

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**YEAR ENDED DECEMBER 31, 2010**

## **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, 2010**



**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  
2010**

Office	Name	Term	
		From	To
<b>Commissioners</b>			
1st District	Larry Kittelson*	January 2007	January 2011
2nd District	Gordy Wagner**	January 2009	January 2013
3rd District	Paul Gerde	January 2009	January 2013
4th District	Larry Lindor	April 2009	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	January 2009	December 2012
Coroner	Duane E. Westberg, M.D.		Indefinite
Highway Engineer	Brian Noetzelman	June 2010	May 2014
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Riaz Aziz		Indefinite
Surveyor	Rodney Eldevik		Indefinite
<b>Human Services</b>			
Director	Robert Cornelius		Indefinite
Manager	Mary Schley		Indefinite
Manager	Paula Hoverud		Indefinite
<b>Board</b>			
Member	Larry Kittelson	January 2007	January 2011
Member	Gordy Wagner	January 2009	January 2011
Member	Paul Gerde	January 2009	January 2011
Member	Larry Lindor	April 2009	January 2011
Member	Randy Shaw	January 2007	January 2011

\*Chair

\*\*Vice Chair

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners  
Pope County

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pope County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County as of December 31, 2010, 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.

Accounting principles generally accepted in the United States of America require the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated September 27, 2011, 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, 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

September 27, 2011

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

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010  
(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, 2010. 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 \$52,817,022 of which Pope County has invested \$47,607,223 in capital assets, net of related debt, and \$509,635 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2010, was \$6,320,573; the net cost was funded by general revenues and other items totaling \$6,939,818.
- Pope County's net assets increased by \$619,245 for the year ended December 31, 2010. The net assets of the County's discretely presented component unit increased by \$151,702.
- Grant dollars in the amount of \$400,000 eliminated the Rainbow Rider liability. However, liabilities did increase due to a lease payable the County has with the Pope County HRA for the Law Enforcement Center.

**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.

<b>Management's Discussion and Analysis</b> (Required Supplementary Information)
---

<b>Government-Wide Financial Statements</b>	<b>Fund Financial Statements</b>
<b>Notes to the Financial Statements</b>	

<b>Required Supplementary Information</b> (Other than Management's Discussion and Analysis)
--

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 statement provides financial information about activities for which the County acts solely as a trustee or agent for the benefit of those outside of the government.

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

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

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

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

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

### **Fund Financial Statements**

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

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

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

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

## THE COUNTY AS A WHOLE

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

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

	Governmental Activities		Percent Change (%)
	2010	2009 (Restated)	
<b>Assets</b>			
Current and other assets	\$ 8,764,257	\$ 9,018,428	(2.82)
Capital assets, net of accumulated depreciation	47,799,197	45,909,369	4.12
<b>Total Assets</b>	<b>\$ 56,563,454</b>	<b>\$ 54,927,797</b>	<b>2.98</b>
<b>Liabilities</b>			
Current liabilities	\$ 1,039,902	\$ 472,433	120.12
Long-term debt outstanding	2,706,530	2,257,587	19.89
<b>Total Liabilities</b>	<b>\$ 3,746,432</b>	<b>\$ 2,730,020</b>	<b>37.23</b>
<b>Net Assets</b>			
Invested in capital assets, net of debt	\$ 47,607,223	\$ 45,447,295	4.75
Restricted	509,635	577,268	(11.72)
Unrestricted	4,700,164	6,173,214	(23.86)
<b>Total Net Assets</b>	<b>\$ 52,817,022</b>	<b>\$ 52,197,777</b>	<b>1.19</b>

Pope County's total net assets for the year ended December 31, 2010, total \$52,817,022. The governmental activities' unrestricted net assets, totaling \$4,700,164, 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 (%)
	2010	2009 (Restated)	
<b>Revenues</b>			
<b>Program revenues</b>			
Fees, charges, fines, and other	\$ 1,531,708	\$ 1,557,133	(1.63)
Operating grants and contributions	6,082,678	5,560,215	9.40
Capital grants and contributions	-	83,768	(100.00)
<b>General revenues</b>			
Property taxes	5,903,464	5,795,983	1.85
Other taxes	66,682	56,495	18.03
Grants and contributions not restricted to specific programs	763,072	1,038,623	(26.53)
Other general revenues	206,600	222,104	(6.98)
<b>Total Revenues</b>	<b>\$ 14,554,204</b>	<b>\$ 14,314,321</b>	<b>1.68</b>

	Governmental Activities		Percent Change (%)
	2010	2009 (Restated)	
Expenses			
General government	\$ 3,564,284	\$ 3,448,457	3.36
Public safety	1,982,659	1,749,202	13.35
Highways and streets	2,777,712	2,973,591	(6.59)
Sanitation	378,069	377,356	0.19
Human services	2,980,637	2,973,811	0.23
Health	934,317	956,292	(2.30)
Culture and recreation	265,893	263,142	1.04
Conservation of natural resources	434,297	372,932	16.45
Economic development	421,020	132,866	216.88
Interest	196,071	47,212	315.30
Total Expenses	\$ 13,934,959	\$ 13,294,861	4.81
Increase in Net Assets	\$ 619,245	\$ 1,019,460	(39.26)
Net Assets - January 1	52,197,777	51,178,317	1.99
Net Assets - December 31	\$ 52,817,022	\$ 52,197,777	1.19

### Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2010, were \$14,554,204. The County's cost for all governmental activities for the year ended December 31, 2010, was \$13,934,959. The net assets for the County's governmental activities increased by \$619,245 in 2010.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$5,903,464 because \$7,614,386 of the costs were paid by those who directly benefited from the programs, and \$763,072 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Pope County paid for the remaining "public benefit" portion of governmental activities with \$273,282 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue  
2010**

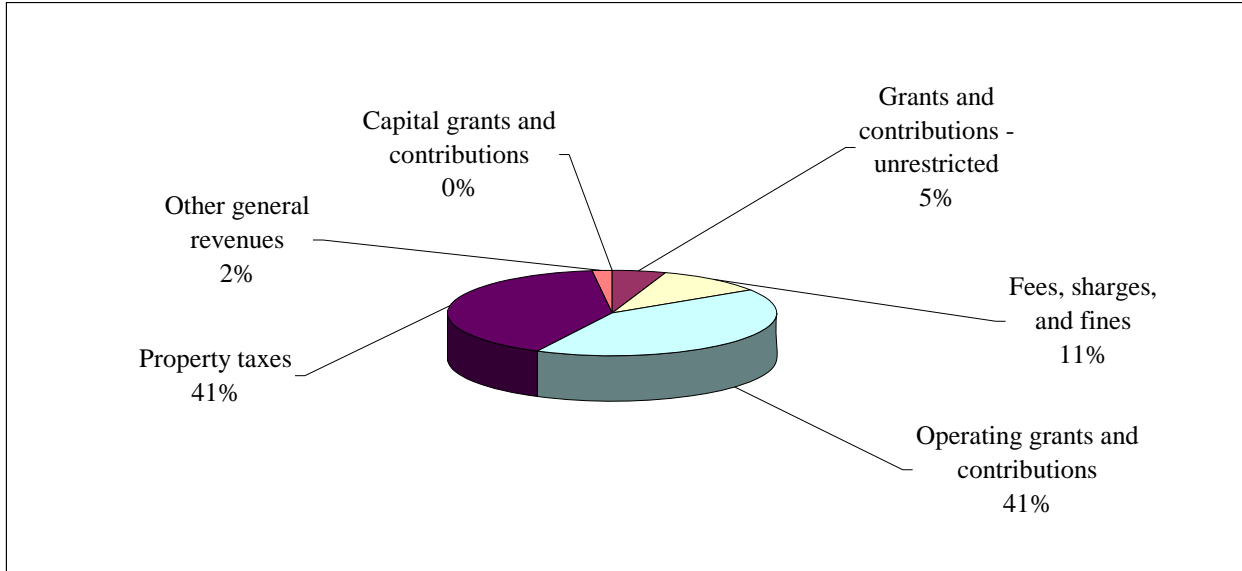
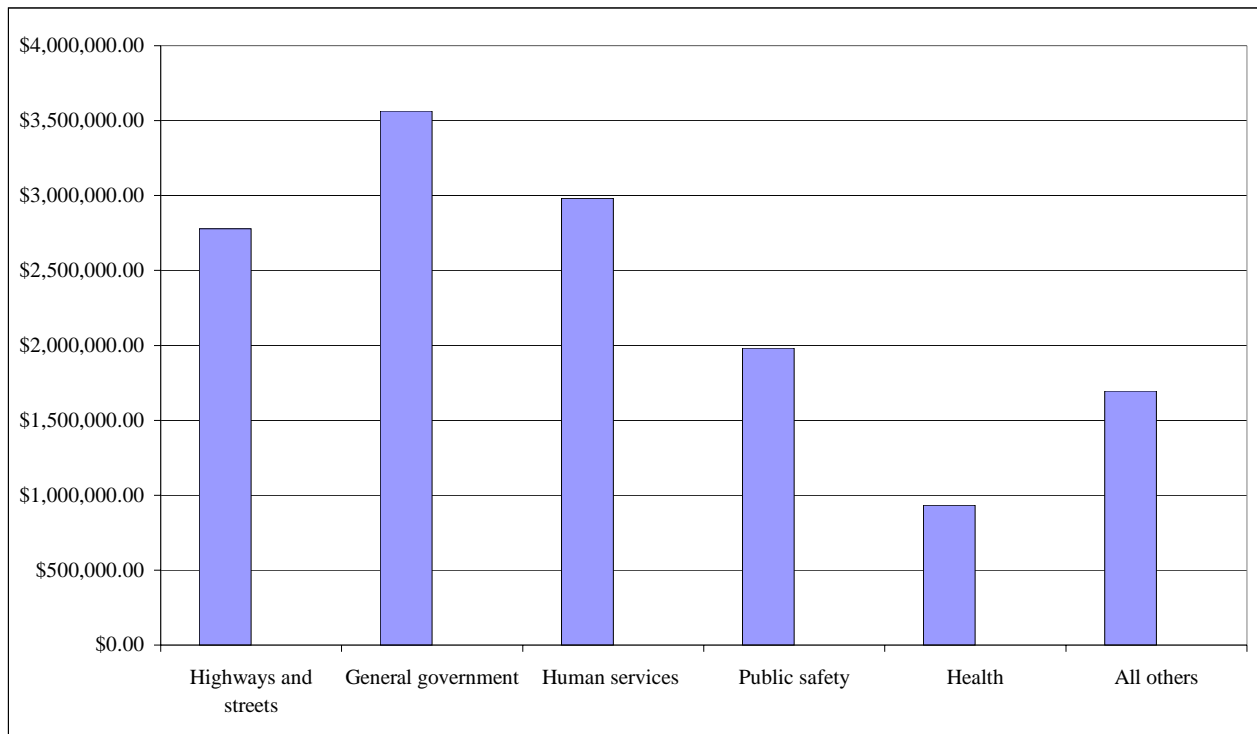


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3  
Governmental Activities**

	2010	
	Total Cost of Services	Net Cost of Services
Program Expenses		
General government	\$ 3,564,284	\$ 3,258,051
Public safety	1,982,659	894,334
Highways and streets	2,777,712	(353,492)
Human services	2,980,637	1,392,603
Health	934,317	(44,714)
All others	1,695,350	1,173,791
<b>Total Program Expenses</b>	<b>\$ 13,934,959</b>	<b>\$ 6,320,573</b>

## Governmental Activities Expenses 2010



### THE COUNTY'S FUNDS

As Pope County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$6,407,259.

### 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 2010, the County Board of Commissioners made changes to the budget as originally adopted on December 15, 2009. These budget amendments/revisions fall into one of three categories: new information changing original budget estimations, greater than anticipated revenues or costs, and final agreement reached on employee contracts.

In the General Fund, the actual revenues were less than the expected revenues by \$22,923; however, actual expenditures were \$52,657 less than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2010, Pope County had \$47,799,197 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, equipment, and construction in progress (see Table 4 below). Additional information on capital assets can be found in the notes section; Note 3.A.

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

	2010	2009	Percent Change (%)
Land	\$ 1,972,368	\$ 1,970,693	0.09
Buildings	3,107,719	3,239,790	(4.08)
Office furniture and equipment	309,882	295,535	4.85
Machinery and automotive equipment	1,224,226	1,267,758	(3.43)
Infrastructure	39,928,029	39,045,511	2.26
Construction in progress	1,256,973	90,082	1,295.36
Totals	<u>\$ 47,799,197</u>	<u>\$ 45,909,369</u>	4.12

### Debt Administration

At December 31, 2010, Pope County had \$2,064,276 outstanding debt compared with \$1,312,974 as of December 31, 2009. The increase is due to the capital lease the County has with the Pope County HRA for the new Law Enforcement Center, as shown in Table 5.

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

	Governmental Activities		Percent Change (%)
	2010	2009	
Bonds payable			
2002 Solid Waste Bonds	\$ 115,000	\$ 225,000	(48.89)
2007 G.O. Capital Improvement Bonds	660,000	970,000	(31.96)
Capital Lease - Law Enforcement Center	1,166,891	-	-
Septic System Replacement Program loan, SRF0127	29,325	32,916	(10.91)
Septic System Replacement Program loan SRF0185	93,059	85,058	9.41
Totals	<u>\$ 2,064,275</u>	<u>\$ 1,312,974</u>	57.22



Pope County maintains an “A3” rating from Moody’s Investor Services. Other long-term obligations include compensated absences, and other postemployment benefits (OPEB). Note 3.C. in Pope County’s notes to the financial statements provides 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 2011 budget and tax rates.

- Pope County’s unemployment rates for 2009 and 2010 are 7.4 percent and 6.6 percent, respectively, compared to the Minnesota unemployment rate for 2009 and 2010 which averaged 8.1 percent and 7.3 percent, respectively. The unemployment rate continues to impact the level of services requested by Pope County residents.
- Land development and regulation issues.
- Reviewing revenue sources and considering cost effective and efficient means for the delivery of Pope County programs and services will influence the development of future budgets.
- On December 14, 2010, the Pope County Board of Commissioners approved the 2011 budget at \$15,075,359. The 2011 total levy is \$7,177,173, less County Program Aid of \$494,030, for a net levy of \$6,683,143. The County Board approved a 4.99 percent increase in the levy for 2011.
- The unallotments at the state level will affect the future of County government in that the County Board will have to continue to cut back on spending and look at generating revenues in other areas.

## **CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT**

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

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Pope County Housing and Redevelopment Authority</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 6,972,086	\$ 583,171
Petty cash and change funds	1,900	-
Departmental cash	3,038	-
Taxes receivable		
Delinquent	165,255	5,567
Special assessments receivable		
Delinquent	18,161	-
Deferred	155,887	-
Accounts receivable - net	4,772	-
Accrued interest receivable	6,483	-
Due from other governments	1,400,874	-
Lease receivable	-	1,166,891
Loans receivable	-	151,411
Inventories	23,568	-
Deferred charges	12,233	33,126
Land held for resale	-	33,262
Restricted assets		
Cash and pooled investments	-	2,258,286
Capital assets		
Non-depreciable	3,229,341	429,210
Depreciable - net of accumulated depreciation	44,569,856	-
<b>Total Assets</b>	<b>\$ 56,563,454</b>	<b>\$ 4,660,924</b>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 514,941	\$ 61,552
Salaries payable	252,684	859
Contracts payable	93,613	232,117
Retainage payable	-	25,177
Due to other governments	144,201	-
Accrued interest payable	10,255	62,158
Unearned revenue	24,208	-
Long-term liabilities		
Due within one year	454,326	40,000
Due in more than one year	2,252,204	3,370,624
<b>Total Liabilities</b>	<b>\$ 3,746,432</b>	<b>\$ 3,792,487</b>

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2010**

	<b>Primary Government Governmental Activities</b>	<b>Component Unit Pope County Housing and Redevelopment Authority</b>
<b><u>Net Assets</u></b>		
Invested in capital assets - net of related debt	\$ 47,607,223	\$ 389,210
Restricted for		
General government	358,130	-
Public safety	19,376	-
Highways and streets	23,568	-
Culture and recreation	10,996	-
Conservation of natural resources	19,816	-
Capital projects	77,749	-
Unrestricted	4,700,164	479,227
<b>Total Net Assets</b>	<b>\$ 52,817,022</b>	<b>\$ 868,437</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b>Primary Government</b>		
Governmental activities		
General government	\$ 3,564,284	\$ 299,129
Public safety	1,982,659	44,974
Highways and streets	2,777,712	68,008
Sanitation	378,069	327,890
Human services	2,980,637	186,559
Health	934,317	601,315
Culture and recreation	265,893	-
Conservation of natural resources	434,297	3,322
Economic development	421,020	-
Interest	196,071	-
Unrestricted	-	511
	<u>\$ 13,934,959</u>	<u>\$ 1,531,708</u>
<b>Component Unit</b>		
Housing and Redevelopment Authority	<u>\$ 253,913</u>	<u>\$ 3,743</u>

**General Revenues**

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

**Total general revenues**

**Change in net assets**

**Net Assets - Beginning, as restated (Note 2.B.)**

**Net Assets - Ending**



**EXHIBIT 2**

<u>Program Revenues</u> <u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>				
			<u>Primary Government Governmental Activities</u>	<u>Component Unit Pope County Housing and Redevelopment Authority</u>			
\$	7,104	\$	-	\$	(3,258,051)		
	1,043,351		-		(894,334)		
	3,063,196		-		353,492		
	55,950		-		5,771		
	1,401,475		-		(1,392,603)		
	377,716		-		44,714		
	-		-		(265,893)		
	133,886		-		(297,089)		
	-		-		(421,020)		
	-		-		(196,071)		
	-		-		511		
<b>\$</b>	<b>6,082,678</b>	<b>\$</b>	<b>-</b>	<b>\$</b>	<b>(6,320,573)</b>		
<b>\$</b>	<b>-</b>	<b>\$</b>	<b>-</b>			<b>\$ (250,170)</b>	
				\$	5,903,464	\$	209,129
					9,852		-
					56,830		-
					763,072		-
					88,962		36,458
					117,638		156,285
				<b>\$</b>	<b>6,939,818</b>	<b>\$</b>	<b>401,872</b>
				\$	619,245	\$	151,702
					52,197,777		716,735
				<b>\$</b>	<b>52,817,022</b>	<b>\$</b>	<b>868,437</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 2,135,588	\$ 1,464,502	\$ 1,847,501
Petty cash and change funds	1,900	-	-
Departmental cash	3,038	-	-
Taxes receivable			
Delinquent	91,937	20,334	36,711
Special assessments receivable			
Delinquent	184	-	-
Noncurrent	94,573	-	-
Accounts receivable	645	-	2,322
Accrued interest receivable	6,483	-	-
Due from other funds	-	-	-
Due from other governments	195,955	940,733	208,748
Inventories	-	23,568	-
Advances to other funds	75,147	-	-
<b>Total Assets</b>	<b><u>\$ 2,605,450</u></b>	<b><u>\$ 2,449,137</u></b>	<b><u>\$ 2,095,282</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 153,505	\$ 27,044	\$ 124,972
Salaries payable	131,586	38,846	53,062
Contracts payable	-	93,613	-
Due to other funds	371	-	75
Due to other governments	44,872	50,258	40,852
Deferred revenue - unavailable	249,712	898,487	71,355
Deferred revenue - unearned	24,208	-	-
Advances from other funds	-	-	-
<b>Total Liabilities</b>	<b><u>\$ 604,254</u></b>	<b><u>\$ 1,108,248</u></b>	<b><u>\$ 290,316</u></b>
<b>Fund Balances</b>			
Reserved (Note 3.D.)	\$ 503,885	\$ 23,568	\$ -
Unreserved			
Designated (Note 3.D.)	1,497,311	-	515,556
Undesignated	-	1,317,321	1,289,410
Reported in nonmajor special revenue funds	-	-	-
<b>Total Fund Balances</b>	<b><u>\$ 2,001,196</u></b>	<b><u>\$ 1,340,889</u></b>	<b><u>\$ 1,804,966</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 2,605,450</u></b>	<b><u>\$ 2,449,137</u></b>	<b><u>\$ 2,095,282</u></b>

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

**EXHIBIT 3**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 83,060	\$ 22,333	\$ 585,229	\$ 468,026	\$ 365,847	\$ 6,972,086
-	-	-	-	-	1,900
-	-	-	-	-	3,038
-	-	16,273	-	-	165,255
-	17,977	-	-	-	18,161
61,314	-	-	-	-	155,887
-	-	-	-	1,805	4,772
-	-	-	-	-	6,483
-	-	-	-	446	446
-	-	-	-	55,438	1,400,874
-	-	-	-	-	23,568
-	-	-	-	-	75,147
<b><u>\$ 144,374</u></b>	<b><u>\$ 40,310</u></b>	<b><u>\$ 601,502</u></b>	<b><u>\$ 468,026</u></b>	<b><u>\$ 423,536</u></b>	<b><u>\$ 8,827,617</u></b>
\$ 33	\$ -	\$ -	\$ 203,810	\$ 5,577	\$ 514,941
-	-	-	-	29,190	252,684
-	-	-	-	-	93,613
-	-	-	-	-	446
-	7,619	-	-	600	144,201
61,314	17,977	16,273	-	-	1,315,118
-	-	-	-	-	24,208
75,147	-	-	-	-	75,147
<b><u>\$ 136,494</u></b>	<b><u>\$ 25,596</u></b>	<b><u>\$ 16,273</u></b>	<b><u>\$ 203,810</u></b>	<b><u>\$ 35,367</u></b>	<b><u>\$ 2,420,358</u></b>
\$ -	\$ -	\$ -	\$ -	\$ 6,391	\$ 533,844
-	-	-	-	-	2,012,867
7,880	14,714	585,229	264,216	-	3,478,770
-	-	-	-	381,778	381,778
<b><u>\$ 7,880</u></b>	<b><u>\$ 14,714</u></b>	<b><u>\$ 585,229</u></b>	<b><u>\$ 264,216</u></b>	<b><u>\$ 388,169</u></b>	<b><u>\$ 6,407,259</u></b>
<b><u>\$ 144,374</u></b>	<b><u>\$ 40,310</u></b>	<b><u>\$ 601,502</u></b>	<b><u>\$ 468,026</u></b>	<b><u>\$ 423,536</u></b>	<b><u>\$ 8,827,617</u></b>

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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, 2010**

<b>Fund balance - total governmental funds (Exhibit 3)</b>		<b>\$</b>	<b>6,407,259</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.			47,799,197
Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the governmental funds.			
Deferred charges			12,233
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.			
Deferred revenue			1,315,118
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	\$	(775,000)	
Discounts/premiums on bonds		2,137	
Loans payable		(122,384)	
Lease payable		(1,166,891)	
Compensated absences		(477,174)	
Net OPEB liability		(167,218)	(2,706,530)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.			<u>(10,255)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>			<b><u><u>\$ 52,817,022</u></u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Revenues</b>			
Taxes	\$ 3,253,890	\$ 729,663	\$ 1,342,976
Special assessments	18,826	-	-
Licenses and permits	34,765	-	-
Intergovernmental	1,071,937	3,471,998	1,585,886
Charges for services	283,192	52,140	47,846
Fines and forfeits	2,182	-	-
Gifts and contributions	5,726	-	-
Investment earnings	88,962	-	-
Miscellaneous	209,905	15,868	136,313
<b>Total Revenues</b>	<b>\$ 4,969,385</b>	<b>\$ 4,269,669</b>	<b>\$ 3,113,021</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 3,064,615	\$ -	\$ -
Public safety	1,902,136	-	-
Highways and streets	-	3,723,474	-
Human services	-	-	3,055,033
Health	-	-	-
Culture and recreation	265,893	-	-
Conservation of natural resources	377,247	-	-
Economic development	19,593	-	-
<b>Intergovernmental</b>			
Highways and streets	-	283,911	-
Sanitation	55,950	-	-
Economic development	-	400,000	-
<b>Capital outlay</b>	73,100	-	-
<b>Debt service</b>			
Principal	3,590	-	-
Interest	640	-	-
Administrative charges	-	-	-
<b>Total Expenditures</b>	<b>\$ 5,762,764</b>	<b>\$ 4,407,385</b>	<b>\$ 3,055,033</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (793,379)</b>	<b>\$ (137,716)</b>	<b>\$ 57,988</b>

**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>
\$ -	\$ 11	\$ 593,221	\$ -	\$ -	\$ 5,919,761
28,254	322,033	-	-	-	369,113
-	-	-	-	-	34,765
56,418	-	44,167	-	270,547	6,500,953
-	-	-	-	577,315	960,493
-	-	-	-	17,732	19,914
-	-	-	-	-	5,726
-	-	-	-	-	88,962
-	-	-	-	24,000	386,086
<b>\$ 84,672</b>	<b>\$ 322,044</b>	<b>\$ 637,388</b>	<b>\$ -</b>	<b>\$ 889,594</b>	<b>\$ 14,285,773</b>
\$ -	\$ -	\$ -	\$ -	\$ 23,934	\$ 3,088,549
-	-	-	-	-	1,902,136
-	-	-	-	-	3,723,474
-	-	-	-	-	3,055,033
-	-	-	-	966,564	966,564
-	-	-	-	-	265,893
52,387	-	-	-	-	429,634
-	-	-	-	-	19,593
-	-	-	-	-	283,911
-	322,119	-	-	-	378,069
-	-	-	-	-	400,000
-	-	-	241,961	-	315,061
-	-	420,000	-	-	423,590
5,334	-	186,735	-	-	192,709
-	-	1,331	-	-	1,331
<b>\$ 57,721</b>	<b>\$ 322,119</b>	<b>\$ 608,066</b>	<b>\$ 241,961</b>	<b>\$ 990,498</b>	<b>\$ 15,445,547</b>
<b>\$ 26,951</b>	<b>\$ (75)</b>	<b>\$ 29,322</b>	<b>\$ (241,961)</b>	<b>\$ (100,904)</b>	<b>\$ (1,159,774)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
<b>Other Financing Sources (Uses)</b>			
Transfers in	\$ -	\$ 22,328	\$ -
Transfers out	(22,328)	-	-
Proceeds from loan	8,000	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ (14,328)</u>	<u>\$ 22,328</u>	<u>\$ -</u>
<b>Net Change in Fund Balances</b>	<b>\$ (807,707)</b>	<b>\$ (115,388)</b>	<b>\$ 57,988</b>
<b>Fund Balances - January 1, as restated (Note 2.B.)</b>	<b>2,808,903</b>	<b>1,463,960</b>	<b>1,746,978</b>
<b>Increase (decrease) in reserved for inventories</b>	<u>-</u>	<u>(7,683)</u>	<u>-</u>
<b>Fund Balances - December 31</b>	<u><u>\$ 2,001,196</u></u>	<u><u>\$ 1,340,889</u></u>	<u><u>\$ 1,804,966</u></u>

**EXHIBIT 5**  
**(Continued)**

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,328
-	-	-	-	-	(22,328)
-	-	-	-	-	8,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,000</u>
\$ 26,951	\$ (75)	\$ 29,322	\$ (241,961)	\$ (100,904)	\$ (1,151,774)
(19,071)	14,789	555,907	506,177	489,073	7,566,716
-	-	-	-	-	(7,683)
<u>\$ 7,880</u>	<u>\$ 14,714</u>	<u>\$ 585,229</u>	<u>\$ 264,216</u>	<u>\$ 388,169</u>	<u>\$ 6,407,259</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, 2010**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (1,151,774)**

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	\$ 1,315,118	
Deferred revenue - January 1	(973,133)	341,985

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

Expenditures for general capital assets and infrastructure	\$ 3,452,943	
Net book value of assets disposed	(10,087)	
Current year depreciation	(1,553,028)	1,889,828

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

Proceeds of new debt		
Loans payable issued	\$ (8,000)	
Capital lease payable	(1,166,891)	
Principal repayments	423,590	
Rainbow Rider repayment	400,000	
Current year amortization of issuance costs and discounts	(2,361)	(353,662)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ 330	
Change in compensated absences	(67,211)	
Change in inventories	(7,683)	
Change in net OPEB liability	(32,568)	(107,132)

**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 619,245**

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, 2010**

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 416,713
Due from other governments	<u>104,691</u>
<b>Total Assets</b>	<b><u>\$ 521,404</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 12,874
Due to other governments	<u>508,530</u>
<b>Total Liabilities</b>	<b><u>\$ 521,404</u></b>

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

While part of the reporting entity, a discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of Pope County is discretely presented:

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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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.

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those 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 Human Services Special Revenue Fund is used to account for economic assistance and community social services programs.

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

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

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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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 type:

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

C. Measurement Focus and Basis of Accounting

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

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2010, 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 2010 were \$88,962.

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 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 value at the date of donation.

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

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

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



**POPE COUNTY  
GLENWOOD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Deferred Revenue

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

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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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. Excess of Expenditures Over Appropriations

The following fund had expenditures in excess of budget for the year ended December 31, 2010:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Health Services Special Revenue Fund	\$ 966,564	\$ 941,120	\$ 25,444

B. Restatements

Beginning net assets/fund balance in Pope County's governmental activities and Debt Service Fund, and beginning net assets in the Pope County HRA component unit, were restated to recognize taxes that were levied by the County's Debt Service Fund but erroneously recorded in the HRA. In Pope County's financial statements, the net assets/fund balance was restated to include cash and investments not previously reported. In the Pope County HRA's financial statements, the net assets balance was restated to reduce cash and investments that actually belonged to the County.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

A. Restatements (Continued)

Also, the HRA's beginning net assets balance was restated to recognize an error when recording long-term debt.

The restatements are as follows:

	Pope County		Pope County HRA Component Unit
	Governmental Activities	Debt Service Fund	
Net Assets/Fund Balance - January 1, as previously reported	\$ 52,115,012	\$ 473,142	\$ 859,500
Restatements:			
Debt Service Fund tax levy	82,765	82,765	(82,765)
Error recording long-term debt	-	-	(60,000)
	\$ 52,197,777	\$ 555,907	\$ 716,735

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Pope County's total cash and investments are recorded on the basic financial statements as follows:

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 6,972,086
Petty cash and change funds	1,900
Departmental cash	3,038
Statement of fiduciary net assets	
Cash and pooled investments	416,713
Total Cash and Investments	\$ 7,393,737

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2010, Pope County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

The County had no investments as of December 31, 2010.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$155,887 of deferred special assessments.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,970,693	\$ 1,675	\$ -	\$ 1,972,368
Construction in progress	90,082	1,166,891	-	1,256,973
Total capital assets not depreciated	\$ 2,060,775	\$ 1,168,566	\$ -	\$ 3,229,341
Capital assets depreciated				
Buildings	\$ 4,842,773	\$ 6,924	\$ -	\$ 4,849,697
Office furniture and equipment	694,058	102,574	21,558	775,074
Machinery and automotive equipment	3,248,294	249,256	5,850	3,491,700
Infrastructure	52,060,537	1,925,623	-	53,986,160
Total capital assets depreciated	\$ 60,845,662	\$ 2,284,377	\$ 27,408	\$ 63,102,631
Less: accumulated depreciation for				
Buildings	\$ 1,602,983	\$ 138,995	\$ -	\$ 1,741,978
Office furniture and equipment	398,523	78,140	11,471	465,192
Machinery and automotive equipment	1,980,536	292,788	5,850	2,267,474
Infrastructure	13,015,026	1,043,105	-	14,058,131
Total accumulated depreciation	\$ 16,997,068	\$ 1,553,028	\$ 17,321	\$ 18,532,775
Total capital assets depreciated, net	\$ 43,848,594	\$ 731,349	\$ 10,087	\$ 44,569,856
Governmental Activities Capital Assets, Net	\$ 45,909,369	\$ 1,899,915	\$ 10,087	\$ 47,799,197

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

Governmental Activities	
General government	\$ 167,097
Public safety	78,706
Highways and streets, including depreciation of infrastructure assets	1,294,820
Human services	3,218
Conservation of natural resources	3,562
Health	5,625
Total Depreciation Expense - Governmental Activities	\$ 1,553,028

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2010, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Description</u>
Health Services	General	\$ 371	To provide funding
Health Services	Human Services	75	For services provided
Total Due To/From Other Funds		<u>\$ 446</u>	

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	<u>\$ 75,147</u>

Over the past several years, the General Fund has advanced funds to the Ditch Special Revenue Fund for needed repairs. The advances will be paid off with future special assessments on the benefited properties.

3. Transfers

Interfund transfers for the year ended December 31, 2010, consisted of the following:

	<u>Transfers In</u>	<u>Description</u>
Transfer to Road and Bridge Special Revenue Fund from General Fund	<u>\$ 22,328</u>	To provide funding

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state and federal grants and other revenues that are not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2010, is summarized below by fund:

	<u>Taxes and Special Assessments</u>	<u>Grants and Highway Allotments</u>	<u>Total</u>
Governmental funds			
General Fund	\$ 186,510	\$ 87,410	\$ 273,920
Special Revenue Funds			
Road and Bridge	20,334	878,153	898,487
Human Services	36,711	34,644	71,355
Ditch	61,314	-	61,314
Solid Waste	17,977	-	17,977
Debt Service Fund	16,273	-	16,273
	<u>\$ 339,119</u>	<u>\$ 1,000,207</u>	<u>\$ 1,339,326</u>
Total			
Deferred revenue			
Unavailable	\$ 339,119	\$ 975,999	\$ 1,315,118
Unearned	-	24,208	24,208
	<u>\$ 339,119</u>	<u>\$ 1,000,207</u>	<u>\$ 1,339,326</u>
Total			



**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Capital Leases

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

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

Pope County is carrying the building and the liability (capital lease) on its records in the amount of \$1,166,891, which is the value of the project completed at fiscal year end December 31, 2010. The HRA is carrying the bond liability on its records and records the lease receivable for the value of the project completed at fiscal year end December 31, 2010. For 2010, the HRA recorded interest revenue on the lease of \$149,630. During 2010, no principal payments were made by the County to the HRA. The future minimum lease obligations will not be determined until the entire amount has been drawn down, which should occur in 2011.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. 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, 2010
General Obligation Bonds					
2002 Solid Waste Bonds	12/01/2011	\$90,000 - \$115,000	2.00 - 3.70	\$ 1,030,000	\$ 115,000
2007A G.O. Capital Improvement Notes	02/01/2012	\$300,000 - \$335,000	3.60	1,270,000	660,000
Total General Obligation Bonds				\$ 2,300,000	\$ 775,000
Septic System Replacement Loans					
SRF0127 State of Minnesota Septic System Replacement Loans	06/15/2018	\$1,733 - \$2,094	2.00	\$ 38,168	\$ 29,325
SRF0185 State of Minnesota Septic System Replacement Loans	06/15/2021	\$701 - \$855	2.00	93,059	93,059
Total State of Minnesota Septic System Replacement Loans				\$ 131,227	\$ 122,384

Debt service requirements at December 31, 2010, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2011	\$ 440,000	\$ 22,165	\$ 3,662	\$ 1,481
2012	335,000	6,030	16,536	2,193
2013	-	-	12,561	1,945
2014	-	-	12,814	1,692
2015	-	-	13,072	1,433
2016 - 2020	-	-	58,632	3,320
2021	-	-	5,107	30
Total	\$ 775,000	\$ 28,195	\$ 122,384	\$ 12,094

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,195,000	\$ -	\$ 420,000	\$ 775,000	\$ 440,000
Discounts/premiums	(3,703)	-	(1,566)	(2,137)	-
Loans payable	117,974	8,000	3,590	122,384	3,662
Lease payable	-	1,166,891	-	1,166,891	-
Other long-term liability	400,000	-	400,000	-	-
Compensated absences	409,963	569,375	502,164	477,174	10,664
Net OPEB liability	134,650	32,568	-	167,218	-
Long-Term Liabilities	<u>\$ 2,253,884</u>	<u>\$ 1,776,834</u>	<u>\$ 1,324,188</u>	<u>\$ 2,706,530</u>	<u>\$ 454,326</u>

The other long-term liability is for a payable to Rainbow Rider, a regional transportation service housed in Pope County. Grant money was received in 2010 to pay this liability.

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

General Fund	\$ 3,590
Debt Service Fund	<u>420,000</u>
Total Principal Retirements	<u>\$ 423,590</u>

5. Other Postemployment Benefits (OPEB)

Plan Description

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB) (Continued)

Participants

Participants of the plan consisted of the following at January 1, 2008, the date of the most recent actuarial valuation:

Active employees	118
Retired employees	37
Spouses	<u>12</u>
Total Plan Participants	<u><u>167</u></u>

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Pope County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For fiscal year 2010, the County contributed \$238,995 to the plan.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the County's annual OPEB cost for 2010, the amount actually contributed to the plan, and changes in the County's net OPEB obligation.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	\$	271,563
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost	\$	271,563
Contributions during the year		(238,995)
		-
Increase in net OPEB obligation	\$	32,568
Net OPEB Obligation - Beginning of Year		134,650
		-
Net OPEB Obligation - End of Year	\$	167,218

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage (%) Contributed	Net OPEB Obligation
December 31, 2008	\$ 271,563	\$ 197,410	72.69	\$ 74,153
December 31, 2009	271,563	211,066	77.72	60,497
December 31, 2010	271,563	238,995	88.01	32,568
				\$ 167,218

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,561,170, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,561,170. The covered payroll (annual payroll of active employees covered by the plan) was \$4,610,899, and the ratio of the UAAL to the covered payroll was 77.23 percent.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities

5. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

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

Actuarial Methods and Assumptions

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

For January 1, 2008, the most recent actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions include a 4.50 percent investment rate of return (net of administrative expenses) and an annual health care cost trend rate of 9.00 percent initially, reduced by decrements to an ultimate rate of 5.00 percent after 10 years. The actuarial value of assets was set to equal the market value of assets. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2010, was 27 years.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

D. Reserved and Designated Fund Balances

Fund balances are reserved to show amounts segregated from available spendable resources.

	General	Road and Bridge	Other Governmental Funds	Total
Reserved for				
Missing heirs	\$ 35,642	\$ -	\$ -	\$ 35,642
Advances to other funds	135,147	-	-	135,147
Law library	-	-	6,391	6,391
Recorder's equipment	44,098	-	-	44,098
Inventories	-	23,568	-	23,568
Sheriff's contingency	3,856	-	-	3,856
Capital expenditures	77,749	-	-	77,749
Workers' compensation	6,673	-	-	6,673
Petty cash	1,900	-	-	1,900
Recorder's compliance	86,146	-	-	86,146
D.A.R.E.	15,520	-	-	15,520
Bike path donations	6,382	-	-	6,382
Local water planning	14,492	-	-	14,492
Feedlot program	4,614	-	-	4,614
ISTS loan program	1,111	-	-	1,111
Election equipment	63,732	-	-	63,732
Shoreland administration	4,213	-	-	4,213
Caseload reduction	2,610	-	-	2,610
	<u>\$ 503,885</u>	<u>\$ 23,568</u>	<u>\$ 6,391</u>	<u>\$ 533,844</u>
Total Reserved Fund Balances	<u>\$ 503,885</u>	<u>\$ 23,568</u>	<u>\$ 6,391</u>	<u>\$ 533,844</u>

Designated fund balances show amounts that reflect tentative managerial plans or intent.

	General	Human Services	Total
Designated for			
Working capital cash flow	\$ 691,479	\$ 515,556	\$ 1,207,035
Compensated absences	350,000	-	350,000
Insurance	75,000	-	75,000
E-911	301,132	-	301,132
Permit to carry	14,825	-	14,825
Plat sign deposits	1,169	-	1,169
Veteran vans	26,238	-	26,238
Engineering services	9,152	-	9,152
Probation program expense	21,777	-	21,777
Probation support fees	4,966	-	4,966
Domestic abuse	1,573	-	1,573
	<u>\$ 1,497,311</u>	<u>\$ 515,556</u>	<u>\$ 2,012,867</u>
Total Designated Fund Balances	<u>\$ 1,497,311</u>	<u>\$ 515,556</u>	<u>\$ 2,012,867</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

A. Plan Description

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

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

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

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

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



**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

A. Plan Description (Continued)

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund and the Public Employees Police and Fire Fund. That report may be obtained on the internet at [www.mnpera.org](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.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.1 and 6.0 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.4 percent.

The County is required to contribute the following percentages of annual covered payroll in 2010:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.00
Public Employees Police and Fire Fund	14.10

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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4. Pension Plans

B. Funding Policy (Continued)

The County's contributions for the years ending December 31, 2010, 2009, and 2008, for the General Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General Employees Retirement Fund	\$ 343,809	\$ 326,111	\$ 294,510
Public Employees Police and Fire Fund	59,909	58,178	50,363

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

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2010 and 2011. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

B. Contingent Liabilities

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

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

C. Joint Ventures

Pope/Douglas Solid Waste Management

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Pope/Douglas Solid Waste Management (Continued)

Pope/Douglas Solid Waste Management had net assets of \$17,580,772 as of December 31, 2010, which was a decrease of \$327,805 from the prior year.

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

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

Central Minnesota Council on Aging

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Mid-State Community Health Services

Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services pursuant to Minn. Stat. § 471.59 (following a budget approved by the five-county Board). Pope 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 211 E. Minnesota Avenue, Glenwood, Minnesota 56344.

As of January 1, 2011, Mid-State Community Health Services' name will change to Horizon, and Douglas County will be added as a member.

Prime West Central County-Based Purchasing Initiative Joint Powers Board

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Crow River Joint Powers Agreement

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

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

Region 4 South Adult Mental Health Consortium

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

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 4 South Adult Mental Health Consortium (Continued)

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

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

D. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2010.

6. Pope County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed by the HRA. The HRA is reporting as of and for the year ended December 31, 2010.

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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6. Pope County Housing and Redevelopment Authority (HRA)

A. Summary of Significant Accounting Policies (Continued)

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

The HRA's government-wide financial statements (the statement of net assets and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting.

Reporting Entity

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

Basis of Presentation

The HRA does not prepare separate financial statements.

B. Property Taxes

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

C. Operating Revenues and Expenses

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



**POPE COUNTY  
GLENWOOD, MINNESOTA**

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

D. Bond Issuance Costs

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

E. Assets

1. Cash

All cash of the HRA is on deposit with the Pope County Auditor/Treasurer and included within its pooled cash and investments. At year-end December 31, 2010, the HRA had \$583,171 in cash and pooled investments and \$2,258,286 in restricted cash and pooled investments.

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

2. Receivables

Receivables for the HRA at December 31, 2010, were as follows:

Taxes	\$ 5,567
Loan	<u>151,411</u>
Total Receivables	<u>\$ 156,978</u>

Of the loan receivable, \$148,318 is not expected to be collected within the next year.

Capital Lease Receivable

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets (Continued)

2. Receivables

Capital Lease Receivable (Continued)

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

Pope County is carrying the building and the liability (capital lease) on its records in the amount of \$1,166,891, which is the value of the project completed at fiscal year end December 31, 2010. The HRA is carrying the bond liability on its records and records the lease receivable for the value of the project completed at fiscal year end December 31, 2010. The interest revenue is recorded as nonoperating miscellaneous revenue. For 2010, the HRA recorded interest revenue on the lease of \$149,630. During 2010, no principal payments were made on the bonds. The future minimum lease obligations will not be determined until the entire amount has been drawn down, which should occur in 2011.

3. Land Held for Resale

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

4. Capital Assets

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

E. Assets

4. Capital Assets (Continued)

The HRA's capital asset activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 429,210	\$ -	\$ -	\$ 429,210
Construction in progress	73,762	1,093,129	1,166,891	-
Total capital assets not depreciated	\$ 502,972	\$ 1,093,129	\$ 1,166,891	\$ 429,210
Total Capital Assets, Net	\$ 502,972	\$ 1,093,129	\$ 1,166,891	\$ 429,210

F. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2010, for the HRA consists of the following:

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2010
2008A Public Project Revenue Bonds	02/01/2029	\$135,000 - \$285,000	3.20 - 4.90	\$ 3,400,000	\$ 3,400,000
Contracts for deed	01/01/2011	\$40,000 - \$60,000	5.75	\$ 400,000	\$ 40,000

**POPE COUNTY  
GLENWOOD, MINNESOTA**

6. Pope County Housing and Redevelopment Authority (HRA)

F. Liabilities

Long-Term Debt (Continued)

The debt service requirements as of December 31, 2010, are as follows:

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2011	\$ -	\$ 149,180
2012	-	149,180
2013	135,000	147,020
2014	145,000	142,395
2015	150,000	137,230
2016 - 2020	660,000	591,318
2021 - 2025	1,015,000	384,780
2026 - 2030	1,295,000	106,553
Total	<u>\$ 3,400,000</u>	<u>\$ 1,807,656</u>

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance, as Restated (Note 2.B.)	Additions	Reductions	Ending Balance	Due Within One Year
Revenue bonds	\$ 3,400,000	\$ -	\$ -	\$ 3,400,000	\$ -
Discount/premium	(31,008)	-	(1,632)	(29,376)	-
Contracts for deed	100,000	-	60,000	40,000	40,000
Long-Term Liabilities	<u>\$ 3,468,992</u>	<u>\$ -</u>	<u>\$ 58,368</u>	<u>\$ 3,410,624</u>	<u>\$ 40,000</u>

As stated in Note 2.B., the beginning balance of contracts for deed was restated to recognize an error when recording long-term debt. The remaining \$40,000 balance will be paid in 2011.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT A-1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 3,464,548	\$ 3,464,548	\$ 3,253,890	\$ (210,658)
Special assessments	-	-	18,826	18,826
Licenses and permits	40,000	40,000	34,765	(5,235)
Intergovernmental	780,046	780,046	1,071,937	291,891
Charges for services	236,800	236,800	283,192	46,392
Fines and forfeits	-	-	2,182	2,182
Gifts and contributions	2,500	2,500	5,726	3,226
Investment earnings	200,000	200,000	88,962	(111,038)
Miscellaneous	268,414	268,414	209,905	(58,509)
<b>Total Revenues</b>	<b>\$ 4,992,308</b>	<b>\$ 4,992,308</b>	<b>\$ 4,969,385</b>	<b>\$ (22,923)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 244,460	\$ 244,460	\$ 190,246	\$ 54,214
County-wide	-	-	736	(736)
Wellness program	1,108	1,108	325	783
Information technology	191,313	191,313	305,827	(114,514)
Coordinator	253,869	253,869	217,229	36,640
Auditor/Treasurer	359,007	359,007	349,907	9,100
County assessor	355,266	355,266	322,632	32,634
Elections	31,500	31,500	49,972	(18,472)
Accounting and auditing	42,000	42,000	54,586	(12,586)
Data processing	69,350	69,350	59,097	10,253
Attorney	244,595	244,595	245,696	(1,101)
Recorder	252,352	252,352	358,989	(106,637)
Surveyor	4,000	4,000	-	4,000
Environmental services	271,203	271,203	275,444	(4,241)
Buildings	321,851	321,851	295,669	26,182
Veterans service officer	112,998	112,998	102,644	10,354
Other general government	255,605	255,605	235,616	19,989
<b>Total general government</b>	<b>\$ 3,010,477</b>	<b>\$ 3,010,477</b>	<b>\$ 3,064,615</b>	<b>\$ (54,138)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 984,430	\$ 984,430	\$ 797,575	\$ 186,855
Snowmobile grant	3,396	3,396	2,245	1,151
Boat and water safety	37,828	37,828	9,895	27,933
Coroner	9,000	9,000	14,434	(5,434)
Enhanced 911 system	33,300	33,300	35,344	(2,044)
Dispatchers	246,010	246,010	239,034	6,976
County jail	330,994	330,994	250,738	80,256
Court services	230,777	230,777	185,819	44,958
Sentenced to serve	87,392	87,392	86,070	1,322
Emergency management	78,926	78,926	35,850	43,076
ARMER implementation	-	-	245,132	(245,132)
<b>Total public safety</b>	<b>\$ 2,042,053</b>	<b>\$ 2,042,053</b>	<b>\$ 1,902,136</b>	<b>\$ 139,917</b>
<b>Culture and recreation</b>				
Historical society	\$ 48,000	\$ 48,000	\$ 48,000	\$ -
Let's go fishing	1,400	1,400	1,400	-
Regional library	110,014	110,014	107,914	2,100
Senior citizens	103,380	103,380	106,849	(3,469)
Other	1,730	1,730	1,730	-
<b>Total culture and recreation</b>	<b>\$ 264,524</b>	<b>\$ 264,524</b>	<b>\$ 265,893</b>	<b>\$ (1,369)</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 69,000	\$ 69,000	\$ 134,320	\$ (65,320)
County extension	104,999	104,999	104,452	547
Agriculture ditch inspector	24,852	24,852	27,454	(2,602)
County fair	24,000	24,000	24,000	-
West central initiative grant	-	-	6,085	(6,085)
Water management	74,081	74,081	79,987	(5,906)
Shoreland management	4,842	4,842	949	3,893
<b>Total conservation of natural resources</b>	<b>\$ 301,774</b>	<b>\$ 301,774</b>	<b>\$ 377,247</b>	<b>\$ (75,473)</b>
<b>Economic development</b>				
Community development	\$ 17,524	\$ 17,524	\$ 17,524	\$ -
Senior citizens	2,069	2,069	2,069	-
<b>Total economic development</b>	<b>\$ 19,593</b>	<b>\$ 19,593</b>	<b>\$ 19,593</b>	<b>\$ -</b>

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



**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT A-1  
(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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>				
Sanitation				
Pope/Douglas Solid Waste Management	\$ 50,000	\$ 50,000	\$ 55,950	\$ (5,950)
<b>Capital outlay</b>				
General government	\$ 127,000	\$ 127,000	\$ 54,715	\$ 72,285
Public safety	-	-	18,385	(18,385)
<b>Total capital outlay</b>	<b>\$ 127,000</b>	<b>\$ 127,000</b>	<b>\$ 73,100</b>	<b>\$ 53,900</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 3,590	\$ (3,590)
Interest	-	-	640	(640)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,230</b>	<b>\$ (4,230)</b>
<b>Total Expenditures</b>	<b>\$ 5,815,421</b>	<b>\$ 5,815,421</b>	<b>\$ 5,762,764</b>	<b>\$ 52,657</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (823,113)</b>	<b>\$ (823,113)</b>	<b>\$ (793,379)</b>	<b>\$ 29,734</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (22,328)	\$ (22,328)
Proceeds from loan	-	-	8,000	8,000
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (14,328)</b>	<b>\$ (14,328)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (823,113)</b>	<b>\$ (823,113)</b>	<b>\$ (807,707)</b>	<b>\$ 15,406</b>
<b>Fund Balance - January 1</b>	<b>2,808,903</b>	<b>2,808,903</b>	<b>2,808,903</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,985,790</b>	<b>\$ 1,985,790</b>	<b>\$ 2,001,196</b>	<b>\$ 15,406</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT A-2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 796,833	\$ 796,833	\$ 729,663	\$ (67,170)
Intergovernmental	3,513,663	3,513,663	3,471,998	(41,665)
Charges for services	35,000	35,000	52,140	17,140
Miscellaneous	-	-	15,868	15,868
<b>Total Revenues</b>	<b>\$ 4,345,496</b>	<b>\$ 4,345,496</b>	<b>\$ 4,269,669</b>	<b>\$ (75,827)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 484,070	\$ 484,070	\$ 333,886	\$ 150,184
Maintenance	1,022,907	1,022,907	888,512	134,395
Engineering/construction	2,324,765	2,324,765	2,077,580	247,185
Equipment, maintenance, and shop	412,096	412,096	423,496	(11,400)
<b>Total highways and streets</b>	<b>\$ 4,243,838</b>	<b>\$ 4,243,838</b>	<b>\$ 3,723,474</b>	<b>\$ 520,364</b>
<b>Intergovernmental</b>				
Highways and streets	\$ 263,658	\$ 263,658	\$ 283,911	\$ (20,253)
Economic development	-	-	400,000	(400,000)
<b>Total intergovernmental</b>	<b>\$ 263,658</b>	<b>\$ 263,658</b>	<b>\$ 683,911</b>	<b>\$ (420,253)</b>
<b>Total Expenditures</b>	<b>\$ 4,507,496</b>	<b>\$ 4,507,496</b>	<b>\$ 4,407,385</b>	<b>\$ 100,111</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (162,000)</b>	<b>\$ (162,000)</b>	<b>\$ (137,716)</b>	<b>\$ 24,284</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	22,328	22,328
<b>Net Change in Fund Balance</b>	<b>\$ (162,000)</b>	<b>\$ (162,000)</b>	<b>\$ (115,388)</b>	<b>\$ 46,612</b>
<b>Fund Balance - January 1</b>	<b>1,463,960</b>	<b>1,463,960</b>	<b>1,463,960</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(7,683)</b>	<b>(7,683)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,301,960</b>	<b>\$ 1,301,960</b>	<b>\$ 1,340,889</b>	<b>\$ 38,929</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT A-3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 1,596,272	\$ 1,596,272	\$ 1,342,976	\$ (253,296)
Intergovernmental	1,149,501	1,149,501	1,585,886	436,385
Charges for services	58,015	58,015	47,846	(10,169)
Miscellaneous	59,710	59,710	136,313	76,603
<b>Total Revenues</b>	<b>\$ 2,863,498</b>	<b>\$ 2,863,498</b>	<b>\$ 3,113,021</b>	<b>\$ 249,523</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 829,141	\$ 829,141	\$ 861,544	\$ (32,403)
Social services	2,246,658	2,246,658	2,190,759	55,899
Otto Bremer Foundation	-	-	2,730	(2,730)
<b>Total Expenditures</b>	<b>\$ 3,075,799</b>	<b>\$ 3,075,799</b>	<b>\$ 3,055,033</b>	<b>\$ 20,766</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (212,301)</b>	<b>\$ (212,301)</b>	<b>\$ 57,988</b>	<b>\$ 270,289</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	212,301	212,301	-	(212,301)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 212,301</b>	<b>\$ 212,301</b>	<b>\$ -</b>	<b>\$ (212,301)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 57,988</b>	<b>\$ 57,988</b>
<b>Fund Balance - January 1</b>	<b>1,746,978</b>	<b>1,746,978</b>	<b>1,746,978</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,746,978</b>	<b>\$ 1,746,978</b>	<b>\$ 1,804,966</b>	<b>\$ 57,988</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*Exhibit A-4*

SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS  
DECEMBER 31, 2010

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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1. Budgetary Information

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

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

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

Encumbrance accounting is employed in governmental funds. 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. Other Postemployment Benefits Funding Status

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

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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.

Agency Funds

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

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

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

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

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

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

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

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Agency Funds (Continued)

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

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

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

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

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

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

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT B-1**

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2010**

	<b>Health Services</b>	<b>Law Library</b>	<b>Total (Exhibit 3)</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 356,643	\$ 9,204	\$ 365,847
Accounts receivable	1,805	-	1,805
Due from other funds	446	-	446
Due from other governments	54,345	1,093	55,438
<b>Total Assets</b>	<b>\$ 413,239</b>	<b>\$ 10,297</b>	<b>\$ 423,536</b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,671	\$ 3,906	\$ 5,577
Salaries payable	29,190	-	29,190
Due to other governments	600	-	600
<b>Total Liabilities</b>	<b>\$ 31,461</b>	<b>\$ 3,906</b>	<b>\$ 35,367</b>
<b>Fund Balances</b>			
Reserved for			
Law library	\$ -	\$ 6,391	\$ 6,391
Unreserved			
Undesignated	381,778	-	381,778
<b>Total Fund Balances</b>	<b>\$ 381,778</b>	<b>\$ 6,391</b>	<b>\$ 388,169</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 413,239</b>	<b>\$ 10,297</b>	<b>\$ 423,536</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT B-2*

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Health Services</b>	<b>Law Library</b>	<b>Total (Exhibit 5)</b>
<b>Revenues</b>			
Intergovernmental	\$ 270,547	\$ -	\$ 270,547
Charges for services	577,315	-	577,315
Fines and forfeits	-	17,732	17,732
Miscellaneous	24,000	-	24,000
	<b>\$ 871,862</b>	<b>\$ 17,732</b>	<b>\$ 889,594</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ -	\$ 23,934	\$ 23,934
Health	966,564	-	966,564
	<b>\$ 966,564</b>	<b>\$ 23,934</b>	<b>\$ 990,498</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (94,702)</b>	<b>\$ (6,202)</b>	<b>\$ (100,904)</b>
<b>Fund Balance - January 1</b>	<b>476,480</b>	<b>12,593</b>	<b>489,073</b>
<b>Fund Balance - December 31</b>	<b>\$ 381,778</b>	<b>\$ 6,391</b>	<b>\$ 388,169</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT B-3*

**BUDGETARY COMPARISON SCHEDULE  
HEALTH SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 182,243	\$ 182,243	\$ 270,547	\$ 88,304
Charges for services	564,337	564,337	577,315	12,978
Miscellaneous	-	-	24,000	24,000
<b>Total Revenues</b>	<b>\$ 746,580</b>	<b>\$ 746,580</b>	<b>\$ 871,862</b>	<b>\$ 125,282</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Health services	941,120	941,120	966,564	(25,444)
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (194,540)</b>	<b>\$ (194,540)</b>	<b>\$ (94,702)</b>	<b>\$ 99,838</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	194,540	194,540	-	(194,540)
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (94,702)</b>	<b>\$ (94,702)</b>
<b>Fund Balance - January 1</b>	<b>476,480</b>	<b>476,480</b>	<b>476,480</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 476,480</b>	<b>\$ 476,480</b>	<b>\$ 381,778</b>	<b>\$ (94,702)</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT B-4*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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>\$ 75,737</u>	<u>\$ 3,648,889</u>	<u>\$ 3,653,336</u>	<u>\$ 71,290</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 75,737</u>	<u>\$ 5,667,022</u>	<u>\$ 5,671,469</u>	<u>\$ 71,290</u>
 <b><u>SELECT ACCOUNT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 12,755</u>	<u>\$ 113,081</u>	<u>\$ 112,962</u>	<u>\$ 12,874</u>
<b><u>Liabilities</u></b>				
Accounts payable	<u>\$ 12,755</u>	<u>\$ 120,811</u>	<u>\$ 120,692</u>	<u>\$ 12,874</u>
 <b><u>COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 95,013</u>	<u>\$ 62,807</u>	<u>\$ 53,445</u>	<u>\$ 104,375</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 95,013</u>	<u>\$ 62,807</u>	<u>\$ 53,445</u>	<u>\$ 104,375</u>



**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT B-4  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	<u>\$ 5,375</u>	<u>\$ 242,044</u>	<u>\$ 243,355</u>	<u>\$ 4,064</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 5,375</u>	<u>\$ 377,982</u>	<u>\$ 379,293</u>	<u>\$ 4,064</u>
 <b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 42,503</u>	<u>\$ 15,078,506</u>	<u>\$ 15,100,559</u>	<u>\$ 20,450</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 42,503</u>	<u>\$ 15,120,300</u>	<u>\$ 15,142,353</u>	<u>\$ 20,450</u>
 <b><u>TOWNS AND CITIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 58,098</u>	<u>\$ 3,432,023</u>	<u>\$ 3,435,206</u>	<u>\$ 54,915</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 58,098</u>	<u>\$ 5,362,471</u>	<u>\$ 5,365,654</u>	<u>\$ 54,915</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT B-4  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ -	\$ 40	\$ 40	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 40	\$ 40	\$ -
 <b><u>FARWELL KENSINGTON SANITARY DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 19	\$ 1,849	\$ 1,780	\$ 88
<b><u>Liabilities</u></b>				
Due to other governments	\$ 19	\$ 2,952	\$ 2,883	\$ 88
 <b><u>VILLARD LAKES SANITARY DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 5	\$ 47,192	\$ 46,634	\$ 563
<b><u>Liabilities</u></b>				
Due to other governments	\$ 5	\$ 73,285	\$ 72,727	\$ 563

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT B-4  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	\$ 58	\$ 17,316	\$ 17,219	\$ 155
<b><u>Liabilities</u></b>				
Due to other governments	\$ 58	\$ 26,965	\$ 26,868	\$ 155
 <b><u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ -	\$ 201	\$ 201	\$ -
<b><u>Liabilities</u></b>				
Due to other governments	\$ -	\$ 284	\$ 284	\$ -
 <b><u>NORTH FORK WATERSHED DISTRICT</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 816	\$ 42,996	\$ 42,668	\$ 1,144
<b><u>Liabilities</u></b>				
Due to other governments	\$ 816	\$ 67,466	\$ 67,138	\$ 1,144

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT B-4  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<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	<u>\$ 63,754</u>	<u>\$ 1,357,809</u>	<u>\$ 1,350,834</u>	<u>\$ 70,729</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 63,754</u>	<u>\$ 2,005,333</u>	<u>\$ 1,998,358</u>	<u>\$ 70,729</u>
 <b><u>REGIONAL TREATMENT AND CORRECTIONAL CENTER</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	<u>\$ 4,021</u>	<u>\$ -</u>	<u>\$ 4,021</u>	<u>\$ -</u>
<b><u>Liabilities</u></b>				
Due to other governments	<u>\$ 4,021</u>	<u>\$ -</u>	<u>\$ 4,021</u>	<u>\$ -</u>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT B-4  
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>MID-STATE COMMUNITY HEALTH</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 77,750	\$ 882,958	\$ 884,642	\$ 76,066
Due from other governments	57,410	104,691	57,410	104,691
<b>Total Assets</b>	<b>\$ 135,160</b>	<b>\$ 987,649</b>	<b>\$ 942,052</b>	<b>\$ 180,757</b>
<b><u>Liabilities</u></b>				
Due to other governments	<b>\$ 135,160</b>	<b>\$ 1,359,078</b>	<b>\$ 1,313,481</b>	<b>\$ 180,757</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 435,904	\$ 24,927,711	\$ 24,946,902	\$ 416,713
Due from other governments	57,410	104,691	57,410	104,691
<b>Total Assets</b>	<b>\$ 493,314</b>	<b>\$ 25,032,402</b>	<b>\$ 25,004,312</b>	<b>\$ 521,404</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,755	\$ 120,811	\$ 120,692	\$ 12,874
Due to other governments	480,559	30,125,985	30,098,014	508,530
<b>Total Liabilities</b>	<b>\$ 493,314</b>	<b>\$ 30,246,796</b>	<b>\$ 30,218,706</b>	<b>\$ 521,404</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT B-5*

**BUDGETARY COMPARISON SCHEDULE  
DEBT SERVICE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Taxes	\$ 647,026	\$ 647,026	\$ 593,221	\$ (53,805)
Intergovernmental	-	-	44,167	44,167
<b>Total Revenues</b>	<b>\$ 647,026</b>	<b>\$ 647,026</b>	<b>\$ 637,388</b>	<b>\$ (9,638)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Debt service</b>				
Principal retirement	\$ 647,026	\$ 647,026	\$ 420,000	\$ 227,026
Interest	-	-	186,735	(186,735)
Administrative charges	-	-	1,331	(1,331)
<b>Total Expenditures</b>	<b>\$ 647,026</b>	<b>\$ 647,026</b>	<b>\$ 608,066</b>	<b>\$ 38,960</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	-	-	29,322	29,322
<b>Fund Balance - January 1, as restated</b> (Note 2.B.)	<u>473,142</u>	<u>473,142</u>	<u>555,907</u>	<u>82,765</u>
<b>Fund Balance - December 31</b>	<u><b>\$ 473,142</b></u>	<u><b>\$ 473,142</b></u>	<u><b>\$ 585,229</b></u>	<u><b>\$ 112,087</b></u>

**HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT C-1*

**STATEMENT OF NET ASSETS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
DECEMBER 31, 2010**

**Assets**

**Current assets**

Cash and pooled investments	\$ 583,171
Taxes receivable	
Delinquent	5,567
Loans receivable	151,411
Land held for resale	33,262
Restricted assets	
Cash and pooled investments	2,258,286

**Total current assets** **\$ 3,031,697**

**Noncurrent assets**

Deferred charges	\$ 33,126
Lease receivable	1,166,891
Capital assets	
Nondepreciable	429,210

**Total noncurrent assets** **\$ 1,629,227**

**Total Assets** **\$ 4,660,924**

**Liabilities**

**Current liabilities**

Accounts payable	\$ 61,552
Salaries payable	859
Contracts payable	232,117
Retainage payable	25,177
Accrued interest payable	62,158
Contract for deed payable - current	40,000

**Total current liabilities** **\$ 421,863**

**Noncurrent liabilities**

Revenue bonds payable - long-term	<b>\$ 3,370,624</b>
-----------------------------------	---------------------

**Total Liabilities** **\$ 3,792,487**

**Net Assets**

Invested in capital assets - net of related debt	\$ 389,210
Unrestricted	479,227

**Total Net Assets** **\$ 868,437**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT C-2**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Operating Expenses</b>	
Personal services	\$ 34,917
Professional services	13,730
Insurance	2,126
Licenses and dues	966
Miscellaneous	28,955
	<hr/>
<b>Total Operating Expenses</b>	<b>\$ 80,694</b>
	<hr/>
<b>Operating Income (Loss)</b>	<b>\$ (80,694)</b>
	<hr/>
<b>Nonoperating Revenues (Expenses)</b>	
Property taxes	\$ 209,129
Intergovernmental expense - economic development	(5,000)
Miscellaneous income	156,285
Interest income	36,458
Interest expense	(149,180)
Amortization of deferred charges	(3,473)
Fees and charges	3,743
Loss on land held for resale	(15,566)
	<hr/>
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ 232,396</b>
	<hr/>
<b>Change in net assets</b>	<b>\$ 151,702</b>
	<hr/>
<b>Net Assets - January 1, as restated (Note 2.B.)</b>	<b>716,735</b>
	<hr/>
<b>Net Assets - December 31</b>	<b>\$ 868,437</b>
	<hr/> <hr/>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT C-3**

**STATEMENT OF CASH FLOWS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Cash Flows from Operating Activities</b>	
Payments to suppliers	\$ (45,777)
Payments to employees	(34,058)
Sale of land held for resale	<u>79,067</u>
<b>Net cash provided by (used in) operating activities</b>	<b><u>\$ (768)</u></b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Property taxes	\$ 213,282
Fees and charges	3,743
Interest and fee received on lease	149,630
Miscellaneous	<u>6,655</u>
<b>Net cash provided by (used in) noncapital financing activities</b>	<b><u>\$ 373,310</u></b>
<b>Cash Flows from Capital and Related Financing Activities</b>	
Intergovernmental	\$ (5,000)
Principal paid on long-term debt	(60,000)
Interest paid on long-term debt	(154,930)
Purchases of capital assets	<u>(794,349)</u>
<b>Net cash provided by (used in) capital and related financing activities</b>	<b><u>\$ (1,014,279)</u></b>
<b>Cash Flows from Investing Activities</b>	
Collections of loan principal	\$ 6,422
Interest received on loans	35,188
Insurance dividends	1,270
Loan granted	<u>(30,000)</u>
<b>Net cash provided by (used in) investing activities</b>	<b><u>\$ 12,880</u></b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ (628,857)</b>
<b>Cash and Cash Equivalents at January 1, as restated (Note 2.B.)</b>	<b><u>3,470,314</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u><u>\$ 2,841,457</u></u></b>
<b>Cash and Cash Equivalents - Exhibit 1</b>	
Cash and pooled investments	\$ 583,171
Restricted cash and pooled investments	<u>2,258,286</u>
<b>Total Cash and Cash Equivalents</b>	<b><u><u>\$ 2,841,457</u></u></b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

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

**STATEMENT OF CASH FLOWS  
HOUSING AND REDEVELOPMENT AUTHORITY COMPONENT UNIT  
FOR THE YEAR ENDED DECEMBER 31, 2010  
Increase (Decrease) in Cash and Cash Equivalents**

<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
<b>Operating income (loss)</b>	<b><u>\$ (80,694)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
(Increase) decrease in land held for resale	\$ 79,067
Increase (decrease) in salaries payable	<u>859</u>
<b>Total adjustments</b>	<b><u>\$ 79,926</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u><u>\$ (768)</u></u></b>

## **OTHER SCHEDULES**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT D-1**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2010**

	<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	0.60	November 26, 2011	\$ 90,000
Glenwood State Bank	2.15	July 11, 2011	24,000
Glenwood State Bank	0.82	March 30, 2011	1,500,000
Glenwood State Bank	0.70	June 29, 2011	1,500,000
Hometown Community Bank	1.70	April 30, 2011	100,000
Hometown Community Bank	1.40	November 5, 2011	225,000
Hometown Community Bank	1.00	October 30, 2011	200,000
Hometown Community Bank	1.00	December 24, 2011	300,000
Hometown Community Bank	1.00	December 26, 2011	400,000
Lowry State Bank	1.85	April 18, 2011	200,000
Lowry State Bank	1.75	July 1, 2011	150,000
<b>Total certificates of deposit</b>			<b>\$ 4,689,000</b>
<b>Checking accounts</b>			
Eagle Bank	0.10	Continuous	\$ 25,112
Glenwood State Bank	0.40	Continuous	31,849
<b>Total checking accounts</b>			<b>\$ 56,961</b>
<b>Savings accounts</b>			
Eagle Bank	0.40	Continuous	\$ 145,965
Eagle Bank	0.20	Continuous	3,480
Glenwood State Bank	0.55	Continuous	2,493,393
<b>Total savings accounts</b>			<b>\$ 2,642,838</b>
<b>Total Deposits and Investments</b>			<b>\$ 7,388,799</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2010**

	Assets			
	Cash and Investments	Special Assessments Receivable		Total
		Delinquent	Deferred	
<b>County Ditches</b>				
2	\$ 5,219	\$ -	\$ -	\$ 5,219
3	526	-	-	526
4	1,049	-	-	1,049
6	476	-	-	476
7	5,160	-	-	5,160
8	16,467	-	-	16,467
9	2,195	-	-	2,195
10	226	-	-	226
12	580	-	-	580
15	7,900	-	-	7,900
17	7,164	-	-	7,164
19	84	-	-	84
24	546	-	-	546
27	316	-	-	316
28	18,261	-	-	18,261
General	1,276	-	51,097	52,373
<b>Judicial Ditches</b>				
3 Pope and Douglas	5,300	-	-	5,300
4 Pope and Douglas	2,980	-	4,499	7,479
4 Pope and Swift	1,138	-	2,161	3,299
9 Pope and Swift	6,197	-	3,557	9,754
<b>Total</b>	<b>\$ 83,060</b>	<b>\$ -</b>	<b>\$ 61,314</b>	<b>\$ 144,374</b>



**EXHIBIT D-2**

<b>Accounts Payable</b>	<b>Liabilities</b>			<b>Total</b>	<b>Fund Balances Undesignated</b>	<b>Total Liabilities and Fund Balances</b>
	<b>Deferred Revenue</b>	<b>Advance from Other Funds</b>				
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,219	\$ 5,219
-	-	-	-	-	526	526
-	-	-	-	-	1,049	1,049
-	-	-	-	-	476	476
-	-	-	-	-	5,160	5,160
-	-	-	-	-	16,467	16,467
-	-	-	-	-	2,195	2,195
-	-	2,500	2,500	2,500	(2,274)	226
-	-	-	-	-	580	580
-	-	-	-	-	7,900	7,900
-	-	-	-	-	7,164	7,164
-	-	-	-	-	84	84
-	-	-	-	-	546	546
-	-	-	-	-	316	316
-	-	-	-	-	18,261	18,261
33	51,097	51,097	102,227		(49,854)	52,373
-	-	-	-	-	5,300	5,300
-	4,499	-	4,499		2,980	7,479
-	2,161	11,600	13,761		(10,462)	3,299
-	3,557	9,950	13,507		(3,753)	9,754
<b>\$ 33</b>	<b>\$ 61,314</b>	<b>\$ 75,147</b>	<b>\$ 136,494</b>		<b>\$ 7,880</b>	<b>\$ 144,374</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT D-3**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**Shared Revenue**

**State**

Highway users tax	\$ 2,730,867
Market value credit	327,435
Market value credit - mobile home	1,383
Market value credit - agricultural	67,833
PERA rate reimbursement	17,671
Disparity reduction aid	21,655
County program aid	327,095
Police aid	46,328
	46,328

**Total shared revenue** **\$ 3,540,267**

**Reimbursement for Services**

**State**

Minnesota Department of Public Safety	\$ 11,974
Minnesota Department of Human Services	333,131
	333,131

**Total reimbursement for services** **\$ 345,105**

**Payments**

**Local**

Local contributions	\$ 57,968
Payments in lieu of taxes	56,830
	56,830

**Total payments** **\$ 114,798**

**Grants**

**State**

Minnesota Department/Board of Corrections	\$ 33,840
Public Safety	96,943
Health	85,204
Natural Resources	1,933
Human Services	341,322
Trial Courts	378
Water and Soil Resources	88,554
Pollution Control Agency	55,950
	55,950

**Total state** **\$ 704,124**

**Federal**

Department of Agriculture	\$ 167,036
Commerce	93,149
Transportation	643,160
Health and Human Services	763,311
Homeland Security	130,003
	130,003

**Total federal** **\$ 1,796,659**

**Total state and federal grants** **\$ 2,500,783**

**Total Intergovernmental Revenue** **\$ 6,500,953**

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT D-4**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Mid-State Community Health Services Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 66,360
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	98,978
State Administrative Matching Grants for SNAP - ARRA	10.561	<u>1,698</u>
<b>Total U.S. Department of Agriculture</b>		<b>\$ <u>167,036</u></b>
<b>U.S. Department of Commerce</b>		
Passed Through City of Saint Cloud, Minnesota Public Safety Interoperable Communications Grant Program	11.555	<b>\$ <u>93,149</u></b>
<b>U.S. Department of Transportation</b>		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 641,754
State and Community Highway Safety	20.600	<u>1,406</u>
<b>Total U.S. Department of Transportation</b>		<b>\$ <u>643,160</u></b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through West Central Area Agency on Aging Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	\$ 16,450
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	6,203
Temporary Assistance for Needy Families	93.558	75,957
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	158,272
Child Support Enforcement - ARRA	93.563	12,980
Refugee and Entrant Assistance - State Administered Programs	93.566	117
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	2,786
Foster Care - Title IV-E Cluster		
Foster Care - Title IV-E	93.658	30,717
Foster Care - Title IV-E - ARRA	93.658	999
Social Services Block Grant	93.667	80,428

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT D-4  
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>		
Passed Through Minnesota Department of Human Services (Continued)		
Chafee Foster Care Independence Program	93.674	6,710
Children's Health Insurance Program	93.767	166
Medical Assistance Program	93.778	262,811
Passed Through Minnesota Department of Health		
Immunization Cluster		
Immunization - ARRA	93.712	3,395
Passed Through Mid-State Community Health Services		
Public Health Emergency Preparedness	93.069	44,897
Immunization Cluster		
Immunization Grants	93.268	600
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	22,895
Temporary Assistance for Needy Families	93.558	20,456
Maternal and Child Health Services Block Grant to the States	93.994	16,472
<b>Total U.S. Department of Health and Human Services</b>		<b>\$ 763,311</b>
<b>U.S. Department of Homeland Security</b>		
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	\$ 43,399
Emergency Management Performance Grants	97.042	18,754
Homeland Security Grant Program	97.067	67,850
<b>Total U.S. Department of Homeland Security</b>		<b>\$ 130,003</b>
<b>Total Federal Awards</b>		<b>\$ 1,796,659</b>

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

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1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Pope County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Pope County under programs of the federal government for the year ended December 31, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Pope County, it is not intended to and does not present the financial position or changes in net assets of Pope County.

3. Summary of Significant Accounting Policies

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

4. Subrecipients

During 2010, the County did not pass any federal money to subrecipients.

5. American Recovery and Reinvestment Act

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

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**Other Information  
Section**

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**POPE COUNTY  
GLENWOOD, MINNESOTA**

*EXHIBIT E-1*

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

	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
<b>Tax Capacity</b>						
Real property	\$ 14,601,223		\$ 16,542,915		\$ 16,447,203	
Personal property	271,929		288,849		336,699	
<b>Total Tax Capacity</b>	<b>\$ 14,873,152</b>		<b>\$ 16,831,764</b>		<b>\$ 16,783,902</b>	
<b>Taxes Levied for County Purposes</b>						
General	\$ 3,944,010	24.370	\$ 3,749,231	20.639	\$ 4,053,840	22.491
Road and Bridge	800,172	4.912	866,997	4.743	826,509	4.547
Human Services	1,500,949	9.213	1,596,272	8.732	1,650,406	9.089
Incinerator Bonds	128,053	0.864	124,126	0.739	125,218	0.748
Capital Improvement Notes	362,200	2.442	366,200	2.180	364,500	2.177
LEC Bonds	180,000	1.214	156,700	0.933	156,700	0.936
<b>Total Levy for County Purposes</b>	<b>\$ 6,915,384</b>	<b>43.015</b>	<b>\$ 6,859,526</b>	<b>37.966</b>	<b>\$ 7,177,173</b>	<b>39.988</b>
<b>Less Credits Payable by State</b>	<b>549,888</b>		<b>494,030</b>		<b>494,030</b>	
<b>Net Levy Certified to State</b>	<b>\$ 6,365,496</b>		<b>\$ 6,365,496</b>		<b>\$ 6,683,143</b>	
<b>Less Market Value Credits Payable by State</b>	<b>543,626</b>		<b>519,584</b>		<b>530,490</b>	
<b>Net Levy for County Purposes</b>	<b>\$ 5,821,870</b>		<b>\$ 5,845,912</b>		<b>\$ 6,152,653</b>	
<b>Tax Capacity - Light and Power</b>						
Assessed at 43%	\$ 35,458		\$ 52,060		\$ 55,508	
Assessed at 5%	2,112		2,074		2,212	
<b>Total Tax Capacity - Light and Power</b>	<b>\$ 37,570</b>		<b>\$ 54,134</b>		<b>\$ 57,720</b>	

**POPE COUNTY  
GLENWOOD, MINNESOTA**

**EXHIBIT E-1  
(Continued)**

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

	2009		2010		2011	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %	Amount	Net Tax Capacity Rate %
<b>Light and Power Tax Levies</b> (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 29,758	83.923	\$ 39,520	75.911	\$ 43,416	78.217
Assessed at 5%	1,772	83.923	1,574	75.911	1,730	78.217
Market value based on						
property tax	3,118	0.166	4,336	0.160	4,291	0.0149
State tax	17,108	45.535	24,837	45.881	28,308	49.043
<b>Total Light and Power Tax Levies</b>	<b>\$ 51,756</b>		<b>\$ 70,267</b>		<b>\$ 77,745</b>	
<b>Special Assessments</b>						
Ditch liens and assessments	<b>\$ 680,202</b>		<b>\$ 683,192</b>		<b>\$ 675,726</b>	
<b>Percentage of Tax Collections for All Purposes</b>						
	<b>98%</b>		<b>98%</b>		<b>N/A</b>	



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**POPE COUNTY  
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2010**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses unqualified opinions on the basic financial statements of Pope County.
- B. Significant deficiencies in internal control were disclosed by the audit of financial statements of Pope County and are reported in the "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*." One of the significant deficiencies is a material weakness.
- C. No instances of noncompliance material to the financial statements of Pope County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Pope County expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
- |   |              |
|---|--------------|
| State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster |              |
| State Administrative Matching Grants for SNAP   | CFDA #10.561 |
| State Administrative Matching Grants for SNAP - ARRA  | CFDA #10.561 |
| Highway Planning and Construction   | CFDA #20.205 |
| Medical Assistance Program  | CFDA #93.778 |
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Pope County was not determined to be a low-risk auditee.

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

### INTERNAL CONTROL

#### PREVIOUSLY REPORTED ITEMS NOT RESOLVED

##### 96-1 Departmental Internal Accounting Control

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. Reports are sent to departments on a monthly basis for individual department review.*

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 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 is a result of 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.*

07-1 Segregation of Duties - Disbursements

During the 2007 and 2008 audits, we reviewed the County's general disbursements process and noted that several individuals had the ability to both process disbursements and set up new vendors. During 2009, the County re-assigned some duties and resolved this issue for all but a few individuals in the Auditor/Treasurer's Office. In 2010, two individuals in the Auditor/Treasurer's Office who are separate from the disbursement process had the ability to create new vendors, but there was still no procedure for monitoring new vendors in the system. In 2011, the County created a procedure to print reports from the system that tracks new vendors entered into the system. If possible, someone independent of the disbursements process should review, verify, and approve new vendors at least monthly.

We recommend management create procedures to monitor new vendors entered into the system.

Client's Response:

*Pope County has established control over adding vendors as well as periodically reviewing the vendor file on the Integrated Financial System. The individual that adds or changes vendors is not involved in the payable process. A report is printed from IFS to verify that only the authorized person is adding or changing vendors.*

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. A review of the "edits" as provided by the payroll clerk is performed by another individual in the Auditor/Treasurer's Office; however, the information for this review is not collected independently of the payroll clerk.

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



Client's Response:

*Pope County continues to review procedures and has implemented controls necessary to see that changes in payroll are verified to ensure that the changes made were authorized and completed. After the change has been made in payroll another person reviews the authorized change with the edit report to verify accuracy. A report is also printed or viewed by Human Resources to review changes made at any time.*

ITEMS ARISING THIS YEAR

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

The Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations, Auditee Responsibilities*, subpart C § .300 requires, "The auditee shall (a) identify, in its accounts, all Federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity. (d) Prepare appropriate financial statements, including the schedule of expenditures of federal awards (SEFA) in accordance with subpart C § .310."

During 2010, Pope County did attempt to prepare its own SEFA but it did not accurately identify federal programs by amount received and expended, federal grantor agency, pass-through agency, and Catalog of Federal Domestic Assistance (CFDA) title and number as required under OMB Circular A-133.

This condition results in a deficiency in internal control over financial statement preparation and the reporting of federal financial assistance by the County. Since the County has not developed procedures for properly identifying all federal financial assistance, the County relies on its auditors for assistance with preparing the SEFA. Independent auditors cannot be considered part of the County's internal control over financial reporting.

We recommend that Pope County management develop a process, including written procedures that will allow staff to adequately identify federal revenues and accumulate the information needed to prepare the SEFA. Specific measures could include having departments informing accounting/finance when they have received a grant award, holding in suspense accounts until properly identified as to nature and source any intergovernmental revenue receipts, and comparison of the prior year SEFA to the current year. For each federal award identified, the County should determine the correct program CFDA title and number, award number and year, federal grantor agency, pass-through agency, amount received and expended, and whether American Recovery and Reinvestment Act funding is involved. The federal CFDA website is available to assist in this process. Those responsible for compiling the SEFA should obtain the training

necessary (through courses or reference materials) to understand the components of the SEFA and properly gather the correct information and maintain supporting documentation. The County should also reconcile the SEFA amounts to the general ledger and financial statements.

Client's Response:

*Pope County will work on developing procedures in record keeping for better identifying revenues and expenditures for the SEFA.*

10-2 Prior Period Adjustment

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. One indication of a deficiency that typically is considered significant is restatement of previously issued financial statements to reflect the correction of a misstatement.

Pope County's 2010 financial statements include the following prior period adjustment identified by our audit: The beginning net assets/fund balance in Pope County's governmental activities and Debt Service Fund, and the beginning net assets in the Pope County Housing and Redevelopment Authority (HRA) component unit, were restated by \$82,765 to recognize taxes that were levied by the County's Debt Service Fund but were erroneously recorded in the Pope County HRA.

The need for prior period adjustments can raise doubts as to the reliability of the County's financial information being presented.

We recommend the County review its procedures for preparation and disclosure of financial information to ensure accurate presentation in the financial statements.

Client's Response:

*Pope County staff will continue to work on financial reporting. We will make the prior period adjustments and continue to monitor financial activities.*

PREVIOUSLY REPORTED ITEM RESOLVED

**Audit Adjustments (06-2)**

In prior years material audit adjustments were discovered during the course of the audit that caused the financial statements to be materially misstated.

**Resolution**

We noted no material audit adjustments during the current audit.

### III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

### IV. OTHER FINDINGS AND RECOMMENDATIONS

#### A. MINNESOTA LEGAL COMPLIANCE

##### ITEM ARISING THIS YEAR

##### 10-3 Contract Compliance

The Pope County Housing and Redevelopment Authority (HRA) is funding a Government Center Renovation (GCR) project, which includes the construction of a Law Enforcement Center (LEC). Once construction is complete, Pope County will lease the LEC from the HRA. The HRA contracted with Contegrity Group, Inc., to be the General Contract Manager for the LEC project.

On June 1, 2010, the County Board authorized the GCR Committee to expense bond funds as deemed appropriate in the design, development, and construction of the GCR project. On October 6, 2010, the HRA Board approved a resolution to move forward with the GCR project and to expense bond monies for the GCR project in consultation with County Commissioners on the GCR Committee. The GCR Committee is comprised of representatives from the Pope County Commissioners, County staff, the Contegrity Group, Inc., Klein McCarthy Architects, and eStudio Architects.

State law requires that the County Board approve the payment of claims. *See* Minn. Stat. §§ 471.38 and 384.13. The Board is authorized to delegate the payment of claims to a County official under Minn. Stat. § 375.18, subd. 1b. We are not aware of any statute granting authority to a county board to delegate its authority to pay claims to a committee made up of County officials, employees and private parties.

Minn. Stat. § 471.345 requires a formal bidding procedure for public contracts over \$100,000. For such contracts the county board is required to award the contract to the lowest responsible bidder. Minn. Stat. § 375.21. The lowest-responsible-bidder requirement applies to HRAs under Minn. Stat. § 469.015. Contegrity Group, Inc., in conjunction with the GCR Committee, carried out the bidding process for the project. There are no public minutes documenting the bidding process or the decisions made by the GCR Committee on the GCR project.

No records were available demonstrating that any county or HRA official or board made determinations as to the lowest responsible bidder on GCR construction contracts. All public officers and employees “shall make and preserve all records necessary to a full and accurate knowledge of their official activities.” Minn. Stat. § 15.17.

We recommend that when the County Board delegates authority to pay claims it do so consistent with Minn. Stat. § 375.18, Subd. 1b. Further, we recommend that the County Board and the HRA Board award contracts that require bidding in a public manner with a public record as required by state law.

Client’s Response:

*In the future, Pope County will follow Minnesota Statutes when seeking and awarding bids and contracts.*

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board’s (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Pope County for the year ending December 31, 2011. The standard’s objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

The County should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. The County can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Board of County Commissioners intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

#### Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in the new standard. The new definition for a special revenue fund could have significant impact on the County's current fund classifications.

GASB Statement 54 provides a new and clearer description of when it is appropriate to account for an activity using a special revenue fund. Special revenue funds are used to report specific revenue sources restricted or committed to specified purposes other than debt service and capital projects, where the restricted or committed revenue sources comprise a substantial portion of the fund's resources, and are expected to continue to do so in the future. The standard does not define substantial portion; however, most recommendations are generally that the restricted or committed revenues should comprise at least 35 to 50 percent of total fund revenues. Under this definition, it is possible that

some current special revenue funds will no longer meet the requirements for special revenue fund treatment. The County's management should review the County's special revenue funds to ensure these funds continue to warrant treatment as special revenue funds.

The County's management should perform the following steps prior to December 31, 2011:

- prepare a list of the County's special revenue funds;
- determine the sources of revenues for each of those funds;
- identify whether any of those revenues are restricted or committed;
- determine if these restricted or committed revenues represent a substantial portion of the fund's revenues and are expected to continue to be a substantial source of revenues;
  - if yes, the fund may continue to be classified as a special revenue fund;
  - if not, determine whether the County will combine that fund with the general fund or with a similar purpose special revenue fund that meets the new definition;
- code revenues in the general ledger by source constraints--restricted, committed, assigned, or unassigned; and
- determine if there needs to be a restatement of beginning fund balances.

Additional implementation steps could include: informing any component units that they also will need to meet the requirements; deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods; and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at: [http://www.auditor.state.mn.us/other/Statements/fundbalances\\_postGASB54\\_1012\\_statement.pdf](http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_statement.pdf).



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

Board of County Commissioners  
Pope County

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Pope County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 27, 2011. 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 and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 10-2 to be a material weakness.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs, as items 96-1, 02-6, 07-1, 07-2, and 10-1 to be significant deficiencies.

### Compliance and Other Matters

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

### Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County does not have any tax increment financing districts.

The results of our tests indicate that for the items tested, Pope County complied with the material terms and conditions of applicable legal provisions, except as described in the Schedule of Findings and Questioned Costs as item 10-3.



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

Pope County's written responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

*/s/Rebecca Otto*

*/s/Greg Hierlinger*

REBECCA OTTO  
STATE AUDITOR

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 27, 2011

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

Board of County Commissioners  
Pope County

### Compliance

We have audited Pope County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Pope County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pope County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Pope County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

### Internal Control Over Compliance

Management of Pope County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 27, 2011