

# STATE OF MINNESOTA

## Office of the State Auditor



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

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**POPE COUNTY**  
**GLENWOOD, MINNESOTA**

YEAR ENDED DECEMBER 31, 2007

## **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, 2007**



**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  
2007**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Larry Kittelson	January 2007	January 2011
2nd District	Jeanne Olson	January 2005	January 2009
3rd District	Dean Paulson*	January 2005	January 2009
4th District	Paul Anderson	January 2007	January 2011
5th District	Randy Shaw	January 2007	January 2011
<b>Officers</b>			
<b>Elected</b>			
Attorney	Belvin Doebbert	January 2007	January 2011
Auditor/Treasurer	Donna Quandt	January 2007	January 2011
County Recorder	Darby Bowen	January 2007	January 2011
Sheriff	Tom Larson	January 2007	January 2011
<b>Appointed</b>			
Assessor	Wayne Anderson	December 2000	December 2008
Coroner	Roderick B. Brown, M.D.		Indefinite
Highway Engineer	Brian Noetzelman	May 2006	May 2010
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Riaz Aziz		Indefinite
Surveyor	Rodney Eldevik		Indefinite
<b>Family Services</b>			
Manager	Linda Cassman		Indefinite
Manager	Paula Hoverud		Indefinite
<b>Board</b>			
Member	Larry Kittelson	January 2007	January 2011
Member	Jeanne Olson	January 2005	January 2009
Member	Dean Paulson	January 2005	January 2009
Member	Paul Anderson	January 2007	January 2011
Member	Randy Shaw	January 2007	January 2011

\*Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Pope County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County, Minnesota, as of and for the year ended December 31, 2007, which collectively comprise Pope County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pope County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County as of December 31, 2007, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Pope County's basic financial statements. The supplementary information and other schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of Pope County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 13, 2009, on our consideration of Pope County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

March 13, 2009

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

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2007  
(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, 2007. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Pope County's financial statements and the notes to the financial statements.

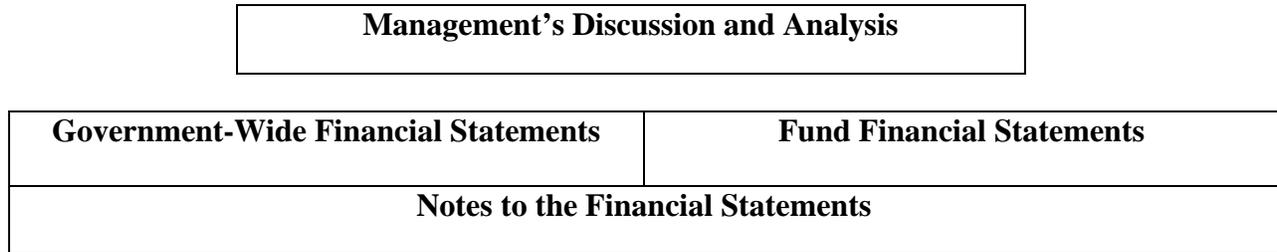
**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net assets are \$50,168,190, of which Pope County has invested \$43,403,625 in capital assets, net of related debt, and \$825,519 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2007, was \$5,894,803; the net cost was funded by general revenues and other items totaling \$7,298,846.
- Pope County's net assets increased by \$1,404,043 for the year ended December 31, 2007.
- The long-term debt increased in 2007 due to the issuance of \$1,270,000 in general obligation bonds for capital improvements.

**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.



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

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

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

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

Governmental activities--Pope County reports its basic services in the "Governmental Activities" column of these reports. The activities reported by the County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, economic development, and interest. Pope County finances the majority of these activities with local property taxes, state-paid aids, fees, charges for services, and federal and state grants.

### **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 the financial statements using an accounting method called modified accrual accounting. This accounting method measures cash and other financial assets that the County can readily convert to cash. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps determine whether there are financial resources available that can be spent in the near future to finance various programs within Pope County. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation statement following each governmental fund financial statement.

### **Reporting the County's Fiduciary Responsibilities**

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

## THE COUNTY AS A WHOLE

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

**Table 1**  
**Net Assets**

	Governmental Activities		Percent Change (%)
	2007	2006	
<b>Assets</b>			
Current and other assets	\$ 10,088,668	\$ 9,213,428	9.50
Capital assets, net of accumulated depreciation	43,770,608	42,339,466	3.38
<b>Total Assets</b>	<b>\$ 53,859,276</b>	<b>\$ 51,552,894</b>	<b>4.47</b>
<b>Liabilities</b>			
Current liabilities	\$ 1,150,487	\$ 1,178,017	(2.34)
Long-term debt outstanding	2,540,599	1,610,730	57.73
<b>Total Liabilities</b>	<b>\$ 3,691,086</b>	<b>\$ 2,788,747</b>	<b>32.36</b>
<b>Net Assets</b>			
Invested in capital assets, net of debt	\$ 43,403,625	\$ 41,914,466	3.55
Restricted	825,519	543,016	52.02
Unrestricted	5,939,046	6,306,665	(5.83)
<b>Total Net Assets</b>	<b>\$ 50,168,190</b>	<b>\$ 48,764,147</b>	<b>2.88</b>

Pope County's total net assets for the year ended December 31, 2007, total \$50,168,190. The governmental activities' unrestricted net assets, totaling \$5,939,046, are available to finance the day-to-day operations of the governmental activities of Pope County.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities		Percent Change (%)
	2007	2006	
<b>Revenues</b>			
<b>Program revenues</b>			
Fees, charges, fines, and other	\$ 1,690,653	\$ 1,627,664	3.87
Operating grants and contributions	3,573,061	5,576,392	(35.92)
Capital grants and contributions	1,519,914	775,351	96.03
<b>General revenues</b>			
Property taxes	5,400,321	5,144,313	4.98
Other taxes	70,884	99,213	(28.55)
Grants and contributions not restricted to specific programs	1,243,092	1,349,636	(7.89)
Other general revenues	584,549	571,132	2.35
<b>Total Revenues</b>	<b>\$ 14,082,474</b>	<b>\$ 15,143,701</b>	<b>(7.01)</b>

	Governmental Activities		Percent Change (%)
	2007	2006	
Expenses			
General government	\$ 3,210,789	\$ 3,099,043	3.61
Public safety	1,546,727	1,515,664	2.05
Highways and streets	3,236,522	3,616,845	(10.52)
Sanitation	360,239	360,751	(0.14)
Human services	2,644,390	2,542,125	4.02
Health	821,243	651,904	25.98
Culture and recreation	149,678	147,956	1.16
Conservation of natural resources	398,394	552,136	(27.85)
Economic development	261,046	117,896	121.42
Interest	49,403	52,006	(5.00)
Total Expenses	<u>\$ 12,678,431</u>	<u>\$ 12,656,326</u>	0.17
Increase (Decrease) in Net Assets	\$ 1,404,043	\$ 2,487,375	(43.55)
Net Assets – January 1	<u>48,764,147</u>	<u>46,276,772</u>	5.37
Net Assets - December 31	<u>\$ 50,168,190</u>	<u>\$ 48,764,147</u>	2.88

### Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2007, were \$14,082,474. The County's cost for all governmental activities for the year ended December 31, 2007, was \$12,678,431. The net assets for the County's governmental activities increased by \$1,404,043 in 2007.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$5,400,321 because \$1,690,653 of the costs were paid by those who directly benefited from the programs, and \$5,092,975 were 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 \$1,243,092 in grants and contributions not restricted to specific programs and \$584,549 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue  
2007**

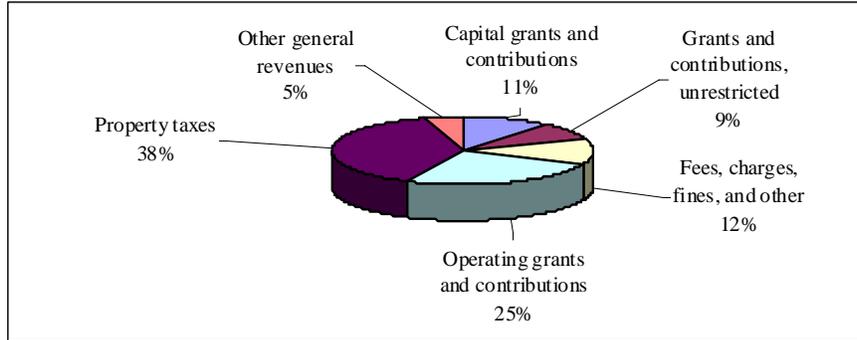
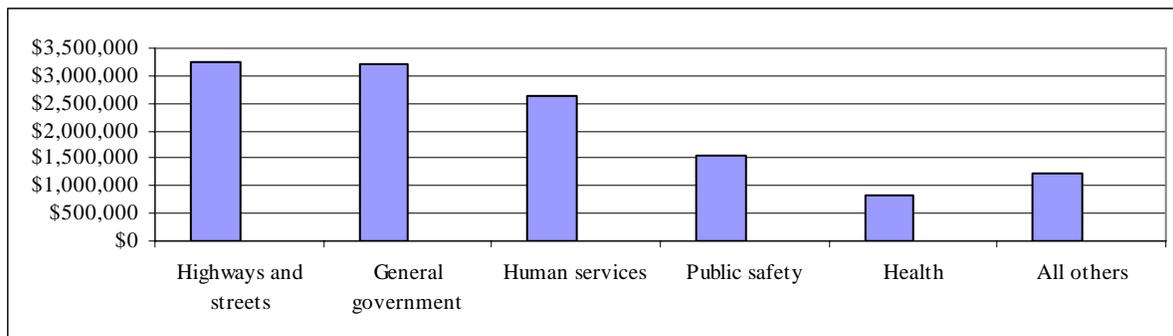


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	Total Cost of Services 2007	Net Cost of Services 2007
Program Expenses		
General government	\$ 3,210,789	\$ 2,718,522
Public safety	1,546,727	1,295,337
Highways and streets	3,236,522	18,633
Human services	2,644,390	1,216,307
Health	821,243	(50,093)
All others	1,218,760	696,097
<b>Total Program Expenses</b>	<b>\$ 12,678,431</b>	<b>\$ 5,894,803</b>

**Governmental Activities Expenses  
2007**



## 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 \$7,906,063.

### 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 2007, the County Board of Commissioners made changes to the budget as originally adopted on December 19, 2006. These budget amendments/revisions, which net to an increase in budgeted expenditures of \$25,425, 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, the actual revenues were more than the expected revenues by \$782,204, and actual expenditures were \$195,471 more than budgeted expenditures.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2007, Pope County had \$43,770,608 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, and equipment (see Table 4).

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

	2007	2006	Percent Change (%)
Land	\$ 1,997,489	\$ 1,997,489	-
Buildings	2,307,448	2,401,837	(3.93)
Office furniture and equipment	284,764	252,770	12.66
Machinery and equipment	1,315,066	1,283,954	2.42
Infrastructure	37,865,841	36,403,416	4.02
Totals	<u>\$ 43,770,608</u>	<u>\$ 42,339,466</u>	3.38

At December 31, 2007, Pope County had \$2,121,445 of bonds and notes outstanding, compared with \$1,209,916 as of December 31, 2006--an increase of 75.34 percent--as shown in Table 5.

**Table 5  
Outstanding Debt at Year-End**

	Governmental Activities		Percent
	2007	2006	Change (%)
Bonds payable			
2002 Solid Waste Bonds	\$ 40,000	\$ 540,000	(18.52)
2003A G.O. Capital Improvement Bonds	215,000	425,000	(49.41)
2007A G.O. Capital Improvement Bonds	1,270,000	-	100.00
Contract for deed	160,000	220,000	(27.27)
Septic System Replacement Program loan	36,445	24,916	46.27
Totals	<u>\$ 2,121,445</u>	<u>\$ 1,209,916</u>	75.34

Pope County maintains an “A3” rating from Moody’s Investor Services. Other long-term obligations include capital leases, a Septic System Replacement Program loan from the State of Minnesota, and compensated absences. Pope County’s notes to the financial statements provide detailed information about the County’s long-term liabilities.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The County’s elected and appointed officials considered many factors when setting the fiscal year 2007 budget and tax rates.

- Pope County’s unemployment rates for 2006 and 2007 had a slight increase from 3.9 percent and 4.5 percent, respectively, compared to the Minnesota unemployment rates for 2006 and 2007, which averaged 4.0 percent and 4.6 percent, respectively. Should the unemployment rate rise, it could impact the level of services requested by Pope County residents.
- Land development and regulation issues were considered.
- 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 27, 2007, the Pope County Board of Commissioners approved the 2008 budget at \$14,456,385. The 2008 total levy is \$6,550,260, less County program aid of \$544,992, for a net levy of \$6,005,268. This represents an increase of 3.99 percent over the 2007 levy.

**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.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

**Assets**

Current assets	
Cash and pooled investments	\$ 8,435,103
Petty cash and change funds	1,700
Departmental cash	147,245
Taxes receivable	
Delinquent	137,804
Special assessments receivable	
Delinquent	129,912
Deferred	24,513
Accounts receivable - net	179,837
Accrued interest receivable	6,174
Due from other governments	964,720
Inventories	29,300
Deferred charges	32,360
Capital assets	
Non-depreciable	1,997,489
Depreciable - net of accumulated depreciation	41,773,119
<b>Total Assets</b>	<b>\$ 53,859,276</b>

**Liabilities**

Accounts payable	\$ 223,568
Salaries payable	138,332
Contracts payable	163,996
Due to other governments	317,299
Matured interest payable	3,032
Unearned revenue	304,260
Long-term liabilities	
Due within one year	421,795
Due in more than one year	2,118,804
<b>Total Liabilities</b>	<b>\$ 3,691,086</b>

**Net Assets**

Invested in capital assets - net of related debt	\$ 43,403,625
Restricted for	
General government	491,274
Public safety	29,270
Highways and streets	29,300
Culture and recreation	36,974
Conservation of natural resources	80,979
Capital projects	122,997
Postclosure	34,725
Unrestricted	5,939,046
<b>Total Net Assets</b>	<b>\$ 50,168,190</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b><u>Functions/Programs</u></b>					
<b>Governmental activities</b>					
General government	\$ 3,210,789	\$ 426,194	\$ 66,073	\$ -	\$ (2,718,522)
Public safety	1,546,727	64,157	187,233	-	(1,295,337)
Highways and streets	3,236,522	99,981	1,597,994	1,519,914	(18,633)
Sanitation	360,239	323,681	-	-	(36,558)
Human services	2,644,390	137,022	1,291,061	-	(1,216,307)
Health	821,243	604,801	266,535	-	50,093
Culture and recreation	149,678	-	-	-	(149,678)
Conservation of natural resources	398,394	20,646	159,165	-	(218,583)
Economic development	261,046	14,171	5,000	-	(241,875)
Interest	49,403	-	-	-	(49,403)
<b>Total Governmental Activities</b>	<b>\$ 12,678,431</b>	<b>\$ 1,690,653</b>	<b>\$ 3,573,061</b>	<b>\$ 1,519,914</b>	<b>\$ (5,894,803)</b>
<b>General Revenues</b>					
Property taxes				\$ 5,400,321	
Gravel taxes				3,690	
Payments in lieu of tax				67,194	
Grants and contributions not restricted to specific programs				1,243,092	
Investment income				506,938	
Miscellaneous				77,611	
<b>Total general revenues</b>				<b>\$ 7,298,846</b>	
<b>Change in net assets</b>				<b>\$ 1,404,043</b>	
<b>Net Assets - Beginning</b>				<b>48,764,147</b>	
<b>Net Assets - Ending</b>				<b>\$ 50,168,190</b>	

**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>	<b>Family Services</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 3,630,748	\$ 854,172	\$ 1,777,495
Petty cash and change funds	1,700	-	-
Departmental cash	147,245	-	-
Taxes receivable			
Delinquent	85,298	17,367	22,771
Special assessments receivable			
Delinquent	8,181	-	-
Noncurrent	29,416	-	-
Accounts receivable	59,410	4,786	6,600
Accrued interest receivable	6,174	-	-
Due from other funds	-	-	-
Due from other governments	141,942	632,769	151,083
Inventories	-	29,300	-
Advances to other funds	157,712	-	-
	<b>\$ 4,267,826</b>	<b>\$ 1,538,394</b>	<b>\$ 1,957,949</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 42,092	\$ 4,979	\$ 113,425
Salaries payable	75,932	22,406	24,587
Contracts payable	-	163,996	-
Due to other funds	339	3,690	-
Due to other governments	38,086	263,815	15,398
Deferred revenue - unavailable	200,687	650,136	22,771
Deferred revenue - unearned	91,114	213,146	-
Advances from other funds	-	-	-
	<b>\$ 448,250</b>	<b>\$ 1,322,168</b>	<b>\$ 176,181</b>

**EXHIBIT 3**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 74,387	\$ 24,475	\$ 348,059	\$ 1,118,017	\$ 607,750	\$ 8,435,103
-	-	-	-	-	1,700
-	-	-	-	-	147,245
-	-	8,555	-	3,813	137,804
-	16,332	-	-	-	24,513
100,496	-	-	-	-	129,912
-	-	-	-	109,041	179,837
-	-	-	-	-	6,174
-	-	6,032	-	4,029	10,061
-	-	-	-	38,926	964,720
-	-	-	-	-	29,300
-	-	-	-	-	157,712
<b><u>\$ 174,883</u></b>	<b><u>\$ 40,807</u></b>	<b><u>\$ 362,646</u></b>	<b><u>\$ 1,118,017</u></b>	<b><u>\$ 763,559</u></b>	<b><u>\$ 10,224,081</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 63,072	\$ 223,568
-	-	-	-	15,407	138,332
-	-	-	-	-	163,996
-	-	-	6,032	-	10,061
-	-	-	-	-	317,299
100,496	16,332	8,555	-	3,813	1,002,790
-	-	-	-	-	304,260
157,712	-	-	-	-	157,712
<b><u>\$ 258,208</u></b>	<b><u>\$ 16,332</u></b>	<b><u>\$ 8,555</u></b>	<b><u>\$ 6,032</u></b>	<b><u>\$ 82,292</u></b>	<b><u>\$ 2,318,018</u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>General</b>	<b>Road and Bridge</b>	<b>Family Services</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>(Continued)</b>			
<b>Fund Balances</b>			
Reserved for			
Missing heirs	\$ 32,403	\$ -	\$ -
Advances to other funds	157,712	-	-
Law library	-	-	-
Recorder's equipment	79,340	-	-
Inventories	-	29,300	-
Gravel pit closure	-	-	-
Sheriff's contingency	5,368	-	-
Capital expenditures	122,997	-	-
Workers' compensation	6,673	-	-
Petty cash	1,700	-	-
Recorder's compliance	100,105	-	-
D.A.R.E.	23,902	-	-
Bike path donations	36,974	-	-
Local water planning	42,122	-	-
Feedlot program	29,814	-	-
ISTS loan program	522	-	-
Shoreland administration	7,385	-	-
Election equipment	99,565	-	-
Extension grants	1,136	-	-
Unreserved			
Designated for future expenditures	-	-	515,556
Designated for cash flows	1,000,000	-	-
Designated for compensated absences	350,000	-	-
Designated for courthouse maintenance	100,000	-	-
Designated for insurance	75,000	-	-
Designated for E-911	157,880	-	-
Designated for permit to carry	5,465	-	-
Designated for plat sign deposits	1,386	-	-
Designated for veteran vans	8,506	-	-
Designated for engineering services	9,152	-	-
Designated for chemical use assessment	23,908	-	-
Designated for probation program expense	19,175	-	-
Designated for probation support fees	21,145	-	-
Designated for domestic abuse	1,573	-	-
Undesignated	1,298,668	186,926	1,266,212
Reported in nonmajor special revenue funds	-	-	-
<b>Total Fund Balances</b>	<b>\$ 3,819,576</b>	<b>\$ 216,226</b>	<b>\$ 1,781,768</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,267,826</b>	<b>\$ 1,538,394</b>	<b>\$ 1,957,949</b>

**EXHIBIT 3**  
**(Continued)**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32,403
-	-	-	-	-	157,712
-	-	-	-	13,776	13,776
-	-	-	-	-	79,340
-	-	-	-	-	29,300
-	-	-	-	34,725	34,725
-	-	-	-	-	5,368
-	-	-	-	-	122,997
-	-	-	-	-	6,673
-	-	-	-	-	1,700
-	-	-	-	-	100,105
-	-	-	-	-	23,902
-	-	-	-	-	36,974
-	-	-	-	-	42,122
-	-	-	-	-	29,814
-	-	-	-	-	522
-	-	-	-	-	7,385
-	-	-	-	-	99,565
-	-	-	-	-	1,136
-	-	-	-	-	515,556
-	-	-	-	-	1,000,000
-	-	-	-	-	350,000
-	-	-	-	-	100,000
-	-	-	-	-	75,000
-	-	-	-	-	157,880
-	-	-	-	-	5,465
-	-	-	-	-	1,386
-	-	-	-	-	8,506
-	-	-	-	-	9,152
-	-	-	-	-	23,908
-	-	-	-	-	19,175
-	-	-	-	-	21,145
-	-	-	-	-	1,573
(83,325)	24,475	354,091	1,111,985	-	4,159,032
-	-	-	-	632,766	632,766
<u>\$ (83,325)</u>	<u>\$ 24,475</u>	<u>\$ 354,091</u>	<u>\$ 1,111,985</u>	<u>\$ 681,267</u>	<u>\$ 7,906,063</u>
<u>\$ 174,883</u>	<u>\$ 40,807</u>	<u>\$ 362,646</u>	<u>\$ 1,118,017</u>	<u>\$ 763,559</u>	<u>\$ 10,224,081</u>

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2007**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$ 7,906,063</b>
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		43,770,608
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.		
Deferred charges		32,360
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		
Deferred revenue		1,002,790
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (1,925,000)	
Contract for deed	(160,000)	
Loans payable	(36,445)	
Compensated absences	(419,154)	(2,540,599)
Matured interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(3,032)
<b>Net Assets of Governmental Activities (Exhibit 1)</b>		<b><u>\$ 50,168,190</u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
<b>Revenues</b>			
Taxes	\$ 3,375,288	\$ 703,145	\$ 829,874
Special assessments	3,532	-	-
Licenses and permits	62,670	-	-
Intergovernmental	1,376,032	3,004,504	1,502,898
Charges for services	346,611	35,634	59,396
Fines and forfeits	3,555	-	-
Gifts and contributions	14,127	-	-
Investment earnings	501,542	-	-
Miscellaneous	215,741	64,405	77,626
	<u>\$ 5,899,098</u>	<u>\$ 3,807,688</u>	<u>\$ 2,469,794</u>
<b>Total Revenues</b>			
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 2,922,865	\$ -	\$ -
Public safety	1,536,478	-	-
Highways and streets	-	4,206,356	-
Human services	-	-	2,728,343
Health	-	-	-
Culture and recreation	149,678	-	-
Conservation of natural resources	342,224	-	-
Economic development	19,659	-	-
<b>Intergovernmental</b>			
Highways and streets	-	234,555	-
Sanitation	52,039	-	-
<b>Capital outlay</b>	247,346	188,552	-
<b>Debt service</b>			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
Administrative charges	-	-	-
	<u>\$ 5,270,289</u>	<u>\$ 4,629,463</u>	<u>\$ 2,728,343</u>
<b>Total Expenditures</b>			
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>\$ 628,809</u>	<u>\$ (821,775)</u>	<u>\$ (258,549)</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>
\$ -	\$ -	\$ 317,833	\$ -	\$ 160,409	\$ 5,386,549
32,580	317,961	-	-	-	354,073
-	-	-	-	-	62,670
-	-	39,976	-	195,913	6,119,323
-	-	-	-	604,801	1,046,442
-	-	-	-	28,928	32,483
-	-	-	-	-	14,127
-	-	-	-	5,396	506,938
1,500	-	-	-	15,184	374,456
<b>\$ 34,080</b>	<b>\$ 317,961</b>	<b>\$ 357,809</b>	<b>\$ -</b>	<b>\$ 1,010,631</b>	<b>\$ 13,897,061</b>
\$ -	\$ -	\$ -	\$ -	\$ 31,683	\$ 2,954,548
-	-	-	-	-	1,536,478
-	-	-	-	-	4,206,356
-	-	-	-	-	2,728,343
-	-	-	-	819,046	819,046
-	-	-	-	-	149,678
56,629	-	-	-	-	398,853
-	-	-	-	238,124	257,783
-	-	-	-	-	234,555
-	308,200	-	-	-	360,239
-	-	-	124,098	-	559,996
-	-	310,000	-	60,000	370,000
4,089	-	25,635	-	16,100	45,824
-	-	-	27,885	-	27,885
-	-	781	-	-	781
<b>\$ 60,718</b>	<b>\$ 308,200</b>	<b>\$ 336,416</b>	<b>\$ 151,983</b>	<b>\$ 1,164,953</b>	<b>\$ 14,650,365</b>
<b>\$ (26,638)</b>	<b>\$ 9,761</b>	<b>\$ 21,393</b>	<b>\$ (151,983)</b>	<b>\$ (154,322)</b>	<b>\$ (753,304)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ -	\$ 117,346
Transfers out	(326,179)	-	-
Bonds issued	-	-	-
Proceeds from the sale of capital assets	-	10,336	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (326,179)</b>	<b>\$ 10,336</b>	<b>\$ 117,346</b>
<b>Net Change in Fund Balances</b>	<b>\$ 302,630</b>	<b>\$ (811,439)</b>	<b>\$ (141,203)</b>
<b>Fund Balances - January 1</b>	<b>3,516,946</b>	<b>1,037,547</b>	<b>1,922,971</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(9,882)</b>	<b>-</b>
<b>Fund Balances - December 31</b>	<b><u>\$ 3,819,576</u></b>	<b><u>\$ 216,226</u></b>	<b><u>\$ 1,781,768</u></b>

**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>
\$ -	\$ -	\$ -	\$ -	\$ 208,833	\$ 326,179
-	-	-	-	-	(326,179)
-	-	6,032	1,263,968	-	1,270,000
-	-	-	-	-	10,336
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,032</u>	<u>\$ 1,263,968</u>	<u>\$ 208,833</u>	<u>\$ 1,280,336</u>
\$ (26,638)	\$ 9,761	\$ 27,425	\$ 1,111,985	\$ 54,511	\$ 527,032
(56,687)	14,714	326,666	-	626,756	7,388,913
-	-	-	-	-	(9,882)
<u>\$ (83,325)</u>	<u>\$ 24,475</u>	<u>\$ 354,091</u>	<u>\$ 1,111,985</u>	<u>\$ 681,267</u>	<u>\$ 7,906,063</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, 2007**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 527,032**

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	\$ 1,002,790	
Deferred revenue - January 1	(642,257)	360,533

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the fund statements the proceeds from the sale increase financial resources. The change in net assets differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 2,816,215	
Net book value of assets sold	(21,756)	
Current year depreciation	(1,363,317)	1,431,142

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

Proceeds of new debt		
General obligation bonds issued	\$ (1,270,000)	
Bond issuance costs	27,885	
Loans payable issued	(11,529)	
Principal repayments	370,000	
Current year amortization of issuance costs	(4,475)	(888,119)

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 matured interest payable	\$ 1,677	
Change in compensated absences	(18,340)	
Change in inventories	(9,882)	(26,545)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,404,043**

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

**FIDUCIARY FUNDS**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

***EXHIBIT 7***

**STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2007**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 314,177
Due from other governments	<u>677</u>
<b>Total Assets</b>	<b><u>\$ 314,854</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 4,989
Due to other governments	<u>309,865</u>
<b>Total Liabilities</b>	<b><u>\$ 314,854</u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
CEMETERY INVESTMENT TRUST FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Additions</u>	
Trust deposits	\$ 900
Investment income	<u>1,111</u>
<b>Total Additions</b>	<b>\$ 2,011</b>
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>78,233</u>
<b>Change in net assets</b>	<b>\$ (76,222)</b>
<b>Net Assets - Beginning of the Year</b>	<u>76,222</u>
<b>Net Assets - End of the Year</b>	<u><u>\$ -</u></u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

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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, 2007. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Pope County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer, who is elected on a County-wide basis, serves as the Clerk of the Board of Commissioners but does not vote in its decisions.

As required by accounting principles generally accepted in the United States of America, these financial statements present Pope County (the primary government) and its component unit for which the County is financially accountable.

Blended Component Unit

The Pope County Housing and Redevelopment Authority (HRA) is governed by a five-member Board consisting of the Pope County Board of Commissioners. The Pope County HRA operates as a local governmental unit for the purpose of providing housing and redevelopment services to Pope County. Although it is legally separate from the County, the activity of the HRA is included in the Pope County reporting entity as the Housing and Redevelopment Authority Special Revenue Fund because the HRA's governing body is the same as the governing body of Pope County. Separate financial statements are not available for the Pope County HRA.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

In the government-wide statement of net assets, the governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expense of each function of the County's governmental activities is offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be 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 Family 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 property.

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**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

The Cemetery Investment Trust Fund accounts for the external pooled and nonpooled investments held on behalf of external participants. This fund was closed at December 31, 2007.

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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$468,172.

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 fund balance reserve 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**

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1. Summary of Significant Accounting Policies

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

3. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Reported inventories are equally offset by reserved 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 market 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 is 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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Compensated Absences (Continued)

who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, 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**

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1. Summary of Significant Accounting Policies

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

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. 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

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2007, of \$83,325. The deficit will be eliminated with future special assessment levies against benefited properties.

B. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,270,289	\$ 5,074,818	\$ 195,471
Special Revenue Funds			
Road and Bridge	4,629,463	3,995,026	634,437
Ditch	60,718	2,300	58,418
Solid Waste	308,200	-	308,200
Health Services	819,046	812,933	6,113
Law Library	31,683	29,000	2,683
Housing and Redevelopment Authority	314,224	175,710	138,514

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of Pope County's total cash and investments to the basic financial statements follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 8,435,103
Petty cash and change funds	1,700
Departmental cash	147,245
Statement of fiduciary net assets	
Agency funds	
Cash and pooled investments	<u>314,177</u>
Total Cash and Investments	<u>\$ 8,898,225</u>

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all County deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest 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, 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**

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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, 2007, the County's deposits were not exposed to custodial credit risk.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (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, 2007.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$129,912 of deferred special assessments.

3. Capital Assets

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,997,489	\$ -	\$ -	\$ 1,997,489
Capital assets depreciated				
Buildings	\$ 3,691,285	\$ 12,980	\$ -	\$ 3,704,265
Office furniture and equipment	566,066	92,584	14,065	644,585
Machinery and automotive equipment	3,061,783	306,526	110,638	3,257,671
Infrastructure	46,511,791	2,404,125	-	48,915,916
Total capital assets depreciated	\$ 53,830,925	\$ 2,816,215	\$ 124,703	\$ 56,522,437
Less: accumulated depreciation for				
Buildings	\$ 1,289,448	\$ 107,369	\$ -	\$ 1,396,817
Office furniture and equipment	313,296	55,095	8,570	359,821
Machinery and automotive equipment	1,777,829	259,153	94,377	1,942,605
Infrastructure	10,108,375	941,700	-	11,050,075
Total accumulated depreciation	\$ 13,488,948	\$ 1,363,317	\$ 102,947	\$ 14,749,318
Total capital assets depreciated, net	\$ 40,341,977	\$ 1,452,898	\$ 21,756	\$ 41,773,119
Governmental Activities Capital Assets, Net	\$ 42,339,466	\$ 1,452,898	\$ 21,756	\$ 43,770,608

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	133,458
Public safety		61,218
Highways and streets, including depreciation of infrastructure assets		1,163,056
Human services		3,363
Economic development		2,222
Total Depreciation Expense - Governmental Activities	\$	1,363,317

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
Debt Service	Capital Projects	\$ 6,032	To allocate bond proceeds
Health Services	General	339	To provide funding
Gravel Tax	Road and Bridge	3,690	Gravel tax receipts
Total Due To/From Other Funds		\$ 10,061	

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 157,712

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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

	Transfers In	Description
Transfers to Family Services Special Revenue Fund from General Fund	\$ 117,346	To provide funding
Transfers to Health Services Special Revenue Fund from General Fund	208,833	To provide funding
Total Interfund Transfers	\$ 326,179	

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	Governmental Activities
Accounts	\$ 223,568
Salaries	138,332
Contracts	163,996
Due to other governments	317,299
Matured interest	3,032
Total Payables	\$ 846,227

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. 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, 2007, is summarized below by fund:

	Taxes and Special Assessments	Grants	Other	Total
Governmental funds				
General Fund	\$ 122,895	\$ 91,114	\$ 77,792	\$ 291,801
Special Revenue Funds				
Road and Bridge	17,367	-	845,915	863,282
Family Services	22,771	-	-	22,771
Ditch	100,496	-	-	100,496
Solid Waste	16,332	-	-	16,332
Debt Service Fund	8,555	-	-	8,555
Other governmental funds	3,813	-	-	3,813
Total	<u>\$ 292,229</u>	<u>\$ 91,114</u>	<u>\$ 923,707</u>	<u>\$ 1,307,050</u>
Deferred revenue				
Unavailable	\$ 292,229	\$ -	\$ 710,561	\$ 1,002,790
Unearned	-	91,114	213,146	304,260
Total	<u>\$ 292,229</u>	<u>\$ 91,114</u>	<u>\$ 923,707</u>	<u>\$ 1,307,050</u>

3. Other Postemployment Benefits - Retirees

The County pays the health insurance for qualified retired employees from date of retirement until death in accordance with County policy. The rates are based on the County's group health policy rates. During 2007, the County paid health insurance premiums for 34 retirees totaling \$127,017.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Bond and note payments are typically made from the Debt Service Fund. Information on individual bonds and notes payables were as follows:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2007
General Obligation Bonds					
2002 Solid Waste Bond	12/01/2011	\$90,000 to \$115,000	2.00 to 3.70	\$ 1,030,000	\$ 440,000
2003A G.O. Capital Improvement Bonds	03/01/2008	\$185,000 to \$215,000	1.05 to 2.45	1,000,000	215,000
2007A G.O. Capital Improvement Bonds	02/01/2012	\$300,000 to \$335,000	3.60	<u>1,270,000</u>	<u>1,270,000</u>
Total General Obligation Bonds				<u>\$ 3,300,000</u>	<u>\$ 1,925,000</u>
Contracts for deeds	01/01/2011	\$40,000 to \$60,000	5.75	<u>\$ 400,000</u>	<u>\$ 160,000</u>
State of Minnesota Septic System Replacement Loans	06/15/2018	\$1,654 to \$3,941	2.00	<u>\$ 36,445</u>	<u>\$ 36,445</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2008	\$ 320,000	\$ 73,321	\$ 1,654	\$ 358
2009	410,000	52,275	3,359	665
2010	420,000	37,555	3,427	597
2011	440,000	22,165	3,496	528
2012	335,000	6,030	3,567	458
2013 - 2017	-	-	18,942	1,178
2018	-	-	<u>2,000</u>	<u>12</u>
Total	<u>\$ 1,925,000</u>	<u>\$ 191,346</u>	<u>\$ 36,445</u>	<u>\$ 3,796</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 965,000	\$ 1,270,000	\$ 310,000	\$ 1,925,000	\$ 320,000
Contracts for deed	220,000	-	60,000	160,000	60,000
Loans payable	24,916	11,529	-	36,445	1,654
Compensated absences	400,814	475,817	457,477	419,154	40,141
Long-Term Liabilities	<u>\$ 1,610,730</u>	<u>\$ 1,757,346</u>	<u>\$ 827,477</u>	<u>\$ 2,540,599</u>	<u>\$ 421,795</u>

Long-term debt was liquidated by payments from the following funds:

Debt Service Fund	\$ 310,000
Other governmental funds	60,000
Total Principal Retirements	<u>\$ 370,000</u>

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 Public 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.

Public 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. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

A. Plan Description (Continued)

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 and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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 Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service.

For Public 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. 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 Public Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at [www.mnpera.org](http://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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. 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. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	2007	2008
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2007	2006	2005
Public Employees Retirement Fund	\$ 282,452	\$ 214,540	\$ 196,213
Public Employees Police and Fire Fund	45,758	36,244	23,131

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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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 Insurance 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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. 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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

C. Joint Ventures

Pope-Douglas Solid Waste Board

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

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

The Pope-Douglas Solid Waste Board had net assets of \$21,613,102 as of December 31, 2007, which was a net increase of \$1,288,676.

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

Complete financial statements of the Pope-Douglas Solid Waste Board 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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Council on Aging (Continued)

25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal does not discharge any liability incurred or chargeable to any county before the effective date of withdrawal. Control is vested in the Central Minnesota Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents.

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

Mid-State Community Health Services

Douglas, 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). Stevens County Nursing Service receives and administers the grant money.

Complete financial statements for the Mid-State Community Health Services can be obtained from its administrative office at 210 Atlantic Avenue, Morris, Minnesota 56267-1321, or from the Stevens County Auditor/Treasurer's Office at the Courthouse.

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

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. Additionally, Pope County has provided \$45,000 as a start-up loan; this loan was repaid on July 5, 2006.

Douglas County acts as fiscal agent for the Prime West Central County-Based Purchasing Initiative Joint Powers Board and reports the cash transactions as an investment trust fund on its financial statements.

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

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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Crow River Joint Powers Agreement (Continued)

The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds.

Complete financial information can be obtained from the Prairie County Resource Conservation and Development Council, 1005 High Avenue North East, Willmar, Minnesota 56201.

D. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2007.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 10,000	\$ 3,751,654	\$ 3,375,288	\$ (376,366)
Special assessments	-	-	3,532	3,532
Licenses and permits	40,000	40,000	62,670	22,670
Intergovernmental	285,186	689,625	1,376,032	686,407
Charges for services	281,000	281,000	346,611	65,611
Fines and forfeits	-	-	3,555	3,555
Gifts and contributions	100	100	14,127	14,027
Investment earnings	200,000	200,000	501,542	301,542
Miscellaneous	157,170	154,515	215,741	61,226
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total Revenues</b>	<b>\$ 973,456</b>	<b>\$ 5,116,894</b>	<b>\$ 5,899,098</b>	<b>\$ 782,204</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 202,445	\$ 202,445	\$ 190,492	\$ 11,953
Wellness program	2,887	2,887	947	1,940
Information technology	76,887	115,693	136,359	(20,666)
Coordinator	142,381	197,765	207,879	(10,114)
Auditor/treasurer	290,731	343,801	301,038	42,763
County assessor	261,020	293,899	287,500	6,399
Elections	2,200	2,200	4,877	(2,677)
Accounting and auditing	30,000	30,000	35,341	(5,341)
Data processing	53,248	53,248	47,786	5,462
Attorney	233,605	233,605	219,007	14,598
Recorder	235,556	258,302	234,945	23,357
Surveyor	4,375	4,375	-	4,375
Environmental services	210,692	275,370	253,135	22,235
Buildings	351,288	407,132	427,740	(20,608)
Veterans service officer	83,849	110,147	109,562	585
Other general government	384,282	-	466,257	(466,257)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Total general government</b>	<b>\$ 2,565,446</b>	<b>\$ 2,530,869</b>	<b>\$ 2,922,865</b>	<b>\$ (391,996)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 888,454	\$ 888,454	\$ 741,371	\$ 147,083
Snowmobile grant	3,991	3,991	2,313	1,678
Boat and water safety	36,191	36,191	20,970	15,221
Coroner	6,000	6,000	605	5,395
Enhanced 911 system	28,900	28,900	31,004	(2,104)
Dispatchers	197,137	197,137	184,224	12,913
County jail	350,000	350,000	278,797	71,203
Court services	166,427	194,984	173,865	21,119
Sentenced to serve	80,690	80,690	89,637	(8,947)
Emergency management	9,961	9,961	13,692	(3,731)
<b>Total public safety</b>	<b>\$ 1,767,751</b>	<b>\$ 1,796,308</b>	<b>\$ 1,536,478</b>	<b>\$ 259,830</b>
<b>Culture and recreation</b>				
Historical society	\$ 49,000	\$ 49,000	\$ 49,000	\$ -
Let's go fishing	-	1,500	1,500	-
Senior citizens	87,099	108,118	97,338	10,780
Other	1,840	1,840	1,840	-
<b>Total culture and recreation</b>	<b>\$ 137,939</b>	<b>\$ 160,458</b>	<b>\$ 149,678</b>	<b>\$ 10,780</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 38,500	\$ 38,500	\$ 50,029	\$ (11,529)
County extension	80,000	90,426	89,471	955
Agriculture ditch inspector	15,494	15,494	13,063	2,431
County fair	25,000	25,000	25,000	-
Water management	75,332	75,332	159,130	(83,798)
Shoreland management	4,842	4,842	5,531	(689)
<b>Total conservation of natural resources</b>	<b>\$ 239,168</b>	<b>\$ 249,594</b>	<b>\$ 342,224</b>	<b>\$ (92,630)</b>
<b>Economic development</b>				
Community development	\$ 17,424	\$ 17,424	\$ 17,424	\$ -
Senior citizens	3,393	1,893	2,235	(342)
<b>Total economic development</b>	<b>\$ 20,817</b>	<b>\$ 19,317</b>	<b>\$ 19,659</b>	<b>\$ (342)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 1**  
***(Continued)***

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures (Continued)</b>				
<b>Intergovernmental</b>				
<b>Sanitation</b>				
Pope-Douglas Solid Waste Board	\$ 43,779	\$ 43,779	\$ 52,039	\$ (8,260)
<b>Capital outlay</b>				
General government	\$ 192,343	\$ 192,343	\$ 99,604	\$ 92,739
Public safety	82,150	82,150	147,742	(65,592)
<b>Total capital outlay</b>	<u>\$ 274,493</u>	<u>\$ 274,493</u>	<u>\$ 247,346</u>	<u>\$ 27,147</u>
<b>Total Expenditures</b>	<u>\$ 5,049,393</u>	<u>\$ 5,074,818</u>	<u>\$ 5,270,289</u>	<u>\$ (195,471)</u>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	\$ (4,075,937)	\$ 42,076	\$ 628,809	\$ 586,733
<b>Other Financing Sources (Uses)</b>				
Transfers out	-	-	(326,179)	(326,179)
<b>Net Change in Fund Balance</b>	\$ (4,075,937)	\$ 42,076	\$ 302,630	\$ 260,554
<b>Fund Balance - January 1</b>	<u>3,516,946</u>	<u>3,516,946</u>	<u>3,516,946</u>	<u>-</u>
<b>Fund Balance - December 31</b>	<u>\$ (558,991)</u>	<u>\$ 3,559,022</u>	<u>\$ 3,819,576</u>	<u>\$ 260,554</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 882,536	\$ 799,288	\$ 703,145	\$ (96,143)
Intergovernmental	3,013,490	3,096,738	3,004,504	(92,234)
Charges for services	-	-	35,634	35,634
Miscellaneous	99,000	99,000	64,405	(34,595)
<b>Total Revenues</b>	<b>\$ 3,995,026</b>	<b>\$ 3,995,026</b>	<b>\$ 3,807,688</b>	<b>\$ (187,338)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 384,692	\$ 384,692	\$ 56,852	\$ 327,840
Maintenance	973,572	973,572	965,184	8,388
Engineering/construction	1,874,075	1,874,075	2,868,049	(993,974)
Equipment, maintenance, and shop	397,132	397,132	316,271	80,861
<b>Total highways and streets</b>	<b>\$ 3,629,471</b>	<b>\$ 3,629,471</b>	<b>\$ 4,206,356</b>	<b>\$ (576,885)</b>
<b>Intergovernmental</b>				
Highways and streets	234,555	234,555	234,555	-
<b>Capital outlay</b>				
Highways and streets	131,000	131,000	188,552	(57,552)
<b>Total Expenditures</b>	<b>\$ 3,995,026</b>	<b>\$ 3,995,026</b>	<b>\$ 4,629,463</b>	<b>\$ (634,437)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (821,775)</b>	<b>\$ (821,775)</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	-	-	10,336	10,336
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (811,439)</b>	<b>\$ (811,439)</b>
<b>Fund Balance - January 1</b>	<b>1,037,547</b>	<b>1,037,547</b>	<b>1,037,547</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(9,882)</b>	<b>(9,882)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,037,547</b>	<b>\$ 1,037,547</b>	<b>\$ 216,226</b>	<b>\$ (821,321)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
FAMILY SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ -	\$ 1,045,354	\$ 829,874	\$ (215,480)
Intergovernmental	1,377,635	1,480,740	1,502,898	22,158
Charges for services	58,325	58,325	59,396	1,071
Miscellaneous	52,500	302,675	77,626	(225,049)
<b>Total Revenues</b>	<b>\$ 1,488,460</b>	<b>\$ 2,887,094</b>	<b>\$ 2,469,794</b>	<b>\$ (417,300)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 748,186	\$ 801,539	\$ 698,181	\$ 103,358
Social services	2,021,562	2,085,555	2,030,162	55,393
<b>Total Expenditures</b>	<b>\$ 2,769,748</b>	<b>\$ 2,887,094</b>	<b>\$ 2,728,343</b>	<b>\$ 158,751</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (1,281,288)</b>	<b>\$ -</b>	<b>\$ (258,549)</b>	<b>\$ (258,549)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	117,346	117,346
<b>Net Change in Fund Balance</b>	<b>\$ (1,281,288)</b>	<b>\$ -</b>	<b>\$ (141,203)</b>	<b>\$ (141,203)</b>
<b>Fund Balance - January 1</b>	<b>1,922,971</b>	<b>1,922,971</b>	<b>1,922,971</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 641,683</b>	<b>\$ 1,922,971</b>	<b>\$ 1,781,768</b>	<b>\$ (141,203)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 4**

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ 26,333	\$ 32,580	\$ 6,247
Miscellaneous	-	-	1,500	1,500
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 26,333</b>	<b>\$ 34,080</b>	<b>\$ 7,747</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Other	\$ -	\$ 2,300	\$ 56,629	\$ (54,329)
<b>Debt service</b>				
Interest	-	-	4,089	(4,089)
<b>Total Expenditures</b>	<b>\$ -</b>	<b>\$ 2,300</b>	<b>\$ 60,718</b>	<b>\$ (58,418)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ 24,033</b>	<b>\$ (26,638)</b>	<b>\$ (50,671)</b>
<b>Fund Balance - January 1</b>	<b>(56,687)</b>	<b>(56,687)</b>	<b>(56,687)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (56,687)</b>	<b>\$ (32,654)</b>	<b>\$ (83,325)</b>	<b>\$ (50,671)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Special assessments	\$ -	\$ -	\$ 317,961	\$ 317,961
<b>Expenditures</b>				
<b>Intergovernmental</b>				
Sanitation	-	-	308,200	(308,200)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,761</b>	<b>\$ 9,761</b>
<b>Fund Balance - January 1</b>	<b>14,714</b>	<b>14,714</b>	<b>14,714</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 14,714</b>	<b>\$ 14,714</b>	<b>\$ 24,475</b>	<b>\$ 9,761</b>

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain special revenue funds. 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. Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2007:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,270,289	\$ 5,074,818	\$ 195,471
Special Revenue Funds			
Road and Bridge	4,629,463	3,995,026	634,437
Ditch	60,718	2,300	58,418
Solid Waste	308,200	-	308,200

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**SUPPLEMENTARY INFORMATION**

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**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Special Revenue Funds

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

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

Gravel Tax - to account for all funds collected under state law for restoration of abandoned pits or quarries on public land or tax-forfeited land.

Housing and Redevelopment Authority - to account for the revenues and expenditures resulting from the implementation of a redevelopment plan to promote economic development within Pope County.

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.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Agency Funds (Continued)

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.

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.

Regional Treatment and Correctional Center - to account for the collection and payment of funds due to the Regional Treatment and Correctional Center.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2007**

	<b>Health Services</b>	<b>Law Library</b>	<b>Gravel Tax</b>	<b>Housing and Redevelopment Authority</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 402,108	\$ 15,131	\$ 34,725	\$ 155,786	\$ 607,750
Taxes receivable					
Delinquent	-	-	-	3,813	3,813
Accounts receivable	106,903	-	-	2,138	109,041
Due from other funds	339	-	3,690	-	4,029
Due from other governments	30,518	2,451	-	5,957	38,926
	<b>\$ 539,868</b>	<b>\$ 17,582</b>	<b>\$ 38,415</b>	<b>\$ 167,694</b>	<b>\$ 763,559</b>
<b><u>Liabilities and Fund Balances</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 1,984	\$ 3,806	\$ -	\$ 57,282	\$ 63,072
Salaries payable	15,407	-	-	-	15,407
Deferred revenue - unavailable	-	-	-	3,813	3,813
	<b>\$ 17,391</b>	<b>\$ 3,806</b>	<b>\$ -</b>	<b>\$ 61,095</b>	<b>\$ 82,292</b>
<b>Fund Balances</b>					
Reserved for					
Law library	\$ -	\$ 13,776	\$ -	\$ -	\$ 13,776
Gravel pit closure	-	-	34,725	-	34,725
Unreserved					
Undesignated	522,477	-	3,690	106,599	632,766
	<b>\$ 522,477</b>	<b>\$ 13,776</b>	<b>\$ 38,415</b>	<b>\$ 106,599</b>	<b>\$ 681,267</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 539,868</b>	<b>\$ 17,582</b>	<b>\$ 38,415</b>	<b>\$ 167,694</b>	<b>\$ 763,559</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Health Services</u>	<u>Law Library</u>	<u>Gravel Tax</u>	<u>Housing and Redevelopment Authority</u>	<u>Total (Exhibit 5)</u>
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 3,690	\$ 156,719	\$ 160,409
Intergovernmental	171,749	-	-	24,164	195,913
Charges for services	604,801	-	-	-	604,801
Fines and forfeits	-	28,928	-	-	28,928
Investment earnings	-	-	-	5,396	5,396
Miscellaneous	-	1,013	-	14,171	15,184
<b>Total Revenues</b>	<b>\$ 776,550</b>	<b>\$ 29,941</b>	<b>\$ 3,690</b>	<b>\$ 200,450</b>	<b>\$ 1,010,631</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ -	\$ 31,683	\$ -	\$ -	\$ 31,683
Health	819,046	-	-	-	819,046
Economic development	-	-	-	238,124	238,124
<b>Debt service</b>					
Principal	-	-	-	60,000	60,000
Interest	-	-	-	16,100	16,100
<b>Total Expenditures</b>	<b>\$ 819,046</b>	<b>\$ 31,683</b>	<b>\$ -</b>	<b>\$ 314,224</b>	<b>\$ 1,164,953</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (42,496)</b>	<b>\$ (1,742)</b>	<b>\$ 3,690</b>	<b>\$ (113,774)</b>	<b>\$ (154,322)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	208,833	-	-	-	208,833
<b>Net Change in Fund Balance</b>	<b>\$ 166,337</b>	<b>\$ (1,742)</b>	<b>\$ 3,690</b>	<b>\$ (113,774)</b>	<b>\$ 54,511</b>
<b>Fund Balance - January 1</b>	<b>356,140</b>	<b>15,518</b>	<b>34,725</b>	<b>220,373</b>	<b>626,756</b>
<b>Fund Balance - December 31</b>	<b>\$ 522,477</b>	<b>\$ 13,776</b>	<b>\$ 38,415</b>	<b>\$ 106,599</b>	<b>\$ 681,267</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 6*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 128,875	\$ 128,875	\$ 171,749	\$ 42,874
Charges for services	375,225	375,225	604,801	229,576
Miscellaneous	100,000	100,000	-	(100,000)
<b>Total Revenues</b>	<b>\$ 604,100</b>	<b>\$ 604,100</b>	<b>\$ 776,550</b>	<b>\$ 172,450</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Health services	\$ 645,616	\$ 812,373	\$ 819,046	\$ (6,673)
<b>Capital outlay</b>				
Health	560	560	-	560
<b>Total Expenditures</b>	<b>\$ 646,176</b>	<b>\$ 812,933</b>	<b>\$ 819,046</b>	<b>\$ (6,113)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (42,076)</b>	<b>\$ (208,833)</b>	<b>\$ (42,496)</b>	<b>\$ 166,337</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	42,076	208,833	208,833	-
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 166,337</b>	<b>\$ 166,337</b>
<b>Fund Balance - January 1</b>	<b>356,140</b>	<b>356,140</b>	<b>356,140</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 356,140</b>	<b>\$ 356,140</b>	<b>\$ 522,477</b>	<b>\$ 166,337</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 7*

**BUDGETARY COMPARISON SCHEDULE  
LAW LIBRARY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Charges for services	\$ -	\$ 29,000	\$ -	\$ (29,000)
Fines and forfeitures	-	-	28,928	28,928
Miscellaneous	-	-	1,013	1,013
<b>Total Revenues</b>	<b>\$ -</b>	<b>\$ 29,000</b>	<b>\$ 29,941</b>	<b>\$ 941</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Law library	-	29,000	31,683	(2,683)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,742)</b>	<b>\$ (1,742)</b>
<b>Fund Balance - January 1</b>	<b>15,518</b>	<b>15,518</b>	<b>15,518</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 15,518</b>	<b>\$ 15,518</b>	<b>\$ 13,776</b>	<b>\$ (1,742)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 8*

**BUDGETARY COMPARISON SCHEDULE  
HOUSING AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 175,710	\$ 175,710	\$ 156,719	\$ (18,991)
Intergovernmental	-	-	24,164	24,164
Investment earnings	-	-	5,396	5,396
Miscellaneous	-	-	14,171	14,171
<b>Total Revenues</b>	<b>\$ 175,710</b>	<b>\$ 175,710</b>	<b>\$ 200,450</b>	<b>\$ 24,740</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Economic development</b>				
Economic development	\$ 99,610	\$ 99,610	\$ 238,124	\$ (138,514)
<b>Debt service</b>				
Principal	-	-	60,000	(60,000)
Interest	-	-	16,100	(16,100)
<b>Capital outlay</b>				
Economic development	76,100	76,100	-	76,100
<b>Total Expenditures</b>	<b>\$ 175,710</b>	<b>\$ 175,710</b>	<b>\$ 314,224</b>	<b>\$ (138,514)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (113,774)</b>	<b>\$ (113,774)</b>
<b>Fund Balance - January 1</b>	<b>220,373</b>	<b>220,373</b>	<b>220,373</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 220,373</b>	<b>\$ 220,373</b>	<b>\$ 106,599</b>	<b>\$ (113,774)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SCHOOL DISTRICTS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 41,055</u>	<u>\$ 2,683,508</u>	<u>\$ 2,671,265</u>	<u>\$ 53,298</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 41,055</u>	<u>\$ 2,683,508</u>	<u>\$ 2,671,265</u>	<u>\$ 53,298</u>
 <b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 5,729</u>	<u>\$ 78,387</u>	<u>\$ 79,127</u>	<u>\$ 4,989</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ 5,729</u>	<u>\$ 79,641</u>	<u>\$ 80,381</u>	<u>\$ 4,989</u>
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 148,916</u>	<u>\$ 47,071</u>	<u>\$ 99,870</u>	<u>\$ 96,117</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 148,916</u>	<u>\$ 47,071</u>	<u>\$ 99,870</u>	<u>\$ 96,117</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
 <b><u>GLACIAL RIDGE HOSPITAL DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,780	\$ 232,962	\$ 232,961	\$ 3,781
<b><u>Liabilities</u></b>				
Due to other governments	\$ 3,780	\$ 232,962	\$ 232,961	\$ 3,781
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 55,939	\$ 12,290,759	\$ 12,309,938	\$ 36,760
<b><u>Liabilities</u></b>				
Due to other governments	\$ 55,939	\$ 12,328,552	\$ 12,347,731	\$ 36,760
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 60,658	\$ 2,743,267	\$ 2,748,806	\$ 55,119
<b><u>Liabilities</u></b>				
Due to other governments	\$ 60,658	\$ 2,743,267	\$ 2,748,806	\$ 55,119

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>WEST POPE HOSPITAL DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 25	\$ 388	\$ 403	\$ 10
<b><u>Liabilities</u></b>				
Due to other governments	\$ 25	\$ 388	\$ 403	\$ 10
 <b><u>FARWELL KENSINGTON SANITARY DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 1,498	\$ 1,468	\$ 30
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 1,498	\$ 1,468	\$ 30
 <b><u>VILLARD LAKES SANITARY DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 133	\$ 16,874	\$ 16,761	\$ 246
<b><u>Liabilities</u></b>				
Due to other governments	\$ 133	\$ 16,874	\$ 16,761	\$ 246

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>SAUK RIVER WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,492	\$ 23,628	\$ 24,902	\$ 218
<b><u>Liabilities</u></b>				
Due to other governments	\$ 1,492	\$ 23,628	\$ 24,902	\$ 218
 <b><u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 13	\$ 137	\$ 150	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ 13	\$ 137	\$ 150	\$ -
 <b><u>NORTH FORK WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 270	\$ 37,868	\$ 36,211	\$ 1,927
<b><u>Liabilities</u></b>				
Due to other governments	\$ 270	\$ 37,868	\$ 36,211	\$ 1,927

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Statement 3  
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>STATE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 58,686	\$ 1,266,786	\$ 1,279,422	\$ 46,050
Due from other governments	677	-	-	677
<b>Total Assets</b>	<b>\$ 59,363</b>	<b>\$ 1,266,786</b>	<b>\$ 1,279,422</b>	<b>\$ 46,727</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 59,363</b>	<b>\$ 1,278,532</b>	<b>\$ 1,291,168</b>	<b>\$ 46,727</b>
 <b><u>REGIONAL TREATMENT AND CORRECTIONAL CENTER</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<b>\$ -</b>	<b>\$ 64,995</b>	<b>\$ 49,363</b>	<b>\$ 15,632</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ -</b>	<b>\$ 64,995</b>	<b>\$ 49,363</b>	<b>\$ 15,632</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 376,696	\$ 19,488,128	\$ 19,550,647	\$ 314,177
Due from other governments	677	-	-	677
<b>Total Assets</b>	<b>\$ 377,373</b>	<b>\$ 19,488,128</b>	<b>\$ 19,550,647</b>	<b>\$ 314,854</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 5,729	\$ 79,641	\$ 80,381	\$ 4,989
Due to other governments	371,644	19,459,280	19,521,059	309,865
<b>Total Liabilities</b>	<b>\$ 377,373</b>	<b>\$ 19,538,921</b>	<b>\$ 19,601,440</b>	<b>\$ 314,854</b>

## **OTHER SCHEDULES**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 9**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2007**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Pooled Deposits and Investments</b>			
<b>Certificates of deposit</b>			
Bremer Bank	4.40	November 26, 2008	\$ 90,000
Glenwood State Bank	5.10	July 11, 2009	24,000
Hometown Community Bank	5.50	July 17, 2008	100,000
Hometown Community Bank	5.00	April 30, 2008	200,000
Hometown Community Bank	5.00	May 15, 2008	225,000
Lowry State Bank	5.25	April 19, 2008	200,000
<b>Total certificates of deposit</b>			<b><u>\$ 839,000</u></b>
<b>Checking accounts</b>			
Eagle Bank	0.75	Continuous	\$ 20,728
Eagle Bank	1.00	Continuous	3,480
Glenwood State Bank	1.71	Continuous	20,526
<b>Total checking accounts</b>			<b><u>\$ 44,734</u></b>
<b>Savings accounts</b>			
Eagle Bank	4.25	Continuous	\$ 279,681
Glenwood State Bank	4.85	Continuous	7,585,865
<b>Total savings accounts</b>			<b><u>\$ 7,865,546</u></b>
<b>Total Pooled Deposits and Investments</b>			<b><u>\$ 8,749,280</u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 10*

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

	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %
<b>Tax Capacity</b>						
Real property	\$ 9,962,575		\$ 11,549,359		\$ 13,162,120	
Personal property	275,342		275,196		270,730	
<b>Total Tax Capacity</b>	<b>\$ 10,237,917</b>		<b>\$ 11,824,555</b>		<b>\$ 13,432,850</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 4,032,733	35.272	\$ 4,146,093	31.973	\$ 3,873,385	26.456
Road and Bridge	627,430	5.447	832,536	6.378	822,123	5.577
Family Services	1,195,255	10.377	1,031,113	7.899	1,365,415	9.262
Incinerator Bonds	126,856	1.248	124,126	1.057	126,331	0.944
Capital Improvement Notes	230,600	2.269	231,281	1.969	363,006	2.711
Bonds - 2006	70,000	0.689	-	-	-	-
<b>Total Levy for County Purposes</b>	<b>\$ 6,282,874</b>	<b>55.302</b>	<b>\$ 6,365,149</b>	<b>49.276</b>	<b>\$ 6,550,260</b>	<b>44.950</b>
<b>Less Credits Payable by State</b>	<b>676,018</b>		<b>590,792</b>		<b>544,992</b>	
<b>Net Levy Certified to State</b>	<b>\$ 5,606,856</b>		<b>\$ 5,774,357</b>		<b>\$ 6,005,268</b>	
<b>Less Market Value Credits Payable by State</b>	<b>606,239</b>		<b>591,234</b>		<b>566,189</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 5,000,617</b>		<b>\$ 5,183,123</b>		<b>\$ 5,439,079</b>	
<b>Tax Capacity - Light and Power</b>						
Assessed at 43%	\$ 27,508		\$ 28,638		\$ 27,106	
Assessed at 5%	2,100		2,298		2,150	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 29,608</b>		<b>\$ 30,936</b>		<b>\$ 29,256</b>	

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Schedule 10  
(Continued)*

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

	2006		2007		2008	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %
<b>Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)</b>						
Assessed at 43%	\$ 27,689	100.657	\$ 26,258	91.691	\$ 24,028	88.649
Assessed at 5%	2,114	100.657	2,107	91.691	1,907	88.649
Market value based on property tax	823	0.056	2,269	0.147	2,226	0.152
State tax	15,049	50.827	14,859	48.032	13,443	45.949
<b>Total Light and Power Tax Levies</b>	<b><u>\$ 45,675</u></b>		<b><u>\$ 45,493</u></b>		<b><u>\$ 41,604</u></b>	
<b>Special Assessments</b>						
Ditch liens and assessments	<b><u>\$ 686,468</u></b>		<b><u>\$ 740,925</u></b>		<b><u>\$ 708,549</u></b>	
<b>Percentage of Tax Collections for All Purposes</b>						
	<b>99%</b>		<b>97%</b>			

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2007**

	Assets		
	Cash and Investments	Deferred Special Assessments Receivable	Total
<b>County Ditches</b>			
2	\$ 6,480	\$ -	\$ 6,480
3	617	-	617
4	1,249	-	1,249
6	604	-	604
7	5,634	1,644	7,278
8	6,076	-	6,076
9	2,449	-	2,449
10	2,088	-	2,088
11	181	-	181
12	751	-	751
15	4,108	-	4,108
17	6,243	-	6,243
19	90	-	90
24	667	-	667
27	427	-	427
28	8,919	-	8,919
General	622	85,162	85,784
<b>Judicial Ditches</b>			
3 Pope and Douglas	13,421	-	13,421
4 Pope and Douglas	3,113	-	3,113
4 Pope and Swift	500	2,295	2,795
9 Pope and Swift	10,148	11,395	21,543
<b>Total</b>	<b>\$ 74,387</b>	<b>\$ 100,496</b>	<b>\$ 174,883</b>

**Schedule 11**

<u>Deferred Revenue</u>	<u>Liabilities Advances from Other Funds</u>	<u>Total</u>	<u>Fund Balances Undesignated</u>	<u>Total Liabilities and Fund Balances</u>
\$ -	\$ -	\$ -	\$ 6,480	\$ 6,480
-	-	-	617	617
-	-	-	1,249	1,249
-	-	-	604	604
1,644	-	1,644	5,634	7,278
-	-	-	6,076	6,076
-	-	-	2,449	2,449
-	-	-	2,088	2,088
-	-	-	181	181
-	-	-	751	751
-	6,000	6,000	(1,892)	4,108
-	-	-	6,243	6,243
-	-	-	90	90
-	-	-	667	667
-	-	-	427	427
-	-	-	8,919	8,919
85,162	85,162	170,324	(84,540)	85,784
-	-	-	13,421	13,421
-	20,000	20,000	(16,887)	3,113
2,295	16,600	18,895	(16,100)	2,795
11,395	29,950	41,345	(19,802)	21,543
<u>\$ 100,496</u>	<u>\$ 157,712</u>	<u>\$ 258,208</u>	<u>\$ (83,325)</u>	<u>\$ 174,883</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 12**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**Shared Revenue**

**State**

Highway users tax	\$ 2,836,568
Market value credit	612,117
PERA rate reimbursement	17,671
Disparity reduction aid	22,512
County program aid	590,792
Police aid	43,863
	<hr/>

**Total Shared Revenue**

**\$ 4,123,523**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	<b><u>\$ 708,825</u></b>
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**Payments**

**Local**

Local contributions	\$ 30,526
Payments in lieu of taxes	67,194
	<hr/>

**Total Payments**

**\$ 97,720**

**Grants**

**State**

Minnesota Department of	
Corrections	\$ 42,883
Public Safety	91,077
Health	71,863
Natural Resources	3,074
Human Services	445,788
Trial Courts	5,134
Veterans Affairs	12,000
Water and Soil Resources Board	146,091
Pollution Control Agency	60,608
	<hr/>

**Total State**

**\$ 878,518**

**Federal**

Department of	
Agriculture	\$ 43,135
Health and Human Services	254,166
Homeland Security	7,860
Election Assistance Commission	5,576
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**Total Federal**

**\$ 310,737**

**Total State and Federal Grants**

**\$ 1,189,255**

**Total Intergovernmental Revenue**

**\$ 6,119,323**



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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**Schedule 13**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2007**

**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**

Due to the limited number of office personnel within the various County offices, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Offices that do not have sufficient segregation of duties include Recorder, Environmental Services, Sheriff, Public Health, Highway, Social Services, Solid Waste, and Extension. In these offices, there may be only one employee to receive and account for departmental collections. This is not unusual in small departmental situations; however, Pope 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.

Examples of incompatible duties which should be performed by separate individuals are:

- receipting collections, posting collections to registers, and making bank deposits;
- signing checks and reconciling the bank accounts;
- receipting collections and posting collections to the accounts receivable records;
- approving receivable write-offs/write-downs and posting adjustments to the accounts receivable records; and
- entering data, adjusting accounting codes, and reviewing the monthly detailed report of receipts and disbursements for accuracy.

Some procedures the County's management may wish to consider to strengthen controls in these offices include:

- Department heads should monitor operations within their office to determine that reports are submitted properly and are in agreement with cash balances and grant expenditures.
- When an office has only a department head and one other employee, the department head should perform some of the accounting functions.

We recommend that County management be aware of the lack of segregation of the accounting functions and implement oversight procedures to ensure that adequate controls are in place over cash, receivables, and other items.

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.*

02-6 Preparation of Financial Statements

Pope County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal controls over both: (1) recording, processing, and summarizing accounting data (maintaining internal books and records); and (2) preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

Pope County has established controls and procedures for recording, processing, and summarizing of its accounting data used in the preparation of its financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the government's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its annual basic financial statements than incur the time and expense of obtaining the necessary training and expertise required to prepare financial statements internally. As a result of this condition, the government lacks internal controls over the preparation and reporting of financial statements in accordance with GAAP.

We recommend Pope County obtain the training and expertise to internally prepare its annual financial statements in accordance with GAAP. If Pope County still intends to have staff from the Office of the State Auditor assist in preparation then, at a minimum, it must identify and train individuals to obtain the expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

Client's Response:

*Pope County continues to work toward preparing more of the information needed for the audits, including summary statements and trial balances.*

06-1 Computer Controls

Pope County has established controls over its computer operations to ensure the proper recording, processing, and summarizing of accounting data. Our review of those controls revealed some weaknesses in the general and application controls designed to prevent unauthorized access.

Pope County processes its finance and general government applications on an IBM I Series system owned by Computer Professionals Unlimited, Inc. System value settings and user profiles provide the general controls over access to this system.

The following system value settings are operating below the recommended security levels for adequate control within the data processing function:

- Limit adjacent digits in password - The current setting allows adjacent numbers.
- Limit characters in password - The current setting does not limit the use of any characters.
- Limit repeating characters in password - A character can be used more than once.
- Limit password character positions - Under the current setting, the same character can be used in the new password corresponding to the old position.
- Require digit in password - The current setting does not require numbers.

For adequate internal control, not all password controls are required, but the County should review the password controls currently in use to determine which ones are reasonable to limit access.

We recommend the County review the system values, user profiles, and application controls and adjust as needed to ensure only those with a need for specific data have access to that data.

Client's Response:

*Computer Professionals Unlimited, Inc., has the I Series System and provides support for Pope County. These items will be reviewed, and we will continue to work with CPU to resolve the issues.*

06-2 Audit Adjustments

A control deficiency 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 misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that should be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

General Fund

- Liabilities (deferred revenue - unearned) were increased, and related revenues were decreased by \$91,114 to record grants received but not yet earned.

Road and Bridge Special Revenue Fund

- Receivables were increased by \$631,621 for state-aid highway project allotments. At the fund level, the entire amount of the additional receivables was offset by deferred revenues for receivables not available during the revenue recognition period.
- Liabilities (deferred revenue - unearned) were increased, and related revenues were decreased by \$213,146 to record a state-aid highway allotment received in advance.
- Contracts payable and related expenditures were increased by \$163,996.

Proposed audit adjustments are reviewed and approved by the appropriate staff and are reflected in the financial statements. By definition, however, independent external auditors cannot be considered part of the government's internal control.

We recommend the County establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with GAAP.

Client's Response:

*Pope County will continue to establish internal controls necessary to determine that all adjusting entries are made to ensure the County's annual financial statements are reported in accordance with GAAP.*

ITEMS ARISING THIS YEAR

07-1 Segregation of Duties - Disbursements

During our review of the general disbursements process, we noted several individuals have the ability to both process disbursements and set up new vendors. If at all possible, these duties should be segregated. Someone independent of the disbursements process should review, verify, and approve new vendors at least monthly.

We recommend that management re-evaluate whether separation of duties between disbursements and vendor set up is possible. Procedures should be developed to monitor new vendors entered into the system.

Client's Response:

*Pope County will establish control over adding vendors as well as periodically reviewing the vendor file on the Integrated Financial System.*

07-2 Payroll

Authorization for Pope County payroll changes such as new hires, promotions, and pay increases is initiated in the County Coordinator's Office. Notification of changes to be made is sent to the payroll clerk in the Auditor/Treasurer's Office, who inputs the changes to the master file of the payroll system in addition to processing payroll. No review was being performed to verify that all changes to the payroll master file were authorized.

To strengthen internal controls, we recommend that someone independent of the payroll processing function review payroll edit reports to make sure that all changes made to the payroll system master file were authorized.

Client's Response:

*Pope County is reviewing procedures and will implement controls necessary to see that changes in payroll are verified to ensure that the changes made were authorized and completed.*

07-3 Controls Over Journal Entries

Pope County limits access to the journal entry function to certain County employees. During our audit, we noted that the employees with access to the journal entry function can both create and post a journal entry without review or approval by a second person.

The ability to make journal entries on the accounting system is a powerful function. It allows those employees with access to the journal entry function to make changes to the general ledger system. To prevent abuse of this function, controls over journal entries should include:

- limited access to only those employees whose job duties require it,
- an explanation of why the journal entry is being made and who is making it,
- sufficient documentation to support the journal entry amounts,
- proper supervisory review and approval of journal entries, and
- evidence that controls have been monitored by someone independent of the journal entry process.

We recommend the County strengthen the controls over the journal entry process by: (1) adopting formal policies and procedures over the journal entry process, and (2) requiring journal entries to display evidence that they were reviewed by a second individual. In addition, a report should be generated periodically that shows journal entries that are not automatic or routine that have been posted to the general ledger system. Review and monitoring of this report should be done on a regular basis to ensure that journal entries made have been reviewed and approved.

Client's Response:

*Pope County has established a system in which all adjusting entry requests are given to the Financial Accountant, who reviews the request and prepares the journal entry on a Journal Entry form; each journal entry receives its own number. The Financial Accountant then turns in the J/E form with supporting documentation to the Auditor/Treasurer for review and approval. Each J/E form is initialed by both the Auditor/Treasurer and the Financial Accountant. After processing, the journal entries are then kept in a binder with the data entry reports from IFS attached.*

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REBECCA OTTO  
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# STATE OF MINNESOTA

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

Board of County Commissioners  
Pope County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County as of and for the year ended December 31, 2007, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 13, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pope County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Recommendations as items 96-1, 02-6, 06-1, 06-2, and 07-1 through 07-3 to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Pope County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe none of the significant deficiencies described above is a material weakness.

#### Compliance and Other Matters

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

#### Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that, for the items tested, Pope County complied with the material terms and conditions of applicable legal provisions.

Pope County's written responses to the significant deficiencies identified in our audit have been included in the Schedule of Findings and Recommendations. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, and others within Pope County and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

March 13, 2009