

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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, 2018



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

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**POPE COUNTY
GLENWOOD, MINNESOTA**

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GLENWOOD, MINNESOTA**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**ORGANIZATION
2018**

Office	Name	Term	
		From	To
Commissioners			
1st District	Vacant	January 2015	January 2019
2nd District	Gordy Wagner	January 2017	January 2021
3rd District	Paul Gerde	January 2017	January 2021
4th District	Larry Lindor*	January 2015	January 2019
5th District	Cody Rogahn**	January 2015	January 2019
Officers			
Elected			
Attorney	Neil Nelson	January 2015	January 2019
Auditor/Treasurer	Vacant	January 2015	January 2019
County Recorder	Barb Tamte	January 2015	January 2019
Sheriff	Tim Riley	January 2015	January 2019
Appointed			
Assessor	Michael Wacker	January 2017	December 2020
Coroner	Duane E. Westberg, M.D.		Indefinite
Highway Engineer	Brian Giese	June 2019	May 2023
Veterans Service Officer	Hugh Reimers	April 2019	April 2023
Coordinator	Kersten Kappmeyer		Indefinite
Surveyor	Rodney Eldevik		Indefinite
Human Services			
Director	Stacy Hennen		Indefinite
Supervisor	Phyllis Reller		Indefinite
Supervisor	Crystal Zaviska		Indefinite
Board			
Member	Vacant	January 2015	January 2019
Member	Gordy Wagner	January 2017	January 2021
Member	Paul Gerde	January 2017	January 2021
Member	Larry Lindor	January 2015	January 2019
Member	Cody Rogahn	January 2015	January 2019

*Chair

**Vice Chair

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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, 2018, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 as listed in the table of contents 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 Supplementary 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 6, 2019, 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 solely 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 effectiveness of Pope County's 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 the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA 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 SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 6, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(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, 2018. 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 \$66,361,888, of which Pope County has invested \$55,492,003 in capital assets, net of related debt, and \$7,009,821 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2018, was \$5,628,588; the net cost was funded by general revenues and other items totaling \$10,702,447.
- Pope County's net position increased by \$5,073,859 for the year ended December 31, 2018; the net position of the County's discretely presented component unit increased by \$161,259.
- The fund balances of all Pope County's funds increased by \$2,112,101.

OVERVIEW OF THE FINANCIAL STATEMENTS

Pope County's MD&A report serves as an introduction to the basic financial statements. The County's basic financial statements consist of three parts: government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary comparison schedules, and information on the County's other postemployment benefits and pension liability 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, deferred outflows of resources, liabilities, and deferred inflows of resources using the full 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 deferred outflows of resources, and liabilities and deferred inflows of resources—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, economic development, and interest. Pope County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.
- **Component unit**—Pope County includes one separate legal entity on its report. The Pope County 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 the modified accrual method of accounting. This 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 benefit of parties outside the County. The County reports all of its fiduciary activities in a separate statement of 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	
	2018	2017
Assets		
Current and other assets	\$ 23,266,946	\$ 20,204,007
Capital assets, net of accumulated depreciation	58,338,086	57,504,504
Total Assets	\$ 81,605,032	\$ 77,708,511
Deferred Outflows of Resources		
Deferred pension outflows	\$ 1,765,775	\$ 2,568,186
Deferred OPEB outflows	227,055	-
Total Deferred Outflows of Resources	\$ 1,992,830	\$ 2,568,186
Liabilities		
Long-term liabilities	\$ 13,655,102	\$ 12,894,625
Other liabilities	921,551	634,532
Total Liabilities	\$ 14,576,653	\$ 13,529,157
Deferred Inflows of Resources		
Deferred pension inflows	\$ 2,659,321	\$ 2,670,690
Prepaid property taxes	-	344,563
Total Deferred Inflows of Resources	\$ 2,659,321	\$ 3,015,253
Net Position		
Net investment in capital assets	\$ 55,492,003	\$ 54,526,564
Restricted	7,009,821	4,769,364
Unrestricted	3,860,064	4,436,359
Total Net Position as reported	\$ 66,361,888	\$ 63,732,287
Change in accounting principle*		(2,444,258)
Total Net Position as reported		\$ 61,288,029

*The change in accounting principle is due to the County adopting new accounting guidance by implementing the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Pope County’s total net position for the year ended December 31, 2018, totals \$66,361,888. The governmental activities’ unrestricted net position totals \$3,860,064. Unrestricted net position is the part of net position that can be used to meet Pope County’s ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements.

Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,653,035	\$ 1,320,659
Operating grants and contributions	7,403,994	6,506,897
Capital grants and contributions	364,832	736
General revenues		
Property taxes	9,221,177	9,205,194
Other taxes	316,763	314,724
Grants and contributions not restricted to specific programs	881,628	509,137
Other general revenues	282,879	171,405
Total Revenues	<u>\$ 20,124,308</u>	<u>\$ 18,028,752</u>
Expenses		
General government	\$ 3,844,638	\$ 4,105,771
Public safety	2,485,285	2,491,277
Highways and streets	3,975,144	3,870,313
Sanitation	393,617	394,019
Human services	3,326,658	3,730,642
Health	98,955	185,318
Culture and recreation	178,964	162,564
Conservation of natural resources	538,606	476,559
Economic development	16,858	16,286
Interest	191,724	210,653
Total Expenses	<u>\$ 15,050,449</u>	<u>\$ 15,643,402</u>
Increase (Decrease) in Net Position	\$ 5,073,859	\$ 2,385,350
Net Position – January 1, as restated (Note 1.E.)	<u>61,288,029</u>	<u>61,346,937</u>
Net Position – December 31	<u>\$ 66,361,888</u>	<u>\$ 63,732,287</u>

Governmental Activities

Revenues for Pope County’s governmental activities for the year ended December 31, 2018, were \$20,124,308. The County’s cost for all governmental activities for the year ended December 31, 2018, was \$15,050,449. The net position for the County’s governmental activities increased by \$5,073,859 in 2018 due largely to additional grants and contributions received from other agencies and a decrease in expenses due to personnel changes or projects completed in 2018.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$9,221,177 because \$1,653,035 of the costs were paid by those who directly benefited from the programs, and \$8,650,454 was 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 \$599,642 from other revenues, such as investment income, mortgage registry tax, wheelage tax, and state deed tax.

Figure 1
Total County Revenues
2018

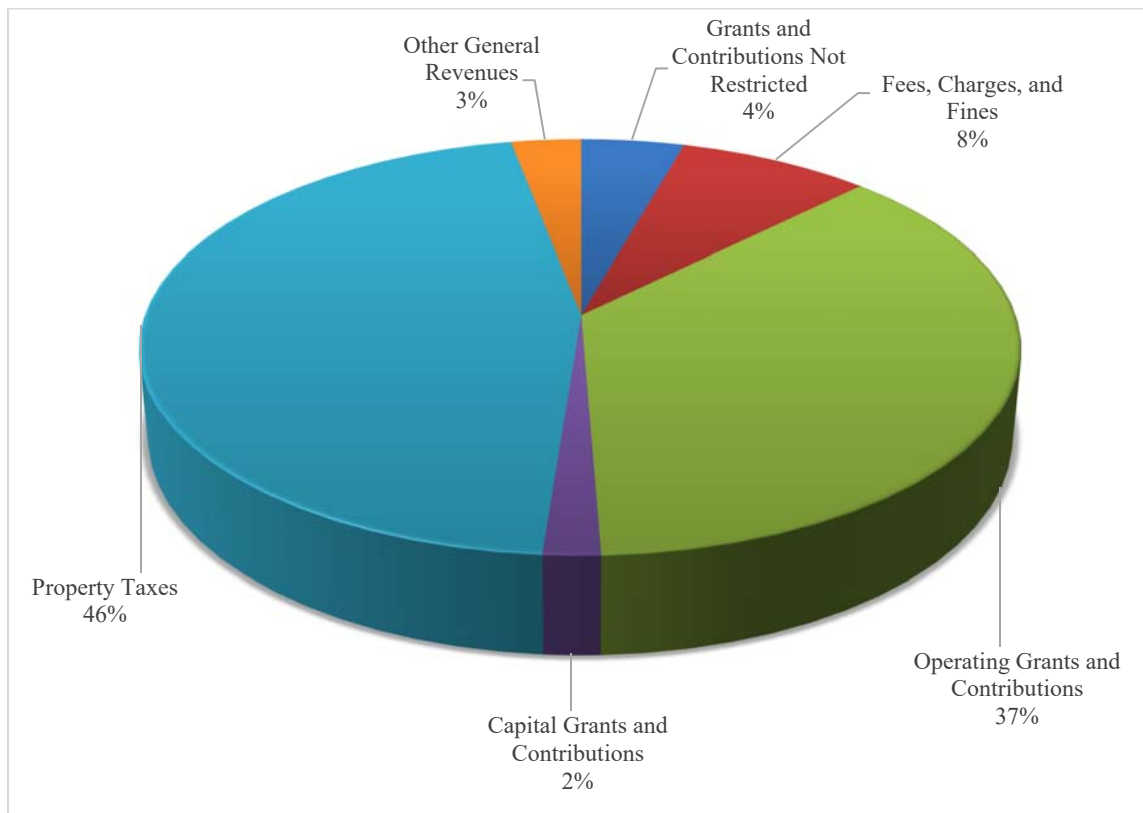
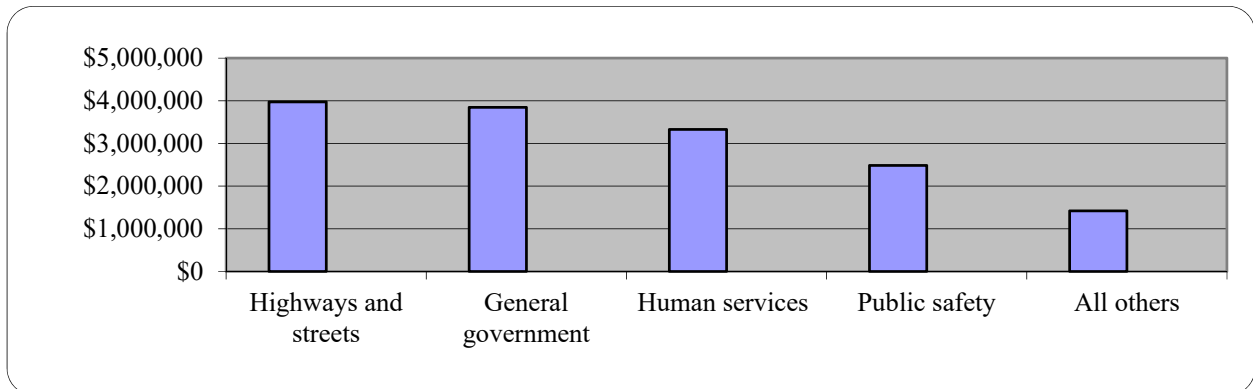


Table 3 presents the cost of each of Pope County’s four largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2018	Net Cost of Services 2018
Program Expenses		
General government	\$ 3,844,638	\$ 3,334,534
Public safety	2,485,285	2,099,867
Highways and streets	3,975,144	(1,201,132)
Human services	3,326,658	1,038,229
All others	1,418,724	357,090
	<u>\$ 15,050,449</u>	<u>\$ 5,628,588</u>
Total Program Expenses	<u>\$ 15,050,449</u>	<u>\$ 5,628,588</u>

**Figure 2
Governmental Activities Expenses
2018**



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 \$19,586,780.

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 2018, the County Board of Commissioners made no changes to the budget as originally adopted on December 19, 2017. 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 \$875,742 due to higher than anticipated intergovernmental revenue, and actual expenditures were \$294,100 less than expected in 2018 due to a variety of reasons, including less personnel costs than budgeted for in the Auditor/Treasurer's office and less than anticipated costs in the other general government departments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, Pope County had \$58,338,086 invested in a broad range of capital assets, net of depreciation. Pope County's net capital assets increased by \$833,582, or 1.45 percent, in 2018 due in large part to purchase of infrastructure. This investment in capital assets includes land, buildings, infrastructure, 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)

	Governmental Activities	
	2018	2017
Land	\$ 2,175,465	\$ 2,175,465
Buildings	5,270,932	5,020,848
Office furniture and equipment	391,355	473,507
Machinery and automotive equipment	1,490,383	1,394,893
Infrastructure	49,009,951	48,366,861
Construction in progress	-	72,930
Totals	<u>\$ 58,338,086</u>	<u>\$ 57,504,504</u>

Debt Administration

At December 31, 2018, Pope County had \$5,974,795 of outstanding debt compared with \$6,463,695 as of December 31, 2017, a decrease of \$488,900 due to scheduled repayments, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities	
	2018	2017
Contract for deed	\$ 2,632	\$ 3,887
2013A G.O. Capital Equipment and Improvement Bonds	525,000	805,000
2017 G.O. Capital Improvement Bonds	2,405,000	2,405,000
Capital lease - Law Enforcement Center	2,485,000	2,655,000
Loans		
Septic System Replacement Program Loan SRF0185	17,161	28,443
Septic System Replacement Program Loan SRF0253	68,357	88,160
State of Minnesota Agricultural Best Management Loan Program	471,645	478,205
Totals	<u>\$ 5,974,795</u>	<u>\$ 6,463,695</u>

In 2018, Pope County obtained an “Aa2” rating from Moody’s Investor Services. Other long-term obligations include compensated absences, other postemployment benefits (OPEB), and pensions. 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 2019 budget and tax rates, including:

- Pope County’s unemployment rates for 2017 and 2018 were 3.0 percent and 2.6 percent, respectively, compared to the Minnesota unemployment rate for 2017 and 2018, which averaged 3.4 percent and 2.9 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; this will influence the development of future budgets.

- On December 18, 2018, the Pope County Board of Commissioners approved the 2019 budget at \$20,310,678. The 2019 total levy is \$9,998,015, less County Program Aid of \$556,219, for a net levy of \$9,431,796. The Board approved a 0.0 percent increase in the levy for 2019.

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 the Pope County Auditor/Treasurer, 320-634-7706, Pope County Courthouse, 130 East Minnesota Avenue, Suite 218, Glenwood, Minnesota 56334-4525.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority/Economic Development Authority</u>
<u>Assets</u>		
Cash and pooled investments	\$ 17,282,488	\$ 618,291
Petty cash and change funds	1,900	-
Cash with escrow agent	2,521,454	-
Taxes receivable		
Delinquent	118,473	13,692
Special assessments receivable		
Delinquent	21,973	-
Noncurrent	538,184	-
Accounts receivable	32,124	-
Accrued interest receivable	33,663	48,029
Due from other governments	2,476,915	-
Due from primary government	-	4,397
Loans receivable	-	277,222
Lease receivable	-	2,485,000
Inventories	239,772	-
Land held for resale	-	546,086
Restricted assets		
Cash and pooled investments	-	13,116
Capital assets		
Non-depreciable	2,175,465	311,797
Depreciable – net of accumulated depreciation	56,162,621	1,951,960
Total Assets	\$ 81,605,032	\$ 6,269,590
<u>Deferred Outflows of Resources</u>		
Deferred pension outflows	\$ 1,765,775	\$ -
Deferred other postemployment benefits outflows	227,055	-
Total Deferred Outflows of Resources	\$ 1,992,830	\$ -

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2018**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority/Economic Development Authority
<u>Liabilities</u>		
Accounts payable	\$ 278,048	\$ 110,000
Salaries payable	180,971	-
Contracts payable	131,598	-
Retainage payable	20,885	-
Due to other governments	105,574	526
Due to component unit	4,397	-
Accrued interest payable	81,808	73,962
Unearned revenue	118,270	31,500
Current liabilities payable from restricted assets		
Tenant security deposits	-	12,221
Accounts payable	-	895
Long-term liabilities		
Due within one year	3,062,890	2,564,172
Due in more than one year	3,522,602	2,224,715
Other postemployment benefits liability	2,347,070	-
Net pension liability	4,722,540	-
	\$ 14,576,653	\$ 5,017,991
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 2,659,321	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 55,492,003	\$ (40,130)
Restricted for		
General government	225,538	-
Public safety	388,277	-
Highways and streets	2,031,124	-
Ditch construction and maintenance	31,393	-
Culture and recreation	6,382	-
Conservation of natural resources	1,190,074	-
Debt service	3,137,033	-
Unrestricted	3,860,064	1,291,729
	\$ 66,361,888	\$ 1,251,599

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary Government		
Governmental activities		
General government	\$ 3,844,638	\$ 440,132
Public safety	2,485,285	90,561
Highways and streets	3,975,144	106,831
Sanitation	393,617	328,346
Human services	3,326,658	476,729
Health	98,955	-
Culture and recreation	178,964	-
Conservation of natural resources	538,606	110,436
Economic development	16,858	100,000
Interest	191,724	-
	\$ 15,050,449	\$ 1,653,035
Total Primary Government		
Component Unit		
Housing and Redevelopment Authority/Economic Development Authority	\$ 414,961	\$ -
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, as Restated (Note 1.E.)	
	Net Position – Ending	

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Governmental Activities	Component Unit Housing and Redevelopment Authority/Economic Development Authority
\$ 69,972	\$ -	\$ (3,334,534)	
259,660	35,197	(2,099,867)	
4,739,810	329,635	1,201,132	
100,582	-	35,311	
1,811,700	-	(1,038,229)	
124,522	-	25,567	
-	-	(178,964)	
297,748	-	(130,422)	
-	-	83,142	
-	-	(191,724)	
\$ 7,403,994	\$ 364,832	\$ (5,628,588)	
\$ -	\$ -		\$ (414,961)
		\$ 9,221,177	\$ 315,491
		12,888	-
		125,323	-
		31,019	-
		147,533	-
		881,628	8,795
		217,591	2,784
		5,447	-
		59,841	249,150
		\$ 10,702,447	\$ 576,220
		\$ 5,073,859	\$ 161,259
		61,288,029	1,090,340
		\$ 66,361,888	\$ 1,251,599

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 10,152,662	\$ 3,355,897
Petty cash and change funds	1,900	-
Cash with escrow agent	-	-
Taxes receivable		
Delinquent	77,857	10,533
Special assessments receivable		
Delinquent	9,525	-
Noncurrent	538,184	-
Accounts receivable	2,124	1,390
Accrued interest receivable	33,663	-
Due from other funds	22,431	97
Due from other governments	141,160	2,042,421
Inventories	-	239,772
Advances to other funds	11,000	-
	\$ 10,990,506	\$ 5,650,110
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 150,214	\$ 35,223
Salaries payable	104,969	32,043
Contracts payable	34,372	97,226
Retainage payable	4,601	16,284
Due to other funds	-	-
Due to other governments	31,106	3,277
Due to component unit	4,397	-
Unearned revenue	118,270	-
Advances from other funds	-	-
	\$ 447,929	\$ 184,053
Deferred Inflows of Resources		
Unavailable revenue	\$ 716,751	\$ 2,041,657
Fund Balances (Note 3.E.)		
Nonspendable	\$ 11,000	\$ 239,772
Restricted	1,187,068	-
Assigned	601,260	3,184,628
Unassigned	8,026,498	-
	\$ 9,825,826	\$ 3,424,400
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 10,990,506	\$ 5,650,110

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

EXHIBIT 3

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 3,066,175	\$ 607,822	\$ 47,463	\$ 52,469	\$ 17,282,488
-	-	-	-	1,900
-	2,521,454	-	-	2,521,454
22,326	7,757	-	-	118,473
-	-	-	12,448	21,973
-	-	-	-	538,184
28,610	-	-	-	32,124
-	-	-	-	33,663
-	-	-	-	22,528
290,500	-	-	2,834	2,476,915
-	-	-	-	239,772
-	-	-	-	11,000
<u>\$ 3,407,611</u>	<u>\$ 3,137,033</u>	<u>\$ 47,463</u>	<u>\$ 67,751</u>	<u>\$ 23,300,474</u>
\$ 86,649	\$ -	\$ -	\$ 5,962	\$ 278,048
43,918	-	-	41	180,971
-	-	-	-	131,598
-	-	-	-	20,885
22,431	-	-	97	22,528
51,166	-	-	20,025	105,574
-	-	-	-	4,397
-	-	-	-	118,270
-	-	-	11,000	11,000
<u>\$ 204,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,125</u>	<u>\$ 873,271</u>
<u>\$ 61,810</u>	<u>\$ 7,757</u>	<u>\$ -</u>	<u>\$ 12,448</u>	<u>\$ 2,840,423</u>
\$ -	\$ -	\$ -	\$ -	\$ 250,772
-	3,129,276	47,463	46,975	4,410,782
3,141,637	-	-	-	6,927,525
-	-	-	(28,797)	7,997,701
<u>\$ 3,141,637</u>	<u>\$ 3,129,276</u>	<u>\$ 47,463</u>	<u>\$ 18,178</u>	<u>\$ 19,586,780</u>
<u>\$ 3,407,611</u>	<u>\$ 3,137,033</u>	<u>\$ 47,463</u>	<u>\$ 67,751</u>	<u>\$ 23,300,474</u>

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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, 2018**

Fund balance – total governmental funds (Exhibit 3) \$ 19,586,780

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. 58,338,086

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds. 1,765,775

Deferred outflows of resources resulting from other postemployment benefits obligations are not available resources and, therefore, are not reported in the governmental funds. 227,055

Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds. 2,840,423

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	\$	(2,930,000)	
Discounts/premiums on bonds		(105,606)	
Contract for deed		(2,632)	
Loans payable		(557,163)	
Capital lease payable		(2,485,000)	
Compensated absences		(505,091)	
Other postemployment benefits liability		(2,347,070)	
Net pension liability		<u>(4,722,540)</u>	(13,655,102)

Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds. (81,808)

Deferred inflows of resources resulting from pension obligations are not due and payable in the current period, and, therefore, are not reported in the governmental funds. (2,659,321)

Net Position of Governmental Activities (Exhibit 1) \$ 66,361,888

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General	Road and Bridge
Revenues		
Taxes	\$ 6,190,730	\$ 863,015
Special assessments	140,139	-
Licenses and permits	77,530	-
Intergovernmental	1,509,182	4,031,777
Charges for services	401,887	101,900
Fines and forfeits	6,308	-
Gifts and contributions	2,959	-
Investment earnings	191,931	-
Miscellaneous	289,212	4,931
	\$ 8,809,878	\$ 5,001,623
Expenditures		
Current		
General government	\$ 3,626,560	\$ -
Public safety	2,396,577	-
Highways and streets	-	4,216,386
Human services	-	-
Health	98,955	-
Culture and recreation	179,985	-
Conservation of natural resources	516,306	-
Economic development	15,571	-
Intergovernmental		
Highways and streets	-	442,792
Sanitation	67,729	-
Capital outlay		
General government	566,201	-
Public safety	36,253	-
Highways and streets	-	277,952
Debt service		
Principal	122,705	-
Interest	2,412	-
Administrative charges	-	-
	\$ 7,629,254	\$ 4,937,130
Excess of Revenues Over (Under) Expenditures	\$ 1,180,624	\$ 64,493

EXHIBIT 5

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 1,759,255	\$ 596,851	\$ -	\$ -	\$ 9,409,851
-	-	-	350,442	490,581
-	-	-	-	77,530
2,083,740	20,849	-	-	7,645,548
362,236	-	-	-	866,023
-	-	-	14,776	21,084
-	-	-	-	2,959
-	25,660	-	-	217,591
114,854	571	-	-	409,568
\$ 4,320,085	\$ 643,931	\$ -	\$ 365,218	\$ 19,140,735
\$ -	\$ -	\$ -	\$ 21,018	\$ 3,647,578
-	-	5,864	-	2,402,441
-	-	-	-	4,216,386
3,646,916	-	-	-	3,646,916
-	-	-	-	98,955
-	-	-	-	179,985
-	-	-	22,919	539,225
-	-	-	-	15,571
-	-	-	-	442,792
-	-	-	325,888	393,617
-	-	-	-	566,201
-	-	49,184	-	85,437
-	-	-	-	277,952
-	450,000	-	-	572,705
-	170,441	-	-	172,853
-	1,400	-	-	1,400
\$ 3,646,916	\$ 621,841	\$ 55,048	\$ 369,825	\$ 17,260,014
\$ 673,169	\$ 22,090	\$ (55,048)	\$ (4,607)	\$ 1,880,721

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>General</u>	<u>Road and Bridge</u>
Other Financing Sources (Uses)		
Transfers in	\$ 43	\$ -
Transfers out	-	-
Loan issued	83,805	-
Proceeds from sale of capital assets	<u>5,270</u>	<u>1,440</u>
Total Other Financing Sources (Uses)	\$ 89,118	\$ 1,440
Net Change in Fund Balances	\$ 1,269,742	\$ 65,933
Fund Balances – January 1	8,556,084	3,217,602
Increase (decrease) in inventories	<u>-</u>	<u>140,865</u>
Fund Balances – December 31	<u>\$ 9,825,826</u>	<u>\$ 3,424,400</u>

EXHIBIT 5
(Continued)

<u>Human Services</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 43
-	(43)	-	-	(43)
-	-	-	-	83,805
-	-	-	-	6,710
<u>\$ -</u>	<u>\$ (43)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,515</u>
\$ 673,169	\$ 22,047	\$ (55,048)	\$ (4,607)	\$ 1,971,236
2,468,468	3,107,229	102,511	22,785	17,474,679
-	-	-	-	140,865
<u>\$ 3,141,637</u>	<u>\$ 3,129,276</u>	<u>\$ 47,463</u>	<u>\$ 18,178</u>	<u>\$ 19,586,780</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, 2018**

Net change in fund balances – total governmental funds (Exhibit 5) \$ 1,971,236

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	\$ 2,840,423	
Unavailable revenue – January 1	<u>(1,804,962)</u>	1,035,461

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	\$ 3,079,288	
Net book value of assets disposed	(8,235)	
Current year depreciation	<u>(2,237,471)</u>	833,582

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	\$ (83,805)	
Principal repayments	572,705	
Current year amortization of premiums/discounts	<u>9,608</u>	498,508

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	\$ (27,079)	
Change in compensated absences	(23,799)	
Change in other postemployment benefits liability, as restated	151,174	
Change in net pension liability	1,057,898	
Change in deferred pension outflows of resources	(802,411)	
Change in deferred other postemployment benefits outflows of resources	227,055	
Change in deferred pension inflows of resources	11,369	
Change in inventories	<u>140,865</u>	<u>735,072</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 5,073,859

FIDUCIARY FUNDS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ <u>448,635</u>
<u>Liabilities</u>	
Accounts payable	\$ 9,117
Due to other governments	<u>439,518</u>
Total Liabilities	\$ <u>448,635</u>

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. 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
The Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	The County appoints members, and the HRA/EDA is a financial burden.	Separate financial statements are prepared.

Complete financial statements of the Pope County HRA/EDA can be obtained by writing to the Pope County HRA/EDA, 130 Minnesota Avenue East, Glenwood, Minnesota 56344.

**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 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

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 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 financial statements are reported using the economic resources measurement focus and the full 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, 2018, 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 2018 were \$191,931.

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.”

The receivable amounts of advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in the General Fund 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 2012 through 2018 and noncurrent special assessments payable in 2019 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 and Prepaid Items

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.

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

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 acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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. The compensated absences liability is primarily liquidated by the General Fund and the Road and Bridge and Human Services Special Revenue Funds.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports 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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

(revenue) until that time. The County has two types of deferred inflows. The governmental funds report unavailable revenue from delinquent taxes receivable, special assessments receivable, grant receivables, and miscellaneous receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

8. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated primarily by the General Fund and the Road and Bridge and Human Services Special Revenue Funds.

9. 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations (Continued)

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

10. Classification of Net Position

Net position in the government-wide statements is 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.

11. 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:

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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 (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 (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.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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.

12. 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, 2018, unrestricted fund balance for the General Fund was above the minimum fund balance levels.

13. 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, deferred outflows of resources, liabilities, and deferred inflows of resources, 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. Change in Accounting Principle

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

	Governmental Activities
Net Position, January 1, 2018, as previously reported	\$ 63,732,287
Change in accounting principles	(2,444,258)
Net Position, January 1, 2018, as restated	\$ 61,288,029

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of \$2,318 as of December 31, 2018, although six individual ditch systems had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

13 ditch systems with positive fund balances	\$ 31,115
6 ditch systems with deficit fund balances	(28,797)
Net Fund Balance	\$ 2,318

B. Excess of Expenditures Over Budget

The Debt Service Fund had expenditures in excess of budget for the year ended December 31, 2018, in the amount of \$10,577.

**POPE COUNTY
GLENWOOD, MINNESOTA**

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	\$ 17,282,488
Petty cash and change funds	1,900
Cash with escrow agent	2,521,454
Discretely presented component unit	
Cash and pooled investments	618,291
Restricted assets	
Cash and pooled investments	13,116
Statement of fiduciary net position	
Cash and pooled investments	448,635
Total Cash and Investments	\$ 20,885,884
Deposits	\$ 18,362,530
Petty cash and change funds	1,900
Investments	
U.S. Treasury	2,521,454
Total Deposits, Petty Cash and Change Funds, and Investments	\$ 20,885,884

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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, 2018, Pope County’s deposits were not exposed to custodial credit risk.

b. Investments

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County's policy does not specifically address interest rate risk. At December 31, 2018, all investments of the County mature in less than one year.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. As of December 31, 2018, the County's investments were not exposed to custodial credit risk.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Fair Value Measurement

The County measures and records its investments using fair value measurement guidelines established by accounting principles generally accepted in the United States of America. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2018, the County had the following recurring fair value measurements.

	December 31, 2018	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Treasury	\$ 2,521,454	\$ 2,521,454	\$ -	\$ -

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$538,184 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, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 2,175,465	\$ -	\$ -	\$ 2,175,465
Construction in progress	72,930	296,616	(369,546)	-
Total capital assets not depreciated	\$ 2,248,395	\$ 296,616	\$ (369,546)	\$ 2,175,465
Capital assets depreciated				
Buildings	\$ 8,699,213	\$ 564,401	\$ -	\$ 9,263,614
Office furniture and equipment	1,728,523	91,737	(19,110)	1,801,150
Machinery and automotive equipment	3,940,605	401,375	(326,892)	4,015,088
Infrastructure	71,189,638	2,094,705	-	73,284,343
Total capital assets depreciated	\$ 85,557,979	\$ 3,152,218	\$ (346,002)	\$ 88,364,195
Less: accumulated depreciation for				
Buildings	\$ (3,678,365)	\$ (314,317)	\$ -	\$ (3,992,682)
Office furniture and equipment	(1,255,016)	(173,496)	18,717	(1,409,795)
Machinery and automotive equipment	(2,545,712)	(298,043)	319,050	(2,524,705)
Infrastructure	(22,822,777)	(1,451,615)	-	(24,274,392)
Total accumulated depreciation	\$ (30,301,870)	\$ (2,237,471)	\$ 337,767	\$ (32,201,574)
Total capital assets depreciated, net	\$ 55,256,109	\$ 914,747	\$ (8,235)	\$ 56,162,621
Governmental Activities Capital Assets, Net	\$ 57,504,504	\$ 1,211,363	\$ (377,781)	\$ 58,338,086

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

Governmental Activities	
General government	\$ 383,266
Public safety	164,230
Highways and streets, including depreciation of infrastructure assets	1,689,975
Total Depreciation Expense – Governmental Activities	\$ 2,237,471

**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, 2018, 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 Special Revenue	\$ 22,431	To provide funding
Road and Bridge Special Revenue	Ditch Special Revenue	97	To provide services
Total Due From/To Other Funds		<u>\$ 22,528</u>	

2. Advances To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch Special Revenue	<u>\$ 11,000</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, 2018, consisted of the following:

	<u>Transfers In</u>	<u>Description</u>
Transfer to General Fund from Debt Service Fund	<u>\$ 43</u>	Repayment

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Unearned Revenues and 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, state and federal grants, and other revenue received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2018, are summarized below by fund:

	Taxes and Special Assessments	Grants and Highway Allotments	Miscellaneous	Total
Major governmental funds				
General Fund	\$ 625,566	\$ 209,455	\$ -	\$ 835,021
Road and Bridge Special Revenue Fund	10,533	2,031,124	-	2,041,657
Human Services Special Revenue Fund	22,326	38,659	825	61,810
Debt Service Fund	7,757	-	-	7,757
Nonmajor governmental funds				
Ditch Special Revenue Fund	278	-	-	278
Solid Waste Special Revenue Fund	12,170	-	-	12,170
Total	\$ 678,630	\$ 2,279,238	\$ 825	\$ 2,958,693
Liabilities				
Unearned revenue	\$ -	\$ 118,270	\$ -	\$ 118,270
Deferred inflows of resources				
Unavailable revenue	678,630	2,160,968	825	2,840,423
Total	\$ 678,630	\$ 2,279,238	\$ 825	\$ 2,958,693

**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 and records the lease receivable for the value of the bonds. As of December 31, 2018, the amount of the bonds outstanding is \$2,485,000. The interest revenue is recorded as nonoperating miscellaneous revenue for the HRA/EDA. For 2018, principal payments in the amount of \$170,000 were made by the County to the HRA/EDA.

On December 29, 2017, the County issued \$2,405,000 General Obligation Capital Improvement Plan Bonds, Series 2017A, to repay the remaining amount of the capital lease. The proceeds of these bonds are being held by an escrow agent. Payment will be made in 2019 when the HRA/EDA revenue bonds become callable.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

3. Long-Term Debt

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2018
General Obligation Bonds					
2013A G.O. Capital Equipment and Improvement	02/01/2024	\$50,000 – \$295,000	0.30 – 1.85	\$ 1,830,000	\$ 525,000
2017A G.O. Capital Improvement	02/01/2029	\$175,000 – \$260,000	3.00	<u>2,405,000</u>	<u>2,405,000</u>
Total Bonds Payable				<u>\$ 4,235,000</u>	<u>\$ 2,930,000</u>
Contract for Deed	11/01/2020	\$402 – \$686	5.50	<u>\$ 11,250</u>	<u>\$ 2,632</u>
Loans Payable					
SRF0185 State of Minnesota Septic System Replacement Loans	06/15/2021	\$5,080 – \$5,839	2.00	\$ 106,421	\$ 17,161
SRF0253 State of Minnesota Septic System Replacement Loans	12/15/2025	\$6,000 – \$7,248	2.00	132,108	68,357
State of Minnesota Agricultural Best Management Loan Program	*	*	0.00	<u>912,350</u>	<u>471,645</u>
Total Loans Payable				<u>\$ 1,150,879</u>	<u>\$ 557,163</u>
Capital Lease Payable	02/29/2029	\$135,000 – \$2,485,000	3.20 – 4.90	<u>\$ 3,400,000</u>	<u>\$ 2,485,000</u>

*These loans do not have a final maturity or final installation amounts until the program ends.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Long-Term Debt (Continued)

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	General Obligation Bonds		Contract for Deed	
	Principal	Interest	Principal	Interest
2019	\$ 460,000	\$ 77,020	\$ 1,325	\$ 130
2020	235,000	69,771	1,307	56
2021	245,000	63,224	-	-
2022	250,000	56,488	-	-
2023	255,000	48,538	-	-
2024 – 2028	1,225,000	129,988	-	-
2029	260,000	3,900	-	-
Total	<u>\$ 2,930,000</u>	<u>\$ 448,929</u>	<u>\$ 2,632</u>	<u>\$ 186</u>

Year Ending December 31	Capital Lease Payable		Loans Payable	
	Principal	Interest	Principal	Interest
2019	\$ 2,485,000	\$ 57,635	\$ 99,658	\$ 1,587
2020	-	-	106,458	1,089
2021	-	-	103,086	759
2022	-	-	90,380	480
2023	-	-	36,314	195
2024 – 2028	-	-	71,523	-
2029	-	-	49,744	-
Total	<u>\$ 2,485,000</u>	<u>\$ 57,635</u>	<u>\$ 557,163</u>	<u>\$ 4,110</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 3,210,000	\$ -	\$ 280,000	\$ 2,930,000	\$ 460,000
Bond premiums	115,214	-	9,608	105,606	-
Contract for deed	3,887	-	1,255	2,632	1,325
Loans payable	594,808	83,805	121,450	557,163	99,658
Capital lease payable	2,655,000	-	170,000	2,485,000	2,485,000
Compensated absences	481,292	577,640	553,841	505,091	16,907
Long-Term Liabilities	<u>\$ 7,060,201</u>	<u>\$ 661,445</u>	<u>\$ 1,136,154</u>	<u>\$ 6,585,492</u>	<u>\$ 3,062,890</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Other Postemployment Benefits (OPEB)

Plan Description

Pope County administers an other postemployment benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

OPEB are determined by the County Commissioners and can be amended by the County through its personnel manual and union contracts. Employees first hired before March 1, 1995, are eligible, with exceptions, for employer contributions for retiree health care. The County provides the full premium for single coverage or 66 percent of the cost for dependent coverage for eligible retirees.

The County also provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

As of the January 1, 2017, actuarial valuation, the following employees were covered by the benefit terms:

Active employees	99
Retired employees	33
Spouses	<u>7</u>
Total Plan Participants	<u>139</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of \$2,347,070 was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2017. The total OPEB liability is liquidated primarily by the General Fund and the Road and Bridge and Human Services Special Revenue Funds.

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.25 percent in 2018, grading to 5.00 percent over five years

The current year discount rate is 3.30 percent, which is a change from the prior year rate of 3.50 percent. For the current valuation, the discount rate was selected from a range of the Bond Buyer G.O. 20-year bond Municipal Bond Yield, where the assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel).

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation as of January 1, 2017.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018, as restated	\$ 2,498,244
Changes for the year	
Service cost	\$ 19,480
Interest	78,999
Benefit payments	(249,653)
Net change	\$ (151,174)
Balance at December 31, 2018	\$ 2,347,070

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	\$ 2,552,946
Current	3.30	2,347,070
1% Increase	4.30	2,168,873

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

5. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00% over 5 years	\$ 2,155,205
Current	6.25% Decreasing to 5.00% over 5 years	2,347,070
1% Increase	7.25% Decreasing to 6.00% over 5 years	2,568,523

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the County recognized OPEB expense of \$227,055. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer Contributions paid subsequent to the measurement date	\$ 227,055	\$ -

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The actuarial cost method was changed from projected unit credit to entry age.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of Pope County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan) and the Public Employees Police and Fire Plan (the Police and Fire Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Pope County employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

The benefit provisions stated in the following paragraph 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 their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members.

Members hired prior to July 1, 1989, receive 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 Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

c. Contributions

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. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018.

In 2018, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.20

The employee and employer contribution rates did not change from the previous year.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	\$	370,065
Police and Fire Plan		109,937

The contributions are equal to the contractually required contributions as set by state statute.

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of \$4,055,288 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0731 percent. It was 0.0768 percent measured as of June 30, 2017. The County recognized pension expense of \$179,758 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$31,021 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	\$	4,055,288
State of Minnesota's proportionate share of the net pension liability associated with the County		133,025
Total	\$	4,188,313

The County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 112,526	\$ 120,379
Changes in actuarial assumptions	394,272	471,442
Difference between projected and actual investment earnings	-	426,416
Changes in proportion	97,434	270,440
Contributions paid to PERA subsequent to the measurement date	184,992	-
Total	\$ 789,224	\$ 1,288,677

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The \$184,992 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	\$ 39,510
2020	(241,184)
2021	(398,131)
2022	(84,640)

Police and Fire Plan

At December 31, 2018, the County reported a liability of \$667,252 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.0626 percent. It was 0.0650 percent measured as of June 30, 2017. The County recognized pension expense of \$64,409 for its proportionate share of the Police and Fire Plan's pension expense.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized \$5,634 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

The County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 27,491	\$ 165,143
Changes in actuarial assumptions	848,112	1,019,085
Difference between projected and actual investment earnings	-	145,012
Changes in proportion	43,798	41,404
Contributions paid to PERA subsequent to the measurement date	57,150	-
Total	\$ 976,551	\$ 1,370,644

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The \$57,150 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	\$ (21,311)
2020	(51,504)
2021	(96,058)
2022	(274,768)
2023	(7,602)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was \$244,167.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class.

These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan and the Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the			
	General Employees Plan		Police and Fire Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 6,590,363	6.50%	\$ 1,430,629
Current	7.50	4,055,288	7.50	667,252
1% Increase	8.50	1,962,657	8.50	35,970

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

E. Fund Balances

The summary of fund balance classifications is as follows:

	General Fund	Road and Bridge	Human Services	Debt Service	Capital Projects	Other Governmental Funds	Total
Nonspendable							
Inventories	\$ -	\$ 239,772	\$ -	\$ -	\$ -	\$ -	\$ 239,772
Advances to other funds	11,000	-	-	-	-	-	11,000
Total nonspendable	\$ 11,000	\$ 239,772	\$ -	\$ -	\$ -	\$ -	\$ 250,772
Restricted							
Debt service	\$ -	\$ -	\$ -	\$ 3,129,276	\$ -	\$ -	\$ 3,129,276
Law library	-	-	-	-	-	15,860	15,860
Capital projects	-	-	-	-	47,463	-	47,463
Recorder's technology and equipment	92,180	-	-	-	-	-	92,180
Election equipment	8,412	-	-	-	-	-	8,412
E-911	236,117	-	-	-	-	-	236,117
Recorder's compliance	96,703	-	-	-	-	-	96,703
Permit to carry	100,812	-	-	-	-	-	100,812
Sheriff's contingency	3,885	-	-	-	-	-	3,885
Aquatic invasive species	307,101	-	-	-	-	-	307,101
Riparian protection	209,509	-	-	-	-	-	209,509
Tax-forfeited property	12,383	-	-	-	-	-	12,383
Bike path donations	6,382	-	-	-	-	-	6,382
Clean water partnership	113,584	-	-	-	-	-	113,584
Ditch maintenance and construction	-	-	-	-	-	31,115	31,115
Total restricted	\$ 1,187,068	\$ -	\$ -	\$ 3,129,276	\$ 47,463	\$ 46,975	\$ 4,410,782
Assigned							
Road and bridge	\$ -	\$ 3,184,628	\$ -	\$ -	\$ -	\$ -	\$ 3,184,628
Human services	-	-	3,141,637	-	-	-	3,141,637
Plat sign deposits	1,169	-	-	-	-	-	1,169
Veterans van	20,652	-	-	-	-	-	20,652
Capital expenditures	579,439	-	-	-	-	-	579,439
Total assigned	\$ 601,260	\$ 3,184,628	\$ 3,141,637	\$ -	\$ -	\$ -	\$ 6,927,525
Unassigned	\$ 8,026,498	\$ -	\$ -	\$ -	\$ -	\$ (28,797)	\$ 7,997,701
Total Fund Balances	\$ 9,825,826	\$ 3,424,400	\$ 3,141,637	\$ 3,129,276	\$ 47,463	\$ 18,178	\$ 19,586,780

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance.

There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2018 and 2019. 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.

In 2018, the County entered into an agreement with PrimeHealth to provide a mechanism for utilizing a pooled self-insurance health program under the authority granted to the counties in Minn. Stat. § 471.59. Premiums are paid to PrimeHealth, who provides bookkeeping services to the entity, including the payment of claims. For 2018, the County has retained risk with a specific annual deductible of \$400,000 per member for the health plan.

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

B. Contingent Liabilities

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

The County, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and 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.

C. Joint Ventures

Pope/Douglas Solid Waste Management

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

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

Financing is provided by charges for services, special assessments levied in each county, state grants, and interest on investments. During 2018, Pope County contributed \$325,888 to Pope/Douglas Solid Waste Management.

Complete financial statements for Pope/Douglas Solid Waste Management can be obtained from:

Pope/Douglas Solid Waste Management
2115 Jefferson Street
Alexandria, Minnesota 56308

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Northwest Regional Development Commission

The Northwest Regional Development Commission provides services to a 21-county service area in Northwest and West Central Minnesota. This combined area 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.

Control is vested in the Northwest Regional Development Commission Board. 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. The Northwest Regional Development Commission 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.

Financing is provided by appropriations from member parties and by state and federal grants. During 2018, Pope County did not contribute to the Northwest Regional Development Commission.

Complete financial information can be obtained from:

Northwest Regional Development Commission
109 South Minnesota Street
Warren, Minnesota 56762

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 Rainbow Rider 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Rainbow Rider Transit Board (Continued)

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 Rainbow Rider allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board. During 2018, Pope County contributed \$31,033 to Rainbow Rider.

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
249 Poplar Avenue
Lowry, Minnesota 56349

Horizon Public Health

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. Horizon Community Health Board was renamed to Horizon Public Health on January 1, 2015, when it became a fiscally independent entity. The budget is now approved by the five-county Board.

Control is vested in Horizon Public Health's Board, which consists of 13 members comprised of 11 County Commissioners and two community representatives. Each member of the Board is appointed by the County Commissioners of the county they represent.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Horizon Public Health (Continued)

Financing is provided by state and federal grants and contributions from the five member counties. During 2018, Pope County contributed \$98,955 in funding to Horizon Public Health.

Complete financial statements for Horizon Public Health can be obtained from:

Horizon Public Health
809 Elm Street, Suite 1200
Alexandria, Minnesota 56308

Region 4 South Adult Mental Health Consortium

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

Control of the Consortium is vested in a Governing Board, which consists of each participating county's Director of Social Services, Family Services, or Human Services, as the case may be; two County Commissioners from the Executive Commissioner Board; three local providers; and three consumers. 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 will 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

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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. During 2018, Pope County contributed \$200 to the Consortium. Grant County, in a fiscal host capacity, reports the cash transactions of the Consortium as an agency fund on its financial statements.

Complete financial information can be obtained from:

Region 4 South Consortium
507 North Nokomis Northeast, Suite 203
Alexandria, Minnesota 56308

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, the 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.

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 2018, Pope County provided \$44,527 in LCTS funds 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59.

Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership 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 of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors 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.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Pope County did not make any contributions to PrimeWest Health in 2018.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

PrimeWest Health (Continued)

Complete financial information can be obtained from its administrative office at:

PrimeWest Health
3905 Dakota Street, Suite 101
Alexandria, Minnesota 56308

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

The Rural Minnesota Concentrated Employment Programs, Inc. (RMCEP), is a private non-profit corporation that provides workforce development services in a 19-county area in north central and west central Minnesota. The agency was incorporated in 1968 to operate employment and training programs which include Workforce Investment Act services. The RMCEP was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

The RMCEP is governed by a Board of Directors, which are comprised of representatives from a wide variety of industry sectors, education, and human services. Pope County provided \$40,014 to this organization in 2018. 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, Douglas, Grant, Otter Tail, Pope, and Wadena Counties, and the Cities of Alexandria, Detroit Lakes, Fergus Falls, Glenwood, Pelican Rapids, Starbuck, and Wadena. The Task Force's objectives are to coordinate and strengthen efforts to identify, apprehend, and prosecute drug-related offenders.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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 contributed \$4,000 to the Task Force in 2018.

Separate financial information can be obtained from:

Douglas County Courthouse
305 – 8th Avenue West
Alexandria, Minnesota 56308

Viking Library System

Pope County, along with ten cities and five other counties, participates in the Viking Library System in order to establish, continue, strengthen, and improve library services in the participating cities and counties. The Viking Library System was created as a public library service in 1975 by Douglas, Grant, Otter Tail, and Stevens Counties, along with the Cities of Alexandria, Elbow Lake, Fergus Falls, Hancock, and Morris. Additions to the library system included the Cities of Wheaton, Browns Valley, Glenwood, New York Mills, and Perham in 1976; Pope County in 1981; Traverse County in 1983; and the City of Pelican Rapids in 1988. In 1992, the Alexandria Library became the Douglas County Library.

The Viking Library System is governed by a governing board which consists of 19 members. Each County Board appoints a resident of the county, each member library board appoints a representative, and any libraries with a service area population over 15,000 have an additional representative. Currently, Fergus Falls and Douglas County have additional representatives. During 2018, Pope County provided \$117,425 to the Viking Library System.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Viking Library System (Continued)

Complete financial information can be obtained from:

Viking Library System
1915 Fir Avenue West
Fergus Falls, Minnesota 56537

D. Jointly-Governed Organizations

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

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501(c)(3) 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 \$69,125 in 2018 for services purchased through Lakeland Mental Health Center.

West Central S.W.A.T. Team

The West Central S.W.A.T. Team is comprised of five county sheriff's offices and eight police departments including Lac qui Parle, Pope, Stevens, Swift, and Traverse Counties along with the Appleton, Benson, Glenwood, Morris, Starbuck, University of Minnesota

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

West Central S.W.A.T. Team (Continued)

Morris, and Wheaton police departments. The purpose of the Team is to create a feasible and economical way, by sharing the costs, to protect the citizens of the cities and counties involved. During the year, Pope County did not contribute to the Team.

E. 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. Pope County has met those responsibilities for 2018.

F. Tax Abatements

The County entered into property tax abatement agreements with various developers, under Minn. Stat. §§ 469.1812 through 469.1815, as amended. Under the statutes, a political subdivision may grant a current or prospective abatement of property taxes if it expects the benefits to the political subdivision of the proposed abatement agreement to at least equal the costs to the political subdivision of the proposed agreement and it will provide benefits such as increasing or preserving the tax base or providing employment opportunities in Pope County. All tax abatements are disclosed.

Midwest Machinery Company

In October 2011, the County entered into a property tax abatement agreement with the City of Glenwood, Minnewaska Area School District No. 2149, and Midwest Machinery Company for a period of up to 12 years effective in the years 2013 through 2025. The abatement is contractually set to equal the sum of \$54,000 plus non-compounded interest at five percent on the unpaid County share of the reimbursement amount. Pope County provided a tax abatement in the form of a tax refund in the amount of \$6,603 for 2018. The developer agrees to construct an expansion to the company's existing John Deere facility, including sanitary sewer and water connections.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

F. Tax Abatements (Continued)

City of Glenwood

In November 2012, the County entered into a property tax abatement agreement with the City of Glenwood and Minnewaska Area School District No. 2149 for a period of up to seven years effective in the years 2015 through 2022. The abatement is contractually set annually at \$12,148, or an aggregate total of \$85,036. Pope County provided a tax abatement in the form of a tax refund in the amount of \$12,148 for 2018. The City of Glenwood agrees to pave an existing gravel road to facilitate entry to an existing hotel and the surrounding area.

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

A. Summary of Significant Accounting Policies

1. Financial Reporting Entity

The Pope County Housing and Redevelopment Authority/Economic Development Authority (HRA/EDA) is a component unit of Pope County and is reported in a separate column in the County's financial statements to emphasize that the HRA/EDA is a legally separate entity from Pope County. The HRA/EDA operates as a local government unit for the purpose of providing housing and redevelopment and economic development services to the local area. The governing body consists of a seven-member Board of Commissioners appointed by the County. The financial statements included are as of and for the year ended December 31, 2018.

2. Measurement Focus and Basis of Accounting

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

3. Assets, Liabilities, and Net Position

a. Cash and Cash Equivalents

The HRA/EDA has defined cash and cash equivalents to include cash on hand and demand deposits.

b. Receivables

Property tax levies are set by the HRA/EDA and are certified to the County each year for collection in the following year. 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.

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

c. Property 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.

d. Restricted Assets

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

A. Summary of Significant Accounting Policies

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

e. Capital Assets

Capital assets, which include land and buildings, are reported in the financial statements. Capital assets are defined by the HRA/EDA as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

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

f. Long-Term Obligations

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

g. Classification of Net Position

The HRA/EDA classifies net position in the following categories: net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets, net of unspent related debt proceeds, if any; restricted net position is classified as such when 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; and unrestricted net position is the amount of net position that does not meet the definition of restricted or net investment in capital assets.

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

A. Summary of Significant Accounting Policies (Continued)

4. Use of Estimates

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

B. Detailed Notes

1. Deposits and Investments

a. Deposits

At December 31, 2018, the HRA/EDA had deposits totaling \$631,407.

The HRA/EDA 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 HRA/EDA is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

B. Detailed Notes

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the HRA/EDA's deposits may not be returned to it. The HRA/EDA does not have a deposit policy for custodial credit risk. As of December 31, 2018, the HRA/EDA's deposits were not exposed to custodial credit risk.

b. Investments

The HRA/EDA had no investments as of December 31, 2018.

2. Receivables

Of the loans receivable, \$268,859 is not expected to be collected within the next year.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

B. Detailed Notes

2. Receivables

Capital Lease Receivable (Continued)

December 31, 2018, the amount of the bonds outstanding is \$2,485,000. The interest received is recorded as nonoperating miscellaneous revenue. For 2018, the HRA/EDA recorded interest revenue of \$115,851; \$48,029 of this is recorded as accrued interest receivable. Principal payments of \$170,000 were made by the County to the HRA/EDA and by the HRA/EDA on the bond liability for 2018. The current portion of the lease receivable is \$2,485,000.

During 2017, the County issued refunding bonds to repay the final amount of the capital lease. The value of the refunding bonds are being held by an escrow agent for the County, and payment will be made in 2019, when the HRA/EDA's revenue bonds become callable.

3. Capital Assets

The HRA/EDA's capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 311,797	\$ -	\$ -	\$ 311,797
Capital assets depreciated				
Buildings	\$ 2,122,240	\$ -	\$ -	\$ 2,122,240
Infrastructure	100,000	-	-	100,000
Total capital assets depreciated	\$ 2,222,240	\$ -	\$ -	\$ 2,222,240
Less: accumulated depreciation for				
Buildings	\$ (212,224)	\$ (53,056)	\$ -	\$ (265,280)
Infrastructure	(2,500)	(2,500)	-	(5,000)
Total accumulated depreciation	\$ (214,724)	\$ (55,556)	\$ -	\$ (270,280)
Total capital assets depreciated, net	\$ 2,007,516	\$ (55,556)	\$ -	\$ 1,951,960
Capital Assets, Net	\$ 2,319,313	\$ (55,556)	\$ -	\$ 2,263,757

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

B. Detailed Notes (Continued)

4. Long-Term Debt

Long-term debt outstanding at December 31, 2018, for the HRA/EDA consists of the following:

<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, 2018</u>
2008A Public Project Revenue Bonds	02/01/2029	\$135,000 – \$2,485,000	3.20 – 4.90	<u>\$ 3,400,000</u>	<u>\$ 2,485,000</u>
2013A General Obligation Bonds	02/01/2034	\$40,000 – \$245,000	0.85 – 3.10	<u>\$ 2,405,000</u>	<u>\$ 2,215,000</u>
Note Payable	06/01/2022	\$18,412 – \$21,664	4.13	<u>\$ 100,000</u>	<u>\$ 81,588</u>

The debt service requirements as of December 31, 2018, are as follows:

<u>Year Ending December 31</u>	<u>Revenue Bonds</u>		<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,485,000	\$ 57,635	\$ 60,000	\$ 57,043
2020	-	-	70,000	56,003
2021	-	-	75,000	54,842
2022	-	-	85,000	53,435
2023	-	-	95,000	51,725
2024 – 2028	-	-	630,000	221,573
2029 – 2033	-	-	955,000	114,811
2034	-	-	245,000	3,859
Total	<u>\$ 2,485,000</u>	<u>\$ 57,635</u>	<u>\$ 2,215,000</u>	<u>\$ 613,291</u>

<u>Year Ending December 31</u>	<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 19,172	\$ 3,369
2020	19,964	2,578
2021	20,788	1,753
2022	21,664	895
Total	<u>\$ 81,588</u>	<u>\$ 8,595</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

B. Detailed Notes

4. Long-Term Debt (Continued)

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 2,655,000	\$ -	\$ 170,000	\$ 2,485,000	\$ 2,485,000
General obligation bonds	2,270,000	-	55,000	2,215,000	60,000
(Discount)/premium	7,803	-	504	7,299	-
Note payable	100,000	-	18,412	81,588	19,172
Long-Term Liabilities	<u>\$ 5,032,803</u>	<u>\$ -</u>	<u>\$ 243,916</u>	<u>\$ 4,788,887</u>	<u>\$ 2,564,172</u>

C. Risk Management

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

D. Tax Abatements – Pay-As-You-Go Tax Increment

The HRA/EDA entered into a property tax abatement agreement with a developer, dated September 1, 2017, for a period of 14 years effective in the years 2019 through 2033, under Minn. Stat. §§ 469.174 to .1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low- to moderate-income housing, and economic development. TIF captures the increase in tax capacity and property taxes (of most taxing jurisdictions, including the HRA/EDA) from development or redevelopment to provide funding for the related project. The pay-as-you-go note provides for payment to the developer of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements in an amount not to exceed \$68,000.

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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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,273,741	\$ 6,273,741	\$ 6,190,730	\$ (83,011)
Special assessments	-	-	140,139	140,139
Licenses and permits	61,455	61,455	77,530	16,075
Intergovernmental	1,043,731	1,043,731	1,509,182	465,451
Charges for services	341,859	341,859	401,887	60,028
Fines and forfeits	7,050	7,050	6,308	(742)
Gifts and contributions	-	-	2,959	2,959
Investment earnings	55,700	55,700	191,931	136,231
Miscellaneous	150,600	150,600	289,212	138,612
Total Revenues	\$ 7,934,136	\$ 7,934,136	\$ 8,809,878	\$ 875,742
Expenditures				
Current				
General government				
Commissioners	\$ 223,237	\$ 223,237	\$ 195,820	\$ 27,417
County-wide	-	-	25	(25)
Wellness program	1,000	1,000	-	1,000
Information technology	468,744	454,728	548,170	(93,442)
Coordinator	391,581	391,581	337,867	53,714
Auditor/Treasurer	416,372	416,372	295,678	120,694
County assessor	511,013	511,013	463,811	47,202
Elections	77,100	77,100	76,245	855
Accounting and auditing	60,000	60,000	35,182	24,818
Data processing	88,700	88,700	76,575	12,125
Attorney	273,007	273,007	273,466	(459)
Recorder	327,829	327,829	301,032	26,797
Surveyor	1,000	1,000	-	1,000
Environmental services	239,130	239,130	261,255	(22,125)
Buildings	384,699	384,699	409,621	(24,922)
Veterans service officer	60,089	60,089	49,998	10,091
Other general government	401,486	401,486	270,794	130,692
General government – pension	-	-	31,021	(31,021)
Total general government	\$ 3,924,987	\$ 3,910,971	\$ 3,626,560	\$ 284,411

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 1,205,944	\$ 1,205,944	\$ 1,145,483	\$ 60,461
ATV grant	-	-	418	(418)
Snowmobile grant	3,215	3,215	1,574	1,641
Boat and water safety	31,738	31,738	17,682	14,056
Coroner	13,000	13,000	14,756	(1,756)
Enhanced 911 system	63,400	63,400	72,088	(8,688)
Dispatchers	347,770	347,770	318,989	28,781
County jail	260,398	260,398	296,116	(35,718)
Court services	378,158	378,158	356,433	21,725
Sentence to serve	90,391	90,391	82,971	7,420
Emergency management	48,056	48,056	53,653	(5,597)
ARMER implementation	30,320	30,320	30,780	(460)
Public safety – pension	-	-	5,634	(5,634)
Total public safety	\$ 2,472,390	\$ 2,472,390	\$ 2,396,577	\$ 75,813
Health				
Horizon community health	\$ 98,955	\$ 98,955	\$ 98,955	\$ -
Culture and recreation				
Historical society	\$ 46,000	\$ 46,000	\$ 46,000	\$ -
Terrace Mill and Glacial Ridge	1,300	1,300	1,300	-
Regional library	117,425	117,425	117,425	-
Other	1,260	1,260	15,260	(14,000)
Total culture and recreation	\$ 165,985	\$ 165,985	\$ 179,985	\$ (14,000)
Conservation of natural resources				
Soil and water conservation	\$ 84,850	\$ 84,850	\$ 175,346	\$ (90,496)
County extension	99,159	99,159	90,697	8,462
Agriculture ditch inspector	7,060	7,060	8,759	(1,699)
County fair	21,600	21,600	21,600	-
Water management	301,205	301,205	219,904	81,301
Total conservation of natural resources	\$ 513,874	\$ 513,874	\$ 516,306	\$ (2,432)
Economic development				
Community development	\$ 13,224	\$ 13,224	\$ 13,224	\$ -
Senior citizens	2,347	2,347	2,347	-
Total economic development	\$ 15,571	\$ 15,571	\$ 15,571	\$ -

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<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	\$ 68,000	\$ 68,000	\$ 67,729	\$ 271
Capital outlay				
General government	\$ 663,592	\$ 677,608	\$ 566,201	\$ 111,407
Public safety	-	-	36,253	(36,253)
Total capital outlay	\$ 663,592	\$ 677,608	\$ 602,454	\$ 75,154
Debt service				
Principal	\$ -	\$ -	\$ 122,705	\$ (122,705)
Interest	-	-	2,412	(2,412)
Total debt service	\$ -	\$ -	\$ 125,117	\$ (125,117)
Total Expenditures	\$ 7,923,354	\$ 7,923,354	\$ 7,629,254	\$ 294,100
Excess of Revenues Over (Under)				
Expenditures	\$ 10,782	\$ 10,782	\$ 1,180,624	\$ 1,169,842
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 43	\$ 43
Loan issued	-	-	83,805	83,805
Proceeds from sale of capital assets	-	-	5,270	5,270
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 89,118	\$ 89,118
Net Change in Fund Balance	\$ 10,782	\$ 10,782	\$ 1,269,742	\$ 1,258,960
Fund Balance – January 1	8,556,084	8,556,084	8,556,084	-
Fund Balance – December 31	\$ 8,566,866	\$ 8,566,866	\$ 9,825,826	\$ 1,258,960

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 876,837	\$ 876,837	\$ 863,015	\$ (13,822)
Intergovernmental	3,841,097	3,841,097	4,031,777	190,680
Charges for services	69,200	69,200	101,900	32,700
Miscellaneous	3,500	3,500	4,931	1,431
Total Revenues	\$ 4,790,634	\$ 4,790,634	\$ 5,001,623	\$ 210,989
Expenditures				
Current				
Highways and streets				
Administration	\$ 381,938	\$ 381,938	\$ 349,179	\$ 32,759
Maintenance	1,182,891	1,182,891	1,311,541	(128,650)
Engineering/construction	2,112,887	2,112,887	2,050,037	62,850
Equipment, maintenance, and shop	548,718	548,718	505,629	43,089
Total highways and streets	\$ 4,226,434	\$ 4,226,434	\$ 4,216,386	\$ 10,048
Intergovernmental				
Highways and streets	393,200	393,200	442,792	(49,592)
Capital outlay				
Highways and streets	171,000	171,000	277,952	(106,952)
Total Expenditures	\$ 4,790,634	\$ 4,790,634	\$ 4,937,130	\$ (146,496)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 64,493	\$ 64,493
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	1,440	1,440
Net Change in Fund Balance	\$ -	\$ -	\$ 65,933	\$ 65,933
Fund Balance – January 1	3,217,602	3,217,602	3,217,602	-
Increase (decrease) in inventories	-	-	140,865	140,865
Fund Balance – December 31	\$ 3,217,602	\$ 3,217,602	\$ 3,424,400	\$ 206,798

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,804,954	\$ 1,804,954	\$ 1,759,255	\$ (45,699)
Intergovernmental	2,039,427	2,039,427	2,083,740	44,313
Charges for services	336,800	336,800	362,236	25,436
Miscellaneous	55,950	55,950	114,854	58,904
Total Revenues	\$ 4,237,131	\$ 4,237,131	\$ 4,320,085	\$ 82,954
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,146,406	\$ 1,146,406	\$ 1,201,161	\$ (54,755)
Social services	3,020,557	3,020,557	2,376,459	644,098
Senior coordinator	70,168	70,168	69,296	872
Total Expenditures	\$ 4,237,131	\$ 4,237,131	\$ 3,646,916	\$ 590,215
Net Change in Fund Balance	\$ -	\$ -	\$ 673,169	\$ 673,169
Fund Balance – January 1	2,468,468	2,468,468	2,468,468	-
Fund Balance – December 31	\$ 2,468,468	\$ 2,468,468	\$ 3,141,637	\$ 673,169

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

	2018
Total OPEB Liability	
Service cost	\$ 19,480
Interest	78,999
Benefit payments	(249,653)
Net change in total OPEB liability	\$ (151,174)
Total OPEB Liability – Beginning, as restated	2,498,244
Total OPEB Liability – Ending	\$ 2,347,070
Covered-employee payroll	\$ 5,303,995
Total OPEB liability (asset) as a percentage of covered-employee payroll	44.25%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Pope County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0731 %	\$ 4,055,288	\$ 133,025	\$ 4,188,313	\$ 4,916,334	82.49 %	79.53 %
2017	0.0768	4,902,861	61,651	4,964,512	4,947,759	99.09	75.90
2016	0.0744	6,040,911	78,926	6,119,837	4,619,457	130.77	68.91
2015	0.0816	4,228,936	N/A	4,228,936	4,804,103	88.03	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

The measurement date for each year is June 30.

N/A – Not Applicable

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	\$ 370,065	\$ 370,065	\$ -	\$ 4,934,192	7.50 %
2017	361,030	361,030	-	4,813,716	7.50
2016	353,849	353,849	-	4,717,986	7.50
2015	354,731	354,731	-	4,729,744	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0626 %	\$ 667,252	\$ 659,999	101.10 %	88.84 %
2017	0.0650	877,577	665,610	131.85	85.43
2016	0.0640	2,568,431	613,583	418.60	63.88
2015	0.0610	693,103	555,199	124.84	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The measurement date for each year is June 30.

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	\$ 109,937	\$ 109,937	\$ -	\$ 678,625	16.20 %
2017	105,580	105,580	-	651,725	16.20
2016	101,364	101,364	-	625,703	16.20
2015	97,692	97,692	-	603,034	16.20

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The County's year-end is December 31.

**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

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.

2. Excess of Expenditures Over Budget

The following fund had expenditures in excess of budget for the year ended December 31, 2018:

	Expenditures	Budget	Excess
Major governmental fund			
Road and Bridge Special Revenue Fund	\$ 4,937,130	\$ 4,790,634	\$ 146,496

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Other Postemployment Benefits Funded Status

In 2018, Pope County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.C.5. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

4. Employer Contributions to Other Postemployment Benefits

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The actuarial cost method was changed from projected unit credit to entry age.

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan

2017 (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019, and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2018 (Continued)

- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2017 (Continued)

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064, and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Public Employees Police and Fire Plan

2016 (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 611,264	\$ 611,264	\$ 596,851	\$ (14,413)
Intergovernmental	-	-	20,849	20,849
Investment earnings	-	-	25,660	25,660
Miscellaneous	-	-	571	571
Total Revenues	\$ 611,264	\$ 611,264	\$ 643,931	\$ 32,667
Expenditures				
Debt service				
Principal	\$ 306,464	\$ 306,464	\$ 450,000	\$ (143,536)
Interest	304,800	304,800	170,441	134,359
Administrative charges	-	-	1,400	(1,400)
Total Expenditures	\$ 611,264	\$ 611,264	\$ 621,841	\$ (10,577)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 22,090	\$ 22,090
Other Financing Sources (Uses)				
Transfers out	-	-	(43)	(43)
Net Change in Fund Balance	\$ -	\$ -	\$ 22,047	\$ 22,047
Fund Balance – January 1	3,107,229	3,107,229	3,107,229	-
Fund Balance – December 31	\$ 3,107,229	\$ 3,107,229	\$ 3,129,276	\$ 22,047

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS AND
FIDUCIARY FUNDS

Special Revenue Funds

Ditch – to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited properties.

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

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.

Energy Financing – to account for the receipts and disbursements of energy financing.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

**NONMAJOR GOVERNMENTAL FUNDS AND
FIDUCIARY FUNDS**

Agency Funds (Continued)

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-2

**BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2018**

	Ditch	Solid Waste	Law Library	Total (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 21,942	\$ 9,130	\$ 21,397	\$ 52,469
Special assessments receivable				
Delinquent	278	12,170	-	12,448
Due from other governments	2,834	-	-	2,834
Total Assets	\$ 25,054	\$ 21,300	\$ 21,397	\$ 67,751
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 466	\$ -	\$ 5,496	\$ 5,962
Salaries payable	-	-	41	41
Due to other funds	97	-	-	97
Due to other governments	10,895	9,130	-	20,025
Advances from other funds	11,000	-	-	11,000
Total Liabilities	\$ 22,458	\$ 9,130	\$ 5,537	\$ 37,125
Deferred Inflows of Resources				
Unavailable revenue	\$ 278	\$ 12,170	\$ -	\$ 12,448
Fund Balances (Note 3.D.)				
Restricted	\$ 31,115	\$ -	\$ 15,860	\$ 46,975
Unassigned	(28,797)	-	-	(28,797)
Total Fund Balances	\$ 2,318	\$ -	\$ 15,860	\$ 18,178
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 25,054	\$ 21,300	\$ 21,397	\$ 67,751

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-3

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Ditch</u>	<u>Solid Waste</u>	<u>Law Library</u>	<u>Total (Exhibit 5)</u>
Revenues				
Special assessments	\$ 24,554	\$ 325,888	\$ -	\$ 350,442
Fines and forfeits	-	-	14,776	14,776
Total Revenues	\$ 24,554	\$ 325,888	\$ 14,776	\$ 365,218
Expenditures				
Current				
General government	\$ -	\$ -	\$ 21,018	\$ 21,018
Conservation of natural resources	22,919	-	-	22,919
Intergovernmental				
Sanitation	-	325,888	-	325,888
Total Expenditures	\$ 22,919	\$ 325,888	\$ 21,018	\$ 369,825
Net Change in Fund Balances	\$ 1,635	\$ -	\$ (6,242)	\$ (4,607)
Fund Balances – January 1	683	-	22,102	22,785
Fund Balances – December 31	\$ 2,318	\$ -	\$ 15,860	\$ 18,178

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 181,833	\$ 4,255,021	\$ 4,295,428	\$ 141,426
<u>Liabilities</u>				
Due to other governments	\$ 181,833	\$ 4,486,969	\$ 4,527,376	\$ 141,426
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 6,088	\$ 208,414	\$ 205,385	\$ 9,117
<u>Liabilities</u>				
Accounts payable	\$ 6,088	\$ 210,434	\$ 207,405	\$ 9,117
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 58,947	\$ 48,078	\$ 70,725	\$ 36,300
Due from other governments	13,653	951	14,604	-
Total Assets	\$ 72,600	\$ 49,029	\$ 85,329	\$ 36,300
<u>Liabilities</u>				
Due to other governments	\$ 72,600	\$ 89,489	\$ 125,789	\$ 36,300

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 14,116	\$ 257,428	\$ 262,230	\$ 9,314
<u>Liabilities</u>				
Due to other governments	\$ 14,116	\$ 257,428	\$ 262,230	\$ 9,314
 <u>ENERGY FINANCING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 21,968	\$ 20,603	\$ 1,365
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 21,968	\$ 21,968	\$ -
Due to other governments	-	1,365	-	1,365
Total Liabilities	\$ -	\$ 23,333	\$ 21,968	\$ 1,365
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 17,982	\$ 21,361,845	\$ 21,331,330	\$ 48,497
<u>Liabilities</u>				
Due to other governments	\$ 17,982	\$ 21,579,517	\$ 21,549,002	\$ 48,497

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 240,539	\$ 4,893,210	\$ 4,994,054	\$ 139,695
<u>Liabilities</u>				
Due to other governments	\$ 240,539	\$ 5,115,964	\$ 5,216,808	\$ 139,695
 <u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 81	\$ 11,150	\$ 11,186	\$ 45
<u>Liabilities</u>				
Due to other governments	\$ 81	\$ 11,275	\$ 11,311	\$ 45
 <u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 4	\$ 4	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 4	\$ 4	\$ -

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 526	\$ 38,995	\$ 37,725	\$ 1,796
<u>Liabilities</u>				
Due to other governments	\$ 526	\$ 41,008	\$ 39,738	\$ 1,796
 <u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 19	\$ 489	\$ 416	\$ 92
<u>Liabilities</u>				
Due to other governments	\$ 19	\$ 581	\$ 508	\$ 92
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,414	\$ 60,299	\$ 57,586	\$ 5,127
<u>Liabilities</u>				
Due to other governments	\$ 2,414	\$ 67,106	\$ 64,393	\$ 5,127

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-4
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 50,710</u>	<u>\$ 1,694,259</u>	<u>\$ 1,689,108</u>	<u>\$ 55,861</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 50,710</u>	<u>\$ 1,735,011</u>	<u>\$ 1,729,860</u>	<u>\$ 55,861</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 573,255	\$ 32,851,160	\$ 32,975,780	\$ 448,635
Due from other governments	<u>13,653</u>	<u>951</u>	<u>14,604</u>	<u>-</u>
Total Assets	<u>\$ 586,908</u>	<u>\$ 32,852,111</u>	<u>\$ 32,990,384</u>	<u>\$ 448,635</u>
<u>Liabilities</u>				
Accounts payable	\$ 6,088	\$ 232,402	\$ 229,373	\$ 9,117
Due to other governments	<u>580,820</u>	<u>33,385,717</u>	<u>33,527,019</u>	<u>439,518</u>
Total Liabilities	<u>\$ 586,908</u>	<u>\$ 33,618,119</u>	<u>\$ 33,756,392</u>	<u>\$ 448,635</u>

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OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2018**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pooled Deposits and Investments			
Certificates of deposit			
Bremer Bank	1.71	January 8, 2019	\$ 1,000,000
Bremer Bank	2.38	July 20, 2019	100,000
Bremer Bank	2.86	September 29, 2020	1,000,000
Glenwood State Bank	1.30	December 5, 2021	25,000
Hometown Community Bank	1.50	April 19, 2019	200,000
Hometown Community Bank	1.50	April 30, 2019	200,000
Hometown Community Bank	2.75	June 24, 2019	300,000
Hometown Community Bank	1.50	July 7, 2019	150,000
Hometown Community Bank	3.05	December 7, 2020	90,000
Total certificates of deposit			\$ 3,065,000
Checking accounts			
Eagle Bank	0.07	Continuous	\$ 35,438
Glenwood State Bank	0.15	Continuous	35,437
Total checking accounts			\$ 70,875
Savings accounts			
Eagle Bank	0.24	Continuous	\$ 26,954
Glenwood State Bank	1.25	Continuous	14,568,294
Total savings accounts			\$ 14,595,248
Cash with escrow agent			
Zions Bank			
U.S. Treasury			\$ 2,521,454
Total Deposits and Investments			\$ 20,252,577

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET – BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2018**

	Assets					Accounts Payable
	Cash and Pooled Investments	Special Assessments Receivable Delinquent	Due from Other Governments	Total		
County Ditches						
2	\$ 2,097	\$ 125	\$ -	\$ 2,222	\$ -	
3	904	-	-	904	-	
4	2,266	-	-	2,266	-	
7	3,500	-	-	3,500	-	
8	2,439	2	-	2,441	-	
9	3,658	113	-	3,771	-	
10	(2,289)	-	-	(2,289)	-	
12	4,382	24	-	4,406	-	
15	6,342	-	-	6,342	-	
17	627	-	-	627	-	
19	531	-	-	531	-	
24	790	-	-	790	-	
27	575	6	-	581	-	
28	3,004	-	-	3,004	-	
General	2,736	-	-	2,736	95	
Judicial Ditches						
3 Pope and Douglas	(6,449)	2	2,573	(3,874)	-	
4 Pope and Douglas	(1,546)	1	261	(1,284)	-	
4 Pope and Swift	(1,111)	5	-	(1,106)	371	
9 Pope and Swift	(514)	-	-	(514)	-	
Total	\$ 21,942	\$ 278	\$ 2,834	\$ 25,054	\$ 466	

EXHIBIT C-2

Liabilities				Deferred Inflows of Resources	Fund Balances	Total Liabilities, Deferred Inflows of Resources, and Fund Balances
Due to Other Funds	Due to Other Governments	Advances from Other Funds	Total	Unavailable Revenue	Restricted/ (Unassigned)	
\$ -	\$ -	\$ -	\$ -	\$ 125	\$ 2,097	\$ 2,222
-	-	-	-	-	904	904
-	-	-	-	-	2,266	2,266
-	-	-	-	-	3,500	3,500
-	-	-	-	2	2,439	2,441
-	-	-	-	113	3,658	3,771
-	-	-	-	-	(2,289)	(2,289)
-	-	-	-	24	4,382	4,406
-	-	-	-	-	6,342	6,342
-	-	-	-	-	627	627
-	-	-	-	-	531	531
-	-	-	-	-	790	790
-	-	-	-	6	575	581
-	-	-	-	-	3,004	3,004
97	-	11,000	11,192	-	(8,456)	2,736
-	9,949	-	9,949	2	(13,825)	(3,874)
-	946	-	946	1	(2,231)	(1,284)
-	-	-	371	5	(1,482)	(1,106)
-	-	-	-	-	(514)	(514)
\$ 97	\$ 10,895	\$ 11,000	\$ 22,458	\$ 278	\$ 2,318	\$ 25,054

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Appropriations and Shared Revenue

State

Highway users tax	\$	3,638,185
Market value credit		233,308
PERA rate reimbursement		15,728
PERA pension contribution		36,655
Disparity reduction aid		22,508
County program aid		573,358
Police aid		69,601
Out of home placement aid		71
Riparian protection aid		138,065
SCORE		67,729
E-911		82,483
Aquatic invasive species aid		86,358
		86,358

Total appropriations and shared revenue **\$ 4,964,049**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	487,467
Minnesota Department of Transportation		4,771
		4,771

Total reimbursement for services **\$ 492,238**

Payments

Local

Local contributions	\$	18,137
Payments in lieu of taxes		147,533
		147,533

Total payments **\$ 165,670**

Grants

State

Minnesota Department/Board of		
Corrections	\$	21,660
Transportation		309,390
Natural Resources		17,474
Secretary of State		57,598
Human Services		441,734
Trial Courts		4,153
Revenue		2,980
Veterans Affairs		1,634
Water and Soil Resources		61,351
Pollution Control Agency		32,853
		32,853

Total state **\$ 950,827**

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT C-3
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 131,321
Transportation	898
Health and Human Services	916,281
Homeland Security	<u>24,264</u>
Total federal	<u>\$ 1,072,764</u>
Total state and federal grants	<u>\$ 2,023,591</u>
Total Intergovernmental Revenue	<u><u>\$ 7,645,548</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	\$ 109,569
U.S. Department of Justice			
Passed through Minnesota Department of Public Safety			
Missing Children's Assistance	16.543	MN0610000	\$ 898
U.S. Department of Health and Human Services			
Passed through Land of the Dancing Sky Area Agency on Aging			
Aging Cluster			
Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers	93.044	314-18-003B-435	\$ 14,953
Passed through Minnesota Department of Human Services			
Promoting Safe and Stable Families			
TANF Cluster	93.556	G-1701MNFPS	4,255
Temporary Assistance for Needy Families	93.558	1801MNTANF	63,973
Child Support Enforcement	93.563	1804MNCSES	32,831
Child Support Enforcement	93.563	1804MNCEST	140,867
(Total Child Support Enforcement CFDA 93.563 \$173,698)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFPRPG	1,304
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	2,306
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	2,956
Foster Care – Title IV-E	93.658	1801MNFOST	67,787
Social Services Block Grant	93.667	G-1801MNSOSR	83,356
Chafee Foster Care Independence Program	93.674	G-1801MNCILP	4,628
Children's Health Insurance Program	93.767	1805MN5R21	119
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	445,396
Medical Assistance Program	93.778	1805MN5MAP	3,730
(Total Medical Assistance Program CFDA 93.778 \$449,126)			
Total U.S. Department of Health and Human Services			\$ 868,461

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT C-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	140712	\$ 6,644
Passed through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	A-EMPG-2018- POPECO-063	<u>35,197</u>
Total U.S. Department of Homeland Security			\$ 41,841
Total Federal Awards			\$ 1,020,769
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 109,569
Total expenditures for Aging Cluster			14,953
Total expenditures for TANF Cluster			63,973
Total expenditures for CCDF Cluster			2,306
Total expenditures for Medicaid Cluster			449,126

Pope County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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, changes in net position, or cash flows 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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pope County has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,072,764
Grants received more than 60 days after year-end, unavailable in 2018	
Promoting Safe and Stable Families	1,097
Temporary Assistance for Needy Families	10,728
Community-Based Child Abuse Prevention Grants	1,000
Stephanie Tubbs Jones Child Welfare Services Program	840
Chafee Foster Care Independence Program	1,495
Emergency Management Performance Grants	17,577
Unavailable in 2017, recognized as revenue in 2018	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	(21,752)
Promoting Safe and Stable Families	(559)
Temporary Assistance for Needy Families	(23,493)
Child Support Enforcement	(32,830)
Community-Based Child Abuse Prevention Grants	(3,473)
Stephanie Tubbs Jones Child Welfare Services Program	(775)
Chafee Foster Care Independence Program	(1,850)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,020,769</u>

**Other Information
Section**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-1

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

	2017		2018		2019	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
Tax Capacity						
Real property	\$ 20,174,334		\$ 20,460,853		\$ 20,638,660	
Personal property	475,732		486,757		484,639	
Total Tax Capacity	\$ 20,650,066		\$ 20,947,610		\$ 21,123,299	
Taxes Levied for County Purposes						
General	\$ 6,436,724	30.757	\$ 6,667,592	30.257	\$ 6,595,690	29.776
Road and Bridge	1,108,282	5.284	802,434	3.630	1,045,607	4.704
Human Services	1,505,023	7.175	1,923,864	8.702	2,033,349	9.148
Capital Improvement Notes	46,977	0.230	46,641	0.225	51,471	0.247
LEC Bonds	306,900	1.502	304,800	1.470	271,898	1.301
Capital Equipment Notes	256,589	1.256	259,823	1.253	-	0.000
Total Levy for County Purposes	\$ 9,660,495	46.204	\$ 10,005,154	45.537	\$ 9,998,015	45.176
Less Credits Payable by State	228,699		573,358		566,219	
Net Levy Certified to State	\$ 9,431,796		\$ 9,431,796		\$ 9,431,796	
Less Market Value Credits Payable by State	234,586		241,409		228,063	
Net Levy for County Purposes	\$ 9,197,210		\$ 9,190,387		\$ 9,203,733	
Tax Capacity – Light and Power						
Assessed at 43%	\$ 57,352		\$ 60,752		\$ 57,990	
Assessed at 5%	3,028		3,298		3,366	
Total Tax Capacity – Light and Power	\$ 60,380		\$ 64,050		\$ 61,356	

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT D-1
(Continued)**

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

	2017		2018		2019	
	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%	\$ 48,466	84.507	\$ 51,303	84.447	\$ 50,467	87.027
Assessed at 5%	2,559	84.507	2,785	84.447	2,929	87.027
Market value based on property tax	5,297	0.1755	5,207	0.1625	5,094	0.1661
State tax	27,655	45.802	28,095	43.865	26,024	42.416
Total Light and Power Tax Levies	\$ 83,977		\$ 87,390		\$ 84,514	
Special Assessments						
Ditch liens and assessments	\$ 730,693		\$ 784,094		\$ 1,100,266	
Percentage of Tax Collections for All Purposes	99%		99%		N/A	

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Board of 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, 2018, 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 6, 2019.

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. 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.

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 Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the 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 administers 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 Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness

of the 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/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 6, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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JULIE BLAHA
STATE AUDITOR

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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 the 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) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2018. Pope County's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Pope County's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the 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 its major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

Pope County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider to be a significant deficiency.

Pope County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 6, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major program:

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

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal program is:

Medicaid Cluster

Medical Assistance Program

CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was \$750,000.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2018-001

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) states that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over full and open competition as provided in Title 2 U.S. *Code of Federal Regulations* § 200.319, and verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

Condition: In the two small purchase procurement transactions tested, the following exceptions were detected for both items:

- The history of procurement was not properly documented.
- The County had no documentation to demonstrate that there was full and open competition, nor did the County document a rationale to limit competition.
- The County did not document verification that the vendors were not debarred, suspended, or whether other exclusions existed.

**POPE COUNTY
GLENWOOD, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

Questioned Costs: None.

Context: Two of seven small purchases were selected for testing, both of which were covered transactions over \$25,000.

The sample size was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The County is not in compliance with federal regulations.

Cause: The County was not aware the federal procurement requirements are applicable to professional services contracts.

Recommendation: We recommend the County document the history of procurement transactions, including contract selection and full and open competition. The County should maintain quotes and/or bids received or document why quotes or bids were not considered necessary (sole source) and provide reasonable explanations. We further recommend the County maintain documentation to demonstrate that vendors were not debarred, suspended, or otherwise excluded from conducting business with the County.

View of Responsible Official: Concur

IV. PREVIOUSLY REPORTED ITEM RESOLVED

2017-001 Audit Adjustment

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**REPRESENTATION OF POPE COUNTY
GLENWOOD, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2018-001

Finding Title: Procurement, Suspension, and Debarment

Program: Medical Assistance Program (CFDA # 93.778)

Name of Contact Person Responsible for Corrective Action:

Kersten Kappmeyer, Pope County Coordinator

Corrective Action Planned:

Pope County's Purchasing Policy and Procedure Manual has been updated and adopted by the Pope County Commissioners on August 20, 2019. This policy includes information on procurement for Federal Awards and verifying that vendors were not debarred or suspended, as well as additional guidance on applying the policy to particular purposes.

Anticipated Completion Date:

Immediate

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**REPRESENTATION OF POPE COUNTY
GLENWOOD, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 2017-001
Finding Title: Audit Adjustment

Summary of Condition: During the audit, a material audit adjustment was proposed in the Debt Service Fund that resulted in significant changes to the County's financial statements.

Summary of Corrective Action Previously Reported: The Auditor-Treasurer office will review all financial data to capture the necessary transactions, including non-typical transactions, so they are included as to ensure completeness in reporting the financial statements.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X