

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2006

Description of the Office of the State Auditor

The mission of the State Auditor's Office 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, 2006



**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
2006**

Office	Name	Term	
		From	To
Commissioners			
1st District	Larry Kittelson	January 2003	January 2007
2nd District	Jeanne Olson*	January 2005	January 2009
3rd District	Dean Paulson	January 2005	January 2009
4th District	Keith Naig	January 2003	January 2007
5th District	Randy Shaw	January 2006	January 2010
Officers			
Elected			
Attorney	Belvin Doebbert	January 2003	January 2007
Auditor/Treasurer	Donna Quandt**	January 2006	January 2007
County Recorder	Darby Bowen	January 2003	January 2007
Sheriff	Tom Larson	January 2003	January 2007
Surveyor	Rodney Eldevik	January 2003	January 2007
Appointed			
Assessor	Wayne Anderson	December 2000	December 2008
Coroner	Roderick B. Brown, M.D.		Indefinite
Highway Engineer	Brian Noetzelman	May 2006	May 2010
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Riaz Aziz		Indefinite
Family Services			
Manager	Linda Cassman		Indefinite
Manager	Paula Hoverud		Indefinite
Board			
Member	Larry Kittelson	January 2003	January 2007
Member	Jeanne Olson	January 2005	January 2009
Member	Dean Paulson	January 2005	January 2009
Member	Keith Naig	January 2003	January 2007
Member	Robert McCrory	January 2003	January 2007

*Chair

**Appointed to fill term

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pope County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County, Minnesota, as of and for the year ended December 31, 2006, which collectively comprise Pope County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pope County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County as of December 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the other required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the method of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have also issued a report dated December 24, 2007, on our consideration of Pope County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

December 24, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006
(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, 2006. 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 \$48,764,147 of which Pope County has invested \$41,914,466 in capital assets, net of related debt, and \$543,016 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2006, was \$4,676,919; the net cost was funded by general revenues and other items totaling \$7,164,294.
- Pope County's net assets increased by \$2,487,375 for the year ended December 31, 2006.
- The long-term debt was reduced in 2006 by the amount of \$355,000 due to principal payments of \$295,000 for General Obligation Bonds paid from the Debt Service Fund and \$60,000 for Contracts for Deed paid from the Pope County Housing and Redevelopment Authority.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Management's Discussion and Analysis

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

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.

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

Fund Financial Statements

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

Governmental funds--Most of Pope County’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported in 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 be used only for the trust beneficiaries based on the trust arrangement. The County reports all of its fiduciary activities in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities have been excluded from the County’s other financial statements because the County cannot use these assets to finance its operations. Pope County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

The analysis that follows 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 (%)
	2006	2005	
Assets			
Current and other assets	\$ 9,213,428	\$ 8,179,757	12.64
Capital assets, net of accumulated depreciation	42,339,466	41,437,919	2.18
Total Assets	\$ 51,552,894	\$ 49,617,676	3.90

	Governmental Activities		Percent Change (%)
	2006	2005	
Liabilities			
Current liabilities	\$ 1,178,017	\$ 1,259,625	(6.48)
Long-term debt outstanding	1,610,730	2,081,279	(22.61)
Total Liabilities	\$ 2,788,747	\$ 3,340,904	(16.53)
Net Assets			
Invested in capital assets, net of debt	\$ 41,914,466	\$ 40,830,411	2.66
Restricted	543,016	374,432	45.02
Unrestricted	6,306,665	5,071,929	24.34
Total Net Assets	\$ 48,764,147	\$ 46,276,772	5.38

Pope County's total net assets for the year ended December 31, 2006, total \$48,764,147. The governmental activities' unrestricted net assets, totaling \$6,306,665, 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 (%)
	2006	2005	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 1,627,664	\$ 1,512,162	7.64
Operating grants and contributions	5,576,392	5,108,597	9.16
Capital grants and contributions	775,351	753,965	2.84
General revenues			
Property taxes	5,144,313	4,322,901	19.00
Other taxes	99,213	106,744	(7.06)
Grants and contributions not restricted to specific programs	1,349,636	1,479,867	(8.80)
Other general revenues	571,132	475,698	20.06
Total Revenues	\$ 15,143,701	\$ 13,759,934	10.06

	Governmental Activities		Percent Change (%)
	2006	2005	
Expenses			
General government	\$ 3,099,043	\$ 2,392,016	29.56
Public safety	1,515,664	1,421,695	6.61
Highways and streets	3,616,845	2,899,800	24.73
Sanitation	360,751	354,524	1.76
Human services	2,542,125	2,743,723	(7.35)
Health	651,904	686,319	(5.01)
Culture and recreation	147,956	136,057	8.75
Conservation of natural resources	552,136	321,774	71.59
Economic development	117,896	153,265	(23.08)
Interest	52,006	46,954	10.76
Total Expenses	\$ 12,656,326	\$ 11,156,127	13.45
Increase in Net Assets	\$ 2,487,375	\$ 2,603,807	(4.47)
Net Assets - January 1	46,276,772	43,672,965	5.96
Net Assets - December 31	\$ 48,764,147	\$ 46,276,772	5.38

Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2006, were \$15,143,701. The County's cost for all governmental activities for the year ended December 31, 2006, was \$12,656,326. The net assets for the County's governmental activities increased by \$2,487,375 in 2006.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$5,144,313 because \$1,627,664 of the costs were paid by those who directly benefited from the programs, and \$7,701,379 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 \$571,132 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue
2006**

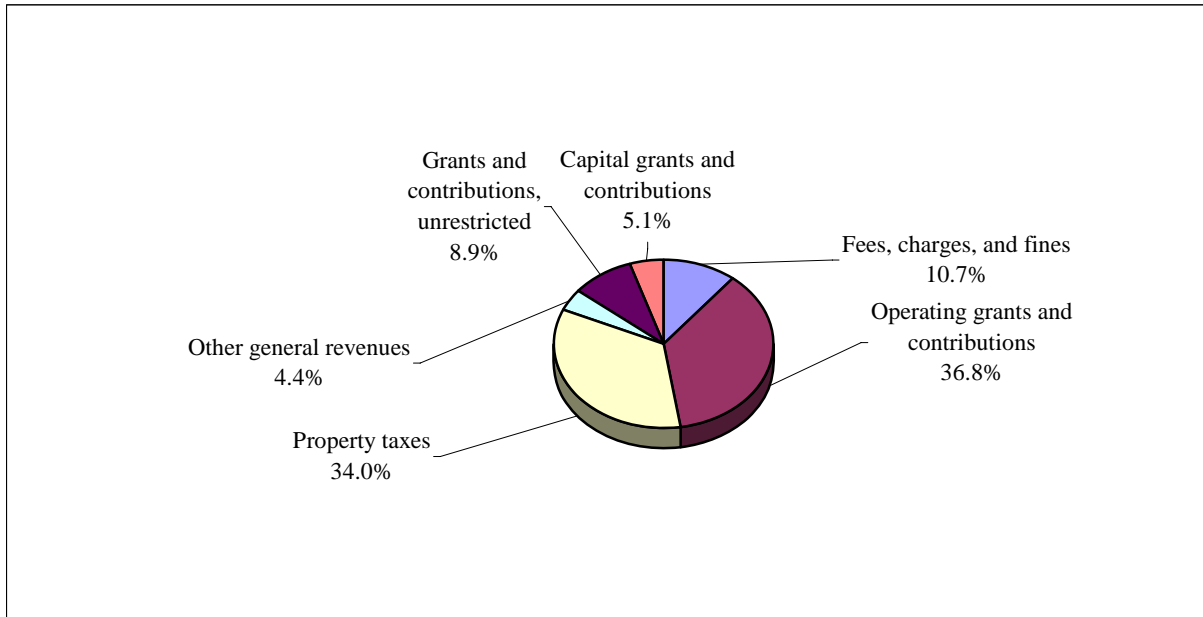
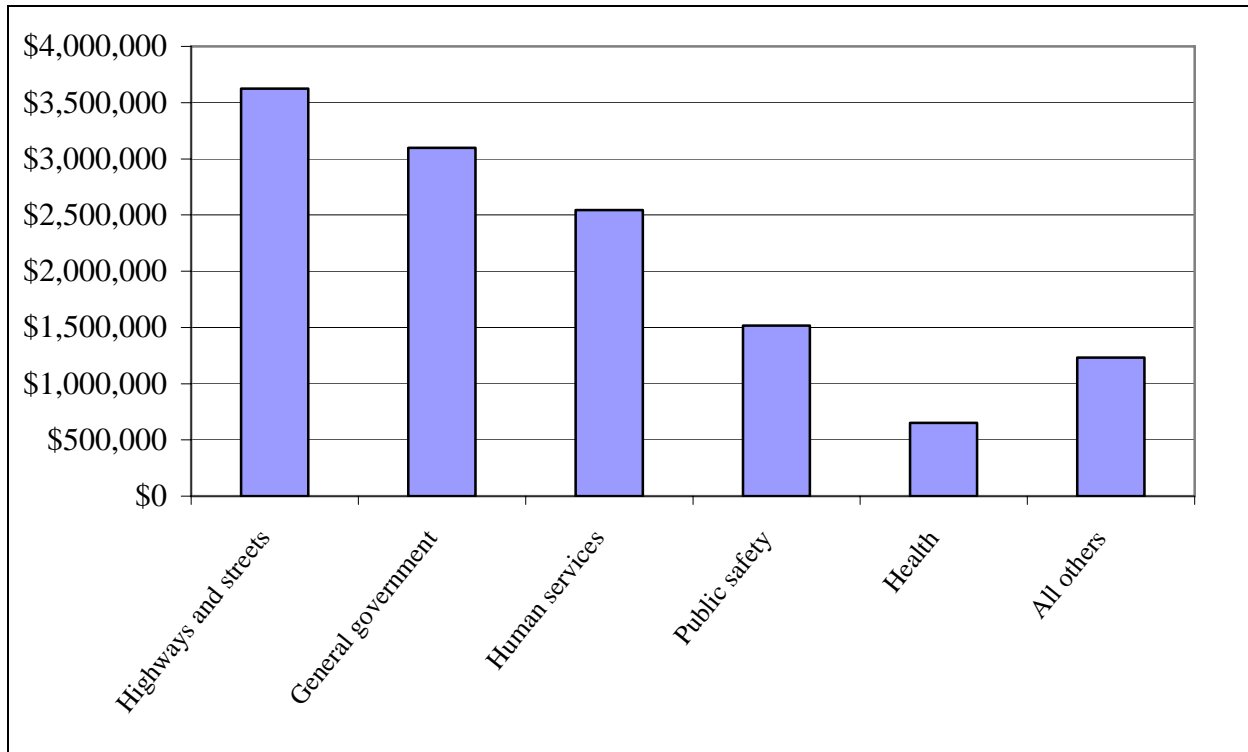


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2006	Net Cost of Services 2006
Program Expenses		
General government	\$ 3,099,043	\$ 2,322,207
Public safety	1,515,664	1,189,138
Highways and streets	3,616,845	(582,898)
Human services	2,542,125	1,136,479
Health	651,904	(16,680)
All others	1,230,745	628,673
Total Program Expenses	\$ 12,656,326	\$ 4,676,919

**Governmental Activities Expenses
2006**



THE COUNTY'S FUNDS

As Pope County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$7,388,913.

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 2006, the County Board of Commissioners made changes to the budget as originally adopted on December 21, 2005. 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 more than the expected revenues by \$738,183, and actual expenditures were \$265,289 more than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2006, Pope County had \$42,339,466 invested in a broad range of capital assets, net of depreciation. This investment in capital assets includes land, buildings, highways and streets, and equipment (see Table 4).

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

	2006	2005	Percent Change (%)
Land	\$ 1,997,489	\$ 1,869,502	6.85
Buildings	2,401,837	2,508,990	(4.27)
Office furniture and equipment	252,770	184,802	36.78
Machinery and equipment	1,283,954	1,410,667	(8.98)
Infrastructure	36,403,416	35,463,958	2.65
Totals	<u>\$ 42,339,466</u>	<u>\$ 41,437,919</u>	2.18

At December 31, 2006, Pope County had \$1,209,916 of bonds and notes outstanding compared with \$1,564,916 as of December 31, 2005--a decrease of 22.68 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Percent Change (%)
	2006	2005	
Bonds payable			
2002 Solid Waste Bonds	\$ 540,000	\$ 640,000	(15.63)
2003A G.O. Capital Improvement Bonds	425,000	620,000	(31.45)
Contract for Deed	220,000	280,000	(21.43)
Septic System Replacement Program loan	24,916	24,916	-
Totals	<u>\$ 1,209,916</u>	<u>\$ 1,564,916</u>	(22.68)

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The County's elected and appointed officials considered many factors when setting the fiscal year 2006 budget and tax rates.

- Pope County's unemployment rates for 2005 and 2006 remained almost the same at 3.9 percent and 3.8 percent, respectively, compared to the Minnesota unemployment rate for 2005 and 2006, which averaged 4.1 percent and 4.0 percent, respectively. Should the unemployment rate rise, it could 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 19, 2006, the Pope County Board of Commissioners approved the 2007 budget at \$13,246,001. The 2007 total levy is \$6,365,149, less County Program Aid of \$590,792, for a net levy of \$5,774,357. This represents an increase of 2.99 percent over the 2006 levy.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2006**

Assets

Cash and pooled investments	\$	8,002,576
Petty cash and change funds		1,700
Departmental cash		36,269
Taxes receivable		
Delinquent		120,342
Special assessments receivable		
Delinquent		20,952
Deferred		149,476
Accounts receivable		128,175
Accrued interest receivable		6,588
Due from other governments		699,218
Inventories		39,182
Deferred charges		8,950
Capital assets		
Non-depreciable		1,997,489
Depreciable - net of accumulated depreciation		40,341,977
		40,341,977
Total Assets	\$	51,552,894

Liabilities

Accounts payable	\$	187,733
Salaries payable		483,847
Due to other governments		331,766
Matured interest payable		4,709
Unearned revenue		169,962
Long-term liabilities		
Due within one year		422,000
Due in more than one year		1,188,730
		1,188,730
Total Liabilities	\$	2,788,747

Net Assets

Invested in capital assets - net of related debt	\$	41,914,466
Restricted for		
General government		142,346
Public safety		31,490
Capital projects		12,492
Debt service		321,963
Postclosure		34,725
Unrestricted		6,306,665
		6,306,665
Total Net Assets	\$	48,764,147

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets Governmental Activities
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 3,099,043	\$ 444,750	\$ 332,086	\$ -	\$ (2,322,207)
Public safety	1,515,664	77,433	239,243	9,850	(1,189,138)
Highways and streets	3,616,845	43,729	3,390,513	765,501	582,898
Sanitation	360,751	319,171	-	-	(41,580)
Human services	2,542,125	84,733	1,320,913	-	(1,136,479)
Health	651,904	457,354	211,230	-	16,680
Culture and recreation	147,956	-	-	-	(147,956)
Conservation of natural resources	552,136	7,837	82,407	-	(461,892)
Economic development	117,896	192,657	-	-	74,761
Interest	52,006	-	-	-	(52,006)
Total Governmental Activities	\$ 12,656,326	\$ 1,627,664	\$ 5,576,392	\$ 775,351	\$ (4,676,919)
General Revenues					
Property taxes					\$ 5,144,313
Gravel taxes					35,403
Payments in lieu of tax					63,810
Grants and contributions not restricted to specific programs					1,349,636
Investment income					405,971
Miscellaneous					165,161
Total general revenues					\$ 7,164,294
Change in net assets					\$ 2,487,375
Net Assets - Beginning					46,276,772
Net Assets - Ending					\$ 48,764,147

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	General	Road and Bridge	Family Services
<u>Assets</u>			
Cash and pooled investments	\$ 3,604,106	\$ 1,425,185	\$ 1,965,541
Petty cash and change funds	1,700	-	-
Departmental cash	36,269	-	-
Taxes receivable			
Delinquent	71,520	13,634	22,847
Special assessments receivable			
Delinquent	3,788	-	-
Deferred	35,745	-	-
Accounts receivable	-	6,333	12,053
Accrued interest receivable	6,588	-	-
Due from other funds	12,074	-	2,815
Due from other governments	52,093	416,987	197,491
Inventories	-	39,182	-
Advances to other funds	143,906	-	-
	\$ 3,967,789	\$ 1,901,321	\$ 2,200,747

EXHIBIT 3

Ditch	Solid Waste	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ 91,749	\$ 24,296	\$ 326,666	\$ -	\$ 565,033	\$ 8,002,576
-	-	-	-	-	1,700
-	-	-	-	-	36,269
-	-	8,392	-	3,949	120,342
199	16,965	-	-	-	20,952
113,731	-	-	-	-	149,476
-	-	-	-	109,789	128,175
-	-	-	-	-	6,588
-	-	-	-	3,344	18,233
-	-	-	-	32,647	699,218
-	-	-	-	-	39,182
-	-	-	-	-	143,906
\$ 205,679	\$ 41,261	\$ 335,058	\$ -	\$ 714,762	\$ 9,366,617

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts payable	\$ 38,770	\$ 39,582	\$ 94,448
Salaries payable	179,500	117,902	115,924
Due to other funds	24	3,344	12,074
Due to other governments	34,381	254,978	32,483
Deferred revenue - unavailable	111,053	365,121	22,847
Deferred revenue - unearned	87,115	82,847	-
Advances from other funds	-	-	-
Total Liabilities	<u>\$ 450,843</u>	<u>\$ 863,774</u>	<u>\$ 277,776</u>
Fund Balance			
Reserved for			
Inventories	\$ -	\$ 39,182	\$ -
Advances to other funds	143,906	-	-
Recorder's equipment	47,346	-	-
DARE	31,490	-	-
Gravel pit closure	-	-	-
Election equipment	95,009	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for courthouse maintenance	100,000	-	-
Designated for working capital cash flows	1,000,000	-	515,556
Designated for capital improvements	-	-	-
Designated for contingencies	75,000	-	-
Designated for petty cash funds	1,700	-	-
Designated for compensated absences	350,000	-	-
Undesignated	1,672,495	998,365	1,407,415
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
Total Fund Balance	<u>\$ 3,516,946</u>	<u>\$ 1,037,547</u>	<u>\$ 1,922,971</u>
Total Liabilities and Fund Balance	<u>\$ 3,967,789</u>	<u>\$ 1,901,321</u>	<u>\$ 2,200,747</u>

EXHIBIT 3
(Continued)

<u>Ditch</u>	<u>Solid Waste</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 4,530	\$ -	\$ -	\$ -	\$ 10,403	\$ 187,733
-	-	-	-	70,521	483,847
-	-	-	-	2,791	18,233
-	9,582	-	-	342	331,766
113,930	16,965	8,392	-	3,949	642,257
-	-	-	-	-	169,962
143,906	-	-	-	-	143,906
\$ 262,366	\$ 26,547	\$ 8,392	\$ -	\$ 88,006	\$ 1,977,704
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,182
-	-	-	-	-	143,906
-	-	-	-	-	47,346
-	-	-	-	-	31,490
-	-	-	-	34,725	34,725
-	-	-	-	-	95,009
-	-	321,963	-	-	321,963
-	-	-	-	-	100,000
-	-	-	-	-	1,515,556
-	-	-	12,492	-	12,492
-	-	-	-	-	75,000
-	-	-	-	-	1,700
-	-	-	-	-	350,000
(56,687)	14,714	4,703	(12,492)	-	4,028,513
-	-	-	-	592,031	592,031
\$ (56,687)	\$ 14,714	\$ 326,666	\$ -	\$ 626,756	\$ 7,388,913
\$ 205,679	\$ 41,261	\$ 335,058	\$ -	\$ 714,762	\$ 9,366,617

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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, 2006**

Fund balances - total governmental funds (Exhibit 3)	\$	7,388,913
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.		42,339,466
Deferred charges are not available to pay current expenditures and, therefore, are not reported in the governmental funds.		8,950
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		642,257
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	\$ (965,000)	
Contract for deed	(220,000)	
Loans payable	(24,916)	
Compensated absences	(400,814)	
	(1,610,730)	(1,610,730)
Matured interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(4,709)
Net Assets of Governmental Activities (Exhibit 1)	\$	<u>48,764,147</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
Revenues			
Taxes	\$ 3,185,725	\$ 525,304	\$ 934,536
Special assessments	2,025	-	-
Licenses and permits	57,564	-	-
Intergovernmental	1,595,860	4,288,265	1,613,056
Charges for services	428,461	2,814	49,871
Fines and forfeits	13,989	-	-
Gifts and contributions	9,670	-	-
Investment income	405,426	-	-
Miscellaneous	166,246	41,058	34,862
Total Revenues	\$ 5,864,966	\$ 4,857,441	\$ 2,632,325
Expenditures			
Current			
General government	\$ 3,021,747	\$ -	\$ -
Public safety	1,636,739	-	-
Highways and streets	-	4,223,308	-
Human services	-	-	2,548,013
Health	-	-	-
Culture and recreation	147,956	-	-
Conservation of natural resources	506,668	-	-
Economic development	17,644	-	-
Intergovernmental			
Sanitation	49,079	-	-
Highways and streets	-	238,944	-
Culture and recreation	96,975	-	-
Capital outlay			
	5,956	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 5,482,764	\$ 4,462,252	\$ 2,548,013
Excess of Revenues Over (Under) Expenditures	\$ 382,202	\$ 395,189	\$ 84,312
Other Financing Sources (Uses)			
Transfers in	\$ 67,682	\$ 5,368	\$ -
Transfers out	(168,316)	-	-
Total Other Financing Sources (Uses)	\$ (100,634)	\$ 5,368	\$ -
Net Change in Fund Balances	\$ 281,568	\$ 400,557	\$ 84,312
Fund Balances - January 1	3,235,378	646,645	1,838,659
Increase (decrease) in reserved for inventories	-	(9,655)	-
Fund Balances - December 31	\$ 3,516,946	\$ 1,037,547	\$ 1,922,971

EXHIBIT 5

Ditch	Solid Waste	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 377,795	\$ -	\$ 136,577	\$ 5,159,937
23,907	311,672	-	-	-	337,604
-	-	-	-	-	57,564
-	-	49,546	-	190,321	7,737,048
-	-	-	-	456,354	937,500
-	-	-	-	27,785	41,774
-	-	-	-	-	9,670
-	-	-	-	545	405,971
-	-	-	-	192,657	434,823
\$ 23,907	\$ 311,672	\$ 427,341	\$ -	\$ 1,004,239	\$ 15,121,891
\$ -	\$ -	\$ -	\$ -	\$ 27,695	\$ 3,049,442
-	-	-	-	-	1,636,739
-	-	-	-	-	4,223,308
-	-	-	-	-	2,548,013
-	-	-	-	698,416	698,416
-	-	-	-	-	147,956
48,413	-	-	-	-	555,081
-	-	-	-	20,044	37,688
-	311,672	-	-	-	360,751
-	-	-	-	-	238,944
-	-	-	-	-	96,975
-	-	-	12,492	-	18,448
-	-	295,000	-	60,000	355,000
-	-	31,996	-	16,100	48,096
-	-	724	-	-	724
\$ 48,413	\$ 311,672	\$ 327,720	\$ 12,492	\$ 822,255	\$ 14,015,581
\$ (24,506)	\$ -	\$ 99,621	\$ (12,492)	\$ 181,984	\$ 1,106,310
\$ -	\$ -	\$ -	\$ -	\$ 162,948	\$ 235,998
-	-	(67,682)	-	-	(235,998)
\$ -	\$ -	\$ (67,682)	\$ -	\$ 162,948	\$ -
\$ (24,506)	\$ -	\$ 31,939	\$ (12,492)	\$ 344,932	\$ 1,106,310
(32,181)	14,714	294,727	12,492	281,824	6,292,258
-	-	-	-	-	(9,655)
\$ (56,687)	\$ 14,714	\$ 326,666	\$ -	\$ 626,756	\$ 7,388,913

**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, 2006**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 1,106,310

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 to revenue between the fund statements and the statement of activities is the increase (decrease) in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 642,257	
Deferred revenue - January 1	(620,447)	21,810

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.

Expenditures for general capital assets and infrastructure	\$ 2,189,742	
Current year depreciation	(1,288,195)	901,547

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		21,810
------------------------------------------------------------------------------------------------------------------------------------	--	--------

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal repayments	\$ 355,000	
Current year amortization of issuance costs	(4,475)	350,525

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

Change in matured interest payable	\$ 1,289	
Change in compensated absences	115,549	
Change in inventories	(9,655)	107,183

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 2,509,185

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2006**

	<u>Cemetery Investment Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 75,234	\$ 376,696
Due from other governments	-	376,696
Accrued interest receivable	988	-
Total Assets	<u>\$ 76,222</u>	<u>\$ 753,392</u>
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 376,696
Due to other governments	-	376,696
Total Liabilities	<u>\$ -</u>	<u>\$ 753,392</u>
<u>Net Assets</u>		
Net assets, restricted for perpetual care - expendable	<u>\$ 76,222</u>	

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

<u>Additions</u>	
Trust deposits	\$ 1,650
Investment income	<u>3,734</u>
Total Additions	\$ 5,384
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>2,017</u>
Change in net assets	\$ 3,367
Net Assets - Beginning	<u>72,855</u>
Net Assets - Ending	<u><u>\$ 76,222</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2006

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, 2006. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

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

Blended Component Unit

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

2. Fund Financial Statements

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

The Cemetery Investment Trust Fund accounts for the external pooled and nonpooled investments held on behalf of external participants.

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

C. Measurement Focus and Basis of Accounting

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net 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, 2006, 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 2006 were \$391,790.

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.

3. Inventories

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets

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

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

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. Deferred Revenue

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

7. Long-Term Obligations

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

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

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2006, of \$56,687. The deficit will be eliminated with future special assessment levies against benefited properties.

B. Excess of Expenditures Over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2006:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,482,764	\$ 5,217,475	\$ 265,289
Special Revenue Funds			
Ditch	48,413	17,745	30,668
Solid Waste	311,672	306,152	5,520
Health Services	698,416	675,010	23,406
Housing and Redevelopment Authority	96,144	57,264	38,880

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 8,002,576
Petty cash and change funds	1,700
Departmental cash	36,269
Statement of fiduciary net assets	
Cemetery Investment Trust Fund	
Cash and pooled investments	75,234
Agency funds	
Cash and pooled investments	<u>376,696</u>
Total Cash and Investments	<u>\$ 8,492,475</u>

a. Deposits

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2006, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

The County had no investments as of December 31, 2006.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$149,476 of deferred special assessments.

3. Capital Assets

Capital asset activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,869,502	\$ 127,987	\$ -	\$ 1,997,489
Capital assets depreciated				
Buildings	\$ 3,691,285	\$ -	\$ -	\$ 3,691,285
Office furniture and equipment	445,000	126,561	5,495	566,066
Machinery and automotive equipment	2,952,943	108,840	-	3,061,783
Infrastructure	44,685,437	1,826,354	-	46,511,791
Total capital assets depreciated	\$ 51,774,665	\$ 2,061,755	\$ 5,495	\$ 53,830,925
Less: accumulated depreciation for				
Buildings	\$ 1,182,295	\$ 107,153	\$ -	\$ 1,289,448
Office furniture and equipment	260,198	53,098	-	313,296
Machinery and automotive equipment	1,542,276	241,048	5,495	1,777,829
Infrastructure	9,221,479	886,896	-	10,108,375
Total accumulated depreciation	\$ 12,206,248	\$ 1,288,195	\$ 5,495	\$ 13,488,948
Total capital assets depreciated, net	\$ 39,568,417	\$ 773,560	\$ -	\$ 40,341,977
Governmental Activities Capital Assets, Net	\$ 41,437,919	\$ 901,547	\$ -	\$ 42,339,466

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	\$	123,722
Public safety		50,688
Highways and streets, including depreciation of infrastructure assets		1,103,704
Human services		7,859
Economic development		<u>2,222</u>
Total Depreciation Expense - Governmental Activities	\$	<u>1,288,195</u>

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2006, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	Description
General Fund	Family Services	\$ 12,074	To provide funding
Family Services	General Fund	24	To provide funding
	Health Services	2,791	To provide funding
Gravel Tax	Road and Bridge	<u>3,344</u>	Gravel tax receipts
Total Due To/From Other Funds		<u>\$ 18,233</u>	

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	<u>\$ 143,906</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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2006, consisted of the following:

	Transfers In	Description
Transfers to Road and Bridge Fund from General Fund	\$ 5,368	To provide bike trail donations
Transfers to General Fund from Debt Service Fund	67,682	To provide funding
Transfers to Health Services Fund from General Fund	162,948	To provide funding
Total Interfund Transfers	\$ 235,998	

C. Liabilities

1. Payables

Payables at December 31, 2006, were as follows:

	Governmental Activities
Accounts	\$ 187,733
Salaries	483,847
Due to other governments	331,766
Matured interest	4,709
Total Payables	\$ 1,008,055

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Deferred Revenue

Deferred revenue consists of taxes and special assessments receivable, state and federal grants and other revenues that are not collected soon enough after year-end to pay liabilities of the current period, and state and federal grants received but not yet earned. Deferred revenue at December 31, 2006, is summarized below by fund:

	Taxes and Special Assessments	Grants	Other	Total
Governmental funds				
General	\$ 111,053	\$ 87,115	\$ -	\$ 198,168
Road and Bridge	13,634	-	434,334	447,968
Family Services	22,847	-	-	22,847
Ditch	113,930	-	-	113,930
Solid Waste	16,965	-	-	16,965
Debt Service	8,392	-	-	8,392
Other governmental funds	3,949	-	-	3,949
Total	<u>\$ 290,770</u>	<u>\$ 87,115</u>	<u>\$ 434,334</u>	<u>\$ 812,219</u>
Deferred revenue				
Unavailable	\$ 290,770	\$ -	\$ 351,487	\$ 642,257
Unearned	-	87,115	82,847	169,962
Total	<u>\$ 290,770</u>	<u>\$ 87,115</u>	<u>\$ 434,334</u>	<u>\$ 812,219</u>

3. Other Postemployment Benefits - Retirees

The County pays the health insurance for qualified retired employees from date of retirement until death in accordance with County policy. The rates are based on the County's group health policy rates. During 2006, the County paid health insurance premiums for 34 retirees totaling \$175,195.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

Bond and note payments are typically made from the debt service funds. 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, 2006
General Obligation Bonds					
2002 Solid Waste Bond	12/01/2011	\$90,000 to \$115,000	2.00 to 3.70	\$ 1,030,000	\$ 540,000
2003A G.O. Capital Improvement Bonds	03/01/2008	\$185,000 to \$215,000	1.05 to 2.45	<u>1,000,000</u>	<u>425,000</u>
Total General Obligation Bonds				<u>\$ 2,030,000</u>	<u>\$ 965,000</u>
Contracts for deeds	01/01/2011	\$40,000 to \$60,000	5.75	<u>\$ 400,000</u>	<u>\$ 220,000</u>
State of Minnesota Septic System Replacement Loans	06/15/2016	\$2,274 to \$2,722	2.00	<u>\$ 24,916</u>	<u>\$ 24,916</u>

5. Debt Service Requirements

Debt service requirements at December 31, 2006, were as follows:

Year Ending December 31	General Obligation Bonds		Loans Payable	
	Principal	Interest	Principal	Interest
2007	\$ 310,000	\$ 25,635	\$ 2,274	\$ 477
2008	320,000	17,949	2,319	432
2009	110,000	11,955	2,366	385
2010	110,000	8,215	2,414	337
2011	115,000	4,225	2,463	288
2012 - 2016	-	-	<u>13,080</u>	<u>677</u>
Total	<u>\$ 965,000</u>	<u>\$ 67,979</u>	<u>\$ 24,916</u>	<u>\$ 2,596</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2006, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,260,000	\$ -	\$ 295,000	\$ 965,000	\$ 320,000
Contracts for deed	280,000	-	60,000	220,000	60,000
Loans payable	24,916	-	-	24,916	-
Compensated absences	516,363	456,479	572,028	400,814	42,000
Long-Term Liabilities	<u>\$ 2,081,279</u>	<u>\$ 456,479</u>	<u>\$ 927,028</u>	<u>\$ 1,610,730</u>	<u>\$ 422,000</u>

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

Debt Service Fund	\$ 295,000
Other governmental funds	<u>60,000</u>
Total Principal Retirements	<u>\$ 355,000</u>

4. Pension Plans

A. Plan Description

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

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund.

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans

A. Plan Description (Continued)

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, and all Public Employees Police and Fire Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

4. Pension Plans (Continued)

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan increased in 2007 to 5.75 percent. Public Employees Police and Fire Fund members were required to contribute 7.00 percent of their annual covered salary in 2006. That rate increased to 7.80 percent in 2007.

The County is required to contribute the following percentages of annual covered payroll in 2006 and 2007:

	2006	2007
Public Employees Retirement Fund		
Basic Plan Members	11.78%	11.78%
Coordinated Plan Members	6.00	6.25
Public Employees Police and Fire Fund	10.50	11.70

The County's contributions for the years ending December 31, 2006, 2005, and 2004, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	2006	2005	2004
Public Employees Retirement Fund	\$ 214,540	\$ 196,213	\$ 192,870
Public Employees Police and Fire Fund	36,244	23,131	20,497

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$390,000 per claim in 2006 and \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

B. Contingent Liabilities (Continued)

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

C. Joint Ventures

Pope-Douglas Solid Waste Board

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

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

The Pope-Douglas Solid Waste Board had net assets of \$20,324,426 as of December 31, 2006, which was a net increase of \$335,069.

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

Complete financial statements of the Pope-Douglas Solid Waste Board can be obtained at 2110 South Jefferson, Alexandria, Minnesota 56308.

Central Minnesota Council on Aging

The Central Minnesota Council on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Central Minnesota Council on Aging (Continued)

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

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

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

Mid-State Community Health Services

Douglas, Grant, Pope, Stevens, and Traverse Counties entered into a joint powers agreement creating and operating the Mid-State Community Health Services pursuant to Minn. Stat. § 471.59 (following a budget approved by the five-county Board). Stevens County Nursing Service receives and administers the grant money.

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

Prime West Central County-Based Purchasing Initiative Joint Powers Board

In December 1998, Pope County became a member of the Prime West Central County-Based Purchasing Initiative Joint Powers Board with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Renville, Stevens, and Traverse Counties. Pope County, in partnership with these nine counties, is able to directly purchase health care

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

services for County residents who are eligible for Medical Assistance and General Assistance Medical Care. County-based purchasing is the local control alternative favored for improved coordination of services to the Prepaid Medical Insurance Program in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N. Funding comes primarily from the state. Additionally, Pope County has provided \$45,000 as a start-up loan; this loan was repaid on July 5, 2006.

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

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

Crow River Joint Powers Agreement

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Crow River Joint Powers Agreement (Continued)

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

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

D. Agricultural Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and a local lending institution to jointly administer a loan program to individuals to implement projects that prevent or mitigate nonpoint source water pollution. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. The County has met those responsibilities for 2006.

E. Subsequent Event

On March 20, 2007, the County Board approved the issuance of general obligation capital notes for \$1,270,000. These funds will be used to replace and update capital assets as necessary.

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REQUIRED SUPPLEMENTARY INFORMATION

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,171,791	\$ 3,171,791	\$ 3,185,725	\$ 13,934
Special assessments	-	-	2,025	2,025
Licenses and permits	50,000	50,000	57,564	7,564
Intergovernmental	1,119,782	1,119,782	1,595,860	476,078
Charges for services	316,200	316,200	428,461	112,261
Fines and forfeits	2,000	2,000	13,989	11,989
Gifts and contributions	39,252	39,252	9,670	(29,582)
Investment income	200,000	200,000	405,426	205,426
Miscellaneous	227,758	227,758	166,246	(61,512)
Total Revenues	\$ 5,126,783	\$ 5,126,783	\$ 5,864,966	\$ 738,183
Expenditures				
Current				
General government				
Commissioners	\$ 200,098	\$ 200,098	\$ 180,330	\$ 19,768
Wellness program	2,888	2,888	1,416	1,472
Information technology	226,391	226,391	190,103	36,288
Coordinator	172,413	172,413	180,931	(8,518)
Auditor/treasurer	289,831	289,831	271,649	18,182
County assessor	267,620	267,620	271,537	(3,917)
Elections	30,500	30,500	218,489	(187,989)
Accounting and auditing	30,000	30,000	36,844	(6,844)
Data processing	71,687	71,687	61,867	9,820
Attorney	198,805	198,805	206,438	(7,633)
Recorder	245,306	245,306	249,461	(4,155)
Surveyor	5,375	5,375	-	5,375
Environmental services	230,845	230,845	235,466	(4,621)
Buildings and plant	372,756	372,756	401,813	(29,057)
Veterans service officer	86,748	86,748	87,847	(1,099)
Other general government	540,700	540,700	427,556	113,144
Total general government	\$ 2,971,963	\$ 2,971,963	\$ 3,021,747	\$ (49,784)
Public safety				
Sheriff	\$ 801,806	\$ 801,806	\$ 712,640	\$ 89,166
Snowmobile grant	3,000	3,000	4,216	(1,216)
Boat and water safety	27,423	27,423	43,878	(16,455)
Coroner	8,000	8,000	9,909	(1,909)
Enhanced 911	32,240	32,240	89,301	(57,061)
Dispatchers	187,136	187,136	239,531	(52,395)
County jail	347,375	347,375	251,831	95,544
Court services	169,938	169,938	207,141	(37,203)
Sentence to service	80,084	80,084	65,652	14,432
Emergency management	9,650	9,650	12,640	(2,990)
Total public safety	\$ 1,666,652	\$ 1,666,652	\$ 1,636,739	\$ 29,913

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 48,000	\$ 48,000	\$ 48,000	\$ -
Coordinator on aging	87,269	87,269	98,116	(10,847)
Other	1,840	1,840	1,840	-
Total culture and recreation	\$ 137,109	\$ 137,109	\$ 147,956	\$ (10,847)
Conservation of natural resources				
County extension	\$ 90,000	\$ 90,000	\$ 82,850	\$ 7,150
Soil and water conservation	37,500	37,500	37,500	-
Agricultural inspections	15,494	15,494	14,410	1,084
Agricultural society/County fair	27,500	27,500	27,500	-
Water management	108,017	108,017	341,865	(233,848)
Shoreland management	4,842	4,842	2,543	2,299
Total conservation of natural resources	\$ 283,353	\$ 283,353	\$ 506,668	\$ (223,315)
Economic development				
Community development	\$ 15,824	\$ 15,824	\$ 15,824	\$ -
Senior citizens	1,820	1,820	1,820	-
Total economic development	\$ 17,644	\$ 17,644	\$ 17,644	\$ -
Intergovernmental				
Sanitation				
Pope-Douglas Solid Waste Board	\$ 43,779	\$ 43,779	\$ 49,079	\$ (5,300)
Culture and recreation				
Library	\$ 96,975	\$ 96,975	\$ 96,975	\$ -
Capital outlay	\$ -	\$ -	\$ 5,956	\$ (5,956)
Total Expenditures	\$ 5,217,475	\$ 5,217,475	\$ 5,482,764	\$ (265,289)
Excess of Revenues Over (Under) Expenditures	\$ (90,692)	\$ (90,692)	\$ 382,202	\$ 472,894

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 67,682	\$ 67,682
Transfers out	-	-	(168,316)	(168,316)
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ (100,634)	\$ (100,634)
Net Change in Fund Balance	\$ (90,692)	\$ (90,692)	\$ 281,568	\$ 372,260
Fund Balance - January 1	-	-	3,235,378	3,235,378
Fund Balance - December 31	\$ (90,692)	\$ (90,692)	\$ 3,516,946	\$ 3,607,638

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 785,847	\$ 785,847	\$ 525,304	\$ (260,543)
Intergovernmental	3,782,923	3,782,923	4,288,265	505,342
Charges for services	-	-	2,814	2,814
Miscellaneous	-	-	41,058	41,058
Total Revenues	\$ 4,568,770	\$ 4,568,770	\$ 4,857,441	\$ 288,671
Expenditures				
Current				
Highways and streets				
Administration	\$ 497,400	\$ 497,400	\$ 799,686	\$ (302,286)
Engineering	-	-	(20,991)	20,991
Maintenance	782,000	782,000	927,708	(145,708)
Construction	2,521,925	2,521,925	1,957,270	564,655
Equipment maintenance and shops	524,570	524,570	532,342	(7,772)
Other highways and streets	-	-	27,293	(27,293)
Total highways and streets	\$ 4,325,895	\$ 4,325,895	\$ 4,223,308	\$ 102,587
Intergovernmental				
Highways and streets	242,875	242,875	238,944	3,931
Total Expenditures	\$ 4,568,770	\$ 4,568,770	\$ 4,462,252	\$ 106,518
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 395,189	\$ 395,189
Other Financing Sources (Uses)				
Transfers in	-	-	5,368	5,368
Net Change in Fund Balance	\$ -	\$ -	\$ 400,557	\$ 400,557
Fund Balance - January 1	646,645	646,645	646,645	-
Increase (decrease) in reserved for inventories	-	-	(9,655)	(9,655)
Fund Balance - December 31	\$ 646,645	\$ 646,645	\$ 1,037,547	\$ 390,902

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 938,860	\$ 938,860	\$ 934,536	\$ (4,324)
Intergovernmental	1,295,072	1,295,072	1,613,056	317,984
Charges for services	64,174	64,174	49,871	(14,303)
Miscellaneous	60,155	60,155	34,862	(25,293)
Total Revenues	\$ 2,358,261	\$ 2,358,261	\$ 2,632,325	\$ 274,064
Expenditures				
Current				
Human services				
Income maintenance	\$ 653,018	\$ 653,018	\$ 629,026	\$ 23,992
Social services	1,927,995	1,927,995	1,918,987	9,008
Total Expenditures	\$ 2,581,013	\$ 2,581,013	\$ 2,548,013	\$ 33,000
Net Change in Fund Balance	\$ (222,752)	\$ (222,752)	\$ 84,312	\$ 307,064
Fund Balance - January 1	1,838,659	1,838,659	1,838,659	-
Fund Balance - December 31	\$ 1,615,907	\$ 1,615,907	\$ 1,922,971	\$ 307,064

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 23,064	\$ 23,064	\$ 23,907	\$ 843
Expenditures				
Current				
Conservation of natural resources				
Other	17,745	17,745	48,413	(30,668)
Net Change in Fund Balance	\$ 5,319	\$ 5,319	\$ (24,506)	\$ (29,825)
Fund Balance - January 1	(32,181)	(32,181)	(32,181)	-
Fund Balance - December 31	\$ (26,862)	\$ (26,862)	\$ (56,687)	\$ (29,825)

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 306,152	\$ 306,152	\$ 311,672	\$ 5,520
Expenditures				
Intergovernmental				
Sanitation	306,152	306,152	311,672	(5,520)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance - January 1	14,714	14,714	14,714	-
Fund Balance - December 31	\$ 14,714	\$ 14,714	\$ 14,714	\$ -

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2006**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and certain special revenue funds. All annual appropriations lapse at fiscal year-end unless specifically carried over to the next budget year by Board action.

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

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

Encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders or contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Excess of Expenditures Over Appropriations

The following major funds had expenditures in excess of budget for the year ended December 31, 2006:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,482,764	\$ 5,217,475	\$ 265,289
Ditch Special Revenue Fund	48,413	17,745	30,668
Solid Waste Special Revenue Fund	311,672	306,152	5,520

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SUPPLEMENTARY INFORMATION

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COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Special Revenue Funds

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

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

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

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

Agency Funds

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

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

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

NONMAJOR FUNDS

Agency Funds (Continued)

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

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

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

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

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2006**

	<u>Special Revenue</u>				<u>Total</u>
	<u>Health Services</u>	<u>Law Library</u>	<u>Gravel Tax</u>	<u>Housing and Redevelopment Authority</u>	
<u>Assets</u>					
Cash and pooled investments	\$ 298,896	\$ 14,358	\$ 31,381	\$ 220,398	\$ 565,033
Taxes receivable					
Delinquent	-	-	-	3,949	3,949
Accounts receivable	109,789	-	-	-	109,789
Due from other funds	-	-	3,344	-	3,344
Due from other governments	29,758	2,889	-	-	32,647
Total Assets	<u>\$ 438,443</u>	<u>\$ 17,247</u>	<u>\$ 34,725</u>	<u>\$ 224,347</u>	<u>\$ 714,762</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ 8,991	\$ 1,387	\$ -	\$ 25	\$ 10,403
Salaries payable	70,521	-	-	-	70,521
Due to other funds	2,791	-	-	-	2,791
Due to other governments	-	342	-	-	342
Deferred revenue - unavailable	-	-	-	3,949	3,949
Total Liabilities	<u>\$ 82,303</u>	<u>\$ 1,729</u>	<u>\$ -</u>	<u>\$ 3,974</u>	<u>\$ 88,006</u>
Fund Balance					
Reserved for gravel pit closure	\$ -	\$ -	\$ 34,725	\$ -	\$ 34,725
Unreserved					
Undesignated	356,140	15,518	-	220,373	592,031
Total Fund Balance	<u>\$ 356,140</u>	<u>\$ 15,518</u>	<u>\$ 34,725</u>	<u>\$ 220,373</u>	<u>\$ 626,756</u>
Total Liabilities and Fund Balance	<u>\$ 438,443</u>	<u>\$ 17,247</u>	<u>\$ 34,725</u>	<u>\$ 224,347</u>	<u>\$ 714,762</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Special Revenue				Total
	Health Services	Law Library	Gravel Tax	Housing and Redevelopment Authority	
Revenues					
Taxes	\$ -	\$ -	\$ 3,344	\$ 133,233	\$ 136,577
Intergovernmental	172,889	-	-	17,432	190,321
Charges for services	456,354	-	-	-	456,354
Fines and forfeits	-	27,785	-	-	27,785
Investment earnings	-	-	-	545	545
Miscellaneous	-	-	-	192,657	192,657
Total Revenues	\$ 629,243	\$ 27,785	\$ 3,344	\$ 343,867	\$ 1,004,239
Expenditures					
Current					
General government	\$ -	\$ 27,695	\$ -	\$ -	\$ 27,695
Health	698,416	-	-	-	698,416
Economic development	-	-	-	20,044	20,044
Debt service					
Principal	-	-	-	60,000	60,000
Interest	-	-	-	16,100	16,100
Total Expenditures	\$ 698,416	\$ 27,695	\$ -	\$ 96,144	\$ 822,255
Excess of Revenues Over (Under) Expenditures	\$ (69,173)	\$ 90	\$ 3,344	\$ 247,723	\$ 181,984
Other Financing Sources (Uses)					
Transfers in	162,948	-	-	-	162,948
Net Change in Fund Balance	\$ 93,775	\$ 90	\$ 3,344	\$ 247,723	\$ 344,932
Fund Balance - January 1	262,365	15,428	31,381	(27,350)	281,824
Fund Balance - December 31	\$ 356,140	\$ 15,518	\$ 34,725	\$ 220,373	\$ 626,756

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 126,396	\$ 126,396	\$ 172,889	\$ 46,493
Charges for services	390,212	390,212	456,354	66,142
Total Revenues	\$ 516,608	\$ 516,608	\$ 629,243	\$ 112,635
Expenditures				
Current				
Health				
Health services	675,010	675,010	698,416	(23,406)
Excess of Revenues Over (Under) Expenditures	\$ (158,402)	\$ (158,402)	\$ (69,173)	\$ 89,229
Other Financing Sources (Uses)				
Transfers in	150,428	150,428	162,948	12,520
Net Change in Fund Balance	\$ (7,974)	\$ (7,974)	\$ 93,775	\$ 101,749
Fund Balance - January 1	262,365	262,365	262,365	-
Fund Balance - December 31	\$ 254,391	\$ 254,391	\$ 356,140	\$ 101,749

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Fines and forfeits	\$ 31,000	\$ 31,000	\$ 27,785	\$ (3,215)
Expenditures				
Current				
General government				
Law library	31,000	31,000	27,695	3,305
Net Change in Fund Balance	\$ -	\$ -	\$ 90	\$ 90
Fund Balance - January 1	15,428	15,428	15,428	-
Fund Balance - December 31	<u>\$ 15,428</u>	<u>\$ 15,428</u>	<u>\$ 15,518</u>	<u>\$ 90</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
HOUSING AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 133,713	\$ 133,713	\$ 133,233	\$ (480)
Intergovernmental	15,264	15,264	17,432	2,168
Investment earnings	500	500	545	45
Miscellaneous	-	-	192,657	192,657
Total Revenues	\$ 149,477	\$ 149,477	\$ 343,867	\$ 194,390
Expenditures				
Current				
General government				
Economic development	\$ 57,264	\$ 57,264	\$ 20,044	\$ 37,220
Debt service				
Principal	-	-	60,000	(60,000)
Interest	-	-	16,100	(16,100)
Total Expenditures	\$ 57,264	\$ 57,264	\$ 96,144	\$ (38,880)
Net Change in Fund Balance	\$ 92,213	\$ 92,213	\$ 247,723	\$ 155,510
Fund Balance - January 1	(27,350)	(27,350)	(27,350)	-
Fund Balance - December 31	\$ 64,863	\$ 64,863	\$ 220,373	\$ 155,510

**POPE COUNTY
GLENWOOD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 39,114	\$ 1,995,647	\$ 1,993,706	\$ 41,055
<u>Liabilities</u>				
Due to other governments	\$ 39,114	\$ 1,995,647	\$ 1,993,706	\$ 41,055
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,332	\$ 56,794	\$ 56,397	\$ 5,729
<u>Liabilities</u>				
Accounts payable	\$ 5,332	\$ 56,794	\$ 56,397	\$ 5,729
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 87,861	\$ 101,055	\$ 40,000	\$ 148,916
Due from other governments	21,126	-	21,126	-
Total Assets	\$ 108,987	\$ 101,055	\$ 61,126	\$ 148,916
<u>Liabilities</u>				
Due to other governments	\$ 108,987	\$ 101,055	\$ 61,126	\$ 148,916

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 3,650	\$ 233,434	\$ 233,304	\$ 3,780
<u>Liabilities</u>				
Due to other governments	\$ 3,650	\$ 233,434	\$ 233,304	\$ 3,780
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 48,966	\$ 247,888	\$ 240,915	\$ 55,939
<u>Liabilities</u>				
Due to other governments	\$ 48,966	\$ 247,888	\$ 240,915	\$ 55,939
 <u>TOWN AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 38,853	\$ 2,559,195	\$ 2,537,390	\$ 60,658
<u>Liabilities</u>				
Due to other governments	\$ 38,853	\$ 2,559,195	\$ 2,537,390	\$ 60,658

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>WEST POPE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,752	\$ 14,126	\$ 19,853	\$ 25
<u>Liabilities</u>				
Due to other governments	\$ 5,752	\$ 14,126	\$ 19,853	\$ 25
 <u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 11	\$ 65	\$ 76	\$ -
<u>Liabilities</u>				
Due to other governments	\$ 11	\$ 65	\$ 76	\$ -
 <u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 12,750	\$ 12,617	\$ 133
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 12,750	\$ 12,617	\$ 133

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,003	\$ 23,743	\$ 23,254	\$ 1,492
<u>Liabilities</u>				
Due to other governments	\$ 1,003	\$ 23,743	\$ 23,254	\$ 1,492
 <u>MIDDLE FORK CROW RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 159	\$ 146	\$ 13
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 159	\$ 146	\$ 13
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 294	\$ 36,778	\$ 36,802	\$ 270
<u>Liabilities</u>				
Due to other governments	\$ 294	\$ 36,778	\$ 36,802	\$ 270

**POPE COUNTY
GLENWOOD, MINNESOTA**

Statement 3
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 57,313	\$ 1,238,863	\$ 1,237,490	\$ 58,686
Due from other governments	-	677	-	677
Total Assets	\$ 57,313	\$ 1,239,540	\$ 1,237,490	\$ 59,363
<u>Liabilities</u>				
Due to other governments	\$ 57,313	\$ 1,239,540	\$ 1,237,490	\$ 59,363
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 288,149	\$ 6,520,497	\$ 6,431,950	\$ 376,696
Due from other governments	21,126	677	21,126	677
Total Assets	\$ 309,275	\$ 6,521,174	\$ 6,453,076	\$ 377,373
<u>Liabilities</u>				
Accounts payable	\$ 5,332	\$ 56,794	\$ 56,397	\$ 5,729
Due to other governments	303,943	6,464,380	6,396,679	371,644
Total Liabilities	\$ 309,275	\$ 6,521,174	\$ 6,453,076	\$ 377,373

OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 9

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2006**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pooled Deposits and Investments			
Certificates of deposit			
Bremer Bank	5.30	November 26, 2007	\$ 90,000
First National Bank	3.50	April 20, 2007	24,000
Hometown Community Bank	5.45	July 17, 2007	100,000
Hometown Community Bank	4.50	May 2, 2007	200,000
Hometown Community Bank	4.75	May 15, 2007	225,000
Lowry State Bank	4.25	April 18, 2007	200,000
Total certificates of deposit			<u>\$ 839,000</u>
Checking accounts			
Eagle Bank	0.75	Continuous	\$ 17,928
Glenwood State Bank	1.95	Continuous	12,118
Total checking accounts			<u>\$ 30,046</u>
Savings accounts			
Eagle Bank	4.85	Continuous	\$ 591,376
Eagle Bank	1.00	Continuous	548
Glenwood State Bank	4.98	Continuous	6,921,059
Total savings accounts			<u>\$ 7,512,983</u>
Total pooled deposits and investments			<u>\$ 8,382,029</u>
Cemetery Investment Trust Fund Investments			
Certificates of deposit			
Glenwood State Bank	4.18	May 8, 2007	\$ 43,200
Glenwood State Bank	3.50	August 10, 2007	16,400
Glenwood State Bank	3.94	April 25, 2007	7,000
Total certificates of deposit			<u>\$ 66,600</u>
Passbook savings accounts			
Eagle Bank	1.00	Continuous	\$ 1,484
Glenwood State Bank	2.10	Continuous	4,393
Total passbook savings accounts			<u>\$ 5,877</u>
Total Cemetery Investment Trust Fund investments			<u>\$ 72,477</u>
Total Deposits and Investments			<u>\$ 8,454,506</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 10

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

	2005		2006		2007	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %
Tax Capacity						
Real property	\$ 8,593,129		\$ 9,962,575		\$ 11,549,359	
Personal property	270,886		275,342		275,196	
Total Tax Capacity	\$ 8,864,015		\$ 10,237,917		\$ 11,824,555	
Taxes Levied for County Purposes						
General	\$ 3,143,322	30.462	\$ 4,032,733	35.272	\$ 4,146,093	31.973
Road and Bridge	835,000	8.021	627,430	5.447	832,536	6.378
Family Services	1,180,609	11.340	1,195,255	10.377	1,031,113	7.899
Incinerator Bonds	123,850	1.408	126,856	1.248	124,126	1.057
Capital Improvement Notes	218,200	2.481	230,600	2.269	231,281	1.969
Bonds - 2006	-	-	70,000	0.689	-	-
Total Levy for County Purposes	\$ 5,500,981	53.712	\$ 6,282,874	55.302	\$ 6,365,149	49.276
Less Credits Payable by State	788,128		676,018		590,792	
Net Levy Certified to State	\$ 4,712,853		\$ 5,606,856		\$ 5,774,357	
Less Market Value Credits Payable by State	568,359		606,239		591,234	
Net Levy for County Purposes	\$ 4,144,494		\$ 5,000,617		\$ 5,183,123	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 26,880		\$ 27,508		\$ 28,638	
Assessed at 5%	2,040		2,100		2,298	
Total Tax Capacity - Light and Power	\$ 28,920		\$ 29,608		\$ 30,936	

**POPE COUNTY
GLENWOOD, MINNESOTA**

***Schedule 10
(Continued)***

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

	2005		2006		2007	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate %
Light and Power Tax Levies (distributed in accordance with Minn. Stat. § 273.42, as amended)						
Assessed at 43%	\$ 28,181	104.841	\$ 27,689	100.657	\$ 26,258	91.691
Assessed at 5%	2,139	104.841	2,114	100.657	2,107	91.691
Market value based on property tax	501	0.035	823	0.056	2,269	0.147
State tax	14,784	51.121	15,049	50.827	14,859	48.032
Total Light and Power Tax Levies	\$ 45,605		\$ 45,675		\$ 45,493	
Special Assessments						
Ditch liens and assessments	\$ 595,922		\$ 686,468		\$ 740,925	
Percentage of Tax Collections for All Purposes	98%		99%			

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2006**

	Assets			
	Cash and Investments	Special Assessments Receivable		Total
		Delinquent	Deferred	
County Ditches				
2	\$ 6,673	\$ -	\$ -	\$ 6,673
3	657	-	-	657
4	1,292	-	-	1,292
6	797	-	-	797
7	5,668	-	899	6,567
8	6,325	-	-	6,325
9	2,851	-	-	2,851
10	2,293	-	-	2,293
11	218	-	-	218
12	830	-	-	830
15	226	-	-	226
17	5,725	-	-	5,725
19	101	-	-	101
24	722	-	-	722
27	432	-	-	432
28	8,501	88	-	8,589
General	16,907	-	93,648	110,555
Judicial Ditches				
3 Pope and Douglas	20,794	-	-	20,794
4 Pope and Douglas	3,450	-	-	3,450
4 Pope and Swift	349	-	5,729	6,078
9 Pope and Swift	6,938	111	13,455	20,504
Total	\$ 91,749	\$ 199	\$ 113,731	\$ 205,679

Schedule 11

<u>Accounts Payable</u>	<u>Deferred Revenue</u>	<u>Liabilities Advance from Other Funds</u>	<u>Total</u>	<u>Fund Balances Undesignated</u>	<u>Total Liabilities and Fund Balances</u>
\$ -	\$ -	\$ -	\$ -	\$ 6,673	\$ 6,673
-	-	-	-	657	657
-	-	-	-	1,292	1,292
-	-	-	-	797	797
-	899	-	899	5,668	6,567
-	-	-	-	6,325	6,325
-	-	-	-	2,851	2,851
-	-	-	-	2,293	2,293
-	-	-	-	218	218
-	-	-	-	830	830
-	-	6,000	6,000	(5,774)	226
-	-	-	-	5,725	5,725
-	-	-	-	101	101
-	-	-	-	722	722
-	-	-	-	432	432
-	88	-	88	8,501	8,589
4,530	93,648	78,156	176,334	(65,779)	110,555
-	-	-	-	20,794	20,794
-	-	20,000	20,000	(16,550)	3,450
-	5,729	9,800	15,529	(9,451)	6,078
-	13,566	29,950	43,516	(23,012)	20,504
<u>\$ 4,530</u>	<u>\$ 113,930</u>	<u>\$ 143,906</u>	<u>\$ 262,366</u>	<u>\$ (56,687)</u>	<u>\$ 205,679</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 12

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2006**

Shared Revenue

State

Highway users tax	\$	3,091,525
County program aid		676,018
Market value credit		625,575
PERA rate reimbursement		17,671
Disparity reduction aid		22,608
Police aid		28,832
Enhanced 911		83,850
		83,850

Total Shared Revenue **\$ 4,546,079**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	684,921
		684,921

Payments

Local

Local contributions	\$	7,764
Payments in lieu of taxes		63,810
		63,810

Total Payments **\$ 71,574**

Grants

State

Minnesota Department of		
Corrections	\$	30,587
Public Safety		3,863
Transportation		280,517
Health		97,269
Natural Resources		33,783
Human Services		466,691
Water and Soil Resources Board		33,328
Office of Environmental Assistance		49,079
Peace Officer Standards and Training Board		55,475
		55,475

Total State **\$ 1,050,592**

Federal

Department of		
Agriculture	\$	59,576
Justice		388
Transportation		765,501
Health and Human Services		260,567
Homeland Security		9,850
Election Assistance Commission		288,000
		288,000

Total Federal **\$ 1,383,882**

Total State and Federal Grants **\$ 2,434,474**

Total Intergovernmental Revenue **\$ 7,737,048**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 13

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006

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*." None were material weaknesses.
- 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 award federal program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program 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 program is:
 - Highway Planning and Construction
 - CFDA #20.205
- H. The threshold of 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.

02-6 Annual Financial Report

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

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

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

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

Client's Response:

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

ITEMS ARISING THIS YEAR

06-1 Computer Controls

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

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

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

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

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

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

Client's Response (County Auditor/Treasurer):

I contacted Computer Professionals Unlimited, Inc. as it has the I Series System and provides support for Pope County. These items will be reviewed and addressed in the next six months.

06-2 Audit Adjustments

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis. Statement on Auditing Standards No. 112 states that one control deficiency that should be regarded as at least a significant deficiency is identification by the auditor of a material misstatement in the financial statements that was not initially identified by the entity's internal controls, even if management subsequently corrects the misstatement.

During our audit, we identified the following material adjustments:

General Fund

Deferred revenue - unearned increased, and the related revenue decreased by \$87,115.

Road and Bridge Special Revenue Fund

Receivables were increased by \$415,782 for state-aid highway project allotments. At the fund level, the additional receivables were offset by deferred revenue of \$350,281 for receivables not available during the revenue recognition period.

Deferred revenue - unearned was increased, and the related revenue decreased by \$82,847 for a state-aid highway allotment received in advance.

Capital Assets

The year-end capital asset balance was decreased by \$980,110 to correct the County's analysis of current year capital asset activity.

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

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER ITEM FOR CONSIDERATION

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which establishes financial reporting for OPEB plans, and Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. These standards, similar to what GASB Statements 25 and 27 did for government employee pension benefits and plans, provide the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under the new GASB statements, accounting for OPEB is now similar to the accounting used by governments for pensions plans.

Some of the issues that the County Board will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, the Board will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and the Board determines that the establishment of a trust is desirable in order to fund the OPEB, the Board will have to wait until legislation is enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard; and
- in order to determine annual costs and liabilities that need to be recognized, the Board will have to decide whether to hire an actuary.

If applicable for Pope County, GASB Statements 43 and 45 would be implemented for the years ended December 31, 2007 and 2008, respectively.

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

Board of County Commissioners
Pope County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County as of and for the year ended December 31, 2006, and have issued our report thereon dated December 24, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control. We considered the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 96-1, 02-6, 06-1, and 06-2 to be significant deficiencies in internal control over financial reporting.

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

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 Pope County, and it is reported for that purpose.

Pope County's written response to the significant deficiencies identified in our audit have not been subjected to any audit procedures applied in the audit of the financial statements 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

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

December 24, 2007

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Pope County

Compliance

We have audited the compliance of Pope County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2006. Pope County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program 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 are applicable to its major federal program for the year ended December 31, 2006.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies that adversely affects the County's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the County's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Pope County's internal controls.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pope County as of and for the year ended December 31, 2006, and have issued our report thereon dated December 24, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

REBECCA OTTO
STATE AUDITOR

December 24, 2007

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 14

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	\$ 41,755
Passed Through Minnesota Department of Human Services Administrative Matching Grants for Food Stamp Program	10.561	17,821
Total U.S. Department of Agriculture		\$ 59,576
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 388
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	\$ 765,501
U.S. Election Assistance Commission		
Passed Through Minnesota Secretary of State Help America Vote Act	90.401	\$ 192,991
U.S. Department of Health and Human Services		
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title IIIB	93.044	\$ 15,175
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	23,865
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	7,412
Temporary Assistance for Needy Families	93.558	38,264
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	76,772
Child Welfare Services State Grants	93.645	4,533
Foster Care Title IV-E	93.658	6,699
Social Services Block Grant Title XX	93.667	81,580
Chafee Foster Care Independence Program	93.674	922
Community Mental Health Services Block Grant	93.958	5,345
Total U.S. Department of Health and Human Services		\$ 260,567
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety State Domestic Preparedness Equipment Support Program	97.004	\$ 9,850
Total Federal Awards		\$ 1,288,873

**POPE COUNTY
GLENWOOD, MINNESOTA**

***Schedule 14
(Continued)***

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by Pope County. The County's reporting entity is defined in Note 1 to the basic financial statements.
2. The expenditures on this schedule are based on the modified accrual basis of accounting. Due to timing differences in revenue recognition under the modified accrual basis, expenditures on this schedule do not match the federal revenues reported in the financial statements. In 2006, \$95,009 of current year federal revenues for CFDA No. 90.401 were not recognized as expenditures because they had not been spent by year-end.
3. During 2006, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.