

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's 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, 2005



**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
2005**

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	Robert McCrory*	January 2003	January 2007
Officers			
Elected			
Attorney	Belvin Doebbert	January 2003	January 2007
Auditor/Treasurer	Mary Pischke**	January 2003	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 2002	May 2006
Veterans Service Officer	Hugh Reimers		Indefinite
Nursing Service Director	Sharon Braaten		Indefinite
Coordinator	Riaz Aziz		Indefinite
Family Services			
Director	Arlis Fettig**		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

**Retired December 31, 2005

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STATE OF MINNESOTA

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PATRICIA ANDERSON
STATE AUDITOR

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, 2005, 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, 2005, 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 listed in the table of contents is presented for purposes of additional analysis and is 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 September 12, 2006, 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/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: September 12, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005
(Unaudited)**

INTRODUCTION

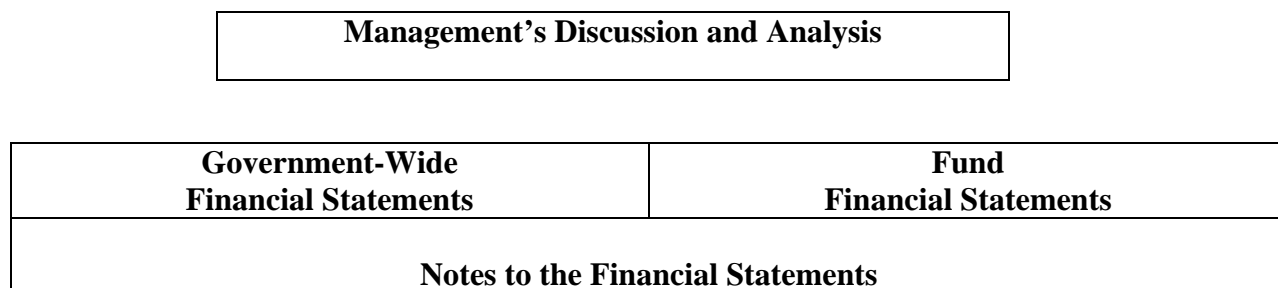
Pope County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2005. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with Pope County's financial statements and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- Governmental activities' total net assets are \$46,276,772, of which Pope County has invested \$40,830,411 in capital assets, net of related debt, and \$374,432 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2005, was \$3,781,403; the net cost was funded by general revenues and other items totaling \$6,385,210.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



Pope County presents two government-wide financial statements--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 the government-wide financial statements. For governmental activities, these statements tell how Pope County financed 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 only be used for the trust beneficiaries based on the trust arrangement. The County reports all of its fiduciary activities in separate statements of fiduciary net assets and changes in fiduciary net assets. These activities have been excluded from the County's other financial statements because the County cannot use these assets to finance its operations. Pope County is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE COUNTY AS A WHOLE

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

Table 1
Net Assets

	Governmental Activities		Percent Change (%)
	2005	2004 (As Restated)	
Assets			
Current and other assets	\$ 8,179,757	\$ 7,645,486	6.99
Capital assets, net of accumulated depreciation	41,437,919	39,210,801	5.68
Total Assets	\$ 49,617,676	\$ 46,856,287	5.89
Liabilities			
Current liabilities	\$ 1,259,625	\$ 1,083,993	16.20
Long-term debt outstanding	2,081,279	2,099,329	(0.86)
Total Liabilities	\$ 3,340,904	\$ 3,183,322	4.95
Net Assets			
Invested in capital assets, net of related debt	\$ 40,830,411	\$ 37,244,249	9.63
Restricted	374,432	591,047	(36.65)
Unrestricted	5,071,929	5,837,669	(13.12)
Total Net Assets	\$ 46,276,772	\$ 43,672,965	5.96

Pope County's net assets for the year ended December 31, 2005, totaled \$46,276,772. The governmental activities' unrestricted net assets, totaling \$5,071,929, 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 (%)
	2005	2004 (As Restated)	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 1,512,162	\$ 1,540,203	(1.82)
Operating grants and contributions	5,108,597	4,936,066	3.50
Capital grants and contributions	753,965	27,877	2,604.61
General revenues			
Property taxes	4,322,901	3,762,076	14.91
Other taxes	106,744	74,312	43.64
Grants and contributions not restricted to specific programs	1,479,867	1,307,589	13.18
Other general revenues	475,698	322,652	47.43
Total Revenues	\$ 13,759,934	\$ 11,970,775	14.95
Expenses			
General government	\$ 2,392,016	\$ 2,441,767	(2.04)
Public safety	1,421,695	1,348,822	5.40
Highways and streets	2,899,800	2,456,444	18.05
Sanitation	354,524	280,092	26.57
Human services	2,743,723	2,273,012	20.71
Health	686,319	765,801	(10.38)
Culture and recreation	136,057	124,006	9.72
Conservation of natural resources	321,774	288,742	11.44
Economic development	153,265	102,652	49.31
Interest	46,954	51,019	(7.97)
Total Expenses	\$ 11,156,127	\$ 10,132,357	10.10
Increase in Net Assets	\$ 2,603,807	\$ 1,838,418	41.63
Net Assets – January 1	43,672,965	41,834,547	4.39
Net Assets - December 31	\$ 46,276,772	\$ 43,672,965	5.96

Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2005, were \$13,759,934. The County's cost for all governmental activities for the year ended December 31, 2005, was \$11,156,127. The net assets for the County's governmental activities increased by \$2,603,807 in 2005.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$4,322,901 because \$7,374,724 of the costs were paid by those who directly benefited from the programs,

and \$1,586,611 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 \$475,698 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue
2005**

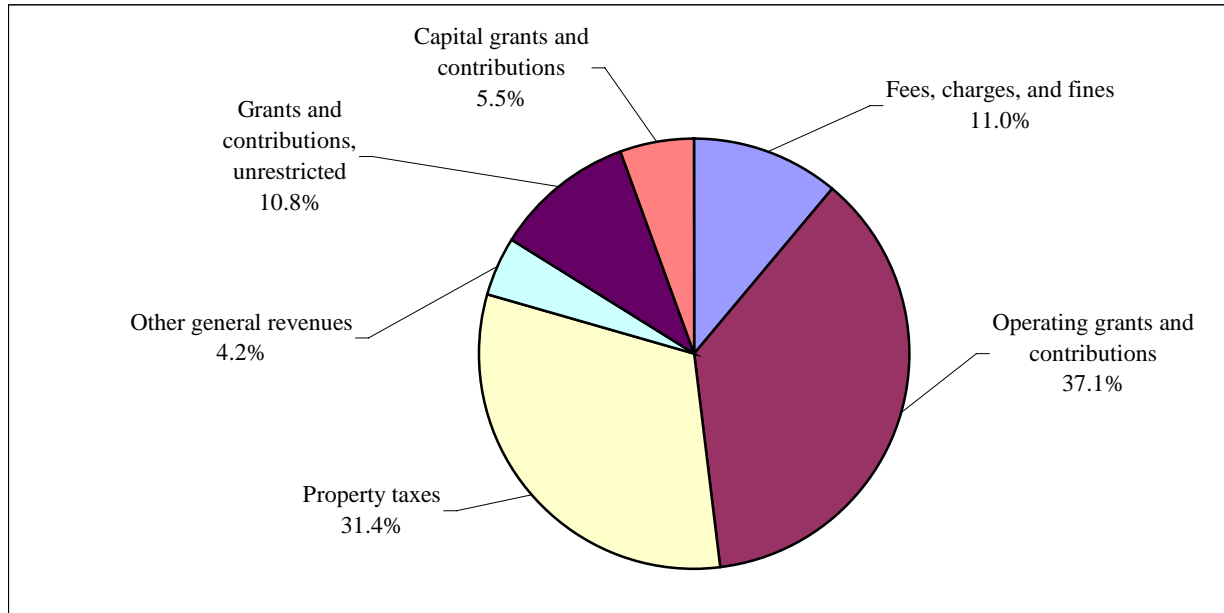
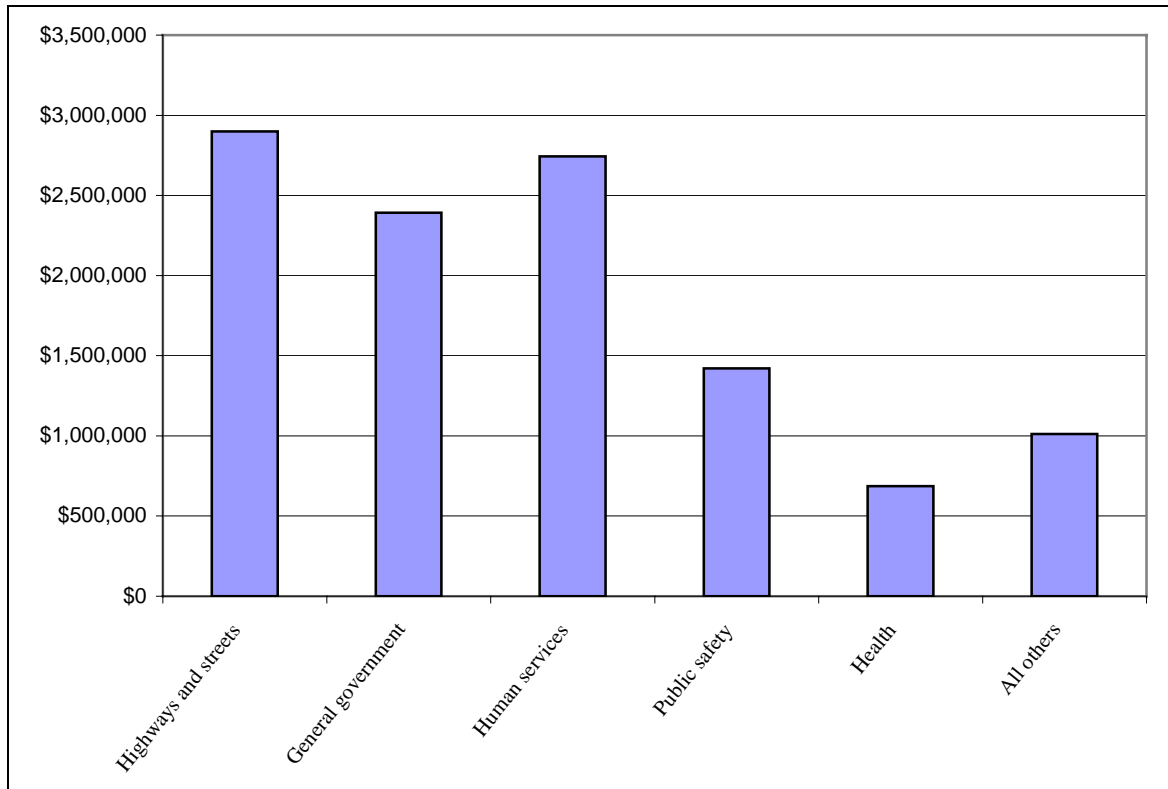


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2005	Net Cost of Services 2005
Program Expenses		
General government	\$ 2,392,016	\$ 1,854,178
Public safety	1,421,695	1,086,543
Highways and streets	2,899,800	(979,543)
Human services	2,743,723	1,158,186
Health	686,319	142,398
All others	1,012,574	519,641
Total Program Expenses	\$ 11,156,127	\$ 3,781,403

Governmental Activities Expenses 2005



THE COUNTY'S FUNDS

As Pope County completed the year, its governmental funds, as presented in the Balance Sheet, reported a combined fund balance of \$6,292,258.

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 2005, the County Board of Commissioners made changes to the budget as originally adopted on December 22, 2004. 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 \$323,141, and actual expenditures were \$54,739 more than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2005, Pope County had \$41,437,919 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)

	2005	2004 (As Restated)	Percent Change (%)
Land	\$ 1,869,502	\$ 1,469,502	27.22
Buildings	2,508,990	1,250,126	100.70
Office furniture and equipment	184,802	132,385	39.59
Machinery and automotive equipment	1,410,667	1,336,841	5.52
Infrastructure	35,463,958	32,653,577	8.61
Construction in progress	-	2,368,370	100.00
Totals	<u>\$ 41,437,919</u>	<u>\$ 39,210,801</u>	5.68

At December 31, 2005, Pope County had \$1,564,916 of bonds and notes outstanding compared with \$1,554,300 as of December 31, 2004--a decrease of 0.68 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Percent Change (%)
	2005	2004	
Bonds payable			
2002 G.O. Solid Waste Bonds	\$ 640,000	\$ 735,000	(12.93)
2003A G.O. Capital Improvement Bonds	620,000	815,000	(23.93)
Contract for deed	280,000	-	100.00
Septic System Replacement Program loan	24,916	4,300	479.44
Totals	<u>\$ 1,564,916</u>	<u>\$ 1,554,300</u>	0.68

New debt resulted from the purchase of land on a contract for deed to replace the existing Highway Department facility. 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 2004 and 2005 remained almost the same at 3.9 percent and 3.8 percent, respectively, compared to the Minnesota unemployment rate for 2004 and 2005 which averaged 4.6 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.

CONTACTING THE COUNTY’S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2005**

Assets

Cash and pooled investments	\$	6,759,009
Petty cash and change funds		1,700
Departmental cash		13,526
Taxes receivable		
Delinquent		100,563
Special assessments receivable		
Delinquent		16,611
Deferred		171,153
Accounts receivable		57,370
Accrued interest receivable		15,434
Due from other governments		982,129
Inventories		48,837
Deferred charges		13,425
Capital assets		
Non-depreciable		1,869,502
Depreciable - net of accumulated depreciation		39,568,417
		39,568,417
Total Assets	\$	49,617,676

Liabilities

Accounts payable	\$	222,790
Salaries payable		134,108
Due to other governments		297,996
Matured interest payable		5,998
Unearned revenue		598,733
Long-term liabilities		
Due within one year		396,780
Due in more than one year		1,684,499
		1,684,499
Total Liabilities	\$	3,340,904

Net Assets

Invested in capital assets - net of related debt	\$	40,830,411
Restricted for		
General government		13,708
Public safety		22,124
Capital projects		12,492
Debt service		294,727
Postclosure		31,381
Unrestricted		5,071,929
		5,071,929
Total Net Assets	\$	46,276,772

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Expenses	Fees, Charges, Fines, and Other	Program Revenues		Net (Expense) Revenue and Changes in Net Assets Governmental Activities
			Operating Grants and Contributions	Capital Grants and Contributions	
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 2,392,016	\$ 474,680	\$ 63,158	\$ -	\$ (1,854,178)
Public safety	1,421,695	55,927	201,790	77,435	(1,086,543)
Highways and streets	2,899,800	83,627	3,119,186	676,530	979,543
Sanitation	354,524	314,498	-	-	(40,026)
Human services	2,743,723	170,052	1,415,485	-	(1,158,186)
Health	686,319	369,342	174,579	-	(142,398)
Culture and recreation	136,057	-	-	-	(136,057)
Conservation of natural resources	321,774	43,987	134,399	-	(143,388)
Economic development	153,265	49	-	-	(153,216)
Interest	46,954	-	-	-	(46,954)
Total governmental activities	<u>\$ 11,156,127</u>	<u>\$ 1,512,162</u>	<u>\$ 5,108,597</u>	<u>\$ 753,965</u>	<u>\$ (3,781,403)</u>
 General Revenues					
Property taxes					\$ 4,322,901
Gravel taxes					60,551
Payments in lieu of tax					46,193
Grants and contributions not restricted to specific programs					1,479,867
Investment income					249,939
Miscellaneous					158,175
Gain on disposal of capital assets					67,584
Total general revenues					<u>\$ 6,385,210</u>
Change in net assets					\$ 2,603,807
Net Assets - Beginning, as restated (Note 1.E.)					<u>43,672,965</u>
Net Assets - Ending					<u>\$ 46,276,772</u>

FUND FINANCIAL STATEMENTS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge	Family Services
<u>Assets</u>			
Cash and pooled investments	\$ 3,250,303	\$ 935,576	\$ 1,845,699
Petty cash and change funds	1,700	-	-
Departmental cash	13,526	-	-
Taxes receivable			
Delinquent	55,410	15,360	21,011
Special assessments receivable			
Delinquent	146	-	-
Deferred	39,811	-	-
Accounts receivable	-	8,246	12,382
Accrued interest receivable	15,434	-	-
Due from other funds	-	1,276	3,051
Due from other governments	42,268	753,280	166,549
Inventories	-	48,837	-
Advances to other funds	183,172	-	-
	<u>\$ 3,601,770</u>	<u>\$ 1,762,575</u>	<u>\$ 2,048,692</u>

EXHIBIT 3

<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>
\$ 99,952	\$ 21,507	\$ 295,940	\$ 12,492	\$ 297,540	\$ 6,759,009
-	-	-	-	-	1,700
-	-	-	-	-	13,526
-	-	6,658	-	2,124	100,563
667	15,798	-	-	-	16,611
131,342	-	-	-	-	171,153
-	-	-	-	36,742	57,370
-	-	-	-	-	15,434
-	-	-	-	23,543	27,870
-	-	-	-	20,032	982,129
-	-	-	-	-	48,837
-	-	-	-	-	183,172
\$ 231,961	\$ 37,305	\$ 302,598	\$ 12,492	\$ 379,981	\$ 8,377,374

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	General	Road and Bridge	Family Services
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts payable	\$ 133,391	\$ 9,253	\$ 65,538
Salaries payable	57,726	18,539	30,170
Due to other funds	11,984	7,896	3,726
Due to other governments	24,446	176,468	89,588
Deferred revenue - unavailable	95,367	348,519	21,011
Deferred revenue - unearned	43,478	555,255	-
Advances from other funds	-	-	-
	\$ 366,392	\$ 1,115,930	\$ 210,033
Fund Balance			
Reserved for			
Inventories	\$ -	\$ 48,837	\$ -
Advances to other funds	183,172	-	-
Recorder's equipment	13,708	-	-
DARE	22,124	-	-
Gravel pit closure	-	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for courthouse maintenance	100,000	-	-
Designated for working capital cash flows	1,000,000	-	597,628
Designated for capital improvements	-	-	-
Designated for contingencies	75,000	-	-
Designated for petty cash funds	1,700	-	-
Designated for compensated absences	350,000	-	-
Undesignated	1,489,674	597,808	1,241,031
Unreserved, reported in nonmajor Special revenue funds	-	-	-
	\$ 3,235,378	\$ 646,645	\$ 1,838,659
Total Liabilities and Fund Balance	\$ 3,601,770	\$ 1,762,575	\$ 2,048,692

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>
\$ -	\$ -	\$ -	\$ -	\$ 14,608	\$ 222,790
-	-	-	-	27,673	134,108
-	-	1,213	-	3,051	27,870
-	6,793	-	-	701	297,996
130,970	15,798	6,658	-	2,124	620,447
-	-	-	-	-	598,733
133,172	-	-	-	50,000	183,172
\$ 264,142	\$ 22,591	\$ 7,871	\$ -	\$ 98,157	\$ 2,085,116
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,837
-	-	-	-	-	183,172
-	-	-	-	-	13,708
-	-	-	-	-	22,124
-	-	-	-	31,381	31,381
-	-	294,727	-	-	294,727
-	-	-	-	-	100,000
-	-	-	-	-	1,597,628
-	-	-	12,492	-	12,492
-	-	-	-	-	75,000
-	-	-	-	-	1,700
-	-	-	-	-	350,000
(32,181)	14,714	-	-	-	3,311,046
-	-	-	-	250,443	250,443
\$ (32,181)	\$ 14,714	\$ 294,727	\$ 12,492	\$ 281,824	\$ 6,292,258
\$ 231,961	\$ 37,305	\$ 302,598	\$ 12,492	\$ 379,981	\$ 8,377,374

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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, 2005**

Fund balances - total governmental funds (Exhibit 3)	\$	6,292,258
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.		41,437,919
Deferred charges are not available to pay current expenditures and, therefore, are not reported in the governmental funds.		13,425
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		620,447
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (1,260,000)	
Contract for deed	(280,000)	
Loans payable	(24,916)	
Compensated absences	(516,363)	(2,081,279)
		(5,998)
Net assets of governmental activities (Exhibit 1)	\$	<u>46,276,772</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
Revenues			
Taxes	\$ 2,387,265	\$ 673,188	\$ 873,041
Special assessments	3,817	-	-
Licenses and permits	58,629	-	-
Intergovernmental	1,343,633	3,936,541	1,745,683
Charges for services	397,389	16,181	58,174
Fines and forfeits	15,324	-	-
Gifts and contributions	38,519	-	-
Investment income	248,284	-	-
Miscellaneous	164,049	66,097	111,878
Total Revenues	\$ 4,656,909	\$ 4,692,007	\$ 2,788,776
Expenditures			
Current			
General government	\$ 2,373,796	\$ -	\$ -
Public safety	1,492,456	-	-
Highways and streets	-	4,229,703	-
Human services	-	-	2,738,582
Health	-	-	-
Culture and recreation	136,057	-	-
Conservation of natural resources	295,605	-	-
Economic development	16,144	-	-
Intergovernmental			
Sanitation	49,079	-	-
Highways and streets	-	242,875	-
Culture and recreation	74,061	-	-
Capital outlay			
	79,503	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 4,516,701	\$ 4,472,578	\$ 2,738,582
Excess of Revenues Over (Under) Expenditures	\$ 140,208	\$ 219,429	\$ 50,194
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 275,386	\$ -
Transfers out	(219,867)	-	-
Contract for deed issued	-	-	-
Loans issued	20,616	-	-
Proceeds from sale of capital assets	3,252	3,726	-
Total Other Financing Sources (Uses)	\$ (195,999)	\$ 279,112	\$ -
Net Change in Fund Balances	\$ (55,791)	\$ 498,541	\$ 50,194
Fund Balances - January 1	3,291,169	148,937	1,788,465
Increase (decrease) in reserved for inventories	-	(833)	-
Fund Balances - December 31	\$ 3,235,378	\$ 646,645	\$ 1,838,659

EXHIBIT 5

<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>
\$ -	\$ -	\$ 299,608	\$ -	\$ 135,088	\$ 4,368,190
43,053	305,445	-	-	-	352,315
-	-	-	-	-	58,629
-	-	44,356	-	166,165	7,236,378
-	-	-	-	368,941	840,685
-	-	-	-	26,617	41,941
-	-	-	-	-	38,519
-	-	1,243	-	412	249,939
-	-	-	-	49	342,073
\$ 43,053	\$ 305,445	\$ 345,207	\$ -	\$ 697,272	\$ 13,528,669
\$ -	\$ -	\$ -	\$ -	\$ 30,635	\$ 2,404,431
-	-	-	-	-	1,492,456
-	-	-	-	-	4,229,703
-	-	-	-	-	2,738,582
-	-	-	-	746,166	746,166
-	-	-	-	-	136,057
25,654	-	-	-	-	321,259
-	-	-	-	61,800	77,944
-	305,445	-	-	-	354,524
-	-	-	-	-	242,875
-	-	-	-	-	74,061
-	-	-	405,957	-	485,460
-	-	290,000	-	120,000	410,000
-	-	36,961	-	5,785	42,746
-	-	724	-	-	724
\$ 25,654	\$ 305,445	\$ 327,685	\$ 405,957	\$ 964,386	\$ 13,756,988
\$ 17,399	\$ -	\$ 17,522	\$ (405,957)	\$ (267,114)	\$ (228,319)
\$ -	\$ -	\$ -	\$ -	\$ 198,880	\$ 474,266
-	-	-	(254,399)	-	(474,266)
-	-	-	400,000	-	400,000
-	-	-	-	-	20,616
-	-	-	-	-	6,978
\$ -	\$ -	\$ -	\$ 145,601	\$ 198,880	\$ 427,594
\$ 17,399	\$ -	\$ 17,522	\$ (260,356)	\$ (68,234)	\$ 199,275
(49,580)	14,714	277,205	272,848	350,058	6,093,816
-	-	-	-	-	(833)
\$ (32,181)	\$ 14,714	\$ 294,727	\$ 12,492	\$ 281,824	\$ 6,292,258

**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, 2005**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 199,275

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

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, infrastructure, and other related capital assets adjustments	\$ 3,471,764	
Current year depreciation	(1,224,074)	2,247,690

In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the capital assets disposed of. (20,572)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 163,681

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.

Debt issued		
Contract for deed	\$ (400,000)	
Loans payable	(20,616)	
Principal repayments	410,000	
Current year amortization of issuance costs	(4,475)	(15,091)

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	\$ 991	
Change in compensated absences	28,666	
Change in inventories	(833)	28,824

Change in net assets of governmental activities (Exhibit 2) \$ 2,603,807

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2005**

	Cemetery Investment Trust	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 72,855	\$ 287,224
Due from other governments	-	22,051
	\$ 72,855	\$ 309,275
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 5,332
Due to other governments	-	303,943
	\$ -	\$ 309,275
<u>Net Assets</u>		
Net assets, restricted for perpetual care - expendable	\$ 72,855	

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Additions</u>	
Trust deposits	\$ 1,050
Investment income	<u>1,714</u>
Total additions	\$ 2,764
Net Assets - Beginning	<u>70,091</u>
Net Assets - Ending	<u><u>\$ 72,855</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005

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, 2005. 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 which are 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, 2005, 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 2005 were \$247,733.

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 on 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.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

9. Use of Estimates (Continued)

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.

E. Prior Period Adjustment

Restatement of Capital Assets - Construction in Progress

The January 1, 2005, balance of construction in progress, as reported in the County's capital assets used in the operation of governmental funds, was restated due to an omission. The effects of this restatement on net assets and capital assets are as follows:

	Net Assets	Capital Assets Construction in Progress
Balance - January 1, 2005, as previously reported	\$ 42,438,174	\$ 1,133,579
Prior period adjustment	1,234,791	1,234,791
Balance - January 1, 2005, as restated	\$ 43,672,965	\$ 2,368,370

2. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2005, of \$32,181. The deficit will be eliminated with future special assessment levies against benefited properties.

The Housing and Redevelopment Authority Special Revenue Fund had a deficit fund balance as of December 31, 2005, of \$27,350. The deficit will be eliminated through future tax levies.

**POPE COUNTY
GLENWOOD, MINNESOTA**

2. Stewardship, Compliance, and Accountability (Continued)

B. Excess of Expenditures over Appropriations

The following funds had expenditures in excess of budget for the year ended December 31, 2005:

	Expenditures	Final Budget	Excess
General Fund	\$ 4,516,701	\$ 4,461,962	\$ 54,739
Special Revenue Funds			
Road and Bridge	4,472,578	4,220,097	252,481
Family Services	2,738,582	2,573,644	164,938
Ditch	25,654	18,700	6,954
Housing and Redevelopment Authority	187,585	80,788	106,797

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	\$ 6,759,009
Petty cash and change funds	1,700
Departmental cash	13,526
Statement of fiduciary net assets	
Cemetery Investment Trust Fund	
Cash and pooled investments	72,855
Agency funds	
Cash and pooled investments	287,224
Total Cash and Investments	\$ 7,134,314

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

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 standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that the securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2005, 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;

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

The County had no investments as of December 31, 2005.

2. Receivables

The County had no receivables scheduled to be collected beyond one year, except for \$171,153 of deferred special assessments.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

	Beginning Balance, as Restated (Note 1.E.)	Increase	Decrease	Adjustment	Ending Balance
Capital assets not depreciated					
Land	\$ 1,469,502	\$ 400,000	\$ -	\$ -	\$ 1,869,502
Construction in progress	2,368,370	227,310	-	(2,595,680)	-
Total capital assets not depreciated	<u>\$ 3,837,872</u>	<u>\$ 627,310</u>	<u>\$ -</u>	<u>\$ (2,595,680)</u>	<u>\$ 1,869,502</u>
Capital assets depreciated					
Buildings	\$ 2,330,396	\$ -	\$ -	\$ 1,360,889	\$ 3,691,285
Office furniture and equipment	461,579	99,010	115,589	-	445,000
Machinery and automotive equipment	2,712,547	306,919	66,523	-	2,952,943
Infrastructure	41,012,121	2,438,525	-	1,234,791	44,685,437
Total capital assets depreciated	<u>\$ 46,516,643</u>	<u>\$ 2,844,454</u>	<u>\$ 182,112</u>	<u>\$ 2,595,680</u>	<u>\$ 51,774,665</u>
Less: accumulated depreciation for					
Buildings	\$ 1,080,270	\$ 102,025	\$ -	\$ -	\$ 1,182,295
Office furniture and equipment	329,194	37,393	106,389	-	260,198
Machinery and automotive equipment	1,375,706	221,721	55,151	-	1,542,276
Infrastructure	8,358,544	862,935	-	-	9,221,479
Total accumulated depreciation	<u>\$ 11,143,714</u>	<u>\$ 1,224,074</u>	<u>\$ 161,540</u>	<u>\$ -</u>	<u>\$ 12,206,248</u>
Total capital assets depreciated, net	<u>\$ 35,372,929</u>	<u>\$ 1,620,380</u>	<u>\$ 20,572</u>	<u>\$ 2,595,680</u>	<u>\$ 39,568,417</u>
Governmental Activities Capital Assets, Net	<u>\$ 39,210,801</u>	<u>\$ 2,247,690</u>	<u>\$ 20,572</u>	<u>\$ -</u>	<u>\$ 41,437,919</u>

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

Governmental Activities	
General government	\$ 115,521
Public safety	36,004
Highways and streets, including depreciation of infrastructure assets	1,067,718
Family services	4,831
Total Depreciation Expense - Governmental Activities	<u>\$ 1,224,074</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
Road and Bridge	General	\$ 1,063	Reimbursement for services rendered
	Family Services	<u>213</u>	Reimbursement for services rendered
Total Due to Road and Bridge Fund		<u>\$ 1,276</u>	
Family Services	Other Governmental Funds	<u>\$ 3,051</u>	Reimbursement for services rendered
Other Governmental Funds	General	\$ 10,921	Correct allocation of the market value credit
	Road and Bridge	7,896	Correct allocation of the market value credit, and to record gravel tax liability
	Family Services	3,513	Correct allocation of the market value credit
	Debt Service	<u>1,213</u>	Correct allocation of the market value credit
Total Due To Other Governmental Funds		<u>\$ 23,543</u>	
Total Due To/From Other Funds		<u><u>\$ 27,870</u></u>	

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ditch	\$ 133,172
	Other Governmental Funds	<u>50,000</u>
Total Advances From/To Other Funds		<u><u>\$ 183,172</u></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

2. Advances From/To Other Funds (Continued)

The General Fund advanced funds to the Housing and Redevelopment Authority Special Revenue Fund for operations. The advance will be paid off with future tax levies.

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

	Transfers In	Description
Transfers to Road and Bridge Fund from General Fund	\$ 20,987	To provide bike trail donations
Capital Projects Fund	254,399	To reimburse capital purchases
Total Road and Bridge Fund	\$ 275,386	
Transfers to Other Governmental Funds from General Fund	198,880	To provide funding
Total Interfund Transfers	\$ 474,266	

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities
Accounts	\$ 222,790
Salaries	134,108
Due to other governments	297,996
Matured interest	5,998
Total Payables	\$ 660,892

**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, 2005, is summarized below by fund:

	Taxes and Special Assessments	Grants	Other	Total
Governmental funds				
General	\$ 95,367	\$ 43,478	\$ -	\$ 138,845
Road and Bridge	15,360	887,065	1,349	903,774
Family Services	21,011	-	-	21,011
Ditch	130,970	-	-	130,970
Solid Waste	15,798	-	-	15,798
Debt Service	6,658	-	-	6,658
Other governmental funds	2,124	-	-	2,124
Total	\$ 287,288	\$ 930,543	\$ 1,349	\$ 1,219,180
Deferred revenue				
Unavailable	\$ 287,288	\$ 331,810	\$ 1,349	\$ 620,447
Unearned	-	598,733	-	598,733
Total	\$ 287,288	\$ 930,543	\$ 1,349	\$ 1,219,180

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 2005, the County paid health insurance premiums for 29 retirees totaling \$150,614.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

4. Long-Term Debt

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2005</u>
General Obligation Bonds					
2002 G.O. Solid Waste Disposal Bonds	12/01/2011	\$90,000 - \$115,000	2.00 - 3.70	\$ 1,030,000	\$ 640,000
2003A G.O. Capital Improvement Bonds	03/01/2008	\$185,000 - \$215,000	1.05 - 2.45	<u>1,000,000</u>	<u>620,000</u>
Total General Obligation Bonds				<u>\$ 2,030,000</u>	<u>\$ 1,260,000</u>
Contract for deed	01/01/2011	\$40,000 - \$60,000	5.75	<u>\$ 400,000</u>	<u>\$ 280,000</u>
State of Minnesota Septic System Replacement Loan	06/15/2017	\$2,274 - \$2,722	2.00	<u>\$ 24,916</u>	<u>\$ 24,916</u>

5. Debt Service Requirements

Debt payments are made from the Debt Service Fund. Debt service requirements at December 31, 2005, were as follows:

Year Ending December 31	<u>General Obligation Bonds</u>		<u>Contract for Deed</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 295,000	\$ 31,996	\$ 60,000	\$ 16,100	\$ -	\$ -
2007	310,000	25,635	60,000	12,650	2,274	477
2008	320,000	17,949	60,000	9,200	2,319	432
2009	110,000	11,955	60,000	5,750	2,366	385
2010	110,000	8,215	40,000	2,300	2,414	337
2011 - 2015	115,000	4,255	-	-	12,821	935
2016 - 2017	-	-	-	-	<u>2,722</u>	<u>29</u>
Total	<u>\$ 1,260,000</u>	<u>\$ 100,005</u>	<u>\$ 280,000</u>	<u>\$ 46,000</u>	<u>\$ 24,916</u>	<u>\$ 2,595</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, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,550,000	\$ -	\$ 290,000	\$ 1,260,000	\$ 295,000
Contract for deed	-	400,000	120,000	280,000	60,000
Loans payable	4,300	20,616	-	24,916	-
Compensated absences	545,029	330,055	358,721	516,363	41,780
Long-Term Liabilities	<u>\$ 2,099,329</u>	<u>\$ 750,671</u>	<u>\$ 768,721</u>	<u>\$ 2,081,279</u>	<u>\$ 396,780</u>

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

Debt Service Fund	\$ 290,000
Other governmental funds	<u>120,000</u>
Total Principal Retirements	<u>\$ 410,000</u>

4. Employee Retirement Systems and 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. Employee Retirement Systems and 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. Employee Retirement Systems and 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 are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006.

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50

The County's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund and the Public Employees Police and Fire Fund were:

	Public Employees Retirement Fund	Public Employees Police and Fire Fund
2005	\$ 196,213	\$ 23,131
2004	192,870	20,497
2003	186,136	19,245

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 \$760,000 per claim in 2005 and \$390,000 per claim in 2006. 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 \$19,989,357 as of December 31, 2005, which was a net increase of \$1,043,664.

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.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

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 2005.

REQUIRED SUPPLEMENTARY INFORMATION

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,345,587	\$ 2,345,587	\$ 2,387,265	\$ 41,678
Special assessments	-	-	3,817	3,817
Licenses and permits	40,000	40,000	58,629	18,629
Intergovernmental	1,144,899	1,144,899	1,343,633	198,734
Charges for services	403,250	403,250	397,389	(5,861)
Fines and forfeits	3,000	3,000	15,324	12,324
Gifts and contributions	39,152	39,152	38,519	(633)
Investment income	200,000	200,000	248,284	48,284
Miscellaneous	157,880	157,880	164,049	6,169
Total Revenues	\$ 4,333,768	\$ 4,333,768	\$ 4,656,909	\$ 323,141
Expenditures				
Current				
General government				
Commissioners	\$ 176,400	\$ 176,400	\$ 181,875	\$ (5,475)
Wellness program	2,275	2,275	1,251	1,024
Information technology	87,809	94,809	94,672	137
Coordinator	123,252	143,852	150,224	(6,372)
Auditor/treasurer	274,021	271,021	269,562	1,459
County assessor	256,720	256,720	261,822	(5,102)
Elections	2,000	2,000	1,230	770
Accounting and auditing	30,000	30,000	15,147	14,853
Data processing	78,488	78,488	72,478	6,010
Attorney	186,709	186,709	188,653	(1,944)
Recorder	264,901	264,901	258,624	6,277
Surveyor	2,500	2,500	2,243	257
Environmental services	226,745	226,745	217,913	8,832
Buildings and plant	396,435	415,435	347,238	68,197
Veterans service officer	76,877	76,877	81,272	(4,395)
Other general government	120,663	86,463	229,592	(143,129)
Total general government	\$ 2,305,795	\$ 2,315,195	\$ 2,373,796	\$ (58,601)
Public safety				
Sheriff	\$ 962,129	\$ 949,329	\$ 793,069	\$ 156,260
Snowmobile grant	3,515	3,515	1,341	2,174
Boat and water safety	27,297	27,297	10,459	16,838
Coroner	4,250	4,250	5,292	(1,042)
Enhanced 911	32,240	32,240	39,769	(7,529)
Dispatchers	267,489	268,689	272,467	(3,778)
Court services	156,981	156,981	201,322	(44,341)
Probation and parole	-	-	13,161	(13,161)
Sentence to service	64,514	64,514	61,071	3,443
Emergency management	57,689	57,689	94,505	(36,816)
Total public safety	\$ 1,576,104	\$ 1,564,504	\$ 1,492,456	\$ 72,048

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Schedule 1
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 46,000	\$ 46,000	\$ 46,000	\$ -
Coordinator on aging	82,209	84,409	87,282	(2,873)
Other	2,775	2,775	2,775	-
Total culture and recreation	\$ 130,984	\$ 133,184	\$ 136,057	\$ (2,873)
Conservation of natural resources				
County extension	\$ 109,636	\$ 109,636	\$ 100,615	\$ 9,021
Soil and water conservation	36,214	36,214	36,214	-
Agricultural inspections	24,775	24,775	14,879	9,896
Agricultural society/County fair	27,500	27,500	27,500	-
Water management	112,017	112,017	92,436	19,581
Shoreland management	4,843	4,843	3,345	1,498
Other	-	-	20,616	(20,616)
Total conservation of natural resources	\$ 314,985	\$ 314,985	\$ 295,605	\$ 19,380
Economic development				
Community development	\$ 14,324	\$ 14,324	\$ 14,324	\$ -
Senior citizens	1,930	1,930	1,820	110
Total economic development	\$ 16,254	\$ 16,254	\$ 16,144	\$ 110
Intergovernmental				
Sanitation				
Pope-Douglas Solid Waste Board	\$ 43,779	\$ 43,779	\$ 49,079	\$ (5,300)
Culture and recreation				
Library	\$ 74,061	\$ 74,061	\$ 74,061	\$ -
Capital outlay	\$ -	\$ -	\$ 79,503	\$ (79,503)
Total Expenditures	\$ 4,461,962	\$ 4,461,962	\$ 4,516,701	\$ (54,739)
Excess of Revenues Over (Under) Expenditures	\$ (128,194)	\$ (128,194)	\$ 140,208	\$ 268,402

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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 out	\$ -	\$ -	\$ (219,867)	\$ (219,867)
Loans issued	-	-	20,616	20,616
Proceeds from sale of assets	-	-	3,252	3,252
Total Other Financing Sources (Uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (195,999)</u>	<u>\$ (195,999)</u>
Net Change in Fund Balance	\$ (128,194)	\$ (128,194)	\$ (55,791)	\$ 72,403
Fund Balance - January 1	<u>3,291,169</u>	<u>3,291,169</u>	<u>3,291,169</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 3,162,975</u></u>	<u><u>\$ 3,162,975</u></u>	<u><u>\$ 3,235,378</u></u>	<u><u>\$ 72,403</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 642,069	\$ 642,069	\$ 673,188	\$ 31,119
Intergovernmental	3,578,028	3,578,028	3,936,541	358,513
Charges for services	-	-	16,181	16,181
Miscellaneous	-	-	66,097	66,097
Total Revenues	\$ 4,220,097	\$ 4,220,097	\$ 4,692,007	\$ 471,910
Expenditures				
Current				
Highways and streets				
Administration	\$ 548,400	\$ 548,400	\$ 251,164	\$ 297,236
Maintenance	762,000	762,000	1,088,095	(326,095)
Construction	2,138,067	2,138,067	2,442,669	(304,602)
Equipment maintenance and shops	520,698	520,698	447,775	72,923
Total highways and streets	\$ 3,969,165	\$ 3,969,165	\$ 4,229,703	\$ (260,538)
Intergovernmental				
Highways and streets	250,932	250,932	242,875	8,057
Total Expenditures	\$ 4,220,097	\$ 4,220,097	\$ 4,472,578	\$ (252,481)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 219,429	\$ 219,429
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 275,386	\$ 275,386
Proceeds from sale of assets	-	-	3,726	3,726
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 279,112	\$ 279,112
Net Change in Fund Balance	\$ -	\$ -	\$ 498,541	\$ 498,541
Fund Balance - January 1	148,937	148,937	148,937	-
Increase (decrease) in reserved for inventories	-	-	(833)	(833)
Fund Balance - December 31	\$ 148,937	\$ 148,937	\$ 646,645	\$ 497,708

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 867,957	\$ 867,957	\$ 873,041	\$ 5,084
Intergovernmental	1,297,119	1,297,119	1,745,683	448,564
Charges for services	57,565	57,565	58,174	609
Miscellaneous	79,255	79,255	111,878	32,623
Total Revenues	\$ 2,301,896	\$ 2,301,896	\$ 2,788,776	\$ 486,880
Expenditures				
Current				
Human services				
Income maintenance	\$ 826,717	\$ 826,717	\$ 688,393	\$ 138,324
Social services	1,746,927	1,746,927	2,050,189	(303,262)
Total Expenditures	\$ 2,573,644	\$ 2,573,644	\$ 2,738,582	\$ (164,938)
Net Change in Fund Balance	\$ (271,748)	\$ (271,748)	\$ 50,194	\$ 321,942
Fund Balance - January 1	1,788,465	1,788,465	1,788,465	-
Fund Balance - December 31	\$ 1,516,717	\$ 1,516,717	\$ 1,838,659	\$ 321,942

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 40,130	\$ 40,130	\$ 43,053	\$ 2,923
Expenditures				
Current				
Conservation of natural resources				
Other	18,700	18,700	25,654	(6,954)
Net Change in Fund Balance	\$ 21,430	\$ 21,430	\$ 17,399	\$ (4,031)
Fund Balance - January 1	(49,580)	(49,580)	(49,580)	-
Fund Balance - December 31	\$ (28,150)	\$ (28,150)	\$ (32,181)	\$ (4,031)

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 332,507	\$ 332,507	\$ 305,445	\$ (27,062)
Expenditures				
Intergovernmental				
Sanitation	332,507	332,507	305,445	27,062
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, 2005**

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, 2005:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 4,516,701	\$ 4,461,962	\$ 54,739
Road and Bridge Special Revenue Fund	4,472,578	4,220,097	252,481
Family Services Special Revenue Fund	2,738,582	2,573,644	164,938
Ditch Special Revenue Fund	25,654	18,700	6,954

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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 the 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.

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, 2005**

	<u>Special Revenue</u>				<u>Total Nonmajor Governmental Funds</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	\$ 246,812	\$ 19,664	\$ 25,975	\$ 5,089	\$ 297,540
Taxes receivable					
Delinquent	-	-	-	2,124	2,124
Accounts receivable	36,742	-	-	-	36,742
Due from other funds	-	-	5,406	18,137	23,543
Due from other governments	18,267	1,765	-	-	20,032
Total Assets	<u>\$ 301,821</u>	<u>\$ 21,429</u>	<u>\$ 31,381</u>	<u>\$ 25,350</u>	<u>\$ 379,981</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ 8,607	\$ 6,001	\$ -	\$ -	\$ 14,608
Salaries payable	27,097	-	-	576	27,673
Due to other funds	3,051	-	-	-	3,051
Due to other governments	701	-	-	-	701
Deferred revenue - unavailable	-	-	-	2,124	2,124
Advance from other funds	-	-	-	50,000	50,000
Total Liabilities	<u>\$ 39,456</u>	<u>\$ 6,001</u>	<u>\$ -</u>	<u>\$ 52,700</u>	<u>\$ 98,157</u>
Fund Balance					
Reserved for gravel pit closure	\$ -	\$ -	\$ 31,381	\$ -	\$ 31,381
Unreserved					
Undesignated	262,365	15,428	-	(27,350)	250,443
Total Fund Balance	<u>\$ 262,365</u>	<u>\$ 15,428</u>	<u>\$ 31,381</u>	<u>\$ (27,350)</u>	<u>\$ 281,824</u>
Total Liabilities and Fund Balance	<u>\$ 301,821</u>	<u>\$ 21,429</u>	<u>\$ 31,381</u>	<u>\$ 25,350</u>	<u>\$ 379,981</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, 2005**

	Special Revenue			Housing and Redevelopment Authority	Total Nonmajor Governmental Funds
	Health Services	Law Library	Gravel Tax		
Revenues					
Taxes	\$ -	\$ -	\$ 5,406	\$ 129,682	\$ 135,088
Intergovernmental	147,027	-	-	19,138	166,165
Charges for services	368,941	-	-	-	368,941
Fines and forfeits	-	26,617	-	-	26,617
Investment earnings	-	-	-	412	412
Miscellaneous	-	-	-	49	49
Total Revenues	\$ 515,968	\$ 26,617	\$ 5,406	\$ 149,281	\$ 697,272
Expenditures					
Current					
General government	\$ -	\$ 30,635	\$ -	\$ -	\$ 30,635
Health	746,166	-	-	-	746,166
Economic development	-	-	-	61,800	61,800
Debt service					
Principal	-	-	-	120,000	120,000
Interest	-	-	-	5,785	5,785
Total Expenditures	\$ 746,166	\$ 30,635	\$ -	\$ 187,585	\$ 964,386
Excess of Revenues Over (Under) Expenditures	\$ (230,198)	\$ (4,018)	\$ 5,406	\$ (38,304)	\$ (267,114)
Other Financing Sources (Uses)					
Transfers in	198,880	-	-	-	198,880
Net Change in Fund Balance	\$ (31,318)	\$ (4,018)	\$ 5,406	\$ (38,304)	\$ (68,234)
Fund Balance - January 1	293,683	19,446	25,975	10,954	350,058
Fund Balance - December 31	\$ 262,365	\$ 15,428	\$ 31,381	\$ (27,350)	\$ 281,824

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 137,020	\$ 137,020	\$ 147,027	\$ 10,007
Charges for services	506,795	506,795	368,941	(137,854)
Total Revenues	\$ 643,815	\$ 643,815	\$ 515,968	\$ (127,847)
Expenditures				
Current				
Health				
Health services	807,447	807,447	746,166	61,281
Excess of Revenues Over (Under) Expenditures	\$ (163,632)	\$ (163,632)	\$ (230,198)	\$ (66,566)
Other Financing Sources (Uses)				
Transfers in	157,632	157,632	198,880	41,248
Net Change in Fund Balance	\$ (6,000)	\$ (6,000)	\$ (31,318)	\$ (25,318)
Fund Balance - January 1	293,683	293,683	293,683	-
Fund Balance - December 31	\$ 287,683	\$ 287,683	\$ 262,365	\$ (25,318)

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<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	\$ 26,617	\$ (4,383)
Expenditures				
Current				
General government				
Law library	30,655	30,655	30,635	20
Net Change in Fund Balance	\$ 345	\$ 345	\$ (4,018)	\$ (4,363)
Fund Balance - January 1	19,446	19,446	19,446	-
Fund Balance - December 31	<u>\$ 19,791</u>	<u>\$ 19,791</u>	<u>\$ 15,428</u>	<u>\$ (4,363)</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
HOUSING AND REDEVELOPMENT AUTHORITY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 75,157	\$ 75,157	\$ 129,682	\$ 54,525
Intergovernmental	-	-	19,138	19,138
Investment earnings	-	-	412	412
Miscellaneous	-	-	49	49
Total Revenues	\$ 75,157	\$ 75,157	\$ 149,281	\$ 74,124
Expenditures				
Current				
General government				
Economic development	\$ 80,788	\$ 80,788	\$ 61,800	\$ 18,988
Debt service				
Principal	-	-	120,000	(120,000)
Interest	-	-	5,785	(5,785)
Total Expenditures	\$ 80,788	\$ 80,788	\$ 187,585	\$ (106,797)
Net Change in Fund Balance	\$ (5,631)	\$ (5,631)	\$ (38,304)	\$ (32,673)
Fund Balance - January 1	10,954	10,954	10,954	-
Fund Balance - December 31	\$ 5,323	\$ 5,323	\$ (27,350)	\$ (32,673)

**POPE COUNTY
GLENWOOD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,531,433	\$ 1,492,319	\$ 39,114
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,531,433	\$ 1,492,319	\$ 39,114
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,046	\$ 58,511	\$ 58,225	\$ 5,332
<u>Liabilities</u>				
Accounts payable	\$ 5,046	\$ 58,511	\$ 58,225	\$ 5,332
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 21,371	\$ 83,162	\$ 16,672	\$ 87,861
Due from other governments	-	21,126	-	21,126
Total Assets	\$ 21,371	\$ 104,288	\$ 16,672	\$ 108,987
<u>Liabilities</u>				
Due to other governments	\$ 21,371	\$ 104,288	\$ 16,672	\$ 108,987

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 227,046	\$ 223,396	\$ 3,650
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 227,046	\$ 223,396	\$ 3,650
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 168,455	\$ 9,966,549	\$ 10,086,038	\$ 48,966
<u>Liabilities</u>				
Due to other governments	\$ 168,455	\$ 9,966,549	\$ 10,086,038	\$ 48,966
 <u>TOWN AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 260	\$ 2,349,218	\$ 2,310,625	\$ 38,853
<u>Liabilities</u>				
Due to other governments	\$ 260	\$ 2,349,218	\$ 2,310,625	\$ 38,853

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>WEST POPE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 269,205	\$ 263,453	\$ 5,752
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 269,205	\$ 263,453	\$ 5,752
 <u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,338	\$ 1,327	\$ 11
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,338	\$ 1,327	\$ 11
 <u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 8	\$ 8	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 8	\$ 8	\$ -

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 21,478	\$ 20,475	\$ 1,003
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 21,478	\$ 20,475	\$ 1,003
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 38,638	\$ 39,269	\$ (631)
Due from other governments	-	925	-	925
Total Assets	\$ -	\$ 39,563	\$ 39,269	\$ 294
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 39,563	\$ 39,269	\$ 294
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 41,644	\$ 1,374,054	\$ 1,358,385	\$ 57,313
<u>Liabilities</u>				
Due to other governments	\$ 41,644	\$ 1,374,054	\$ 1,358,385	\$ 57,313

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 236,776	\$ 15,920,640	\$ 15,870,192	\$ 287,224
Due from other governments	-	22,051	-	22,051
Total Assets	<u>\$ 236,776</u>	<u>\$ 15,942,691</u>	<u>\$ 15,870,192</u>	<u>\$ 309,275</u>
<u>Liabilities</u>				
Accounts payable	\$ 5,046	\$ 58,511	\$ 58,225	\$ 5,332
Due to other governments	231,730	15,884,180	15,811,967	303,943
Total Liabilities	<u>\$ 236,776</u>	<u>\$ 15,942,691</u>	<u>\$ 15,870,192</u>	<u>\$ 309,275</u>

OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 9

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2005**

	Interest Rate (%)	Maturity Date	Fair Value
Pooled Deposits and Investments			
Certificates of deposit			
Bremer Bank	4.40	November 26, 2006	\$ 90,000
First National Bank	2.25	April 20, 2006	24,000
Glenwood State Bank	4.10	January 13, 2006	750,000
Glenwood State Bank	4.50	January 23, 2006	550,000
Glenwood State Bank	4.10	January 25, 2006	1,000,000
Glenwood State Bank	4.10	January 27, 2006	650,000
Glenwood State Bank	4.15	February 10, 2006	1,000,000
Glenwood State Bank	4.15	February 21, 2006	500,000
Hometown Community Bank	3.00	July 17, 2006	100,000
Hometown Community Bank	2.80	October 30, 2006	200,000
Hometown Community Bank	3.75	November 15, 2006	225,000
Lowry State Bank	1.85	October 21, 2006	200,000
Total certificates of deposit			\$ 5,289,000
Checking accounts			
Eagle Bank	0.75	Continuous	\$ 860
Glenwood State Bank	1.75	Continuous	2,051
Total checking accounts			\$ 2,911
Savings accounts			
Glenwood State Bank	2.75	Continuous	\$ 1,682,415
Eagle Bank	1.75	Continuous	73,479
Eagle Bank	1.00	Continuous	548
Total savings accounts			\$ 1,756,442
Total pooled deposits and investments			\$ 7,048,353
Cemetery Investment Trust Fund Investments			
Certificates of deposit			
Glenwood State Bank	2.25	August 10, 2006	\$ 16,400
Glenwood State Bank	3.94	April 25, 2007	7,000
Glenwood State Bank	2.55	February 8, 2006	12,200
Glenwood State Bank	4.10	February 8, 2006	31,000
Total certificates of deposit			\$ 66,600
Passbook savings accounts			
Glenwood State Bank	Variable	Continuous	\$ 3,560
Eagle Bank	Variable	Continuous	575
Total passbook savings accounts			\$ 4,135
Total Cemetery Investment Trust Fund investments			\$ 70,735
Total Deposits and Investments			\$ 7,119,088

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 10

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

	2004		2005		2006	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 7,364,267		\$ 8,593,129		\$ 9,962,575	
Personal property	265,454		270,886		275,342	
Total Tax Capacity	\$ 7,629,721		\$ 8,864,015		\$ 10,237,917	
Taxes Levied for County Purposes						
General	\$ 2,714,660	30.946	\$ 3,143,322	30.462	\$ 4,032,733	35.272
Road and Bridge	795,000	8.987	835,000	8.021	627,430	5.447
Family Services	1,062,396	12.009	1,180,609	11.340	1,195,255	10.377
Incinerator Bonds	125,845	1.662	123,850	1.408	126,856	1.248
Capital Improvements Notes	220,800	2.915	218,200	2.481	230,600	2.269
2006 Bonds	-	-	-	-	70,000	0.689
Total Levy for County Purposes	\$ 4,918,701	56.519	\$ 5,500,981	53.712	\$ 6,282,874	55.302
Less Credits Payable by State	648,619		788,128		676,018	
Net Levy Certified to State	\$ 4,270,082		\$ 4,712,853		\$ 5,606,856	
Less Market Value Credits Payable by State	542,013		568,359		606,239	
Net Levy for County Purposes	\$ 3,728,069		\$ 4,144,494		\$ 5,000,617	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 25,848		\$ 26,880		\$ 27,508	
Assessed at 5%	1,960		2,040		2,100	
Total Tax Capacity - Light and Power	\$ 27,808		\$ 28,920		\$ 29,608	

**POPE COUNTY
GLENWOOD, MINNESOTA**

***Schedule 10
(Continued)***

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

	2004		2005		2006	
	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%	\$ 29,163	112.826	\$ 28,181	104.841	\$ 27,689	100.657
Assessed at 5%	2,211	112.826	2,139	104.841	2,114	100.657
Market value based on property tax	585	0.042	501	0.035	823	0.056
State tax	15,109	54.109	14,784	51.121	15,049	50.827
Total Light and Power Tax Levies	\$ 47,068		\$ 45,605		\$ 45,675	
Special Assessments						
Ditch liens and assessments	\$ 523,655		\$ 595,922		\$ 686,468	
Percentage of Tax Collections for All Purposes	96.00%		98.00%			

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2005**

	Assets		
	Cash and Investments	Special Assessments Receivable	
		Delinquent	Deferred
County Ditches			
2	\$ 6,780	\$ -	\$ -
3	705	-	-
4	1,321	-	-
6	2,955	-	-
7	5,701	-	-
8	6,617	-	-
9	2,884	-	-
10	2,339	-	90
11	218	-	-
12	404	-	654
15	4,608	-	290
17	4,094	-	3,667
19	101	-	-
24	760	-	-
27	433	-	-
28	7,884	-	1,370
General	16,646	-	102,195
Judicial Ditches			
3 Pope and Douglas	28,895	-	-
4 Pope and Douglas	352	-	-
4 Pope and Swift	751	553	5,729
9 Pope and Swift	5,504	114	17,347
Total	\$ 99,952	\$ 667	\$ 131,342

Schedule 11

<u>Total</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>
\$ 6,780	\$ -	\$ -	\$ -	\$ 6,780	\$ 6,780
705	-	-	-	705	705
1,321	-	-	-	1,321	1,321
2,955	-	-	-	2,955	2,955
5,701	-	-	-	5,701	5,701
6,617	-	-	-	6,617	6,617
2,884	-	-	-	2,884	2,884
2,429	90	-	90	2,339	2,429
218	-	-	-	218	218
1,058	654	-	654	404	1,058
4,898	290	-	290	4,608	4,898
7,761	2,628	-	2,628	5,133	7,761
101	-	-	-	101	101
760	-	-	-	760	760
433	-	-	-	433	433
9,254	1,370	-	1,370	7,884	9,254
118,841	102,195	93,422	195,617	(76,776)	118,841
28,895	-	-	-	28,895	28,895
352	-	-	-	352	352
7,033	6,282	9,800	16,082	(9,049)	7,033
22,965	17,461	29,950	47,411	(24,446)	22,965
<u>\$ 231,961</u>	<u>\$ 130,970</u>	<u>\$ 133,172</u>	<u>\$ 264,142</u>	<u>\$ (32,181)</u>	<u>\$ 231,961</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 12

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005**

Shared Revenue

State

Highway users tax	\$	3,003,205
County program aid		788,128
Market value credit		589,295
PERA rate reimbursement		17,671
Disparity reduction aid		22,617
Police aid		26,045
Enhanced 911		63,226
		63,226

Total Shared Revenue **\$ 4,510,187**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	741,648
		741,648

Payments

Local

Local contributions	\$	62,156
Payments in lieu of taxes		46,193
		46,193

Total Payments **\$ 108,349**

Grants

State

Minnesota Department of		
Corrections	\$	34,945
Public Safety		361
Health		88,937
Natural Resources		7,717
Human Services		434,300
Water and Soil Resources Board		82,820
Office of Environmental Assistance		49,079
Veterans Affairs		2,830
Peace Officer Standards and Training Board		49,988
		49,988

Total State **\$ 750,977**

Federal

Department of		
Agriculture	\$	44,662
Justice		438
Transportation		678,786
Health and Human Services		306,426
Homeland Security		94,905
		94,905

Total Federal **\$ 1,125,217**

Total State and Federal Grants **\$ 1,876,194**

Total Intergovernmental Revenue **\$ 7,236,378**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 13

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of Pope County.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of Pope County and is 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*." The reportable condition was not a material weakness.
- C. No instances of noncompliance material to the financial statements of Pope County were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal program was 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 ITEM 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:

- Departmental collections should be remitted to the County Auditor/Treasurer more frequently than once each month, perhaps weekly or even daily, to reduce the amount of funds on hand.
- 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 continually 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.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

02-6 Annual Financial Report

Pope County has a responsibility to prepare financial statements and publish them for its citizens and others. In previous years, the Office of the State Auditor (OSA) has helped the County to prepare its annual financial report. The annual financial report includes financial statements, related notes to the financial statements, and schedules.

A step in preparing financial statements is the preparation of schedules and worksheets to summarize the County's financial record amounts for the financial report. For example, the records of the County could have several different receivable or revenue accounts combined into one line for financial reporting. Also, accounts need to be analyzed to decide if revenue should be accrued for receipts received after year-end or payables accrued for expenditures made after year-end.

Currently, Pope County staff prepare only limited amounts of information for the financial statements including summarizing cash transactions in the format for financial statement presentation in a trial balance and summarizing capital assets. OSA staff have been providing nonaudit services necessary for preparation of the annual financial report. These nonaudit services provided include, but may not be limited to, the following: summarizing receivable and payable information for the trial balances, summarizing long-term debt at the end of the year, and converting the cash basis information to modified or full accrual.

Changes to *Government Auditing Standards*, issued by the Comptroller General of the United States, required the OSA to reassess the nonaudit services it provides to its audit clients. The primary effect of the change in *Government Auditing Standards* on the County is that the County needs to prepare the summary schedules of receivables and payables, classify its accounts for the financial statements, prepare the trial balances for audit, and make all policy decisions as they relate to financial reporting. It was necessary for the OSA to prepare financial statements based on this information as technical assistance.

We recognize that the County has made progress in preparing information needed for the audit, and we acknowledge the County for its improvement in this area. We recommend that the County Board direct County staff to prepare the summary schedules and trial balances. We also recommend the County Board agree to ensure that staff assigned to prepare this information have a good understanding of generally accepted accounting principles for government and the time necessary to complete the information needed for the annual financial report by the date mutually agreed to with the OSA.

Client's Response:

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

B. 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.

OTHER REQUIRED REPORTS

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PATRICIA ANDERSON
STATE AUDITOR

**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, 2005, and have issued our report thereon dated September 12, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the

financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

Compliance and Other Matters

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

Minnesota Legal Compliance

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

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

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

This report is intended solely for the information and use of the Board of County Commissioners, management, 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/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: September 12, 2006



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PATRICIA ANDERSON
STATE AUDITOR

**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, 2005. 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, 2005.

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 and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not be necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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, 2005, and have issued our report thereon dated September 12, 2006. 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, 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/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: September 12, 2006

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 14

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

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	\$ 39,730
Passed Through Minnesota Department of Human Services Administrative Matching Grants for Food Stamp Program	10.561	4,932
Total U.S. Department of Agriculture		\$ 44,662
U.S. Department of Justice		
Direct Bulletproof Vest Partnership Program	16.607	\$ 438
U.S. Department of Transportation		
Passed Through Minnesota Department of Public Safety Highway Planning and Construction	20.205	\$ 676,530
State and Community Highway Safety	20.600	2,256
Total U.S. Department of Transportation		\$ 678,786
U.S. Department of Health and Human Services		
Passed Through Central Minnesota Council on Aging Special Programs for the Aging - Title IIIB	93.044	\$ 16,361
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	16,949
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	11,861
Temporary Assistance for Needy Families	93.558	36,773
Community Based Child Abuse Prevention Grants	93.590	4,500
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	107,807
Foster Care Title IV-E	93.658	21,058
Social Services Block Grant Title XX	93.667	81,590
Chafee Foster Care Independence Program	93.674	1,857
Community Mental Health Services Block Grant	93.958	7,670
Total U.S. Department of Health and Human Services		\$ 306,426

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 14
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Passed Through Minnesota Department of Public Safety		
State Domestic Preparedness Equipment Support Program	97.004	\$ 77,435
Hazard Mitigation Grant	97.039	7,500
Homeland Security Grant Program	97.067	9,970
Total U.S. Department of Homeland Security		\$ 94,905
Total Federal Awards		\$ 1,125,217

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 on the modified accrual basis of accounting.
3. During 2005, the County did not pass any federal money to subrecipients.
4. Pass-through grant numbers were not assigned by the pass-through agencies.