

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2012

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Year Ended December 31, 2012



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

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**POPE COUNTY
GLENWOOD, MINNESOTA**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**ORGANIZATION
2012**

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

*Chair

**Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pope County

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, 2012, 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 design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County as of December 31, 2012, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pope County's basic financial statements. The supplementary information and the other information section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit

of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 26, 2013, on our consideration of Pope County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pope County's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA) is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 26, 2013

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012
(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, 2012. 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 \$55,693,174, of which Pope County has invested \$48,652,904 in capital assets, net of related debt, and \$1,829,549 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2012, was \$6,594,089; the net cost was funded by general revenues and other items totaling \$8,458,602.
- Pope County's net position increased by \$1,864,513 for the year ended December 31, 2012. The net position of the County's discretely presented component unit increased by \$2,624.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis

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

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

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

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

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

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

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

Fund Financial Statements

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

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

Reporting the County’s Fiduciary Responsibilities

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

THE COUNTY AS A WHOLE

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

Table 1
Net Position

	Governmental Activities		Percent Change (%)
	2012	2011	
Assets			
Current and other assets	\$ 9,351,760	\$ 7,919,588	18.08
Capital assets, net of accumulated depreciation	52,052,904	51,281,845	1.50
Total Assets	\$ 61,404,664	\$ 59,201,433	3.72
Liabilities			
Current liabilities	\$ 915,938	\$ 586,271	56.23
Long-term debt outstanding	4,795,552	4,786,501	0.19
Total Liabilities	\$ 5,711,490	\$ 5,372,772	6.30
Net Position			
Invested in capital assets, net of debt	\$ 48,652,904	\$ 51,179,656	(4.94)
Restricted	1,829,549	1,504,874	21.57
Unrestricted	5,210,721	1,144,131	355.43
Total Net Position	\$ 55,693,174	\$ 53,828,661	3.46

Pope County's total net position for the year ended December 31, 2012, totals \$55,693,174. The governmental activities' unrestricted net position, totaling \$5,210,721, is available to finance the day-to-day operations of the governmental activities of Pope County.

Table 2
Changes in Net Position

	Governmental Activities		Percent Change (%)
	2012	2011	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 2,146,264	\$ 1,945,104	10.34
Operating grants and contributions	5,752,189	5,600,066	2.72
Capital grants and contributions	37,366	218,002	(82.86)
General revenues			
Property taxes	7,639,046	6,207,502	23.06
Other taxes	103,400	96,754	6.87
Grants and contributions not restricted to specific programs	496,494	764,738	(35.08)
Other general revenues	219,662	320,661	(31.50)
Total Revenues	\$ 16,394,421	\$ 15,152,827	8.19

	Governmental Activities		Percent Change (%)
	2012	2011	
Expenses			
General government	\$ 3,363,536	\$ 3,603,157	(6.65)
Public safety	1,995,626	1,605,769	24.28
Highways and streets	3,283,613	3,331,653	(1.44)
Sanitation	378,396	382,457	(1.06)
Human services	3,155,234	3,112,341	1.38
Health	1,140,463	1,014,334	12.43
Culture and recreation	260,567	267,562	(2.61)
Conservation of natural resources	704,884	616,585	14.32
Economic development	19,584	20,033	(2.24)
Interest	228,005	187,297	21.73
Total Expenses	<u>\$ 14,529,908</u>	<u>\$ 14,141,188</u>	2.75
Increase in Net Position	\$ 1,864,513	\$ 1,011,639	84.31
Net Position - January 1	<u>53,828,661</u>	<u>52,817,022</u>	1.92
Net Position - December 31	<u>\$ 55,693,174</u>	<u>\$ 53,828,661</u>	3.46

Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2012, were \$16,394,421. The County's cost for all governmental activities for the year ended December 31, 2012, was \$14,529,908. The net position for the County's governmental activities increased by \$1,864,513 in 2012.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$7,639,046 because \$7,935,819 of the costs were paid by those who directly benefited from the programs, and \$496,494 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 \$323,062 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue
2012**

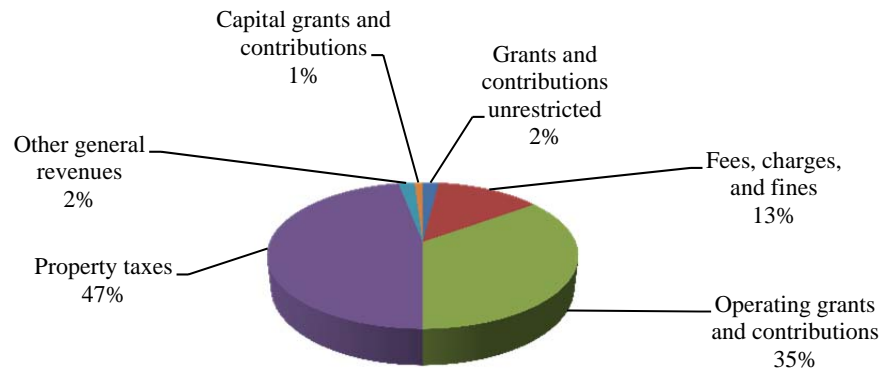


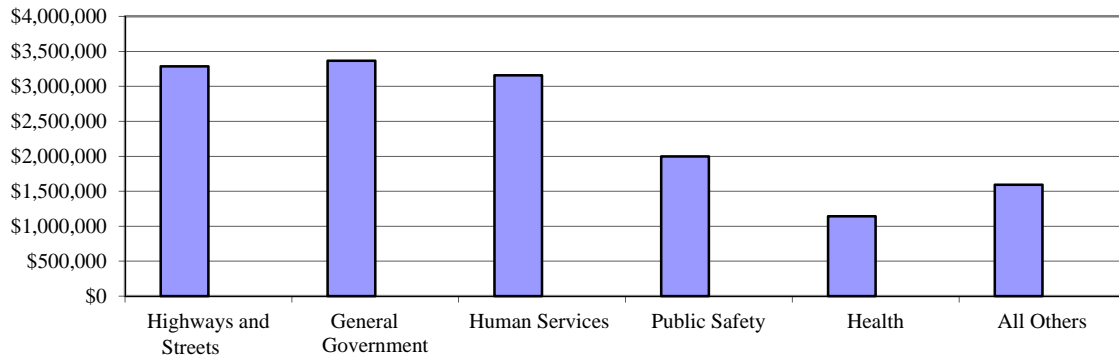
Figure 1

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

**Table 3
Governmental Activities**

	Total Cost of Services 2012	Net Cost of Services 2012
Program Expenses		
General government	\$ 3,363,536	\$ 2,577,213
Public safety	1,995,626	1,741,597
Highways and streets	3,283,613	(204,627)
Human services	3,155,234	1,305,403
Health	1,140,463	69,862
All others	1,591,436	1,104,641
Total Program Expenses	\$ 14,529,908	\$ 6,594,089

**Governmental Activities Expenses
2012**



THE COUNTY’S FUNDS

As Pope County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$6,799,942.

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 2012, the County Board of Commissioners made no changes to the budget as originally adopted on December 20, 2011. 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 \$494,532. However, actual expenditures were \$298,839 more than expected in the year 2012.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2012, Pope County had \$52,052,904 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, equipment, and construction in progress (see Table 4). Additional information on capital assets can be found in Note 3.A.3. to the financial statements.

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

	2012	2011	Percent Change (%)
Land	\$ 2,012,100	\$ 1,973,718	1.94
Buildings	5,862,915	6,107,235	(4.00)
Office furniture and equipment	922,807	806,568	14.41
Machinery and equipment	898,499	1,011,658	(11.19)
Infrastructure	42,266,501	41,286,489	2.37
Construction in progress	90,082	96,177	(6.34)
Totals	<u>\$ 52,052,904</u>	<u>\$ 51,281,845</u>	1.50

Debt Administration

At December 31, 2012, Pope County had \$4,222,023 outstanding debt compared with \$4,162,472 as of December 31, 2011—an increase due mainly to State of Minnesota Agricultural Best Management Practices Loan Program, as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Percent Change (%)
	2012	2011	
Contract for Deed	\$ 9,231	\$ -	N/A
2007 G.O. Capital Improvement Bonds	-	335,000	(100.00)
Capital lease - Law Enforcement Center	3,400,000	3,400,000	-
Loans			
Septic System Replacement Program loan SRF0127	21,928	25,663	(14.55)
Septic System Replacement Program loan SRF0185	96,706	101,809	(5.01)
State of Minnesota Agricultural Best Management Practices Loan Program	694,158	300,000	131.39
Totals	<u>\$ 4,222,023</u>	<u>\$ 4,162,472</u>	1.43

Pope County maintains an “A1” rating from Moody’s Investor Services. Other long-term obligations include compensated absences, and other postemployment benefits (OPEB). Pope County’s notes to the financial statements provide detailed information about the County’s long-term liabilities; see Note 3.C.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2013 budget and tax rates.

- Pope County's unemployment rates for 2011 and 2012 were 5.3 percent and 4.2 percent, respectively, compared to the Minnesota unemployment rate for 2011 and 2012, which averaged 6.5 percent and 5.6 percent, respectively. The unemployment rate continues to impact the level of services requested by Pope County residents.
- Land development and regulation issues.
- Conversations regarding an equipment bond to rotate out old equipment, due to usage and high miles, as well as replace the phone system and purchase generators.
- Reviewing revenue sources and considering cost effective and efficient means for the delivery of Pope County programs and services will influence the development of future budgets.
- On December 18, 2012, the Pope County Board of Commissioners approved the 2013 budget at \$15,523,527. The 2012 total levy is 8,537,920 less County Program Aid of \$392,646 for a net levy of \$8,145,274. The Board approved a 5.99 percent increase in the levy for 2013.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government Governmental Activities	Component Unit Pope County Housing and Redevelopment Authority
<u>Assets</u>		
Cash and pooled investments	\$ 7,200,447	\$ 164,466
Petty cash and change funds	1,900	-
Departmental cash	2,330	-
Taxes receivable		
Delinquent	178,951	4,137
Special assessments receivable		
Delinquent	18,648	-
Deferred	780,758	-
Accounts receivable - net	117,444	-
Accrued interest receivable	3,890	638
Due from other governments	1,018,621	-
Lease receivable	-	3,400,000
Loans receivable	-	141,352
Inventories	28,771	-
Deferred charges	-	29,446
Land held for resale	-	410,324
Capital assets		
Non-depreciable	2,102,182	626,819
Depreciable - net of accumulated depreciation	49,950,722	-
Total Assets	\$ 61,404,664	\$ 4,777,182
<u>Liabilities</u>		
Accounts payable	\$ 363,229	\$ 65,158
Salaries payable	323,659	466
Due to other governments	148,123	-
Accrued interest payable	63,125	62,158
Unearned revenue	17,802	-
Long-term liabilities		
Due within one year	234,629	185,000
Due in more than one year	4,560,923	3,438,888
Total Liabilities	\$ 5,711,490	\$ 3,751,670

**POPE COUNTY
GLENWOOD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2012**

	Primary Government Governmental Activities	Component Unit Pope County Housing and Redevelopment Authority
<u>Net Position</u>		
Net investment in capital assets	\$ 48,652,904	\$ 626,819
Restricted for		
General government	211,108	-
Public safety	345,986	-
Highways and streets	11,465	-
Sanitation	33,258	-
Ditch construction and maintenance	54,297	-
Conservation of natural resources	738,884	-
Debt service	434,551	-
Unrestricted	5,210,721	398,693
 Total Net Position	\$ 55,693,174	\$ 1,025,512

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Component Unit Pope County Housing and Redevelopment Authority
\$ 73,777	\$ -	\$ (2,577,213)	
169,058	32,366	(1,741,597)	
3,384,817	5,000	204,627	
55,950	-	7,575	
1,513,488	-	(1,305,403)	
455,280	-	(69,862)	
-	-	(260,567)	
99,819	-	(604,060)	
-	-	(19,584)	
-	-	(228,005)	
\$ 5,752,189	\$ 37,366	\$ (6,594,089)	
\$ -	\$ -		\$ (319,903)
		\$ 7,639,046	\$ 152,137
		11,862	-
		91,538	-
		496,494	-
		41,618	5,978
		10,330	-
		167,714	164,412
		\$ 8,458,602	\$ 322,527
		\$ 1,864,513	\$ 2,624
		53,828,661	1,022,888
		\$ 55,693,174	\$ 1,025,512

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<u>Assets</u>			
Cash and pooled investments	\$ 2,618,062	\$ 1,837,651	\$ 1,986,602
Petty cash and change funds	1,900	-	-
Departmental cash	2,053	-	-
Taxes receivable			
Delinquent	109,789	19,022	40,467
Special assessments receivable			
Delinquent	104	-	-
Noncurrent	766,107	-	-
Accounts receivable	3,511	-	113,278
Accrued interest receivable	3,890	-	-
Due from other funds	7,663	15,558	-
Due from other governments	134,677	626,220	187,080
Inventories	-	28,771	-
Advances to other funds	32,849	-	-
	<u>32,849</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,680,605</u>	<u>\$ 2,527,222</u>	<u>\$ 2,327,427</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 200,696	\$ 18,188	\$ 142,902
Salaries payable	167,781	48,469	66,198
Due to other funds	-	-	7,663
Due to other governments	132,032	71	9,036
Deferred revenue - unavailable	957,446	644,977	45,302
Deferred revenue - unearned	17,802	-	-
Advances from other funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 1,475,757</u>	<u>\$ 711,705</u>	<u>\$ 271,101</u>
Fund Balances (Note 3.D.)			
Nonspendable	\$ 32,849	\$ 28,771	\$ -
Restricted	533,311	-	-
Assigned	77,479	1,786,746	2,056,326
Unassigned	1,561,209	-	-
	<u>1,561,209</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>\$ 2,204,848</u>	<u>\$ 1,815,517</u>	<u>\$ 2,056,326</u>
Total Liabilities and Fund Balances	<u>\$ 3,680,605</u>	<u>\$ 2,527,222</u>	<u>\$ 2,327,427</u>

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

EXHIBIT 3

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 55,256	\$ 21,291	\$ 424,878	\$ 256,707	\$ 7,200,447
-	-	-	-	1,900
-	-	-	277	2,330
-	-	9,673	-	178,951
-	18,544	-	-	18,648
14,651	-	-	-	780,758
-	-	-	655	117,444
-	-	-	-	3,890
-	-	-	-	23,221
-	-	-	70,644	1,018,621
-	-	-	-	28,771
-	-	-	-	32,849
<u>\$ 69,907</u>	<u>\$ 39,835</u>	<u>\$ 434,551</u>	<u>\$ 328,283</u>	<u>\$ 9,407,830</u>
\$ -	\$ -	\$ -	\$ 1,443	\$ 363,229
-	-	-	41,211	323,659
15,558	-	-	-	23,221
-	6,577	-	407	148,123
14,651	18,544	9,673	8,412	1,699,005
-	-	-	-	17,802
32,849	-	-	-	32,849
<u>\$ 63,058</u>	<u>\$ 25,121</u>	<u>\$ 9,673</u>	<u>\$ 51,473</u>	<u>\$ 2,607,888</u>
\$ -	\$ -	\$ -	\$ -	\$ 61,620
39,646	14,714	424,878	8,025	1,020,574
-	-	-	268,785	4,189,336
(32,797)	-	-	-	1,528,412
<u>\$ 6,849</u>	<u>\$ 14,714</u>	<u>\$ 424,878</u>	<u>\$ 276,810</u>	<u>\$ 6,799,942</u>
<u>\$ 69,907</u>	<u>\$ 39,835</u>	<u>\$ 434,551</u>	<u>\$ 328,283</u>	<u>\$ 9,407,830</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, 2012**

Fund balance - total governmental funds (Exhibit 3)		\$ 6,799,942
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.		52,052,904
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		
Deferred revenue - unavailable		1,699,005
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Contract for deed	\$ (9,231)	
Loans payable	(812,792)	
Lease payable	(3,400,000)	
Compensated absences	(417,854)	
Net OPEB liability	<u>(155,675)</u>	(4,795,552)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		<u>(63,125)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 55,693,174</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 4,865,867	\$ 763,830	\$ 1,713,355
Special assessments	17,765	-	-
Licenses and permits	39,659	-	-
Intergovernmental	881,884	3,332,224	1,642,129
Charges for services	305,002	48,114	33,771
Fines and forfeits	2,464	-	-
Gifts and contributions	6,535	-	-
Investment earnings	41,618	-	-
Miscellaneous	265,438	50,309	302,572
Total Revenues	<u>\$ 6,426,232</u>	<u>\$ 4,194,477</u>	<u>\$ 3,691,827</u>
Expenditures			
Current			
General government	\$ 3,062,434	\$ -	\$ -
Public safety	1,804,230	-	-
Highways and streets	-	3,515,196	-
Human services	-	-	3,276,451
Health	-	-	-
Culture and recreation	260,567	-	-
Conservation of natural resources	661,558	-	-
Economic development	17,349	-	-
Intergovernmental			
Highways and streets	-	309,346	-
Sanitation	55,950	-	-
Capital outlay	510,817	28,500	-
Debt service			
Principal	14,453	-	-
Interest	3,028	-	-
Total Expenditures	<u>\$ 6,390,386</u>	<u>\$ 3,853,042</u>	<u>\$ 3,276,451</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 35,846</u>	<u>\$ 341,435</u>	<u>\$ 415,376</u>

EXHIBIT 5

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ 286,209	\$ -	\$ -	\$ 7,629,261
32,470	322,446	-	-	-	372,681
-	-	-	-	-	39,659
-	-	20,686	-	360,859	6,237,782
-	-	-	-	615,321	1,002,208
-	-	-	-	17,204	19,668
-	-	-	-	-	6,535
-	-	-	-	-	41,618
-	-	-	-	-	618,319
\$ 32,470	\$ 322,446	\$ 306,895	\$ -	\$ 993,384	\$ 15,967,731
\$ -	\$ -	\$ -	\$ -	\$ 11,145	\$ 3,073,579
-	-	-	5,567	-	1,809,797
-	-	-	-	-	3,515,196
-	-	-	-	-	3,276,451
-	-	-	-	1,126,046	1,126,046
-	-	-	-	-	260,567
25,662	-	-	-	-	687,220
-	-	-	-	-	17,349
-	-	-	-	-	309,346
-	322,446	-	-	-	378,396
-	-	-	227,244	-	766,561
-	-	331,404	-	-	345,857
2,044	-	159,256	-	-	164,328
\$ 27,706	\$ 322,446	\$ 490,660	\$ 232,811	\$ 1,137,191	\$ 15,730,693
\$ 4,764	\$ -	\$ (183,765)	\$ (232,811)	\$ (143,807)	\$ 237,038

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ 350,000	\$ -	\$ -
Transfers out	(175,000)	-	(350,000)
Loan issued	394,158	-	-
Sale of capital assets	17,430	-	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	\$ 586,588	\$ -	\$ (350,000)
	<hr/>	<hr/>	<hr/>
Net Change in Fund Balances	\$ 622,434	\$ 341,435	\$ 65,376
	<hr/>	<hr/>	<hr/>
Fund Balances - January 1	1,582,414	1,468,622	1,990,950
Increase (decrease) in inventories	-	5,460	-
	<hr/>	<hr/>	<hr/>
Fund Balances - December 31	<u>\$ 2,204,848</u>	<u>\$ 1,815,517</u>	<u>\$ 2,056,326</u>

EXHIBIT 5
(Continued)

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 175,000	\$ 525,000
-	-	-	-	-	(525,000)
-	-	-	-	-	394,158
-	-	-	-	-	17,430
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 175,000</u>	<u>\$ 411,588</u>
\$ 4,764	\$ -	\$ (183,765)	\$ (232,811)	\$ 31,193	\$ 648,626
2,085	14,714	608,643	232,811	245,617	6,145,856
-	-	-	-	-	5,460
<u>\$ 6,849</u>	<u>\$ 14,714</u>	<u>\$ 424,878</u>	<u>\$ -</u>	<u>\$ 276,810</u>	<u>\$ 6,799,942</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, 2012**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 648,626

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

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

Deferred revenue - December 31	\$ 1,699,005	
Deferred revenue - January 1	(1,187,480)	511,525

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	\$ 2,682,665	
Net book value of assets disposed	(44,163)	
Current year depreciation	(1,867,443)	771,059

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 issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt		
Loans issued	\$ (394,158)	
Contract for deed	(11,250)	
Principal repayments	345,857	
Current year amortization of issuance costs and discounts	(5,577)	(65,128)

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	\$ (58,100)	
Change in compensated absences	17,478	
Change in inventories	5,460	
Change in net OPEB liability	33,593	(1,569)

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,864,513

FIDUCIARY FUNDS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 418,852
Due from other governments	<u>177,656</u>
Total Assets	<u>\$ 596,508</u>
<u>Liabilities</u>	
Accounts payable	\$ 12,473
Due to other governments	<u>584,035</u>
Total Liabilities	<u>\$ 596,508</u>

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2012

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2012. 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:

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the County, these funds are not incorporated into the government-wide statements.

C. Measurement Focus and Basis of Accounting

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net 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, 2012, 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 2012 were \$41,618.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories

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

4. Capital Assets

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Classification of Net Position

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

- Net investment in capital assets - the amount of net position representing capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law though 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.

9. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts in which constraints have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position or Equity

9. Classification of Fund Balances (Continued)

- Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. The action must be approved no later than the close of the reporting period and remains binding unless removed in the same manner.

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Minimum Fund Balance

The County has adopted a minimum fund balance policy for the General Fund in order to meet the purpose of providing stability and flexibility to respond to unexpected adversity and/or opportunities. Therefore, the County Board has determined it needs to maintain a minimum level of unrestricted fund balance (committed, assigned, and unassigned) of 35 to 50 percent of operating revenues or no less than five months of operating expenditures, based on the previous year. The Fund Balance Policy was adopted by the County Board on December 27, 2011. At December 31, 2012, unrestricted fund balance for the General Fund was below the minimum fund balance levels.

11. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2012:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 6,390,386	\$ 6,091,547	\$ 298,839
Health Services Special Revenue Fund	1,126,046	991,793	134,253
Debt Service Fund	490,660	298,400	192,260

**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	\$ 7,200,447
Petty cash and change funds	1,900
Departmental cash	2,330
Statement of fiduciary net position	
Cash and pooled investments	<u>418,852</u>
 Total Cash and Investments	 <u>\$ 7,623,529</u>

a. Deposits

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2012, Pope County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The County had no investments as of December 31, 2012.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$780,758 of deferred special assessments.

3. Capital Assets

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,973,718	\$ 38,382	\$ -	\$ 2,012,100
Construction in progress	96,177	-	6,095	90,082
Total capital assets not depreciated	<u>\$ 2,069,895</u>	<u>\$ 38,382</u>	<u>\$ 6,095</u>	<u>\$ 2,102,182</u>
Capital assets depreciated				
Buildings	\$ 8,030,467	\$ 57,857	\$ -	\$ 8,088,324
Office furniture and equipment	1,338,705	305,202	192,012	1,451,895
Machinery and automotive equipment	3,395,825	171,767	130,142	3,437,450
Infrastructure	56,438,232	2,115,552	-	58,553,784
Total capital assets depreciated	<u>\$ 69,203,229</u>	<u>\$ 2,650,378</u>	<u>\$ 322,154</u>	<u>\$ 71,531,453</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 1,923,232	\$ 302,177	\$ -	\$ 2,225,409
Office furniture and equipment	532,137	152,096	155,145	529,088
Machinery and automotive equipment	2,384,167	277,630	122,846	2,538,951
Infrastructure	15,151,743	1,135,540	-	16,287,283
Total accumulated depreciation	\$ 19,991,279	\$ 1,867,443	\$ 277,991	\$ 21,580,731
Total capital assets depreciated, net	\$ 49,211,950	\$ 782,935	\$ 44,163	\$ 49,950,722
Governmental Activities Capital Assets, Net	\$ 51,281,845	\$ 821,317	\$ 50,258	\$ 52,052,904

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

Governmental Activities	
General government	\$ 327,028
Public safety	155,409
Highways and streets, including depreciation of infrastructure assets	1,369,773
Human services	1,063
Conservation of natural resources	5,981
Health	8,189
Total Depreciation Expense - Governmental Activities	\$ 1,867,443

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2012, is as follows:

1. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount	Description
General	Human Services	\$ 7,663	To provide funding
Road and Bridge	Ditch	15,558	To provide services
Total Due From/To Other Funds		\$ 23,221	

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

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

2. Advances To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 32,849

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, 2012, consisted of the following:

	Transfers In	Description
Transfer to General Fund from Human Services	\$ 350,000	Repayment
Transfer to Health Services from General Fund	175,000	To provide funding
Total Interfund Transfers	\$ 525,000	

C. Liabilities

1. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state and federal grants and other revenues that are not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2012, is summarized by fund in the following table.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

1. Deferred Revenue (Continued)

	Taxes and Special Assessments	Grants and Highway Allotments	Total
Governmental funds			
General Fund	\$ 876,000	\$ 99,248	\$ 975,248
Special Revenue Funds			
Road and Bridge	19,022	625,955	644,977
Human Services	40,467	4,835	45,302
Ditch	14,651	-	14,651
Solid Waste	18,544	-	18,544
Health Services	-	8,412	8,412
Debt Service Fund	9,673	-	9,673
	<u>\$ 978,357</u>	<u>\$ 738,450</u>	<u>\$ 1,716,807</u>
Total			
	<u>\$ 978,357</u>	<u>\$ 738,450</u>	<u>\$ 1,716,807</u>
Deferred revenue			
Unavailable	\$ 978,357	\$ 720,648	\$ 1,699,005
Unearned	-	17,802	17,802
	<u>\$ 978,357</u>	<u>\$ 738,450</u>	<u>\$ 1,716,807</u>
Total			
	<u>\$ 978,357</u>	<u>\$ 738,450</u>	<u>\$ 1,716,807</u>

2. Capital Lease

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

2. Capital Lease (Continued)

Pope County is carrying the building and the liability (capital lease) on its records in the amount of \$3,400,000, which is the value of the project completed at fiscal year-end December 31, 2011. The HRA is carrying the bond liability on its records and records the lease receivable for the value of the project completed at fiscal year-end December 31, 2011. The interest revenue is recorded as non-operating miscellaneous revenue. For 2012, the County paid the HRA interest on the lease of \$149,630. During 2012, no principal payments were made by the County to the HRA. Repayment of the principal for the bonds is to begin in 2013.

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, 2012
Contract for Deed	11/01/2020	\$635 - \$728	5.5	\$ 11,250	\$ 9,231
Loans Payable					
SRF0127 State of Minnesota Septic System Replacement Loans	06/15/2018	\$1,858 - \$2,094	2.00	\$ 38,168	\$ 21,928
SRF0185 State of Minnesota Septic System Replacement Loans	06/15/2018	\$4,833 - \$5,839	2.00	106,421	96,706
State of Minnesota Agricultural Best Management Loan Program	04/01/2023	\$7,775 - \$39,547	0.00	694,158	694,158
Total Loans Payable				<u>\$ 838,747</u>	<u>\$ 812,792</u>
Capital Lease Payable	02/29/2029	\$135,000 - \$285,000	3.20 - 4.90	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

3. Long-Term Debt (Continued)

Debt service requirements at December 31, 2012, were as follows:

Year Ending December 31	Contract for Deed		Loans Payable		Lease Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 956	\$ 500	\$ 80,863	\$ 2,205	\$ 135,000	\$ 147,020
2014	1,009	446	82,402	1,928	145,000	142,395
2015	1,066	390	78,758	1,664	150,000	137,230
2016	1,125	330	81,001	1,355	155,000	131,585
2017	1,188	267	83,302	1,060	160,000	125,440
2018 - 2022	3,887	387	398,691	1,624	925,000	516,853
2023 - 2027	-	-	7,775	-	1,175,000	281,210
2028 - 2029	-	-	-	-	555,000	27,563
Total	<u>\$ 9,231</u>	<u>\$ 2,320</u>	<u>\$ 812,792</u>	<u>\$ 9,836</u>	<u>\$ 3,400,000</u>	<u>\$ 1,509,296</u>

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 335,000	\$ -	\$ 335,000	\$ -	\$ -
Discounts/premiums	(571)	-	(571)	-	-
Contract for deed	-	11,250	2,019	9,231	956
Loans payable	427,472	394,158	8,838	812,792	80,863
Lease payable	3,400,000	-	-	3,400,000	135,000
Compensated absences	435,332	559,474	576,952	417,854	17,810
Net OPEB liability	189,268	-	33,593	155,675	-
Long-Term Liabilities	<u>\$ 4,786,501</u>	<u>\$ 964,882</u>	<u>\$ 955,831</u>	<u>\$ 4,795,552</u>	<u>\$ 234,629</u>

5. Other Postemployment Benefits (OPEB)

Plan Description

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB) (Continued)

Participants

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

Active employees	115
Retired employees	32
Spouses	<u>4</u>
Total Plan Participants	<u><u>151</u></u>

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Pope County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For fiscal year 2012, the County contributed \$289,215 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2012, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	258,858
Interest on net OPEB obligation		8,517
Adjustment to ARC		(11,753)
		(11,753)
Annual OPEB cost	\$	255,622
Contributions during the year		(289,215)
		(289,215)
Increase (decrease) in net OPEB obligation	\$	(33,593)
Net OPEB Obligation - Beginning of Year		189,268
		189,268
Net OPEB Obligation - End of Year	\$	155,675

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage (%) Contributed	Net OPEB Obligation
December 31, 2008	\$ 271,563	\$ 197,410	72.69	\$ 74,153
December 31, 2009	271,563	211,066	77.72	60,497
December 31, 2010	271,563	238,995	88.01	32,568
December 31, 2011	256,131	234,081	91.39	22,050
December 31, 2012	255,622	289,215	113.14	(33,593)
				\$ 155,675
Cumulative Net OPEB Obligation				\$ 155,675

Funded Status and Funding Progress

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

For January 1, 2011, the most recent actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 8.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent over six years. The actuarial value of assets was set to equal the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2012, was 25 years.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Fund Balances

The summary of fund balance classifications is as follows:

	General Fund	Road and Bridge	Human Services	Ditch	Solid Waste	Debt Service	Other Governmental Funds	Total
Nonspendable								
Inventories	\$ -	\$ 28,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,771
Advances to other funds	32,849	-	-	-	-	-	-	32,849
Total nonspendable	\$ 32,849	\$ 28,771	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 61,620
Restricted								
Missing heirs	\$ 36,435	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 36,435
Recorder's technology equipment	55,804	-	-	-	-	-	-	55,804
Recorder's compliance	55,799	-	-	-	-	-	-	55,799
E-911	230,810	-	-	-	-	-	-	230,810
D.A.R.E	11,762	-	-	-	-	-	-	11,762
Permit to carry	26,530	-	-	-	-	-	-	26,530
Drug and alcohol investigations	4,935	-	-	-	-	-	-	4,935
Tax forfeited property	23,180	-	-	-	-	-	-	23,180
Roads and bridges	6,382	-	-	-	-	-	-	6,382
County state-aid highway system	5,083	-	-	-	-	-	-	5,083
Feedlot program	2,103	-	-	-	-	-	-	2,103
Other specific purposes	8,318	-	-	-	-	-	-	8,318
Election equipment	23,547	-	-	-	-	-	-	23,547
Clean water partnership	42,623	-	-	-	-	-	-	42,623
Ditch maintenance and construction	-	-	-	39,646	-	-	-	39,646
Solid waste	-	-	-	-	14,714	-	-	14,714
Debt service	-	-	-	-	-	424,878	-	424,878
Law library	-	-	-	-	-	-	8,025	8,025
Total restricted	\$ 533,311	\$ -	\$ -	\$ 39,646	\$ 14,714	\$ 424,878	\$ 8,025	\$ 1,020,574
Assigned								
Plat sign deposits	\$ 1,169	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,169
Veterans' van	21,101	-	-	-	-	-	-	21,101
Chemical use assessment	1,952	-	-	-	-	-	-	1,952
Probation program expense	26,854	-	-	-	-	-	-	26,854
Probation support fees	19,730	-	-	-	-	-	-	19,730
Workers' compensation	6,673	-	-	-	-	-	-	6,673
Highways and streets	-	1,786,746	-	-	-	-	-	1,786,746
Human services	-	-	2,056,326	-	-	-	-	2,056,326
Health services	-	-	-	-	-	-	268,785	268,785
Total assigned	\$ 77,479	\$ 1,786,746	\$ 2,056,326	\$ -	\$ -	\$ -	\$ 268,785	\$ 4,189,336
Total unassigned	\$ 1,561,209	\$ -	\$ -	\$ (32,797)	\$ -	\$ -	\$ -	\$ 1,528,412
Total Fund Balances	\$ 2,204,848	\$ 1,815,517	\$ 2,056,326	\$ 6,849	\$ 14,714	\$ 424,878	\$ 276,810	\$ 6,799,942

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

A. Plan Description

All full-time and certain part-time employees of Pope County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund and the Public Employees Police and Fire Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan and benefits vest after three years of credited service (five years for those first eligible for membership after June 30, 2010).

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

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute. Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for the General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For the Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

A. Plan Description (Continued)

For General Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and either 65 or 66 (depending on date hired) for General Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.60 percent.

The County is required to contribute the following percentages of annual covered payroll in 2012:

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2012, 2011, and 2010, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
General Employees Retirement Fund	\$ 353,412	\$ 354,195	\$ 343,809
Public Employees Police and Fire Fund	77,115	72,866	59,909

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

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance coverage from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$460,000 per claim in 2012 and \$470,000 per claim in 2013. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

B. Subsequent Events

On May 7, 2013, the County Board approved the issuance of a \$1,830,000 General Obligation Capital Improvement bonds. The proceeds will be used to finance the acquisition of capital equipment for the Highway, Sheriff, Central Fleet, Safety/Communication, and Information Technology Departments. It will also be used to finance equipment storage facilities for the Highway Department.

C. Contingent Liabilities

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

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

D. Joint Ventures

Pope/Douglas Solid Waste Management

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Pope/Douglas Solid Waste Management (Continued)

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

Pope/Douglas Solid Waste Management had net position of \$16,660,187 as of December 31, 2011, the most recent financial information available, which was a decrease of \$920,585 from the prior year.

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

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

Central Minnesota Council on Aging

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Central Minnesota Council on Aging (Continued)

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

Horizon Community Health Services

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services pursuant to Minn. Stat. § 471.59 (following a budget approved by the five-county Board). Mid-State Community Health Services' was renamed to Horizon Community Health Services when Douglas County was added as a member on January 1, 2011. The budget is now approved by the six-county Board. Pope County Nursing Service receives and administers the grant money.

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

Prime West Central County-Based Purchasing Initiative Joint Powers Board

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Prime West Central County-Based Purchasing Initiative Joint Powers Board
(Continued)

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

Crow River Joint Powers Agreement

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

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

Region 4 South Adult Mental Health Consortium

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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

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

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

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

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. The County has met those responsibilities for 2012.

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA. The HRA is reporting as of and for the year ended December 31, 2012.

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

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

Reporting Entity

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

Basis of Presentation

The HRA does not prepare separate financial statements.

B. Property Taxes

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

C. Operating Revenues and Expenses

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

D. Bond Issuance Costs

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

E. Assets

1. Cash

All cash of the HRA is on deposit with the Pope County Auditor/Treasurer and included within its pooled cash and investments. At year-end December 31, 2012, the HRA had \$164,466 in cash and pooled investments.

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

2. Receivables

Receivables for the HRA at December 31, 2012, were as follows:

Taxes	\$ 4,137
Accrued interest	638
Loans	<u>141,352</u>
Total Receivables	<u>\$ 146,127</u>

Of the loans receivable, \$71,891 is not expected to be collected within the next year.

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets

2. Receivables (Continued)

Capital Lease Receivable

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

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

Pope County is carrying the building and the liability (capital lease) on its records via a capital lease for \$3,400,000, the value of the HRA Revenue Bonds outstanding as of December 31, 2012. The HRA is carrying the bond liability on its records and records the lease receivable for the value of the bonds. The interest revenue is recorded as nonoperating miscellaneous revenue. For 2012, the HRA recorded interest revenue of \$149,360 on the capital lease. No principal payments have been made by the County to the HRA, or the HRA on the bond liability for 2012. Repayment of the principal for the bonds is to begin in 2013. The current lease receivable is \$135,000.

3. Land Held for Resale

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets (Continued)

4. Capital Assets

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

The HRA's capital asset activity for the year ended December 31, 2012, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 429,210	\$ 85,000	\$ -	\$ 514,210
Construction in progress	-	112,609	-	112,609
Total capital assets not depreciated	<u>\$ 429,210</u>	<u>\$ 197,609</u>	<u>\$ -</u>	<u>\$ 626,819</u>

F. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2012, for the HRA 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, 2012</u>
2008A Public Project Revenue Bonds	02/01/2029	\$135,000 - \$285,000	3.20 - 4.90	<u>\$ 3,400,000</u>	<u>\$ 3,400,000</u>
Contract for Deed	09/01/2016	\$50,000 - \$150,000	5.0	<u>\$ 400,000</u>	<u>\$ 250,000</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

F. Liabilities

Long-Term Debt (Continued)

The debt service requirements as of December 31, 2012, are as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2013	\$ 135,000	\$ 147,020
2014	145,000	142,395
2015	150,000	137,230
2016	155,000	131,585
2017	160,000	125,440
2018 - 2022	925,000	516,853
2023 - 2027	1,175,000	281,210
2028 - 2029	555,000	27,563
Total	<u>\$ 3,400,000</u>	<u>\$ 1,509,296</u>

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000	\$ 135,000
Discount/premium	(27,744)	-	(1,632)	(26,112)	-
Contract for deed	-	400,000	150,000	250,000	50,000
Long-Term Liabilities	<u>\$ 3,372,256</u>	<u>\$ 400,000</u>	<u>\$ 148,368</u>	<u>\$ 3,623,888</u>	<u>\$ 185,000</u>

G. Summary of Significant Contingencies and Other Items

Subsequent Events

On March 20, 2013, the HRA Board approved the issuance of a \$2,405,000 General Obligation Housing Development bonds, which was later approved by the County Board on May 7, 2013. The proceeds will be used to finance the HRA's Bay Meadows project to include 12 units of senior housing to be constructed in two phases.

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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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,871,413	\$ 4,871,413	\$ 4,865,867	\$ (5,546)
Special assessments	-	-	17,765	17,765
Licenses and permits	30,000	30,000	39,659	9,659
Intergovernmental	544,937	544,937	881,884	336,947
Charges for services	242,350	242,350	305,002	62,652
Fines and forfeits	5,000	5,000	2,464	(2,536)
Gifts and contributions	-	-	6,535	6,535
Investment earnings	80,000	80,000	41,618	(38,382)
Miscellaneous	158,000	158,000	265,438	107,438
Total Revenues	\$ 5,931,700	\$ 5,931,700	\$ 6,426,232	\$ 494,532
Expenditures				
Current				
General government				
Commissioners	\$ 184,041	\$ 184,041	\$ 169,816	\$ 14,225
County-wide	-	-	125	(125)
Wellness program	1,108	1,108	247	861
Information technology	236,300	236,300	352,381	(116,081)
Coordinator	198,442	198,442	205,329	(6,887)
Auditor/Treasurer	391,480	391,480	335,710	55,770
County assessor	338,131	338,131	348,470	(10,339)
Elections	35,000	35,000	45,778	(10,778)
Accounting and auditing	55,000	55,000	45,159	9,841
Data processing	74,100	74,100	59,100	15,000
Attorney	234,969	234,969	246,614	(11,645)
Recorder	333,296	333,296	346,155	(12,859)
Surveyor	1,000	1,000	-	1,000
Environmental services	218,139	218,139	118,638	99,501
Buildings	359,083	359,083	335,530	23,553
Veterans service officer	112,728	112,728	106,496	6,232
Other general government	471,742	471,742	346,886	124,856
Total general government	\$ 3,244,559	\$ 3,244,559	\$ 3,062,434	\$ 182,125

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<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	\$ 955,637	\$ 955,637	\$ 839,167	\$ 116,470
Snowmobile grant	3,396	3,396	1,899	1,497
Boat and water safety	37,369	37,369	15,699	21,670
Coroner	10,000	10,000	12,495	(2,495)
Enhanced 911 system	36,300	36,300	114,469	(78,169)
Dispatchers	302,610	302,610	281,189	21,421
County jail	352,054	352,054	261,218	90,836
Court services	173,942	173,942	174,018	(76)
Sentenced to serve	74,616	74,616	68,288	6,328
Emergency management	39,832	39,832	35,788	4,044
Total public safety	\$ 1,985,756	\$ 1,985,756	\$ 1,804,230	\$ 181,526
Culture and recreation				
Historical society	\$ 43,200	\$ 43,200	\$ 43,200	\$ -
Let's go fishing	1,310	1,310	1,310	-
Regional library	105,867	105,867	105,867	-
Senior citizens	111,903	111,903	108,633	3,270
Other	3,657	3,657	1,557	2,100
Total culture and recreation	\$ 265,937	\$ 265,937	\$ 260,567	\$ 5,370
Conservation of natural resources				
Soil and water conservation	\$ 62,100	\$ 62,100	\$ 425,565	\$ (363,465)
County extension	108,761	108,761	85,270	23,491
Agriculture ditch inspector	33,950	33,950	22,772	11,178
County fair	21,600	21,600	21,600	-
West central initiative grant	-	-	1,629	(1,629)
Water management	70,662	70,662	98,981	(28,319)
Shoreland management	4,842	4,842	5,741	(899)
Total conservation of natural resources	\$ 301,915	\$ 301,915	\$ 661,558	\$ (359,643)
Economic development				
Community development	\$ 16,094	\$ 16,094	\$ 15,239	\$ 855
Senior citizens	2,110	2,110	2,110	-
Total economic development	\$ 18,204	\$ 18,204	\$ 17,349	\$ 855

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Intergovernmental				
Sanitation				
Pope/Douglas Solid Waste Management	\$ 50,000	\$ 50,000	\$ 55,950	\$ (5,950)
Capital outlay				
General government	\$ 225,176	\$ 225,176	\$ 336,078	\$ (110,902)
Public safety	-	-	174,739	(174,739)
Total capital outlay	\$ 225,176	\$ 225,176	\$ 510,817	\$ (285,641)
Debt service				
Principal	\$ -	\$ -	\$ 14,453	\$ (14,453)
Interest	-	-	3,028	(3,028)
Total debt service	\$ -	\$ -	\$ 17,481	\$ (17,481)
Total Expenditures	\$ 6,091,547	\$ 6,091,547	\$ 6,390,386	\$ (298,839)
Excess of Revenues Over (Under)				
Expenditures	\$ (159,847)	\$ (159,847)	\$ 35,846	\$ 195,693
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 350,000	\$ 350,000
Transfers out	-	-	(175,000)	(175,000)
Loan issued	-	-	394,158	394,158
Sale of capital assets	-	-	17,430	17,430
Other	413,069	413,069	-	(413,069)
Total Other Financing Sources (Uses)	\$ 413,069	\$ 413,069	\$ 586,588	\$ 173,519
Net Change in Fund Balance	\$ 253,222	\$ 253,222	\$ 622,434	\$ 369,212
Fund Balance - January 1	1,582,414	1,582,414	1,582,414	-
Fund Balance - December 31	\$ 1,835,636	\$ 1,835,636	\$ 2,204,848	\$ 369,212

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 777,494	\$ 777,494	\$ 763,830	\$ (13,664)
Intergovernmental	3,233,874	3,233,874	3,332,224	98,350
Charges for services	35,000	35,000	48,114	13,114
Miscellaneous	-	-	50,309	50,309
Total Revenues	\$ 4,046,368	\$ 4,046,368	\$ 4,194,477	\$ 148,109
Expenditures				
Current				
Highways and streets				
Administration	\$ 409,209	\$ 409,209	\$ 372,971	\$ 36,238
Maintenance	980,975	980,975	734,296	246,679
Engineering/construction	1,944,816	1,944,816	1,957,239	(12,423)
Equipment, maintenance, and shop	402,829	402,829	450,690	(47,861)
Total highways and streets	\$ 3,737,829	\$ 3,737,829	\$ 3,515,196	\$ 222,633
Intergovernmental				
Highways and streets	308,539	308,539	309,346	(807)
Capital outlay				
Highways and streets	-	-	28,500	(28,500)
Total Expenditures	\$ 4,046,368	\$ 4,046,368	\$ 3,853,042	\$ 193,326
Net Change in Fund Balance	\$ -	\$ -	\$ 341,435	\$ 341,435
Fund Balance - January 1	1,468,622	1,468,622	1,468,622	-
Increase (decrease) in inventories	-	-	5,460	5,460
Fund Balance - December 31	\$ 1,468,622	\$ 1,468,622	\$ 1,815,517	\$ 346,895

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,747,639	\$ 1,747,639	\$ 1,713,355	\$ (34,284)
Intergovernmental	1,201,078	1,201,078	1,642,129	441,051
Charges for services	53,020	53,020	33,771	(19,249)
Miscellaneous	117,700	117,700	302,572	184,872
Total Revenues	\$ 3,119,437	\$ 3,119,437	\$ 3,691,827	\$ 572,390
Expenditures				
Current				
Human services				
Income maintenance	\$ 899,860	\$ 899,860	\$ 900,102	\$ (242)
Social services	2,558,528	2,558,528	2,376,349	182,179
Total Expenditures	\$ 3,458,388	\$ 3,458,388	\$ 3,276,451	\$ 181,937
Excess of Revenues Over (Under) Expenditures	\$ (338,951)	\$ (338,951)	\$ 415,376	\$ 754,327
Other Financing Sources (Uses)				
Transfers out	\$ -	\$ -	\$ (350,000)	\$ (350,000)
Other	338,951	338,951	-	(338,951)
Total Other Financing Sources (Uses)	\$ 338,951	\$ 338,951	\$ (350,000)	\$ (688,951)
Net Change in Fund Balance	\$ -	\$ -	\$ 65,376	\$ 65,376
Fund Balance - January 1	1,990,950	1,990,950	1,990,950	-
Fund Balance - December 31	\$ 1,990,950	\$ 1,990,950	\$ 2,056,326	\$ 65,376

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2012**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2008	\$ -	\$3,561,170	\$ 3,561,170	0.0%	\$ 4,610,899	77.23%
January 1, 2011	-	3,235,761	3,235,761	0.0	5,020,667	64.45

**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012**

1. Budgetary Information

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

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

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

Encumbrance accounting is employed in governmental funds.

2. Excess of Expenditures Over Budget

The following major governmental funds had expenditures in excess of budget at the fund level for the year ended December 31, 2012:

	Actual	Expenditures	
		Final Budget	Excess
General Fund	\$ 6,390,386	\$ 6,091,547	\$ 298,839
Debt Service Fund	490,660	298,400	192,260

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Other Postemployment Benefits Funding Status

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

SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 298,400	\$ 298,400	\$ 286,209	\$ (12,191)
Intergovernmental	-	-	20,686	20,686
Total Revenues	\$ 298,400	\$ 298,400	\$ 306,895	\$ 8,495
Expenditures				
Debt service				
Principal retirement	\$ 298,400	\$ 298,400	\$ 331,404	\$ (33,004)
Interest	-	-	159,256	(159,256)
Total Expenditures	\$ 298,400	\$ 298,400	\$ 490,660	\$ (192,260)
Net Change in Fund Balance	\$ -	\$ -	\$ (183,765)	\$ (183,765)
Fund Balance - January 1	608,643	608,643	608,643	-
Fund Balance - December 31	\$ 608,643	\$ 608,643	\$ 424,878	\$ (183,765)

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Special Revenue Funds

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

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

Agency Funds

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

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

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

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

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Agency Funds (Continued)

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-2

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2012**

	Health Services	Law Library	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 249,088	\$ 7,619	\$ 256,707
Departmental cash	277	-	277
Accounts receivable	655	-	655
Due from other governments	69,269	1,375	70,644
Total Assets	\$ 319,289	\$ 8,994	\$ 328,283
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 632	\$ 811	\$ 1,443
Salaries payable	41,053	158	41,211
Due to other governments	407	-	407
Deferred revenue - unavailable	8,412	-	8,412
Total Liabilities	\$ 50,504	\$ 969	\$ 51,473
Fund Balances			
Restricted	\$ -	\$ 8,025	\$ 8,025
Assigned	268,785	-	268,785
Total Fund Balances	\$ 268,785	\$ 8,025	\$ 276,810
Total Liabilities and Fund Balances	\$ 319,289	\$ 8,994	\$ 328,283

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-3

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Health Services</u>	<u>Law Library</u>	<u>Total (Exhibit 5)</u>
Revenues			
Intergovernmental	\$ 360,859	\$ -	\$ 360,859
Charges for services	615,321	-	615,321
Fines and forfeits	-	17,204	17,204
Total Revenues	<u>\$ 976,180</u>	<u>\$ 17,204</u>	<u>\$ 993,384</u>
Expenditures			
Current			
General government	\$ -	\$ 11,145	\$ 11,145
Health	1,126,046	-	1,126,046
Total Expenditures	<u>\$ 1,126,046</u>	<u>\$ 11,145</u>	<u>\$ 1,137,191</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (149,866)</u>	<u>\$ 6,059</u>	<u>\$ (143,807)</u>
Other Financing Sources (Uses)			
Transfers in	175,000	-	175,000
Net Change in Fund Balance	<u>\$ 25,134</u>	<u>\$ 6,059</u>	<u>\$ 31,193</u>
Fund Balance - January 1	<u>243,651</u>	<u>1,966</u>	<u>245,617</u>
Fund Balance - December 31	<u><u>\$ 268,785</u></u>	<u><u>\$ 8,025</u></u>	<u><u>\$ 276,810</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-4

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 163,868	\$ 163,868	\$ 360,859	\$ 196,991
Charges for services	<u>574,703</u>	<u>574,703</u>	<u>615,321</u>	<u>40,618</u>
Total Revenues	\$ 738,571	\$ 738,571	\$ 976,180	\$ 237,609
Expenditures				
Current				
Health				
Health services	<u>991,793</u>	<u>991,793</u>	<u>1,126,046</u>	<u>(134,253)</u>
Excess of Revenues Over (Under) Expenditures	\$ (253,222)	\$ (253,222)	\$ (149,866)	\$ 103,356
Other Financing Sources (Uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>175,000</u>	<u>175,000</u>
Net Change in Fund Balance	\$ (253,222)	\$ (253,222)	\$ 25,134	\$ 278,356
Fund Balance - January 1	<u>243,651</u>	<u>243,651</u>	<u>243,651</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ (9,571)</u></u>	<u><u>\$ (9,571)</u></u>	<u><u>\$ 268,785</u></u>	<u><u>\$ 278,356</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT B-5

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 91,303</u>	<u>\$ 4,939,134</u>	<u>\$ 4,945,441</u>	<u>\$ 84,996</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 91,303</u>	<u>\$ 4,000,433</u>	<u>\$ 4,006,740</u>	<u>\$ 84,996</u>
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 12,689</u>	<u>\$ 141,054</u>	<u>\$ 141,270</u>	<u>\$ 12,473</u>
<u>Liabilities</u>				
Accounts payable	<u>\$ 12,689</u>	<u>\$ 153,550</u>	<u>\$ 153,766</u>	<u>\$ 12,473</u>
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 75,247</u>	<u>\$ 95,178</u>	<u>\$ 100,500</u>	<u>\$ 69,925</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 75,247</u>	<u>\$ 95,178</u>	<u>\$ 100,500</u>	<u>\$ 69,925</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

*EXHIBIT B-5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 4,742</u>	<u>\$ 257,426</u>	<u>\$ 256,914</u>	<u>\$ 5,254</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 4,742</u>	<u>\$ 267,422</u>	<u>\$ 266,910</u>	<u>\$ 5,254</u>
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 22,982</u>	<u>\$ 17,619,027</u>	<u>\$ 17,602,679</u>	<u>\$ 39,330</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 22,982</u>	<u>\$ 17,676,595</u>	<u>\$ 17,660,247</u>	<u>\$ 39,330</u>
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 82,183</u>	<u>\$ 3,883,971</u>	<u>\$ 3,904,885</u>	<u>\$ 61,269</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 82,183</u>	<u>\$ 4,027,423</u>	<u>\$ 4,048,337</u>	<u>\$ 61,269</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>WEST POPE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 24	\$ 24	\$ 48	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 24	\$ 48	\$ 72	\$ -
 <u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 75	\$ 4,246	\$ 4,320	\$ 1
<u>Liabilities</u>				
Due to other governments	\$ 75	\$ 4,323	\$ 4,397	\$ 1
 <u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 25	\$ 26	\$ 51	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 25	\$ 51	\$ 76	\$ -

**POPE COUNTY
GLENWOOD, MINNESOTA**

*EXHIBIT B-5
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 97	\$ 23,668	\$ 23,201	\$ 564
<u>Liabilities</u>				
Due to other governments	\$ 97	\$ 24,329	\$ 23,862	\$ 564
 <u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 17	\$ 236	\$ 253	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 17	\$ 253	\$ 270	\$ -
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,049	\$ 38,364	\$ 38,910	\$ 503
<u>Liabilities</u>				
Due to other governments	\$ 1,049	\$ 39,916	\$ 40,462	\$ 503

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-5
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	<u>\$ 55,091</u>	<u>\$ 1,625,724</u>	<u>\$ 1,607,797</u>	<u>\$ 73,018</u>
<u>Liabilities</u>				
Due to other governments	<u>\$ 55,091</u>	<u>\$ 1,727,397</u>	<u>\$ 1,709,470</u>	<u>\$ 73,018</u>
 <u>HORIZON COMMUNITY HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 152,413	\$ 1,505,870	\$ 1,586,764	\$ 71,519
Due from other governments	<u>176,220</u>	<u>191,883</u>	<u>190,447</u>	<u>177,656</u>
Total Assets	<u>\$ 328,633</u>	<u>\$ 1,697,753</u>	<u>\$ 1,777,211</u>	<u>\$ 249,175</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,278	\$ -	\$ 5,278	\$ -
Due to other governments	<u>323,355</u>	<u>2,239,741</u>	<u>2,313,921</u>	<u>249,175</u>
Total Liabilities	<u>\$ 328,633</u>	<u>\$ 2,239,741</u>	<u>\$ 2,319,199</u>	<u>\$ 249,175</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT B-5
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 497,937	\$ 30,133,948	\$ 30,213,033	\$ 418,852
Due from other governments	176,220	191,883	190,447	177,656
Total Assets	\$ 674,157	\$ 30,325,831	\$ 30,403,480	\$ 596,508
<u>Liabilities</u>				
Accounts payable	\$ 17,967	153,550	159,044	12,473
Due to other governments	656,190	30,103,109	30,175,264	584,035
Total Liabilities	\$ 674,157	\$ 30,256,659	\$ 30,334,308	\$ 596,508

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HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-1

**STATEMENT OF NET POSITION
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
DECEMBER 31, 2012**

Assets

Current assets

Cash and pooled investments	\$	164,466
Taxes receivable		
Delinquent		4,137
Accrued interest receivable		638
Loans receivable		141,352
Lease receivable		135,000
Land held for resale		410,324
		410,324

Total current assets **\$ 855,917**

Noncurrent assets

Deferred charges	\$	29,446
Lease receivable		3,265,000
Capital assets		
Nondepreciable		626,819
		626,819

Total noncurrent assets **\$ 3,921,265**

Total Assets **\$ 4,777,182**

Liabilities

Current liabilities

Accounts payable	\$	65,158
Salaries payable		466
Accrued interest payable		62,158
Revenue bonds payable		135,000
Contract for deed payable		50,000
		50,000

Total current liabilities **\$ 312,782**

Noncurrent liabilities

Contract for deed payable - long-term	\$	200,000
Revenue bonds payable - long-term		3,238,888
		3,238,888

Total noncurrent liabilities **\$ 3,438,888**

Total Liabilities **\$ 3,751,670**

Net Position

Net investment in capital assets	\$	626,819
Unrestricted		398,693
		398,693

Total Net Position **\$ 1,025,512**

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012**

Operating Expenses	
Personal services	\$ 14,235
Professional services	41,508
Insurance	2,031
Miscellaneous	25,670
	<hr/>
Total Operating Expenses	\$ 83,444
	<hr/>
Operating Income (Loss)	\$ (83,444)
	<hr/>
Nonoperating Revenues (Expenses)	
Property taxes	\$ 152,137
Intergovernmental expense - economic development	(30,000)
Miscellaneous income	164,412
Interest income	5,978
Repairs and maintenance	(9,807)
Interest expense	(149,180)
Amortization of deferred charges	(3,472)
Miscellaneous expense	(44,000)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 86,068
	<hr/>
Change in net position	\$ 2,624
	<hr/>
Net Position - January 1	1,022,888
	<hr/>
Net Position - December 31	\$ 1,025,512
	<hr/> <hr/>

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT C-3

**STATEMENT OF CASH FLOWS
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Payments to suppliers	\$ (69,209)
Payments to employees	(13,975)
Purchase of land held for resale	<u>(147,534)</u>
Net cash provided by (used in) operating activities	<u>\$ (230,718)</u>
Cash Flows from Noncapital Financing Activities	
Property taxes	\$ 152,928
Intergovernmental expense	(30,000)
Repairs and maintenance	(9,807)
Interest and fee received on lease	149,630
Miscellaneous	<u>(29,218)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 233,533</u>
Cash Flows from Capital and Related Financing Activities	
Interest paid on long-term debt	\$ (149,180)
Purchases of capital assets	<u>(135,686)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (284,866)</u>
Cash Flows from Investing Activities	
Collections of loan principal	\$ 133,956
Interest received on loans	4,228
Insurance dividends	1,750
Loan granted	<u>(84,350)</u>
Net cash provided by (used in) investing activities	<u>\$ 55,584</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (226,467)
Cash and Cash Equivalents at January 1	<u>390,933</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 164,466</u></u>
Cash and Cash Equivalents - Exhibit 1	<u><u>\$ 164,466</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT C-3
(Continued)**

**STATEMENT OF CASH FLOWS
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT
FOR THE YEAR ENDED DECEMBER 31, 2012
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (83,444)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in land held for resale	\$ (397,534)
Increase (decrease) in salaries payable	260
Increase (decrease) in contract for deed payable	<u>250,000</u>
Total adjustments	<u>\$ (147,274)</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (230,718)</u></u>

OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2012**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pooled Deposits and Investments			
Certificates of deposit			
Bremer Bank	0.30	November 26, 2013	\$ 90,000
Glenwood State Bank	0.80	September 30, 2014	500,000
Glenwood State Bank	1.75	December 5, 2016	25,000
Glenwood State Bank	0.55	September 30, 2013	1,000,000
Glenwood State Bank	1.25	July 11, 2013	24,000
Hometown Community Bank	0.40	April 30, 2013	200,000
Hometown Community Bank	0.60	July 17, 2013	100,000
Hometown Community Bank	0.40	June 24, 2013	300,000
Lowry State Bank	0.70	April 18, 2013	200,000
Lowry State Bank	0.65	July 2, 2013	150,000
Total certificates of deposit			\$ 2,589,000
Checking accounts			
Eagle Bank	0.10	Continuous	\$ 35,797
Glenwood State Bank	0.15	Continuous	37,912
Total checking accounts			\$ 73,709
Savings accounts			
Eagle Bank	0.20	Continuous	\$ 26,683
Eagle Bank	0.29	Continuous	3,480
Glenwood State Bank	0.45	Continuous	4,926,427
Total savings accounts			\$ 4,956,590
Total Deposits and Investments			\$ 7,619,299

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2012**

	Assets			
	Cash and Investments	Special Assessments Receivable		Total
		Current	Deferred	
County Ditches				
2	\$ 4,702	\$ -	\$ -	\$ 4,702
3	518	-	-	518
4	1,034	-	-	1,034
6	469	-	-	469
7	5,088	-	-	5,088
8	7,721	-	-	7,721
9	1,169	-	-	1,169
10	2,462	-	-	2,462
12	455	-	-	455
15	7,694	-	-	7,694
17	6,196	-	-	6,196
19	83	-	-	83
24	407	-	-	407
27	311	-	-	311
28	2,320	-	-	2,320
Prop CD 29	6,083	-	12,166	18,249
General	684	-	-	684
Judicial Ditches				
3 Pope and Douglas	228	-	-	228
4 Pope and Douglas	5,949	-	1,379	7,328
4 Pope and Swift	978	-	647	1,625
9 Pope and Swift	705	-	459	1,164
Total	\$ 55,256	\$ -	\$ 14,651	\$ 69,907

EXHIBIT D-2

Liabilities				Fund Balances (Unassigned)/ Restricted	Total Liabilities and Fund Balances
Due to Other Funds	Deferred Revenue	Advances from Other Funds	Total		
\$ 1,552	\$ -	\$ -	\$ 1,552	\$ 3,150	\$ 4,702
-	-	-	-	518	518
62	-	-	62	972	1,034
-	-	-	-	469	469
-	-	-	-	5,088	5,088
677	-	-	677	7,044	7,721
584	-	-	584	585	1,169
186	-	2,500	2,686	(224)	2,462
-	-	-	-	455	455
869	-	-	869	6,825	7,694
-	-	-	-	6,196	6,196
-	-	-	-	83	83
-	-	-	-	407	407
-	-	-	-	311	311
-	-	-	-	2,320	2,320
-	12,166	18,249	30,415	(12,166)	18,249
8,321	-	-	8,321	(7,637)	684
1,357	-	500	1,857	(1,629)	228
726	1,379	-	2,105	5,223	7,328
451	647	11,600	12,698	(11,073)	1,625
773	459	-	1,232	(68)	1,164
\$ 15,558	\$ 14,651	\$ 32,849	\$ 63,058	\$ 6,849	\$ 69,907

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-3

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2012**

Shared Revenue

State

Highway users tax	\$ 3,242,706
Market value credit	129,219
PERA rate reimbursement	17,671
Disparity reduction aid	22,509
County program aid	327,095
Police aid	43,150
	43,150

Total shared revenue **\$ 3,782,350**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 366,045
	366,045

Payments

Local

Local contributions	\$ 93,373
Payments in lieu of taxes	91,538
	91,538

Total payments **\$ 184,911**

Grants

State

Minnesota Department/Board of	
Corrections	\$ 15,897
Public Safety	82,483
Health	79,329
Natural Resources	352
Human Services	348,462
Trial Courts	4,315
Historical Society	61,062
Veterans Affairs	2,800
Water and Soil Resources	95,606
Pollution Control Agency	55,950
	55,950

Total state **\$ 746,256**

Federal

Department of	
Agriculture	\$ 134,094
Transportation	5,000
Health and Human Services	986,265
Homeland Security	32,861
	32,861

Total federal **\$ 1,158,220**

Total state and federal grants **\$ 1,904,476**

Total Intergovernmental Revenue **\$ 6,237,782**

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT D-4

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Horizon Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 55,356
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	78,738
Total U.S. Department of Agriculture		\$ 134,094
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety State Traffic Safety Information System Improvement Grants	20.610	\$ 5,000
U.S. Department of Health and Human Services		
Passed Through West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 17,893
Passed Through Minnesota Department of Human Services Substance Abuse and Mental Health Services - Projects of Regional and National Significance	93.243	136,672
Promoting Safe and Stable Families	93.556	7,272
Temporary Assistance for Needy Families (TANF) Cluster Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$88,700)	93.558	72,241
Emergency Contingency Fund for TANF State Program - ARRA	93.714	4,431
Child Support Enforcement	93.563	173,381
Refugee and Entrant Assistance - State-Administered Programs	93.566	188
Child Care and Development Block Grant	93.575	3,867
Community-Based Child Abuse Prevention Grants	93.590	10,000
Stephanie Tubbs Jones Child Welfare Services Program	93.645	5,027
Foster Care - Title IV-E	93.658	93,785
Social Services Block Grant	93.667	80,119
Chafee Foster Care Independence Program	93.674	3,517
Children's Health Insurance Program	93.767	25
Medical Assistance Program (Total Medical Assistance Program 93.778 \$301,708)	93.778	291,067

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT D-4
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Health and Human Services (Continued)		
Passed Through Horizon Community Health Board		
Public Health Emergency Preparedness	93.069	31,994
Environmental Public Health and Emergency Response	93.070	22,748
Temporary Assistance for Needy Families Cluster		
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$88,700)	93.558	16,459
Maternal and Child Health Services Block Grant to the States	93.994	13,877
Medical Assistance Program (Total Medical Assistance Program 93.778 \$301,708)	93.778	10,641
		<hr/>
Total U.S. Department of Health and Human Services		\$ 995,204
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	\$ 12,866
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	3,861
Emergency Management Performance Grants	97.042	16,232
		<hr/>
Total U.S. Department of Homeland Security		\$ 32,959
		<hr/>
Total Federal Awards		\$ 1,167,257

**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012**

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, 2012. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Pope County, it is not intended to and does not present the financial position or changes in net position of Pope County.

3. Summary of Significant Accounting Policies

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

4. Clusters

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

Temporary Assistance for Needy Families Cluster	\$ 93,131
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**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,158,220
Expenditures occurred in 2012 and revenue recognized in 2013	
Public Health Emergency Preparedness	6,217
Child Care and Development Block Grant	342
Foster Care - Title IV-E	1,953
Emergency Contingency Fund for TANF State Program - ARRA	427
Emergency Management Performance Grants	16,232
Expenditures occurred prior to 2012 but reimbursed in 2012	
Emergency Management Performance Grants	<u>(16,134)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,167,257</u>

6. Subrecipients

The County did not pass any federal money to subrecipients during the year ended December 31, 2012.

7. American Recovery and Reinvestment Act

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

**Other Information
Section**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT E-1

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

	2011		2012		2013	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
Tax Capacity						
Real property	\$ 16,447,203		\$ 15,486,641		\$ 16,155,512	
Personal property	336,699		334,153		383,217	
Total Tax Capacity	\$ 16,783,902		\$ 15,820,794		\$ 16,538,729	
Taxes Levied for County Purposes						
General	\$ 4,053,840	22.491	\$ 5,075,063	30.972	\$ 5,323,059	30.893
Road and Bridge	826,509	4.547	812,424	4.946	756,372	4.375
Human Services	1,650,406	9.089	1,826,154	11.118	2,004,089	11.592
Incinerator Bonds	125,218	0.748	-	-	-	-
Capital Improvement Notes	364,500	2.177	-	-	-	-
LEC Bonds	156,700	0.936	298,400	1.817	304,400	1.852
Capital Equipment Notes	-	-	-	-	150,000	0.913
Total Levy for County Purposes	\$ 7,177,173	39.988	\$ 8,012,041	48.853	\$ 8,537,920	49.625
Less Credits Payable by State	494,030		327,095		392,646	
Net Levy Certified to State	\$ 6,683,143		\$ 7,684,946		\$ 8,145,274	
Less Market Value Credits Payable by State	530,490		129,244		127,716	
Net Levy for County Purposes	\$ 6,152,653		\$ 7,555,702		\$ 8,017,558	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 55,508		\$ 54,400		\$ 58,306	
Assessed at 5%	2,212		2,256		2,634	
Total Tax Capacity - Light and Power	\$ 57,720		\$ 56,656		\$ 60,940	

**POPE COUNTY
GLENWOOD, MINNESOTA**

**EXHIBIT E-1
(Continued)**

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

	2011		2012		2013	
	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%	\$ 43,416	78.217	\$ 48,795	89.694	\$ 52,731	90.439
Assessed at 5%	1,730	78.217	2,024	89.694	2,382	90.439
Market value based on property tax	4,291	0.0149	4,390	0.1550	4,698	0.1542
State tax	28,308	49.043	28,951	51.100	32,007	52.523
Total Light and Power Tax Levies	\$ 77,745		\$ 84,160		\$ 91,818	
Special Assessments						
Ditch liens and assessments	\$ 675,726		\$ 676,512		\$ 651,623	
Percentage of Tax Collections for All Purposes	98%		98%		N/A	

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	CFDA #10.561
Substance Abuse and Mental Health Services - Projects of Regional and National Significance	CFDA #93.243
Child Support Enforcement	CFDA #93.563
Medical Assistance Program	CFDA #93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

96-1 Departmental Internal Accounting Control

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

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

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

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

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

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

Client's Response:

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

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

11-2 Human Services Disbursements Approval

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

Condition: Based on our testing of internal control over disbursements, we found there is no documentation to indicate that Social Service Information System (SSIS) disbursements in the Human Services Department are being reviewed and approved by a supervisor or the Director.

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

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

Cause: There was not a process in place for approval of SSIS disbursements.

Recommendation: We recommend that a system be put in place where the Human Services supervisor or Director document their review and approval of SSIS disbursements.

Client's Response:

Two significant management transitions took place in 2012. From January to April 2012, Human Services had an interim/part-time Director; a new Director was hired in mid April. The Social Services Supervisor retired in August 2012 and a new Social Services Supervisor was hired in September.

The expectation was in place for all individual vouchers to be approved, however, due to management changes, some may have been missed. The printed Board audit (a list of all bills being requested for approval) does list all warrant registers submitted, reviewed and signed by the Director, Supervisor, or Social Worker in place at the time as final approval before any payment actually was made.

SSIS itself has built-in controls and approval requirements. Currently, when a Service Arrangement is completed by a worker in SSIS, it then goes to the Supervisor for approval and then on to fiscal for payment.

A summary of all bills/warrant register is also presented to the County Board for review and approval at a County Board meeting on a monthly basis.

PREVIOUSLY REPORTED ITEM RESOLVED

Control Procedures Not Followed in Land and Resources Management Office (11-1)

Internal controls that had been put in place to mitigate the segregation of duties risk in prior years were not being followed in 2011 due to employee turnover.

Resolution

During our departmental audit review of the Office of Land and Resource Management (formerly the Environmental Services Office), we noted that a full-time staff member was hired and effective internal controls have been reinstated.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

12-1 Separate Account Coding in General Ledger for Federal Programs

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

Pass-Through Agency: Minnesota Department of Human Services

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

Condition: All public health expenditures, including federal and non-federal, are coded to the same program account code in the general ledger system. As a result, we could not determine whether the reports were complete and accurate and included all applicable accounts.

Questioned Costs: None.

Context: The program expenditures are tracked by the Public Health Office Manager in a separate Excel spreadsheet, which is used for reporting purposes. These costs are all processed by the Auditor/Treasurer's Office under the same program account code.

Effect: It is unclear if the reports are accurate and complete, which could result in noncompliance with reporting requirements for the program.

Cause: These costs are coded to the Health Services Fund, and the general ledger system is not set up to identify program expenditures separately in this fund.

Recommendation: We recommend that Pope County separate federal and non-federal expenditures in the general ledger accounting system by creating separate account codes for each program in the Health Services Fund.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Public Health Director (320) 634-5720

Office Manager (320) 634-5720

Corrective Action Planned:

The Public Health Office Manager has identified the expenditures for the Substance Abuse Grant. The Financial Accountant will add coding necessary to make the corrections to the Public Health Fund that will identify the federal grant expenditures. Coding of federal grant expenditures will be incorporated in the financial statements.

Anticipated Completion Date:

We will have the corrections made for the year starting January 2013.

PREVIOUSLY REPORTED ITEMS RESOLVED

Supervisory Review of Case Files (11-3)

During our testing of controls over case files for the Medical Assistance and Child Support Enforcement programs, we noted there was no documented supervisory review process for case files.

Resolution

We found documentation of supervisory case reviews during our testing of Medical Assistance case files in 2012. For the Child Support Enforcement program, the control over this special tests and provisions requirement was no longer applicable for 2012 per Part 2, Matrix of Compliance Requirements, of the *OMB Circular A-133 Compliance Supplement*.

Approval of Disbursements (11-4)

The results of internal control testing over disbursements and compliance related to the Medical Assistance and Child Support Enforcement programs showed there was no evidence indicating that disbursements were reviewed and approved by a supervisor or the Director.

Resolution

During our current year testing of internal control over disbursements and compliance for these two programs, we found that all disbursements tested had proper documentation of supervisor or Director review.



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

Independent Auditor's Report

Board of County Commissioners
Pope County

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 as of and for the year ended December 31, 2012, 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 26, 2013.

Internal Control Over Financial Reporting

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

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

significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 96-1 and 11-2, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: 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 in tax increment financing because the County has no tax increment financing districts.

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

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

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 26, 2013

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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

Report on Compliance for Each Major Federal Program

We have audited Pope County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. Pope County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pope County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pope County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, Pope County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 12-1. Our opinion on each 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 Schedule of Findings and Questions Costs as a Corrective Action Plan. Pope 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 12-1, 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 Schedule of Findings and Questioned Costs as a Corrective Action Plan. Pope 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.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 26, 2013

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR