ -	\$ -	\$ -	\$ -	\$ 231,944	\$ 244,840
-	-	(12,896)	-	-	(244,840)
-	-	-	-	-	64,167
-	-	-	-	-	1,205
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,896)</u>	<u>\$ -</u>	<u>\$ 231,944</u>	<u>\$ 65,372</u>
\$ (16,996)	\$ -	\$ 117,096	\$ (228,788)	\$ 54,590	\$ 1,603,531
34,612	-	422,068	1,088,911	332,093	9,003,076
-	-	-	-	-	26,390
<u>\$ 17,616</u>	<u>\$ -</u>	<u>\$ 539,164</u>	<u>\$ 860,123</u>	<u>\$ 386,683</u>	<u>\$ 10,632,997</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, 2014**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,603,531

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 unavailable revenue.

Unavailable revenue - December 31	\$ 2,055,590	
Unavailable revenue - January 1	(1,483,440)	572,150

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 position differs from the change in fund balance by the net book value of the assets disposed.

Expenditures for general capital assets and infrastructure	\$ 1,993,254	
Net book value of assets disposed	(14,306)	
Current year depreciation	(1,956,774)	22,174

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

Proceeds of new debt		
Loans issued	\$ (64,167)	
Principal repayments	404,276	
Current year amortization of discounts	(898)	339,211

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	\$ 5,625	
Change in compensated absences	(28,791)	
Change in inventories	26,390	
Change in net OPEB liability	21,947	25,171

Change in Net Position of Governmental Activities (Exhibit 2) \$ 2,562,237

FIDUCIARY FUNDS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 519,655
Accounts receivable	21,378
Due from other governments	<u>293,748</u>
Total Assets	<u><u>\$ 834,781</u></u>
<u>Liabilities</u>	
Accounts payable	\$ 25,207
Due to other governments	<u>809,574</u>
Total Liabilities	<u><u>\$ 834,781</u></u>

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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:

Component Unit	Component Unit of Reporting Entity Because	Separate Financial Statements
Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	County appoints members, and the HRA/EDA 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 and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 5.D. The County also participates in jointly-governed organizations described in Note 5.E.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the 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 position, 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 position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental 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.

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, Deferred Outflows/Inflows of Resources, and Net Position 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, 2014, 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 2014 were \$49,048.

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.

Special assessments receivable consist of delinquent special assessments payable in the years 2008 through 2014 and noncurrent special assessments payable in 2015 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position 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. Inventories at the government-wide level are recorded as expenses when consumed.

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:

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

5. Unearned Revenue

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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. The current portion of the liability is calculated based on a five-year average of historical usage.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. No deferred outflows of resources affect the governmental funds financial statements in the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

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

9. Classification of Net Position

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

- Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or 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.
- 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 - amounts the County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining positive amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Auditor/Treasurer or his/her designee, who has been delegated that authority by Board resolution.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

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

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

11. 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, 2014, unrestricted fund balance for the General Fund was at the minimum fund balance levels.

12. 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 reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Future Change in Accounting Standards

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, replaces Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and Statement No. 50, *Pension Disclosures*, as they relate to employer governments that provide pensions through pension plans administered as trusts or similar arrangement that meet certain criteria. GASB Statement 68 requires governments providing defined benefit pension plans to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the County's calendar year 2015. The County has not yet determined the financial statement impact of adopting this new standard.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following nonmajor funds had expenditures in excess of budget for the year ended December 31, 2014:

	Expenditures	Final Budget	Excess
Health Services Special Revenue Fund	\$ 1,395,840	\$ 1,125,402	\$ 270,438

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 position	
Governmental activities	
Cash and pooled investments	\$ 11,018,470
Petty cash and change funds	1,900
Statement of fiduciary net position	
Cash and pooled investments	519,655
Total Cash and Investments	\$ 11,540,025

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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.

a. Deposits

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, 2014, Pope County's deposits were not exposed to custodial credit risk.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (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, 2014.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$719,439 of noncurrent 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, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,029,251	\$ 75,198	\$ -	\$ 2,104,449
Construction in progress	625,746	5,030	(472,587)	158,189
Total capital assets not depreciated	<u>\$ 2,654,997</u>	<u>\$ 80,228</u>	<u>\$ (472,587)</u>	<u>\$ 2,262,638</u>
Capital assets depreciated				
Buildings	\$ 8,084,919	\$ 472,092	\$ (112,773)	\$ 8,444,238
Office furniture and equipment	1,591,761	110,583	(22,453)	1,679,891
Machinery and automotive equipment	3,497,015	230,790	(138,174)	3,589,631
Infrastructure	61,555,744	1,572,148	-	63,127,892
Total capital assets depreciated	<u>\$ 74,729,439</u>	<u>\$ 2,385,613</u>	<u>\$ (273,400)</u>	<u>\$ 76,841,652</u>
Less: accumulated depreciation for				
Buildings	\$ (2,527,912)	\$ (314,390)	\$ 112,085	\$ (2,730,217)
Office furniture and equipment	(675,452)	(200,724)	19,694	(856,482)
Machinery and automotive equipment	(2,673,054)	(199,002)	127,315	(2,744,741)
Infrastructure	(17,498,501)	(1,242,658)	-	(18,741,159)
Total accumulated depreciation	<u>\$ (23,374,919)</u>	<u>\$ (1,956,774)</u>	<u>\$ 259,094</u>	<u>\$ (25,072,599)</u>
Total capital assets depreciated, net	<u>\$ 51,354,520</u>	<u>\$ 428,839</u>	<u>\$ (14,306)</u>	<u>\$ 51,769,053</u>
Governmental Activities Capital Assets, Net	<u>\$ 54,009,517</u>	<u>\$ 509,067</u>	<u>\$ (486,893)</u>	<u>\$ 54,031,691</u>

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

Governmental Activities	
General government	\$ 362,530
Public safety	177,149
Highways and streets, including depreciation of infrastructure assets	1,408,668
Human services	1,063
Conservation of natural resources	2,640
Health	4,724
Total Depreciation Expense - Governmental Activities	<u>\$ 1,956,774</u>

**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, 2014, 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	\$ 5,471	To provide funding
Road and Bridge	Ditch	<u>5,444</u>	To provide services
Total Due From/To Other Funds		<u>\$ 10,915</u>	

2. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	<u>\$ 17,650</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, 2014, consisted of the following:

	<u>Transfers In</u>	<u>Description</u>
Transfer to General Fund from Debt Service Fund	\$ 12,896	Repayment
Transfer to Health Services from General Fund	<u>231,944</u>	To provide funding
Total Interfund Transfers	<u>\$ 244,840</u>	

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Unearned Revenues/Deferred Inflows of Resources

Unearned revenues and deferred inflows of resources consist of taxes and special assessments receivable, state grants not collected soon enough after year-end to pay liabilities of the current period, installment loans, and state and federal grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2014, are summarized below by fund:

	<u>Taxes and Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Total</u>
Governmental funds					
General Fund	\$ 804,188	\$ 249,795	\$ -	\$ 100,000	\$ 1,153,983
Special Revenue Funds					
Road and Bridge	14,804	835,744	315	-	850,863
Human Services	35,739	31,497	84,913	3	152,152
Ditch	30,607	-	-	-	30,607
Solid Waste	16,344	-	-	-	16,344
Health Services	-	3,651	-	-	3,651
Debt Service Fund	11,250	-	-	-	11,250
Total	<u>\$ 912,932</u>	<u>\$ 1,120,687</u>	<u>\$ 85,228</u>	<u>\$ 100,003</u>	<u>\$ 2,218,850</u>
Liability					
Unearned revenues	\$ -	\$ 163,260	\$ -	\$ -	\$ 163,260
Deferred inflows of resources					
Unavailable revenues	<u>912,932</u>	<u>957,427</u>	<u>85,228</u>	<u>100,003</u>	<u>2,055,590</u>
Total	<u>\$ 912,932</u>	<u>\$ 1,120,687</u>	<u>\$ 85,228</u>	<u>\$ 100,003</u>	<u>\$ 2,218,850</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Capital Lease

The HRA/EDA and Pope County have jointly constructed a Government Law Enforcement Center. To finance this building, the HRA/EDA 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/EDA, 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 for \$3,400,000, the initial value of the HRA/EDA Revenue Bonds. The HRA/EDA is carrying the bond liability on its records and records the lease receivable for the value of the bonds. As of December 31, 2014, the value of the bonds outstanding is \$3,120,000. The interest is recorded as nonoperating miscellaneous revenue. For 2014, principal payments in the amount of \$145,000 have been made by the County to the HRA/EDA.

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:

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2014</u>
General Obligation Bonds 2013A G.O. Capital Equipment and Improvement	02/01/2024	\$50,000 - \$295,000	0.30 - 1.85	<u>\$ 1,830,000</u>	<u>\$ 1,655,000</u>
Contract for Deed	11/01/2020	\$402 - \$686	5.50	<u>\$ 11,250</u>	<u>\$ 7,266</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2014
Loans Payable					
SRF0127 State of Minnesota Septic System Replacement Loans	06/15/2018	\$1,915 - \$2,094	2.00	\$ 38,168	\$ 10,825
SRF0185 State of Minnesota Septic System Replacement Loans	06/15/2021	\$4,980 - \$5,839	2.00	106,421	60,973
SRF0253 State of Minnesota Septic System Replacement Loans	*	*	2.00	108,997	108,997
State of Minnesota Agricultural Best Management Loan Program	04/01/2023	\$7,775 - \$39,547	0.00	694,158	563,740
Total Loans Payable				<u>\$ 947,744</u>	<u>\$ 744,535</u>
Capital Lease Payable	02/29/2029	\$135,000 - \$285,000	3.20 - 4.90	<u>\$ 3,400,000</u>	<u>\$ 3,120,000</u>

*These loans do not have a final maturity or final installation amounts until the program ends, which is expected to be in 2015.

Debt service requirements at December 31, 2014, were as follows:

Year Ending December 31	General Obligation Bonds		Contract for Deed	
	Principal	Interest	Principal	Interest
2015	\$ 275,000	\$ 12,955	\$ 1,066	\$ 390
2016	295,000	11,668	1,125	330
2017	280,000	10,020	1,188	267
2018	280,000	7,990	1,255	201
2019	285,000	5,445	1,325	130
2020 - 2024	240,000	10,732	1,307	56
2025 - 2029	-	-	-	-
Total	<u>\$ 1,655,000</u>	<u>\$ 58,810</u>	<u>\$ 7,266</u>	<u>\$ 1,374</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Year Ending December 31	Capital Lease Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2015	\$ 150,000	\$ 137,230	\$ 83,708	\$ 2,713
2016	155,000	131,585	91,046	3,344
2017	160,000	125,440	92,239	2,847
2018	170,000	118,755	91,921	2,318
2019	175,000	111,595	94,499	1,885
2020 - 2024	1,015,000	431,765	285,140	3,815
2025 - 2029	1,295,000	163,510	5,982	35
Total	\$ 3,120,000	\$ 1,219,880	\$ 744,535	\$ 16,957

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,830,000	\$ -	\$ 175,000	\$ 1,655,000	\$ 275,000
Discounts/premiums	(9,433)	-	(898)	(8,535)	-
Contract for deed	8,275	-	1,009	7,266	1,066
Loans payable	763,635	64,167	83,267	744,535	83,708
Capital lease payable	3,265,000	-	145,000	3,120,000	150,000
Compensated absences	453,026	659,844	631,053	481,817	19,666
Long-Term Liabilities	\$ 6,310,503	\$ 724,011	\$ 1,034,431	\$ 6,000,083	\$ 529,440

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 and Deferred Inflows of Resources

5. Other Postemployment Benefits (OPEB) (Continued)

Participants

Participants of the plan consisted of the following at January 1, 2014, the date of the most recent actuarial valuation:

Active employees	117
Retired employees	33
Spouses	<u>10</u>
Total Plan Participants	<u><u>160</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 2014, the County contributed \$266,280 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The following table shows the components of the County's annual OPEB cost for 2014, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

ARC	\$	247,239
Interest on net OPEB obligation		6,332
Adjustment to ARC		(9,238)

Annual OPEB cost	\$	244,333
Contributions during the year		(266,280)

Increase (decrease) in net OPEB obligation	\$	(21,947)
Net OPEB Obligation - Beginning of Year		140,708

Net OPEB Obligation - End of Year	\$	118,761

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage (%) Contributed	Net OPEB Obligation
December 31, 2012	\$ 255,622	\$ 289,215	113.14	\$ 155,675
December 31, 2013	255,916	270,883	105.85	140,708
December 31, 2014	244,333	266,280	108.98	118,761

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$2,923,875, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,923,875. The covered payroll (annual payroll of active employees covered by the plan) was \$5,644,211, and the ratio of the UAAL to the covered payroll was 51.80 percent.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

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, 2014, 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 7.50 percent initially, reduced by decrements to an ultimate rate of 5.00 percent over ten 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, 2014, was 23 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	Debt Service	Capital Projects	Other Governmental Funds.	Total
Nonspendable								
Inventories	\$ -	\$ 69,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,142
Advances to other funds	17,650	-	-	-	-	-	-	17,650
Total nonspendable	\$ 17,650	\$ 69,142	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 86,792
Restricted								
Missing heirs	\$ 36,909	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,909
Recorder's technology equipment	60,583	-	-	-	-	-	-	60,583
Recorder's compliance	54,270	-	-	-	-	-	-	54,270
E-911	213,790	-	-	-	-	-	-	213,790
D.A.R.E.	13,946	-	-	-	-	-	-	13,946
Administering the carrying of weapons	50,592	-	-	-	-	-	-	50,592
Law enforcement	3,815	-	-	-	-	-	-	3,815
Administering forfeited property	33,475	-	-	-	-	-	-	33,475
Bike path	6,382	-	-	-	-	-	-	6,382
Local water planning	26,539	-	-	-	-	-	-	26,539
Feedlot program	43,353	-	-	-	-	-	-	43,353
ISTS program	24,382	-	-	-	-	-	-	24,382
Wetland conservation act	15,581	-	-	-	-	-	-	15,581
SSTS clean water act	11,355	-	-	-	-	-	-	11,355
SSTS upgrade	26,366	-	-	-	-	-	-	26,366
Clean water partnership	67,451	-	-	-	-	-	-	67,451
Shoreland administration	8,500	-	-	-	-	-	-	8,500
Ditch maintenance and construction	-	-	-	36,274	-	-	-	36,274
Debt service	-	-	-	-	539,164	-	-	539,164
Capital projects	-	-	-	-	-	860,123	-	860,123
Law library	-	-	-	-	-	-	14,681	14,681
Total restricted	\$ 697,289	\$ -	\$ -	\$ 36,274	\$ 539,164	\$ 860,123	\$ 14,681	\$ 2,147,531
Assigned								
Plat sign deposits	\$ 1,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,169
Veterans' van	27,786	-	-	-	-	-	-	27,786
Chemical use assessment	2,052	-	-	-	-	-	-	2,052
Probation program expense	29,807	-	-	-	-	-	-	29,807
Probation support fees	36,276	-	-	-	-	-	-	36,276
Capital expenditures	89,465	-	-	-	-	-	-	89,465
Highways and streets	-	1,798,704	-	-	-	-	-	1,798,704
Human services	-	-	2,610,303	-	-	-	-	2,610,303
Health services	-	-	-	-	-	-	372,002	372,002
Total assigned	\$ 186,555	\$ 1,798,704	\$ 2,610,303	\$ -	\$ -	\$ -	\$ 372,002	\$ 4,967,564
Total unassigned	\$ 3,449,768	\$ -	\$ -	\$ (18,658)	\$ -	\$ -	\$ -	\$ 3,431,110
Total Fund Balances	\$ 4,351,262	\$ 1,867,846	\$ 2,610,303	\$ 17,616	\$ 539,164	\$ 860,123	\$ 386,683	\$ 10,632,997

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

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 five years of credited service.

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.

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 highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for General Employees Retirement 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 remaining year. 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 remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent for each year of service.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

A. Defined Benefit Plans

Plan Description (Continued)

For all General Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. 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 were required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary in 2014. Public Employees Police and Fire Fund members were required to contribute 10.20 percent of their annual covered salary in 2014.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

B. Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2014:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25
Public Employees Police and Fire Fund	15.30

The County's contributions for the years ending December 31, 2014, 2013, and 2012, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2014	2013	2012
General Employees Retirement Fund	\$ 370,453	\$ 358,560	\$ 353,412
Public Employees Police and Fire Fund	86,618	84,437	77,115

These contribution amounts are equal to the contractually required contributions for each year as set by state statute. Contribution rates increased on January 1, 2015, in the General Employees Retirement Fund Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Public Employees Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 \$480,000 per claim in 2014 and \$490,000 per claim in 2015. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Subsequent Event

On March 4, 2014, the County Board approved resolution 201406 which would integrate three County Public Health Departments (Pope County Public Health, Douglas County Public Health, and Stevens Traverse Grant Public Health) into a single Horizon Public Health organization. A joint powers entity agreement between the five partner counties was signed and effective January 1, 2015.

C. 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 litigation. 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

D. 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.

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 from:

Pope/Douglas Solid Waste Management
110 South Jefferson
Alexandria, Minnesota 56308

Land of the Dancing Sky Area Agency on Aging/West Central Area Agency on Aging

The West Central Area Agency 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. In 2005, the West Central Area Agency on Aging became part of a larger planning and service area covering 21 counties; this is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. The combined area on aging, known as the Land of the Dancing Sky Area Agency on Aging, was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Land of the Dancing Sky Area Agency on Aging/West Central Area Agency on Aging
(Continued)

Each county may be assessed a proportional share of the 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.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Control is vested in the West Central 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.

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 shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Pope County contributed \$2,148 to the Joint Powers Board.

Complete financial information can be obtained from:

Land of the Dancing Sky Area Agency on Aging
West Central Office
313 South Mill Street
Fergus Falls, Minnesota 56537-2577

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Rainbow Rider Transit Board

Douglas, Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement to establish the West Central Multi-County Joint Powers Transit Board effective December 1, 1994, and empowered under Minn. Stat. § 471.59. Effective January 13, 2000, the Board changed its name from West Central Multi-County Joint Powers Transit Board to Rainbow Rider Transit Board. The purpose of the Board is to provide coordinated service delivery and a funding source for public transportation. Grant County terminated its membership in Rainbow Rider on May 31, 1999. Grant County rejoined and Todd County became a member county effective January 1, 2011 and 2012, respectively.

The Board consists of two members appointed by each member county from its County Board for terms of one year each. Rainbow Rider is a joint venture with no county having control over the Board. Each county has an ongoing responsibility to provide funding for the operating costs of the Board allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board.

The joint powers agreement remains in force until any single county notifies the other parties of its intentions to withdraw at least 90 days before the termination takes effect. The remaining counties may agree to continue the agreement with the remaining counties as members.

Complete financial information can be obtained from:

Rainbow Rider Transit Board
P. O. Box 136
Lowry, Minnesota 56349

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Central Minnesota Emergency Services Board

The Central Minnesota Regional Radio Board was established in 2007, under the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39. As of June 1, 2011, the Central Minnesota Regional Radio Board changed its name to the Central Minnesota Emergency Services Board. Members include the City of St. Cloud and the Counties of Benton, Big Stone, Douglas, Grant, Kandiyohi, Meeker, Mille Lacs, Morrison, Otter Tail, Pope, Sherburne, Stearns, Stevens, Swift, Todd, Traverse, Wadena, Wilkin, and Wright.

The purpose of the Central Minnesota Emergency Services Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

The Central Minnesota Emergency Services Board is composed of one Commissioner of each county appointed by their respective County Board and one Council member from the city appointed by the City Council, as provided in the Central Minnesota Emergency Services Board's by-laws.

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

The Central Minnesota Emergency Services Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. During 2014, Pope County did not contribute to the Joint Powers Board.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Emergency Services Board (Continued)

Complete financial information can be obtained from:

Central Minnesota Emergency Services Board
City of St. Cloud
Office of the Mayor
City Hall
400 Second Street South
St. Cloud, Minnesota 56303

Horizon Community Health Board

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. During 1994, Stevens Traverse Grant Public Health Nursing Service began receiving and administering the grant money for Stevens, Traverse, and Grant Counties. Mid-State Community Health Services was renamed to Horizon Community Health Board when Douglas County was added as a member on January 1, 2011. The budget is now approved by the five-county Board.

Control is vested in Horizon's Board, which consists of 11 members comprised of 8 County Commissioners and 3 community representatives. Each member of the Board is appointed by the County Commissioners of the county they represent.

Financing is provided by state and federal grants and contributions from the member parties. Pope County, in an agent capacity, reports the cash transactions of Horizon as an agency fund on its financial statements. During 2014, Pope County did not contribute any funds to Horizon.

Complete financial statements for the Horizon Community Health Board can be obtained from:

Horizon Community Health Board
211 East Minnesota Avenue, Suite 100
Glenwood, Minnesota 56344

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, La qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based Nurse Family Partnership Program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2014, Pope County made \$5,000 in contributions to the partnership.

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from:

McLeod County
830 - 11th Street East
Glencoe, Minnesota 55336

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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.

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.

Pope County Family Collaborative

The Pope County Family Collaborative was established in 1996 under the authority of Minn. Stat. §§ 124D.23 and 245.491. The Collaborative includes Pope County Human Services, Pope County Public Health, Pope County Court Services, Minnewaska Area Schools, and West Central Minnesota Communities Action, Inc. The Pope County Family Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to information communication.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Pope County Family Collaborative (Continued)

The Collaborative is financed primarily by state and federal funding. In 2005, the Pope County Family Collaborative Board voted to participate in the Local Collaborative Time Study (LCTS). In order to participate, Pope County began to serve as the fiscal agent for the LCTS dollars only in 2005. For all other dollars received, the Minnewaska Area Schools serves as the fiscal agent. During 2014, Pope County passed through \$44,888 in LCTS to the Collaborative. Control of the Collaborative is vested in the Governing Board consisting of one member from each of the five participating members. Current financial statements are not available.

PrimeWest Health System

In December 1998, Pope County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board (since renamed PrimeWest Health System) with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to the PrimeWest Health System. Pope County, in partnership with these 12 counties, is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

PrimeWest Health System (Continued)

Douglas County acts as fiscal agent for the PrimeWest Health System and reports the cash transactions as an investment trust fund on its financial statements. Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services.

Complete financial information can be obtained from the PrimeWest Health System's administrative offices at:

PrimeWest Health
2209 Jefferson Street, Suite 101
Alexandria, Minnesota 56308

Rural Minnesota Concentrated Employment Programs, Inc. (WIA - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, under-employed and unemployed persons, and youthful persons in both the private the public sector.

During 2014, Pope County did not contribute any funds to this organization. Current financial statements are not available.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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.

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, Pope, Wadena, and Wilkin Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the eight-county area.

Control of the Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency. In the event of dissolution of the Task Force, the equipment will be divided and returned to the appropriate agencies. If only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Fiscal agent responsibilities for the Task Force are with Douglas County, which reports the Task Force as an agency fund. Financing and equipment will be provided by the full-time and associate member agencies. Pope County provided \$4,000 to this organization in 2014.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

Separate financial information can be obtained from:

Douglas County Courthouse
305 - 8th Avenue W.
Alexandria, Minnesota 56308

E. Jointly-Governed Organizations

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

District IV Transportation Planning

Pope County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59.

The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Region Four - West Central Minnesota Homeland Security Emergency Management Organization

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501-C3 nonprofit corporation on February 10, 1961, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services.

The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties.

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Pope County paid \$86,386 in 2014 for services purchased through Lakeland Mental Health Center.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes the implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Pope County did not contribute to the SW-MIIC during 2014.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Pope County made no payments to the joint powers.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

West Central S.W.A.T. Team

The West Central S.W.A.T. Team is comprised of five county sheriff's offices and seven police departments including Big Stone, Pope, Stevens, Swift, and Traverse Counties along with the Appleton, Benson, Glenwood, Morris, Starbuck, University of Minnesota Morris, and Wheaton police departments. The purpose of the team is to create a feasible economical way, by sharing the costs, to protect the citizens of the entities involved. During the year, Pope County did not contribute to the Team.

Sentence to Service

Pope County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program. Although Pope County has no operational or financial control over the STS program, the County budgets for a percentage of this program

Minnesota Rural Counties Caucus

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Minnesota River Board

The Minnesota River Board (formerly the Minnesota River Basin Joint Powers Board) was established July 12, 1995, by an agreement between Pope County and 37 other counties. According to the latest information available, 38 other counties are members under this agreement. The agreement was made to promote orderly water quality improvement and management of the Minnesota River Watershed. Each county is responsible for its proportionate share of the administrative budget and for its share of benefits from any special project.

In the event of termination of the agreement, all property, real and personal, held by the Board shall be distributed by resolution of the policy committee to best accomplish the continuing purpose of the project.

Control is vested in an executive committee comprised of one executive director and five officers elected from the membership of the Minnesota River Powers Board, which consists of one representative from each of the member County Boards of Commissioners included in this agreement. During the year, Pope County did not make any payments to the Minnesota River Board.

Complete financial statements for the Minnesota River Board can be obtained from its administrative office at:

Minnesota River Board
Administrative Building No. 14
600 East Fourth Street
Chaska, Minnesota 55318

F. 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 2014.

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA/EDA. The HRA/EDA is reporting as of and for the year ended December 31, 2014.

The accounts of the HRA/EDA 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/EDA and is grouped into the proprietary category. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting.

The HRA/EDA applies all applicable Governmental Accounting Standards Board pronouncements. The HRA/EDA's government-wide financial statements (the statement of net position and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reporting Entity

The HRA/EDA is governed by a seven-member Board of Commissioners who are appointed by the Pope County Board of Commissioners.

Basis of Presentation

The HRA/EDA does not prepare separate financial statements.

B. Property Taxes

Property tax levies are set by the HRA/EDA 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/EDA at various times during the year. Taxes collectible in a given calendar year are generally recognized as revenue during that fiscal year.

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA) (Continued)

C. Operating Revenues and Expenses

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

D. Bond Issuance Costs

Bond issuance costs are stated at historical cost and are expensed at the time of the bond issuance.

E. Assets

1. Cash

All cash of the HRA/EDA is on deposit with the Pope County Auditor/Treasurer and included within its pooled cash and investments. At year-end December 31, 2014, the HRA/EDA had \$481,281 in cash and pooled investments.

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

2. Receivables

Receivables for the HRA/EDA at December 31, 2014, were as follows:

Taxes	\$ 5,048
Accrued interest	600
Loans	<u>190,238</u>
Total Receivables	<u>\$ 195,886</u>

Of the loans receivable, \$144,280 is not expected to be collected within the next year.

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA)

E. Assets

2. Receivables (Continued)

Capital Lease Receivable

The HRA/EDA and Pope County have jointly constructed a Government Law Enforcement Center. To finance this building, the HRA/EDA 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/EDA, which provides that the County is liable for the full amount of the bond principal and interest costs in return for the right to own the building once it is completed.

Pope County is carrying the building for \$3,400,000, the initial value of the HRA/EDA Revenue Bonds. The HRA/EDA is carrying the bond liability on its records and records the lease receivable for the value of the bonds. As of December 31, 2014, the value of the bonds outstanding is \$3,120,000. The interest is recorded as nonoperating miscellaneous income. For 2014, the HRA/EDA recorded interest revenue of \$142,395. Principal payments of \$145,000 have been made by the County to the HRA/EDA and by the HRA/EDA on the bond liability for 2014. The current lease receivable is \$150,000.

3. Land Held for Resale

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA)

E. Assets (Continued)

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.

The HRA/EDA's capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 514,210	\$ -	\$ -	\$ 514,210
Construction in progress	1,193,087	929,153	(2,122,240)	-
Total capital assets not depreciated	\$ 1,707,297	\$ 929,153	\$ (2,122,240)	\$ 514,210
Capital assets depreciated				
Buildings	\$ -	\$ 2,122,240	\$ -	\$ 2,122,240
Less: accumulated depreciation for:				
Buildings	-	(53,056)	-	(53,056)
Total capital assets depreciated, net	\$ -	\$ 2,069,184	\$ -	\$ 2,069,184
Business-Type Activities Capital Assets, Net	\$ 1,707,297	\$ 2,998,337	\$ (2,122,240)	\$ 2,583,394

F. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2014, for the HRA/EDA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2014
2008A Public Project Revenue Bonds	02/01/2029	\$135,000 - \$285,000	3.20 - 4.90	\$ 3,400,000	\$ 3,120,000

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA)

F. Liabilities

Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2014
2013A General Obligation Bonds	02/01/2034	\$40,000 - \$245,000	0.85 - 3.10	\$ 2,405,000	\$ 2,405,000
Contract for deed	09/01/2016	\$50,000 - \$150,000	5.00	\$ 400,000	\$ 150,000

The debt service requirements as of December 31, 2014, are as follows:

Year Ending December 31	Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 150,000	\$ 137,230	\$ 40,000	\$ 59,222
2016	155,000	131,585	45,000	58,798
2017	160,000	125,440	50,000	58,322
2018	170,000	118,755	55,000	57,798
2019	175,000	111,595	60,000	57,042
2020 - 2024	1,015,000	431,765	430,000	265,725
2025 - 2029	1,295,000	163,510	685,000	205,620
2030 - 2034	-	-	1,040,000	84,904
Total	\$ 3,120,000	\$ 1,219,880	\$ 2,405,000	\$ 847,431

Year Ending December 31	Contract for Deed	
	Principal	Interest
2015	\$ 50,000	\$ 7,500
2016	50,000	5,000
2017	50,000	-
2018	-	-
2019	-	-
2020 - 2024	-	-
2025 - 2029	-	-
2030 - 2034	-	-
Total	\$ 150,000	\$ 12,500

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority/Economic Development Authority
(HRA/EDA)

F. Liabilities

Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 3,265,000	\$ -	\$ 145,000	\$ 3,120,000	\$ 150,000
(Discount)/premium	(24,480)	-	(1,632)	(22,848)	-
General obligation bonds	2,405,000	-	-	2,405,000	40,000
(Discount)/premium	9,816	-	503	9,313	-
Contract for deed	200,000	-	50,000	150,000	50,000
Long-Term Liabilities	<u>\$ 5,855,336</u>	<u>\$ -</u>	<u>\$ 193,871</u>	<u>\$ 5,661,465</u>	<u>\$ 240,000</u>

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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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,532,103	\$ 5,532,103	\$ 5,504,890	\$ (27,213)
Special assessments	-	-	105,977	105,977
Licenses and permits	37,000	37,000	52,554	15,554
Intergovernmental	666,142	666,142	1,024,062	357,920
Charges for services	280,100	280,100	355,067	74,967
Fines and forfeits	5,700	5,700	7,162	1,462
Gifts and contributions	4,000	4,000	5,277	1,277
Investment earnings	50,361	50,361	49,048	(1,313)
Miscellaneous	158,000	158,000	179,007	21,007
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 6,733,406	\$ 6,733,406	\$ 7,283,044	\$ 549,638
Expenditures				
Current				
General government				
Commissioners	\$ 199,992	\$ 199,992	\$ 177,579	\$ 22,413
County-wide	-	-	150	(150)
Wellness program	16,020	16,020	17,505	(1,485)
Information technology	332,472	332,472	419,557	(87,085)
Coordinator	268,857	268,857	248,108	20,749
Auditor/Treasurer	397,842	397,842	348,844	48,998
County assessor	384,011	384,011	412,198	(28,187)
Elections	37,500	37,500	45,859	(8,359)
Accounting and auditing	55,000	55,000	51,382	3,618
Data processing	72,850	72,850	60,769	12,081
Attorney	251,113	251,113	261,060	(9,947)
Recorder	337,754	337,754	332,099	5,655
Surveyor	1,000	1,000	390	610
Environmental services	234,015	234,015	213,138	20,877
Buildings	378,917	378,917	358,410	20,507
Veterans service officer	52,801	52,801	54,264	(1,463)
Other general government	575,556	575,556	345,858	229,698
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general government	\$ 3,595,700	\$ 3,595,700	\$ 3,347,170	\$ 248,530

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$ 1,034,411	\$ 1,034,411	\$ 897,133	\$ 137,278
ATV grant	-	-	14	(14)
Snowmobile grant	3,396	3,396	2,934	462
Boat and water safety	48,437	48,437	11,063	37,374
Coroner	13,000	13,000	12,123	877
Enhanced 911 system	63,400	63,400	45,962	17,438
Dispatchers	337,274	337,274	306,319	30,955
County jail	338,901	338,901	215,654	123,247
Court services	185,544	185,544	190,771	(5,227)
Sentenced to serve	87,253	87,253	77,314	9,939
Emergency management	42,567	42,567	53,847	(11,280)
Total public safety	\$ 2,154,183	\$ 2,154,183	\$ 1,813,134	\$ 341,049
Culture and recreation				
Historical society	\$ 43,200	\$ 43,200	\$ 43,200	\$ -
Let's go fishing	1,300	1,300	1,300	-
Regional library	105,867	105,867	105,867	-
Senior citizens	94,266	94,266	116,473	(22,207)
Other	1,560	1,560	1,560	-
Total culture and recreation	\$ 246,193	\$ 246,193	\$ 268,400	\$ (22,207)
Conservation of natural resources				
Soil and water conservation	\$ 62,100	\$ 62,100	\$ 132,651	\$ (70,551)
County extension	102,070	102,070	101,324	746
Agriculture ditch inspector	8,450	8,450	4,171	4,279
County fair	21,600	21,600	21,600	-
Water management	91,015	91,015	108,456	(17,441)
Total conservation of natural resources	\$ 285,235	\$ 285,235	\$ 368,202	\$ (82,967)
Economic development				
Community development	\$ 14,374	\$ 14,374	\$ 14,374	\$ -
Senior citizens	2,110	2,110	2,148	(38)
Total economic development	\$ 16,484	\$ 16,484	\$ 16,522	\$ (38)

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<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	\$ 63,803	\$ (13,803)
Capital outlay				
General government	\$ 138,230	\$ 138,230	\$ 98,668	\$ 39,562
Public safety	45,000	45,000	22,809	22,191
Total capital outlay	\$ 183,230	\$ 183,230	\$ 121,477	\$ 61,753
Debt service				
Principal	\$ -	\$ -	\$ 84,276	\$ (84,276)
Interest	-	-	2,109	(2,109)
Total debt service	\$ -	\$ -	\$ 86,385	\$ (86,385)
Total Expenditures	\$ 6,531,025	\$ 6,531,025	\$ 6,085,093	\$ 445,932
Excess of Revenues Over (Under)				
Expenditures	\$ 202,381	\$ 202,381	\$ 1,197,951	\$ 995,570
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 12,896	\$ 12,896
Transfers out	-	-	(231,944)	(231,944)
Loan issued	-	-	64,167	64,167
Sale of capital assets	-	-	1,205	1,205
Other	50,000	50,000	-	(50,000)
Total Other Financing Sources (Uses)	\$ 50,000	\$ 50,000	\$ (153,676)	\$ (203,676)
Net Change in Fund Balance	\$ 252,381	\$ 252,381	\$ 1,044,275	\$ 791,894
Fund Balance - January 1	3,306,987	3,306,987	3,306,987	-
Fund Balance - December 31	\$ 3,559,368	\$ 3,559,368	\$ 4,351,262	\$ 791,894

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 808,517	\$ 808,517	\$ 805,408	\$ (3,109)
Intergovernmental	3,435,282	3,435,282	3,080,959	(354,323)
Charges for services	54,622	54,622	55,307	685
Miscellaneous	-	-	5,840	5,840
Total Revenues	\$ 4,298,421	\$ 4,298,421	\$ 3,947,514	\$ (350,907)
Expenditures				
Current				
Highways and streets				
Administration	\$ 448,793	\$ 448,793	\$ 317,742	\$ 131,051
Maintenance	1,064,968	1,064,968	901,382	163,586
Engineering/construction	2,072,090	2,072,090	1,610,815	461,275
Equipment, maintenance, and shop	476,839	476,839	489,551	(12,712)
Total highways and streets	\$ 4,062,690	\$ 4,062,690	\$ 3,319,490	\$ 743,200
Intergovernmental				
Highways and streets	335,731	335,731	396,838	(61,107)
Capital outlay				
Highways and streets	-	-	6,144	(6,144)
Total Expenditures	\$ 4,398,421	\$ 4,398,421	\$ 3,722,472	\$ 675,949
Excess of Revenues Over (Under) Expenditures	\$ (100,000)	\$ (100,000)	\$ 225,042	\$ 325,042
Other Financing Sources (Uses)				
Other	100,000	100,000	-	(100,000)
Net Change in Fund Balance	\$ -	\$ -	\$ 225,042	\$ 225,042
Fund Balance - January 1	1,616,414	1,616,414	1,616,414	-
Increase (decrease) in inventories	-	-	26,390	26,390
Fund Balance - December 31	\$ 1,616,414	\$ 1,616,414	\$ 1,867,846	\$ 251,432

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,730,570	\$ 1,730,570	\$ 1,701,527	\$ (29,043)
Intergovernmental	1,455,356	1,455,356	1,981,654	526,298
Charges for services	197,000	197,000	346,887	149,887
Miscellaneous	16,050	16,050	40,250	24,200
Total Revenues	\$ 3,398,976	\$ 3,398,976	\$ 4,070,318	\$ 671,342
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,053,404	\$ 1,053,404	\$ 1,161,193	\$ (107,789)
Social services	2,671,826	2,671,826	2,500,813	171,013
Total Expenditures	\$ 3,725,230	\$ 3,725,230	\$ 3,662,006	\$ 63,224
Excess of Revenues Over (Under) Expenditures	\$ (326,254)	\$ (326,254)	\$ 408,312	\$ 734,566
Other Financing Sources (Uses)				
Other	326,254	326,254	-	(326,254)
Net Change in Fund Balance	\$ -	\$ -	\$ 408,312	\$ 408,312
Fund Balance - January 1	2,201,991	2,201,991	2,201,991	-
Fund Balance - December 31	\$ 2,201,991	\$ 2,201,991	\$ 2,610,303	\$ 408,312

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-4

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2014

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
January 1, 2014	-	2,923,875	2,923,875	0.0	5,644,211	51.80

**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014**

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.

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 606,533	\$ 606,533	\$ 594,875	\$ (11,658)
Intergovernmental	-	-	14,362	14,362
Total Revenues	\$ 606,533	\$ 606,533	\$ 609,237	\$ 2,704
Expenditures				
Debt service				
Principal retirement	\$ 606,533	\$ 606,533	\$ 320,000	\$ 286,533
Interest	-	-	158,345	(158,345)
Administrative charges	-	-	900	(900)
Total Expenditures	\$ 606,533	\$ 606,533	\$ 479,245	\$ 127,288
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 129,992	\$ 129,992
Other Financing Sources (Uses)				
Transfers out	-	-	(12,896)	(12,896)
Net Change in Fund Balance	\$ -	\$ -	\$ 117,096	\$ 117,096
Fund Balance - January 1	422,068	422,068	422,068	-
Fund Balance - December 31	\$ 422,068	\$ 422,068	\$ 539,164	\$ 117,096

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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.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-2

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2014**

	Health Services	Law Library	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 299,284	\$ 14,954	\$ 314,238
Accounts receivable	3,371	-	3,371
Due from other governments	120,980	1,854	122,834
Total Assets	\$ 423,635	\$ 16,808	\$ 440,443
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 2,767	\$ 1,942	\$ 4,709
Salaries payable	44,592	185	44,777
Due to other governments	623	-	623
Total Liabilities	\$ 47,982	\$ 2,127	\$ 50,109
Deferred Inflows of Resources			
Unavailable revenue (Note 3.D.)	\$ 3,651	-	\$ 3,651
Fund Balances			
Restricted	\$ -	\$ 14,681	\$ 14,681
Assigned	372,002	-	372,002
Total Fund Balances	\$ 372,002	\$ 14,681	\$ 386,683
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 423,635	\$ 16,808	\$ 440,443

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-3

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Health Services	Law Library	Total (Exhibit 5)
Revenues			
Intergovernmental	\$ 629,008	\$ -	\$ 629,008
Charges for services	588,881	-	588,881
Fines and forfeits	-	18,369	18,369
	\$ 1,217,889	\$ 18,369	\$ 1,236,258
Expenditures			
Current			
General government	\$ -	\$ 17,772	\$ 17,772
Health	1,395,840	-	1,395,840
	\$ 1,395,840	\$ 17,772	\$ 1,413,612
Excess of Revenues Over (Under)			
Expenditures	\$ (177,951)	\$ 597	\$ (177,354)
Other Financing Sources (Uses)			
Transfers in	231,944	-	231,944
	\$ 53,993	\$ 597	\$ 54,590
Net Change in Fund Balance			
Fund Balance - January 1	318,009	14,084	332,093
Fund Balance - December 31	\$ 372,002	\$ 14,681	\$ 386,683

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 327,546	\$ 327,546	\$ 629,008	\$ 301,462
Charges for services	<u>565,912</u>	<u>565,912</u>	<u>588,881</u>	<u>22,969</u>
Total Revenues	\$ 893,458	\$ 893,458	\$ 1,217,889	\$ 324,431
Expenditures				
Current				
Health				
Health services	<u>1,125,402</u>	<u>1,125,402</u>	<u>1,395,840</u>	<u>(270,438)</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (231,944)	\$ (231,944)	\$ (177,951)	\$ 53,993
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>231,944</u>	<u>231,944</u>
Net Change in Fund Balance	\$ (231,944)	\$ (231,944)	\$ 53,993	\$ 285,937
Fund Balance - January 1	<u>318,009</u>	<u>318,009</u>	<u>318,009</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 86,065</u></u>	<u><u>\$ 86,065</u></u>	<u><u>\$ 372,002</u></u>	<u><u>\$ 285,937</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 111,769	\$ 3,908,123	\$ 3,926,977	\$ 92,915
<u>Liabilities</u>				
Due to other governments	\$ 111,769	\$ 4,112,808	\$ 4,131,662	\$ 92,915
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11,728	\$ 187,574	\$ 183,671	\$ 15,631
<u>Liabilities</u>				
Accounts payable	\$ 11,728	\$ 208,906	\$ 205,003	\$ 15,631
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 74,593	\$ 53,108	\$ 28,220	\$ 99,481
Due from other governments	-	46,417	16,403	30,014
Total Assets	\$ 74,593	\$ 99,525	\$ 44,623	\$ 129,495
<u>Liabilities</u>				
Due to other governments	\$ 74,593	\$ 99,525	\$ 44,623	\$ 129,495

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT B-5
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 6,131</u>	<u>\$ 260,313</u>	<u>\$ 261,673</u>	<u>\$ 4,771</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 6,131</u>	<u>\$ 271,215</u>	<u>\$ 272,575</u>	<u>\$ 4,771</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 30,390</u>	<u>\$ 19,267,346</u>	<u>\$ 19,247,085</u>	<u>\$ 50,651</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 30,390</u>	<u>\$ 19,317,128</u>	<u>\$ 19,296,867</u>	<u>\$ 50,651</u>
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 95,680</u>	<u>\$ 4,041,904</u>	<u>\$ 4,052,643</u>	<u>\$ 84,941</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 95,680</u>	<u>\$ 4,222,523</u>	<u>\$ 4,233,262</u>	<u>\$ 84,941</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT B-5
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 7	\$ 3,861	\$ 3,838	\$ 30
<u>Liabilities</u>				
Due to other governments	\$ 7	\$ 3,898	\$ 3,875	\$ 30
 <u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 381	\$ 381	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 381	\$ 381	\$ -
 <u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 786	\$ 9,464	\$ 10,174	\$ 76
<u>Liabilities</u>				
Due to other governments	\$ 786	\$ 10,326	\$ 11,036	\$ 76

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT B-5
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 46	\$ 320	\$ 366	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 46	\$ 366	\$ 412	\$ -
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,105	\$ 40,798	\$ 41,496	\$ 407
<u>Liabilities</u>				
Due to other governments	\$ 1,105	\$ 42,310	\$ 43,008	\$ 407
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 63,137	\$ 1,743,108	\$ 1,733,294	\$ 72,951
<u>Liabilities</u>				
Due to other governments	\$ 63,137	\$ 1,884,199	\$ 1,874,385	\$ 72,951

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-5
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

	Balance January 1	Additions	Deductions	Balance December 31
<u>HORIZON COMMUNITY HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 132,872	\$ 1,682,874	\$ 1,717,945	\$ 97,801
Accounts receivable	-	21,378	-	21,378
Due from other governments	253,585	263,735	253,586	263,734
	\$ 386,457	\$ 1,967,987	\$ 1,971,531	\$ 382,913
<u>Liabilities</u>				
Accounts payable	\$ 23,102	\$ 9,576	\$ 23,102	\$ 9,576
Due to other governments	363,355	2,756,011	2,746,029	373,337
	\$ 386,457	\$ 2,765,587	\$ 2,769,131	\$ 382,913
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 528,244	\$ 31,199,174	\$ 31,207,763	\$ 519,655
Accounts receivable	-	21,378	-	21,378
Due from other governments	253,585	310,152	269,989	293,748
	\$ 781,829	\$ 31,530,704	\$ 31,477,752	\$ 834,781
<u>Liabilities</u>				
Accounts payable	\$ 34,830	218,482	228,105	25,207
Due to other governments	746,999	32,720,690	32,658,115	809,574
	\$ 781,829	\$ 32,939,172	\$ 32,886,220	\$ 834,781

HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-1

**STATEMENT OF NET POSITION
HOUSING AND REDEVELOPMENT AUTHORITY/ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
DECEMBER 31, 2014**

Assets

Current assets

Cash and pooled investments	\$	481,281
Taxes receivable		
Delinquent		5,048
Accrued interest receivable		600
Loans receivable		190,238
Lease receivable		150,000
Land held for resale		574,664

Total current assets	\$	1,401,831
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Noncurrent assets

Lease receivable	\$	2,970,000
Capital assets		
Nondepreciable		514,210
Depreciable - net		2,069,184

Total noncurrent assets	\$	5,553,394
--------------------------------	-----------	------------------

Total Assets	\$	6,955,225
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Liabilities

Current liabilities

Accounts payable	\$	4,412
Due to primary government		100,000
Accrued interest payable		83,064
General obligation bonds payable		40,000
Revenue bonds payable		150,000
Contract for deed payable		50,000

Total current liabilities	\$	427,476
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Noncurrent liabilities

General obligation bonds payable	\$	2,374,313
Revenue bonds payable		2,947,152
Contract for deed payable		100,000

Total noncurrent liabilities	\$	5,421,465
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Total Liabilities	\$	5,848,941
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Net Position

Net investment in capital assets	\$	321,290
Unrestricted		784,994

Total Net Position	\$	1,106,284
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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
HOUSING AND REDEVELOPMENT AUTHORITY/ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014**

Operating Expenses	
Personal services	\$ 16,892
Professional services	55,320
Insurance	7,847
Licenses and dues	300
Miscellaneous	21,336
Depreciation	53,056
	<hr/>
Total Operating Expenses	\$ 154,751
	<hr/>
Operating Income (Loss)	\$ (154,751)
	<hr/>
Nonoperating Revenues (Expenses)	
Property taxes	\$ 272,231
Intergovernmental revenue - shared revenues	6,421
Intergovernmental expense - economic development	(30,000)
Miscellaneous income	182,294
Interest income	3,042
Repairs and maintenance	(24,566)
Interest expense	(190,025)
Fees and charges	50
Advertising	(10,178)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 209,269
	<hr/>
Change in net position	\$ 54,518
	<hr/>
Net Position - January 1	1,051,766
	<hr/>
Net Position - December 31	\$ 1,106,284
	<hr/> <hr/>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-3

**STATEMENT OF CASH FLOWS
HOUSING AND REDEVELOPMENT AUTHORITY/ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Payments to suppliers	\$ (84,803)
Payments to employees	(17,007)
Purchase of land held for resale	<u>(115,970)</u>
Net cash provided by (used in) operating activities	<u>\$ (217,780)</u>
Cash Flows from Noncapital Financing Activities	
Property taxes	\$ 272,227
Intergovernmental shared revenues	6,421
Intergovernmental expense	(30,000)
Advertising expense	(10,178)
Rent deposits	39,449
Fees and charges	50
Repairs and maintenance	<u>(24,566)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 253,403</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (145,000)
Interest paid on long-term debt	(211,061)
Proceeds received from capital lease	145,000
Interest and fee received on capital lease	142,845
Purchases of capital assets	<u>(952,552)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (1,020,768)</u>
Cash Flows from Investing Activities	
Collections of loan principal	\$ 4,766
Interest received on loans	2,400
Insurance dividends	642
Loan granted	<u>(47,500)</u>
Net cash provided by (used in) investing activities	<u>\$ (39,692)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (1,024,837)
Cash and Cash Equivalents at January 1	<u>1,506,118</u>
Cash and Cash Equivalents at December 31	<u>\$ 481,281</u>
Cash and Cash Equivalents - Exhibit 1	<u>\$ 481,281</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT C-3
(Continued)**

**STATEMENT OF CASH FLOWS
HOUSING AND REDEVELOPMENT AUTHORITY/ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2014
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>\$ (154,751)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 53,056
(Increase) decrease in land held for resale	(15,970)
Increase (decrease) in salaries payable	(115)
Increase (decrease) in due to primary government	(50,000)
Increase (decrease) in contract for deed payable	<u>(50,000)</u>
Total adjustments	<u>\$ (63,029)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (217,780)</u></u>

OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2014**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pooled Deposits and Investments			
Certificates of deposit			
Bremer Bank	0.25	November 26, 2015	\$ 90,000
Glenwood State Bank	0.70	September 30, 2016	503,379
Glenwood State Bank	1.75	December 5, 2016	25,000
Glenwood State Bank	0.50	September 30, 2015	1,012,313
Glenwood State Bank	0.75	July 11, 2015	24,000
Hometown Community Bank	0.30	April 30, 2015	200,000
Hometown Community Bank	0.40	July 17, 2015	100,000
Hometown Community Bank	0.30	June 25, 2015	300,000
Lowry State Bank	0.40	April 18, 2015	200,000
Lowry State Bank	0.40	July 1, 2015	150,000
Total certificates of deposit			\$ 2,604,692
Checking accounts			
Eagle Bank	0.05	Continuous	\$ 35,360
Glenwood State Bank	0.15	Continuous	332,485
Total checking accounts			\$ 367,845
Savings accounts			
Eagle Bank	0.15	Continuous	\$ 26,771
Eagle Bank	0.10	Continuous	3,498
Glenwood State Bank	0.35	Continuous	8,535,319
Total savings accounts			\$ 8,565,588
Total Deposits and Investments			\$ 11,538,125

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2014**

	Assets			
	Cash and	Special Assessments Receivable		Total
	Investments	Current	Noncurrent	
County Ditches				
2	\$ 4,066	\$ -	\$ 1,000	\$ 5,066
3	518	-	-	518
4	1,596	-	1,000	2,596
6	469	-	-	469
7	5,032	-	-	5,032
8	6,960	-	-	6,960
9	1,891	-	1,000	2,891
10	995	-	-	995
12	275	-	1,500	1,775
15	6,788	-	-	6,788
17	4,940	-	-	4,940
19	83	-	-	83
24	407	-	-	407
27	311	-	-	311
28	2,320	-	-	2,320
Prop CD 29	-	-	3,650	3,650
General	2,434	-	-	2,434
Judicial Ditches				
3 Pope and Douglas	1,465	20	7,729	9,214
4 Pope and Douglas	4,122	15	5,039	9,176
4 Pope and Swift	3,215	-	9,654	12,869
9 Pope and Swift	(145)	-	-	(145)
Total	\$ 47,742	\$ 35	\$ 30,572	\$ 78,349

EXHIBIT D-2

Liabilities				Deferred Inflows of Resources	Fund Balances	Total
Due to Other Funds	Due to Other Governments	Advances from Other Funds	Total	Unavailable Revenue	(Unassigned)/ Restricted	Deferred Inflows of Resources and Fund Balances
\$ 172	\$ -	\$ -	\$ 172	\$ 1,000	\$ 3,894	\$ 5,066
-	-	-	-	-	518	518
876	-	-	876	1,000	720	2,596
-	-	-	-	-	469	469
65	-	-	65	-	4,967	5,032
331	-	-	331	-	6,629	6,960
65	-	-	65	1,000	1,826	2,891
324	-	-	324	-	671	995
-	-	-	-	1,500	275	1,775
316	-	-	316	-	6,472	6,788
1,112	-	-	1,112	-	3,828	4,940
-	-	-	-	-	83	83
-	-	-	-	-	407	407
-	-	-	-	-	311	311
204	-	-	204	-	2,116	2,320
-	-	3,650	3,650	3,650	(3,650)	3,650
584	-	14,000	14,584	-	(12,150)	2,434
194	2,486	-	2,680	7,749	(1,215)	9,214
1,072	4,546	-	5,618	5,054	(1,496)	9,176
129	-	-	129	9,654	3,086	12,869
-	-	-	-	-	(145)	(145)
\$ 5,444	\$ 7,032	\$ 17,650	\$ 30,126	\$ 30,607	\$ 17,616	\$ 78,349

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2014**

Appropriations and Shared Revenue

State

Highway users tax	\$	2,994,931
Market value credit		130,432
PERA rate reimbursement		17,671
Disparity reduction aid		20,980
County program aid		395,059
Police aid		60,928
SCORE		63,803
E-911		86,298
Aquatic invasive species aid		40,059
		40,059

Total appropriations and shared revenue **\$ 3,810,161**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	474,993
		474,993

Payments

Local

Local contributions	\$	65,079
Payments in lieu of taxes		110,900
		110,900

Total payments **\$ 175,979**

Grants

State

Minnesota Department/Board of		
Corrections	\$	18,766
Health		99,296
Natural Resources		11,276
Human Services		588,537
Trial Courts		1,239
Revenue		3,529
Veterans Affairs		4,749
Water and Soil Resources		107,615
		107,615

Total state **\$ 835,007**

Federal

Department of		
Agriculture	\$	211,705
Education		1,524
Health and Human Services		1,166,163
Homeland Security		54,513
		54,513

Total federal **\$ 1,433,905**

Total state and federal grants **\$ 2,268,912**

Total Intergovernmental Revenue **\$ 6,730,045**

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

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	\$ 61,047
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	<u>150,658</u>
Total U.S. Department of Agriculture		\$ 211,705
U.S. Department of Education		
Passed Through Horizon Community Health Board Special Education - Grants for Infants and Families	84.181	\$ 2,287
U.S. Department of Health and Human Services		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 10,274
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	15,205
Passed Through Horizon Community Health Board		
Public Health Emergency Preparedness	93.069	27,528
Immunization Cooperative Agreements	93.268	1,000
Temporary Assistance for Needy Families	93.558	12,226
(Total Temporary Assistance for Needy Families 93.558 \$92,104)		
Maternal and Child Health Services Block Grant to the States	93.994	12,414
Passed Through Minnesota Department of Human Services		
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	188,302
Promoting Safe and Stable Families	93.556	4,977
Temporary Assistance for Needy Families	93.558	79,878
(Total Temporary Assistance for Needy Families 93.558 \$92,104)		
Child Support Enforcement	93.563	138,576
Refugee and Entrant Assistance - State Administered Programs	93.566	850
Child Care and Development Block Grant	93.575	3,170
Stephanie Tubbs Jones Child Welfare Services Program	93.645	3,280
Foster Care - Title IV-E	93.658	49,253
Social Services Block Grant	93.667	79,080
Chafee Foster Care Independence Program	93.674	3,286
Children's Health Insurance Program	93.767	77
Medical Assistance Program	93.778	444,981
Block Grants for Community Mental Health Services	93.958	<u>11,027</u>
Total U.S. Department of Health and Human Services		\$ 1,085,384

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	\$ 12,678
Passed Through Minnesota Department of Public Safety Hazard Mitigation Grant	97.039	24,345
Emergency Management Performance Grants	97.042	<u>17,650</u>
Total U.S. Department of Homeland Security		\$ 54,673
Total Federal Awards		\$ <u>1,354,049</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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, 2014. 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 position of Pope County.

3. Summary of Significant Accounting Policies

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

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$	1,433,905
Expenditures occurred in 2014 and revenue recognized in 2015		
Special Education - Grants for Infants and Families		763
Child Care and Development Block Grant		329
Emergency Management Performance Grants		17,650
Expenditures occurred prior to 2014 but reimbursed in 2014		
Child Care and Development Block Grant		(243)
Temporary Assistance for Needy Families		(9,902)
Foster Care - Title IV-E		(3,273)
Medical Assistance Program		(64,310)
Maternal and Child Health Services Block Grant to the States		(3,380)
Emergency Management Performance Grants		(17,490)
		(17,490)
Expenditures Per Schedule of Expenditures of Federal Awards	\$	1,354,049

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2014.

**Other Information
Section**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT E-1

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

	2013		2014		2015	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
Tax Capacity						
Real property	\$ 16,155,512		\$ 18,127,391		\$ 19,142,050	
Personal property	383,217		421,809		519,300	
Total Tax Capacity	\$ 16,538,729		\$ 18,549,200		\$ 19,661,350	
Taxes Levied for County Purposes						
General	\$ 5,323,059	30.893	\$ 5,795,052	30.067	\$ 5,871,487	29.346
Road and Bridge	756,372	4.375	727,416	3.764	863,525	4.306
Human Services	2,004,089	11.592	1,817,781	9.400	1,751,496	8.733
Capital Improvement Notes	-	-	53,033	0.289	73,841	0.379
LEC Bonds	304,400	1.852	304,500	1.655	304,100	1.558
Capital Equipment Notes	150,000	0.91	249,000	1.354	248,934	1.275
Total Levy for County Purposes	\$ 8,537,920	49.625	\$ 8,946,782	46.529	\$ 9,113,383	45.597
Less Credits Payable by State	392,646		395,059		220,446	
Net Levy Certified to State	\$ 8,145,274		\$ 8,551,723		\$ 8,892,937	
Less Market Value Credits Payable by State	127,716		130,447		238,655	
Net Levy for County Purposes	\$ 8,017,558		\$ 8,421,276		\$ 8,654,282	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 58,306		\$ 58,352		\$ 59,178	
Assessed at 5%	2,634		6,303		2,820	
Total Tax Capacity - Light and Power	\$ 60,940		\$ 64,655		\$ 61,998	

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT E-1
(Continued)**

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

	2013		2014		2015	
	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%	\$ 52,731	90.439	\$ 53,552	82.828	\$ 48,650	82.209
Assessed at 5%	2,382	90.439	-	82.828	2,319	82.209
Market value based on property tax	4,698	0.1542	5,338	0.1576	5,279	0.1703
State tax	32,007	52.523	64,655	52.160	31,520	50.840
Total Light and Power Tax Levies	\$ 91,818		\$ 123,545		\$ 87,768	
Special Assessments						
Ditch liens and assessments	\$ 651,623		\$ 762,491		\$ 743,633	
Percentage of Tax Collections for All Purposes	99%		99%		N/A	

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2014**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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: **Unmodified**

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:

Substance Abuse and Mental Health Services - Projects of Regional and National Significance	CFDA #93.243
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 1996-001

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, 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 has stated that it 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 management on a monthly basis for individual department review.

ITEM ARISING THIS YEAR

Finding 2014-001

Credit Card Policy

Criteria: Counties have authority to make purchases using credit cards and the County Board has adopted a Credit Card Policy, which includes management and internal control procedures. Internal control procedures over the use of credit cards includes a system for tracking all credit cards issued by the County as well as requiring all employees who own a County credit card to sign a Credit Card User Agreement form acknowledging they have read the Credit Card Policy.

Condition: During our control testing over credit cards in the Sheriff's Department, we noted the following deficiencies:

- The Sheriff's Department maintained a separate inventory list of the credit cards issued that was not consistent with the credit card inventory list maintained by the County Coordinator's Office. There were six individuals on the Sheriff's credit card inventory list that were not listed on the County Coordinator's list.
- Three of the ten individuals who use a County-issued credit card did not have a signed Credit Card User Agreement form in their file.
- There is a credit card issued to the Sheriff's Department that is not tracked to one specific individual and can be used by more than one employee. Some of the individuals who are authorized to use this credit card did not have a signed Credit Card User Agreement form in their file.

Context: Pursuant to the County's Credit Card Policy, the County Coordinator's Office tracks credit cards issued to all employees, and all employees with a County credit card are required to sign the Credit Card User Agreement form.

Effect: Failure to follow the Credit Card Policy increases the likelihood for misuse of both the credit cards and County funds.

Cause: In previous years, the County Coordinator's Office experienced employee turnover, resulting in some of the credit cards not being tracked.

Recommendation: We recommend the County follow the Board-approved Credit Card Policy and ensure that all individuals who own a County credit card be tracked by the County Coordinator's Office, and the employees who have an issued credit card sign the Credit Card User Agreement form.

Client's Response:

Pope County Coordinator's Office will obtain employee signatures on a Credit Card User Agreement form upon issuance of County credit cards. The Coordinator's Office will also maintain a listing of employees that are in possession of County-issued credit cards. A copy of the list will be forwarded to the Auditor/Treasurer's Office as well as updates when changes occur. The credit card issued to the Sheriff's Department that is used by multiple Sheriff's Department employees is requested by an employee and tracked on a check out sheet, which is signed by the employee.

PREVIOUSLY REPORTED ITEM RESOLVED

Audit Adjustment (2013-001)

In the prior year a material audit adjustment was made to properly report due from other governments, intergovernmental revenue, and deferred inflows of resources in the Human Services Special Revenue Fund.

Resolution

No material audit adjustments were necessary for 2014.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2013-002

Cash Management

Programs: U.S. Department of Health and Human Services' Substance Abuse and Mental Health Services - Projects of Regional and National Significance (CFDA No. 93.243)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: The Substance Abuse and Mental Health Services - Projects of Regional and National Significance program awards funding on a reimbursement basis. The 2014 OMB Circular A-133 Compliance Supplement, Part 3, C. Cash Management, states that, when entities are funded on a reimbursement basis, the costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

Condition: During our testing over controls and compliance for cash management, we noted improvements in the reimbursement requesting process from the previous year, however, our testing results still indicated the County requested reimbursement from the pass-through agency for federal program expenditures before some of the costs for which reimbursement was requested were paid. Of the 40 disbursements tested, 8 of those expenditures had been paid after the reimbursement request was submitted.

Questioned Costs: None.

Context: Program expenditures are tracked by the Public Health Office Manager by compiling all the invoices, receipts, and other supporting documentation. The costs are then entered into a separate electronic spreadsheet used for preparing the reimbursement requests. After the 2013 audit and mid-way through 2014, the County began to use the general ledger to reconcile these costs and verify they were paid.

Effect: Noncompliance with federal cash management requirements for a reimbursement grant program. Failure or lack of internal control designed to ensure compliance with federal cash management procedures.

Cause: Seven of the costs were prepared using the County's previous method of requesting reimbursement, which did not include a reconciliation of supporting documentation used to prepare the reimbursement request to the general ledger to verify payment. One cost was an accrual paid in January and intentionally requested because the December reimbursement request had to report all expenditures related to Pope County. Effective in January 2015, the Public Health Department became separate from the County and joined the Horizon Public Health entity.

Recommendation: We recommend the County continue to follow its newly-adopted internal control procedures to ensure compliance with federal cash management requirements related to this program and request reimbursement only for those costs that have been incurred and paid prior to requesting reimbursement claims from the Minnesota Department of Human Services.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Sharon Braaten

Corrective Action Planned:

Pope County will continue to follow internal control procedures which ensure compliance with federal cash management requirements. For reimbursement based grant programs this will include requesting reimbursement only for those costs that have been incurred and paid prior to requesting reimbursement claims from the funding source. As of January 1, 2015, this grant ended for Pope County; any transactions as of this date forward are the responsibility of Horizon Public Health.

Anticipated Completion Date:

December 31, 2015, and ongoing.

ITEM ARISING THIS YEAR

Finding 2014-002

Activities and Costs Allowed/Unallowed and Reporting Review Process

Programs: U.S. Department of Health and Human Services' Substance Abuse and Mental Health Services - Projects of Regional and National Significance (CFDA No. 93.243)

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 §.300(b) states the auditee shall maintain internal controls over federal programs which provide reasonable assurance 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 programs.

Condition: Based on our testing of internal controls, we noted the following deficiencies:

- Gift cards were maintained and tracked by the County using a tracking form. Six gift cards totaling \$90 were not shown on the tracking form as having been signed out and were also not on hand. As a result, we could not verify they were used for allowable activities and costs that were in compliance with the program.
- During the last half of 2014, financial reports were being prepared and submitted by a supervisory-level individual, but there was a lack of review by an additional supervisory-level individual independent of the one preparing the reports.

Questioned Costs: None.

Context: The gift cards that were unaccounted for were believed to have been used for allowable activities and costs. Because of the lack of evidence of review of the reports for the program, we performed a more detailed examination to ensure the data reported were accurate and complete.

Effect: Gift cards that are not properly tracked could be used to make purchases for activities or costs that are not allowable to the grant. The lack of supervisory review of reports increases the risk that reports submitted will not be correct.

Cause: The County informed us that, during 2014, the Public Health Department was in the process of transitioning into the new Horizon Public Health entity that is separate from Pope County. Staff employed by Pope County who were part of the Public Health Department were transitioned to other County departments during the last half of the year.

Recommendation: We recommend that internal control procedures over gift card handling, including tracking and documentation, continue to be followed for all gift cards. Although the reports submitted to the Minnesota Department of Human Services were prepared by a supervisory-level individual, we recommend the County document additional review of these reports by someone independent of the preparer to ensure they are accurate and meet reporting requirements.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Sharon Braaten

Corrective Action Planned:

Pope County will discourage pre-purchase of gift cards. If gift cards are purchased for use, documentation will be maintained, including value, purchase date, distribution date, distribution reason, and person distributed to.

All grant reports will be reviewed by a Supervisory level individual, separate from the preparer, to ensure reports are accurate and meet reporting requirements. As of January 1, 2015, this grant ended for Pope County; any transactions as of this date forward are the responsibility of Horizon Public Health.

Anticipated Completion Date:

December 31, 2015, and ongoing.

IV. OTHER ITEM FOR CONSIDERATION

GASB Statement No. 68, Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) is the independent organization that establishes standards of accounting and financial reporting for state and local governments. Effective for your calendar year 2015 financial statements, the GASB changed those standards as they apply to employers that provide pension benefits.

GASB Statement 68 significantly changes pension accounting and financial reporting for governmental employers that prepare financial statements on the accrual basis by separating pension accounting methodology from pension funding methodology. Statement 68 requires employers to include a portion of the Public Employees Retirement Association (PERA) total employers' unfunded liability, called the "net pension liability" on the face of the County's government-wide statement of financial position. The County's financial position will be immediately impacted by its unfunded share of the pension liability.

Statement 68 changes the amount employers report as pension expense and defers some allocations of expenses to future years—deferred outflows or inflows of resources. It requires pension costs to be calculated by an actuary; whereas, in the past pension costs were equal to the amount of employer contributions sent to PERA during the year. Additional footnote disclosures and required supplementary information schedules are also required by Statement 68.

The net pension liability that will be reported in Pope County's financial statements is an accounting estimate of the proportionate share of PERA's unfunded liability at a specific point in time. That number will change from year to year, and is based on assumptions about the probability of the occurrence of events far into the future. Those assumptions include how long people will live, how long they will continue to work, projected salary increases, and how well pension trust investments will do. PERA has been proactive in taking steps toward implementation and will be providing most of the information needed by employers to report the net pension liability and deferred outflows/inflows of resources.



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

Independent Auditor's Report

Board of County Commissioners
Pope County
Glenwood, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 24, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Pope County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. 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 the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 1996-001 and 2014-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

Other Matters

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

Pope County's Response to Findings

Pope County's responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 24, 2015

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Pope County
Glenwood, Minnesota

Report on Compliance for Each Major Federal Program

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 the County's major federal programs for the year ended December 31, 2014. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pope County's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Pope County complied, in all material respects, with the types of 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2014-002. Our opinion on each major federal program is not modified with respect to these matters.

Pope County's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Pope County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Management of Pope County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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. 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 the attention of those charged with governance.

Our consideration of 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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2013-002 and 2014-002, that we consider to be significant deficiencies.

Pope County's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Pope County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 24, 2015

/s/Greg Hierlinger

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DEPUTY STATE AUDITOR