

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

POPE COUNTY
GLENWOOD, MINNESOTA

YEAR ENDED DECEMBER 31, 2004

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, 2004



**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
2004**

Office	Name	Term	
		From	To
Commissioners			
1st District	Larry Kittelson	January 2001	January 2005
2nd District	Jeanne Olson	January 2003	January 2007
3rd District	Everell Barsness	January 2001	January 2005
4th District	Keith Naig*	January 2001	January 2005
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 2004
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 2001	January 2005
Member	Jeanne Olson	January 2003	January 2007
Member	Everell Barsness	January 2001	January 2005
Member	Keith Naig	January 2001	January 2005
Member	Robert McCrory	January 2003	January 2007

*Chair

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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, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pope County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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, 2004, 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 methods 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 combining and individual fund financial statements and supplementary information listed in the table of contents are presented for purposes of additional analysis and are 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 22, 2005, 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: July 22, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004
(Unaudited)**

INTRODUCTION

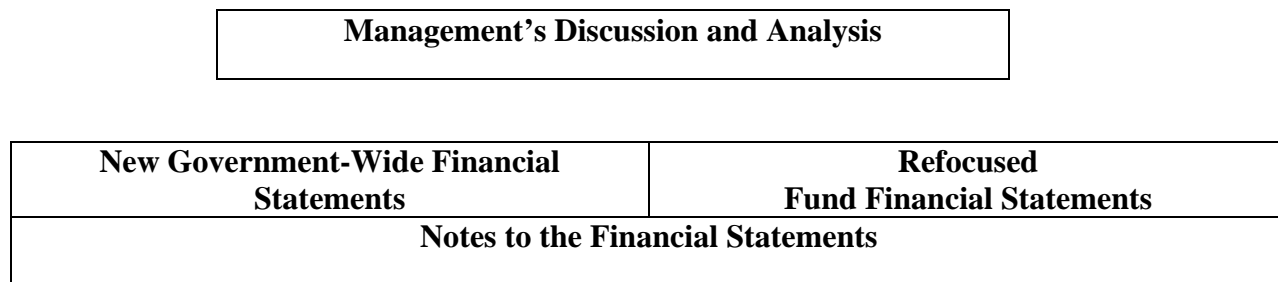
Pope County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2004. The Management's Discussion and Analysis (MD&A) was new in 2003 and is now presented at the front of each year's audited financial statements. 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 \$42,438,174, of which Pope County has invested \$36,009,458 in capital assets, net of related debt, and \$591,047 is restricted to specific purposes/uses by the County.
- The net cost of Pope County's governmental activities for the year ended December 31, 2004, was \$4,863,002; the net cost was funded by general revenues and other items totaling \$5,466,629.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



Pope County presents two government-wide financial statements. They are the Statement of Net Assets and the Statement of Activities. These two government-wide financial statements provide information about the activities of the County as a whole and present a longer-term view of Pope County's finances. The County's fund financial statements follow these two government-wide financial statements. For governmental activities, these statements tell how Pope County financed these services in the short term as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant/major funds. The remaining 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 (%)
	2004	2003	
Assets			
Current and other assets	\$ 7,645,486	\$ 8,226,923	(7.1)
Capital assets, net of accumulated depreciation	37,976,010	36,736,610	3.4
Total Assets	\$ 45,621,496	\$ 44,963,533	1.5
Liabilities			
Current liabilities	\$ 1,083,993	\$ 759,799	42.7
Long-term debt outstanding	2,099,329	2,369,187	(11.4)
Total Liabilities	\$ 3,183,322	\$ 3,128,986	1.7
Net Assets			
Invested in capital assets, net of debt	\$ 36,009,458	\$ 36,550,225	(1.5)
Restricted	591,047	1,299,426	(54.5)
Unrestricted	5,837,669	3,984,896	46.5
Total Net Assets	\$ 42,438,174	\$ 41,834,547	1.4

Pope County's total net assets for the year ended December 31, 2004, total \$42,438,174. The governmental activities' unrestricted net assets, totaling \$5,837,669, 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 (%)
	2004	2003	
Revenues			
Program revenues			
Fees, charges, fines, and other	\$ 1,540,203	\$ 1,523,932	1.1
Operating grants and contributions	4,936,066	4,964,175	(0.6)
Capital grants and contributions	27,877	276,759	(89.9)
General revenues			
Property taxes	3,762,076	3,498,479	7.5
Other taxes	74,312	89,094	(16.6)
Grants and contributions not restricted to specific programs	1,307,589	1,322,415	(1.1)
Other general revenues	322,652	285,608	13.0
Total Revenues	\$ 11,970,775	\$ 11,960,462	0.1
Expenses			
General government	\$ 2,441,767	\$ 2,339,494	4.4
Public safety	1,348,822	1,179,341	14.4
Highways and streets	3,691,235	2,009,522	83.7
Sanitation	280,092	266,297	5.2
Human services	2,273,012	2,388,758	(4.9)
Health	765,801	769,308	(0.5)
Culture and recreation	124,006	118,800	4.4
Conservation of natural resources	288,742	292,871	(1.4)
Economic development	102,652	68,838	49.1
Interest	51,019	52,631	(3.1)
Total Expenses	\$ 11,367,148	\$ 9,485,860	19.8
Increase in Net Assets	\$ 603,627	\$ 2,474,602	(75.6)
Net Assets - January 1	41,834,547	39,359,945	6.3
Net Assets - December 31	\$ 42,438,174	\$ 41,834,547	1.4

Governmental Activities

Revenues for Pope County's governmental activities for the year ended December 31, 2004, were \$11,970,775. The County's cost for all governmental activities for the year ended December 31, 2004, was \$11,367,148. The net assets for the County's governmental activities increased by \$603,627 in 2004.

As shown in the Statement of Activities, the amount that Pope County taxpayers ultimately financed for these governmental activities through local property taxation was \$3,762,076, because \$6,504,146 of the costs were paid by those who directly benefited from the programs,

and \$1,381,901 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 \$322,652 from other revenues, such as investment income, mortgage registry tax, and state deed tax.

**Total County Revenue
2004**

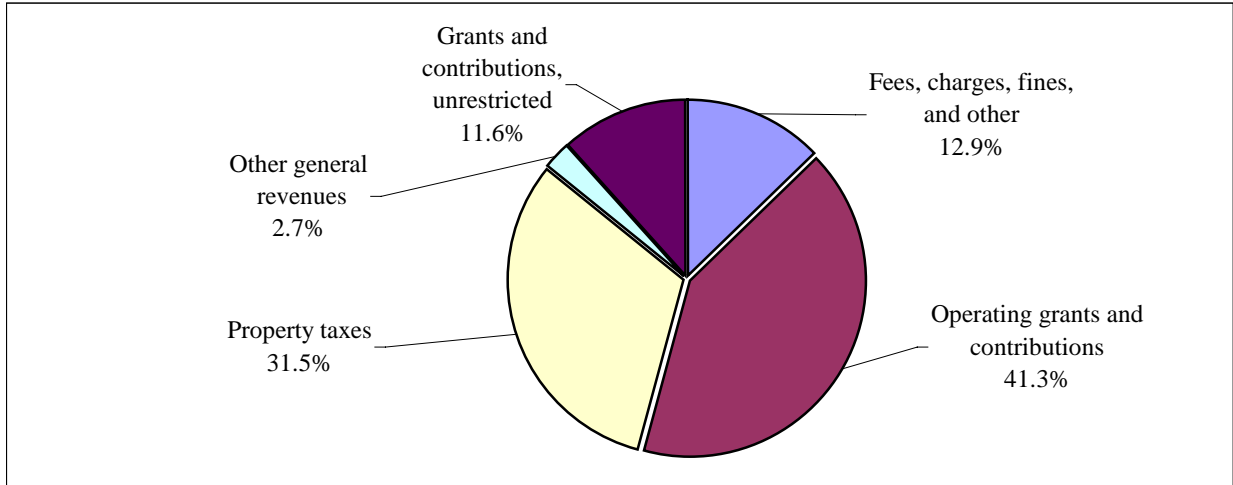
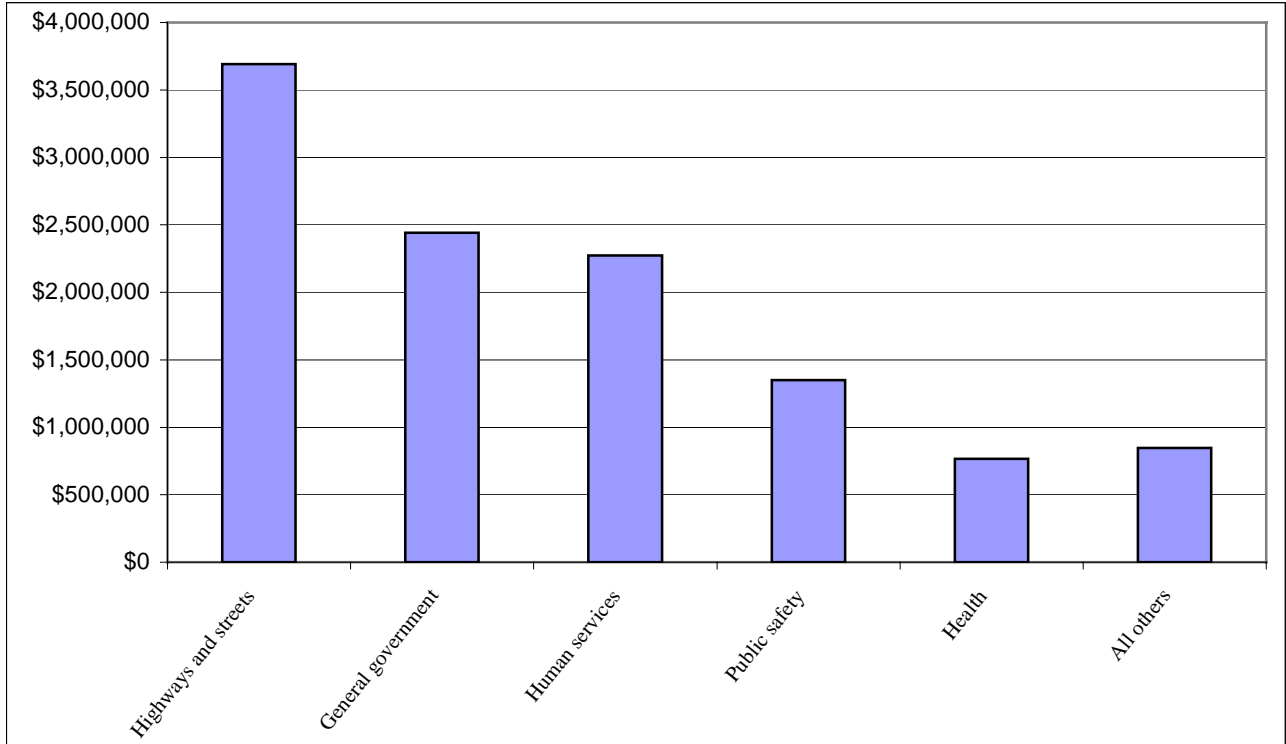


Table 3 presents the cost of each of Pope County’s five largest program functions, as well as each function’s net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Pope County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services 2004	Net Cost of Services 2004
Program Expenses		
General government	\$ 2,441,767	\$ 2,022,256
Public safety	1,348,822	942,229
Highways and streets	3,691,235	479,194
Human services	2,273,012	960,160
Health	765,801	56,058
All others	846,511	403,105
Total Program Expenses	<u>\$ 11,367,148</u>	<u>\$ 4,863,002</u>

**Governmental Activities Expenses
2004**



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 \$6,093,816.

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 2004, the County Board of Commissioners made changes to the budget as originally adopted on December 23, 2003. 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 slightly below the expected revenues by \$165,822, and actual expenditures were \$1,255,422 more than budgeted expenditures.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2004, Pope County had \$37,976,010 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 below).

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

	<u>2004</u>	<u>2003</u>	<u>Percent Change (%)</u>
Land	\$ 1,469,502	\$ 113,961	1,189.5
Buildings	1,250,126	1,327,155	(5.8)
Office furniture and equipment	132,385	204,841	(35.4)
Machinery and equipment	1,336,841	1,402,800	(4.7)
Infrastructure	32,653,577	33,687,853	(3.1)
Construction in progress	<u>1,133,579</u>	<u>-</u>	-
Totals	<u>\$ 37,976,010</u>	<u>\$ 36,736,610</u>	3.4

At December 31, 2004, Pope County had \$1,554,300 bonds and notes outstanding compared with 1,830,000 as of December 31, 2003--a decrease of 15 percent--as shown in Table 5.

Table 5
Outstanding Debt at Year-End

	<u>Governmental Activities</u>		<u>Percent Change (%)</u>
	<u>2004</u>	<u>2003</u>	
Bonds payable			
2002 Solid Waste Bonds	\$ 735,000	\$ 830,000	(11.5)
2003A G.O. Capital Improvement Bonds	815,000	1,000,000	(18.5)
Septic System Replacement Program loan	<u>4,300</u>	<u>-</u>	-
Totals	<u>\$ 1,554,300</u>	<u>\$ 1,830,000</u>	(15.1)

New debt resulted from a Septic System Replacement Program loan with the State of Minnesota which will be repaid by levying special assessments to participants in the program. 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 2005 budget and tax rates.

- For the past three years, the State of Minnesota has projected a budget deficit. How the State of Minnesota resolves this deficit could have a significant impact on future Pope County budgets. Major revenue sources for the County are state-paid aids, credits, and grants. Should the State of Minnesota significantly reduce these revenues or pass on costs to the County, it would have a significant impact on next year's budget.
- Pope County's unemployment rates for 2003 and 2004 remained the same at 4.0 percent compared to the Minnesota unemployment rate for 2003 and 2004 which averaged 4.9 percent and 4.7 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 Mary Pischke, 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, 2004**

Assets

Cash and pooled investments	\$	6,717,722
Petty cash and change funds		1,600
Departmental cash		131,253
Taxes receivable		
Delinquent		85,301
Special assessments receivable		
Delinquent		13,576
Deferred		139,804
Accounts receivable		57,360
Accrued interest receivable		6,095
Due from other governments		425,205
Inventories		49,670
Deferred charges		17,900
Capital assets		
Non-depreciable		2,603,081
Depreciable - net of accumulated depreciation		35,372,929
		35,372,929
Total Assets	\$	45,621,496

Liabilities

Accounts payable	\$	217,110
Salaries payable		101,015
Contracts payable		247,462
Due to other governments		38,770
Matured interest payable		6,989
Unearned revenue		472,647
Long-term liabilities		
Due within one year		314,136
Due in more than one year		1,785,193
		1,785,193
Total Liabilities	\$	3,183,322

Net Assets

Invested in capital assets - net of related debt	\$	36,009,458
Restricted for		
General government		9,620
Public safety		5,399
Capital projects		272,848
Debt service		277,205
Postclosure		25,975
Unrestricted		5,837,669
		5,837,669
Total Net Assets	\$	42,438,174

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 2,441,767	\$ 355,833	\$ 63,678	\$ -	\$ (2,022,256)
Public safety	1,348,822	180,760	203,148	22,685	(942,229)
Highways and streets	3,691,235	97,437	3,109,412	5,192	(479,194)
Sanitation	280,092	235,254	-	-	(44,838)
Human services	2,273,012	93,306	1,219,546	-	(960,160)
Health	765,801	539,796	169,947	-	(56,058)
Culture and recreation	124,006	-	-	-	(124,006)
Conservation of natural resources	288,742	37,817	170,335	-	(80,590)
Economic development	102,652	-	-	-	(102,652)
Interest	51,019	-	-	-	(51,019)
Total governmental activities	\$ 11,367,148	\$ 1,540,203	\$ 4,936,066	\$ 27,877	\$ (4,863,002)
 General Revenues					
Property taxes					\$ 3,762,076
Gravel taxes					45,390
Payments in lieu of tax					28,922
Grants and contributions not restricted to specific programs					1,307,589
Investment income					196,134
Miscellaneous					87,518
Gain on disposal of general capital assets					39,000
Total general revenues					\$ 5,466,629
Change in net assets					\$ 603,627
Net Assets - Beginning					41,834,547
Net Assets - Ending					\$ 42,438,174

FUND FINANCIAL STATEMENTS

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge	Family Services
<u>Assets</u>			
Cash and pooled investments	\$ 3,091,962	\$ 833,374	\$ 1,811,524
Petty cash and change funds	1,600	-	-
Departmental cash	131,253	-	-
Taxes receivable			
Delinquent	47,161	13,931	18,255
Special assessments receivable			
Delinquent	-	-	-
Deferred	8,500	-	-
Accounts receivable	3,866	3,335	8,341
Accrued interest receivable	6,095	-	-
Due from other funds	295	1,431	2,862
Due from other governments	59,623	221,394	116,860
Inventories	-	49,670	-
Advances to other funds	318,172	-	-
	<u>\$ 3,668,527</u>	<u>\$ 1,123,135</u>	<u>\$ 1,957,842</u>
Total Assets	<u>\$ 3,668,527</u>	<u>\$ 1,123,135</u>	<u>\$ 1,957,842</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>
\$ 80,447	\$ 19,823	\$ 273,932	\$ 276,121	\$ 330,539	\$ 6,717,722
-	-	-	-	-	1,600
-	-	-	-	-	131,253
-	-	5,954	-	-	85,301
545	13,031	-	-	-	13,576
131,304	-	-	-	-	139,804
-	-	-	-	41,818	57,360
-	-	-	-	-	6,095
-	-	3,273	-	5,431	13,292
-	-	-	-	27,328	425,205
-	-	-	-	-	49,670
-	-	-	-	-	318,172
\$ 212,296	\$ 32,854	\$ 283,159	\$ 276,121	\$ 405,116	\$ 7,959,050

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge	Family Services
<u>Liabilities and Fund Balance</u>			
Liabilities			
Accounts payable	\$ 61,151	\$ 13,216	\$ 125,399
Salaries payable	54,266	16,587	18,350
Contracts payable	156,584	90,878	-
Due to other funds	1,902	4,106	1,254
Due to other governments	14,632	12,910	6,119
Deferred revenue - unavailable	55,661	232,016	18,255
Deferred revenue - unearned	33,162	439,485	-
Advance from other funds	-	165,000	-
	\$ 377,358	\$ 974,198	\$ 169,377
Fund Balance			
Reserved for			
Inventories	\$ -	\$ 49,670	\$ -
Advances to other funds	318,172	-	-
Recorder's equipment	9,620	-	-
DARE	5,399	-	-
Gravel pit closure	-	-	-
Unreserved			
Designated for debt service	-	-	-
Designated for courthouse maintenance	100,000	-	-
Designated for working capital cash flows	1,000,000	-	590,305
Designated for capital improvements	-	-	-
Designated for contingencies	75,000	-	-
Designated for petty cash funds	1,600	-	-
Designated for compensated absences	350,000	-	-
Undesignated	1,431,378	99,267	1,198,160
Unreserved, reported in nonmajor			
Special revenue funds	-	-	-
	\$ 3,291,169	\$ 148,937	\$ 1,788,465
Total Liabilities and Fund Balance	\$ 3,668,527	\$ 1,123,135	\$ 1,957,842

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>
\$ 1,855	\$ -	\$ -	\$ -	\$ 15,489	\$ 217,110
-	-	-	-	11,812	101,015
-	-	-	-	-	247,462
-	-	-	3,273	2,757	13,292
-	5,109	-	-	-	38,770
131,849	13,031	5,954	-	-	456,766
-	-	-	-	-	472,647
128,172	-	-	-	25,000	318,172
\$ 261,876	\$ 18,140	\$ 5,954	\$ 3,273	\$ 55,058	\$ 1,865,234
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 49,670
-	-	-	-	-	318,172
-	-	-	-	-	9,620
-	-	-	-	-	5,399
-	-	-	-	25,975	25,975
-	-	277,205	-	-	277,205
-	-	-	-	-	100,000
-	-	-	-	-	1,590,305
-	-	-	272,848	-	272,848
-	-	-	-	-	75,000
-	-	-	-	-	1,600
-	-	-	-	-	350,000
(49,580)	14,714	-	-	-	2,693,939
-	-	-	-	324,083	324,083
\$ (49,580)	\$ 14,714	\$ 277,205	\$ 272,848	\$ 350,058	\$ 6,093,816
\$ 212,296	\$ 32,854	\$ 283,159	\$ 276,121	\$ 405,116	\$ 7,959,050

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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, 2004**

Fund balances - total governmental funds (Exhibit 3)	\$	6,093,816
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.		37,976,010
Deferred charges are not available to pay current expenditures and, therefore, are not reported in the governmental funds.		17,900
Revenues in the statement of activities that do not provide current financial resources are not reported in the governmental funds.		456,766
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	\$ (1,550,000)	
Loans payable	(4,300)	
Compensated absences	(545,029)	(2,099,329)
Matured interest payable is not due and payable in the current period and, therefore, is not reported in the governmental funds.		(6,989)
Net assets of governmental activities (Exhibit 1)	\$	<u>42,438,174</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>
Revenues			
Taxes	\$ 2,078,247	\$ 634,154	\$ 791,074
Special assessments	70	-	-
Licenses and permits	61,151	-	-
Intergovernmental	1,196,804	3,254,612	1,516,134
Charges for services	424,791	23,412	60,661
Fines and forfeits	11,837	-	-
Gifts and contributions	4,835	-	13,745
Investment income	194,949	-	-
Miscellaneous	186,899	74,025	32,645
Total Revenues	\$ 4,159,583	\$ 3,986,203	\$ 2,414,259
Expenditures			
Current			
General government	\$ 2,119,256	\$ -	\$ -
Public safety	1,269,495	-	-
Highways and streets	-	3,716,307	-
Human services	-	-	2,346,074
Health	-	-	-
Culture and recreation	124,006	-	-
Conservation of natural resources	283,501	-	-
Economic development	14,447	-	-
Intergovernmental			
Sanitation	49,099	-	-
Highways and streets	-	250,932	-
Culture and recreation	62,082	-	-
Capital outlay			
	1,338,945	-	-
Debt service			
Principal retirement	-	30,000	-
Interest	-	-	-
Administrative charges	-	-	-
Total Expenditures	\$ 5,260,831	\$ 3,997,239	\$ 2,346,074
Excess of Revenues Over (Under) Expenditures	\$ (1,101,248)	\$ (11,036)	\$ 68,185
Other Financing Sources (Uses)			
Transfers in	\$ 390,900	\$ 149,867	\$ -
Transfers out	(123,171)	-	-
Loans issued	4,300	-	-
Proceeds from sale of capital assets	-	17,422	-
Total Other Financing Sources (Uses)	\$ 272,029	\$ 167,289	\$ -
Net Change in Fund Balance	\$ (829,219)	\$ 156,253	\$ 68,185
Fund Balance - January 1	4,120,388	(2,141)	1,720,280
Increase (decrease) in reserved for inventories	-	(5,175)	-
Fund Balance - December 31	\$ 3,291,169	\$ 148,937	\$ 1,788,465

EXHIBIT 5

Ditch	Solid Waste	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 301,113	\$ -	\$ 4,106	\$ 3,808,694
44,671	230,994	-	-	-	275,735
-	-	-	-	-	61,151
-	-	46,057	-	149,371	6,162,978
-	-	-	-	538,645	1,047,509
-	-	-	-	26,006	37,843
-	-	-	-	-	18,580
-	-	886	-	299	196,134
-	-	-	-	-	293,569
\$ 44,671	\$ 230,994	\$ 348,056	\$ -	\$ 718,427	\$ 11,902,193
\$ -	\$ -	\$ -	\$ -	\$ 28,537	\$ 2,147,793
-	-	-	-	-	1,269,495
-	-	-	-	-	3,716,307
-	-	-	-	-	2,346,074
-	-	-	-	756,484	756,484
-	-	-	-	-	124,006
5,500	-	-	-	-	289,001
-	-	-	-	440,590	455,037
-	230,993	-	-	-	280,092
-	-	-	-	-	250,932
-	-	-	-	-	62,082
-	-	-	-	-	1,338,945
-	-	280,000	-	-	310,000
2,193	-	41,051	-	3,755	46,999
-	-	350	-	-	350
\$ 7,693	\$ 230,993	\$ 321,401	\$ -	\$ 1,229,366	\$ 13,393,597
\$ 36,978	\$ 1	\$ 26,655	\$ -	\$ (510,939)	\$ (1,491,404)
\$ -	\$ -	\$ -	\$ -	\$ 123,171	\$ 663,938
-	-	-	(540,767)	-	(663,938)
-	-	-	-	-	4,300
-	-	-	-	455,000	472,422
\$ -	\$ -	\$ -	\$ (540,767)	\$ 578,171	\$ 476,722
\$ 36,978	\$ 1	\$ 26,655	\$ (540,767)	\$ 67,232	\$ (1,014,682)
(86,558)	14,713	250,550	813,615	282,826	7,113,673
-	-	-	-	-	(5,175)
\$ (49,580)	\$ 14,714	\$ 277,205	\$ 272,848	\$ 350,058	\$ 6,093,816

**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 NET ASSETS--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (1,014,682)

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 adjustment	\$ 2,623,162	
Current year depreciation	(951,930)	1,671,232

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. (431,832)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 117,896

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		
Loans payable	\$ (4,300)	
Principal repayments	310,000	
Current year amortization of issuance costs	(4,475)	301,225

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	\$ 805	
Change in compensated absences	(35,842)	
Change in inventories	(5,175)	(40,212)

Change in net assets of governmental activities (Exhibit 2) \$ 603,627

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004**

	<u>Cemetery Investment Trust</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 72,654	\$ 236,776
Accrued interest receivable	407	-
Total Assets	<u>\$ 73,061</u>	<u>\$ 236,776</u>
<u>Liabilities</u>		
Accounts payable	\$ 2,970	\$ 5,046
Due to other governments	-	231,730
Total Liabilities	<u>\$ 2,970</u>	<u>\$ 236,776</u>
<u>Net Assets</u>		
Net assets, restricted for perpetual care - expendable	<u>\$ 70,091</u>	

**POPE COUNTY
GLENWOOD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
CEMETERY INVESTMENT TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

<u>Additions</u>	
Trust deposits	\$ 600
Investment income	<u>2,756</u>
Total additions	\$ 3,356
<u>Deductions</u>	
Payments in accordance with trust agreements	<u>2,971</u>
Change in net assets	\$ 385
Net Assets - Beginning	<u>69,706</u>
Net Assets - Ending	<u><u>\$ 70,091</u></u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. 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.

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 Pope County. 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 that are 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 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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,

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 to be available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be 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, then unrestricted resources as they are needed.

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, 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 2004 were \$198,890.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments (Continued)

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

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

2. Receivables and Payables

Activities between funds that are 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.”

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Receivables and Payables (Continued)

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 on 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.

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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

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.

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

7. Long-Term Obligations (Continued)

amortized over the life of the bonds using the effective interest 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 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.

**POPE COUNTY
GLENWOOD, MINNESOTA**

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance as of December 31, 2004, of \$49,580. The Ditch Fund's deficit will be eliminated with future special assessment levies against benefited properties.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The County's total cash and investments are reported as follows:

Governmental activities	
Cash and pooled investments	\$ 6,717,722
Petty cash and change funds	1,600
Departmental cash	131,253
Fiduciary funds	
Cemetery Investment Trust Fund	
Cash and pooled investments	72,654
Agency funds	
Cash and pooled investments	<u>236,776</u>
Total Cash and Investments	<u>\$ 7,160,005</u>

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$7,027,152. The bank balance deposit amount was \$7,619,468. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 514,000
Collateralized with securities held by the pledging financial institution's agent in the County's name	7,105,468
Total covered deposits	\$ 7,619,468
Uncollateralized	-
Total	\$ 7,619,468

2. Receivables

The County did not have any receivables scheduled to be collected beyond one year, except for \$139,804 of deferred special assessments.

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Adjustment	Ending Balance
Capital assets not depreciated					
Land	\$ 113,961	\$ 299,412	\$ -	\$ 1,056,129	\$ 1,469,502
Construction in progress	-	1,133,579	-	-	1,133,579
Total capital assets not depreciated	\$ 113,961	\$ 1,432,991	\$ -	\$ 1,056,129	\$ 2,603,081
Capital assets depreciated					
Buildings	\$ 2,330,396	\$ 416,000	\$ 416,000	\$ -	\$ 2,330,396
Office furniture and equipment	490,389	-	28,810	-	461,579
Machinery and automotive equipment	2,710,128	149,867	147,448	-	2,712,547
Infrastructure	41,443,948	624,304	2	(1,056,129)	41,012,121
Total capital assets depreciated	\$ 46,974,861	\$ 1,190,171	\$ 592,260	\$ (1,056,129)	\$ 46,516,643

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Adjustment</u>	<u>Ending Balance</u>
Less: accumulated depreciation for					
Buildings	\$ 1,003,241	\$ 77,066	\$ 37	\$ -	\$ 1,080,270
Office furniture and equipment	285,548	56,578	12,932	-	329,194
Machinery and automotive equipment	1,307,328	215,837	147,459	-	1,375,706
Infrastructure	<u>7,756,095</u>	<u>783,619</u>	<u>-</u>	<u>(181,170)</u>	<u>8,358,544</u>
Total accumulated depreciation	<u>\$ 10,352,212</u>	<u>\$ 1,133,100</u>	<u>\$ 160,428</u>	<u>\$ (181,170)</u>	<u>\$ 11,143,714</u>
Total capital assets depreciated, net	<u>\$ 36,622,649</u>	<u>\$ 57,071</u>	<u>\$ 431,832</u>	<u>\$ (874,959)</u>	<u>\$ 35,372,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 36,736,610</u>	<u>\$ 1,490,062</u>	<u>\$ 431,832</u>	<u>\$ 181,170</u>	<u>\$ 37,976,010</u>

The adjustment was done to reclassify right-of-way costs out of depreciated infrastructure into land, which is not depreciated. Since part of the right-of-way had been depreciated in the past, the accumulated depreciation was adjusted accordingly.

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

Governmental Activities	
General government	\$ 105,864
Public safety	52,671
Highways and streets, including depreciation of infrastructure assets	786,662
Family services	<u>6,733</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 951,930</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, 2004, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Family Services	\$ 295
Road and Bridge	General	\$ 1,312
	Family Services	119
Total Due to Road and Bridge Fund		<u>\$ 1,431</u>
Family Services	General	\$ 105
	Health Services	2,757
Total Due to Family Services Fund		<u>\$ 2,862</u>
Gravel Tax	Road and Bridge	\$ 4,106
Debt Service Fund	Capital Projects	\$ 3,273
Health Services	General	\$ 485
	Family Services	840
Total Due to Health Services Fund		<u>\$ 1,325</u>
Total Due To/From Other Funds		<u>\$ 13,292</u>

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 165,000
	Ditch	128,172
	Housing and Redevelopment Authority	25,000
Total Advances From/To Other Funds		<u>\$ 318,172</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to General Fund from Capital Projects Fund	\$ 390,900	To reimburse the General Fund for capital purchases
Transfers to Road and Bridge Fund from Capital Projects Fund	149,867	To reimburse the Road and Bridge Fund for capital purchases
Transfers to Health Services Fund from General Fund	<u>123,171</u>	To provide funding
Total Interfund Transfers	<u>\$ 663,938</u>	

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 217,110
Salaries	101,015
Contracts	247,462
Due to other governments	38,770
Matured interest	<u>6,989</u>
Total Payables	<u>\$ 611,346</u>

**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 grants 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, 2004, is summarized below by fund:

	<u>Taxes and Special Assessments</u>	<u>Grants</u>	<u>Total</u>
Governmental Funds			
General	\$ 55,661	\$ 33,162	\$ 88,823
Road and Bridge	13,931	657,570	671,501
Family Services	18,255	-	18,255
Ditch	131,849	-	131,849
Solid Waste	13,031	-	13,031
Debt Service	5,954	-	5,954
	<u>\$ 238,681</u>	<u>\$ 690,732</u>	<u>\$ 929,413</u>
Deferred Revenue			
Unearned	\$ -	\$ 472,647	\$ 472,647
Unavailable	238,681	218,085	456,766
	<u>\$ 238,681</u>	<u>\$ 690,732</u>	<u>\$ 929,413</u>

3. Other Postemployment Benefits

Retirees

The County pays the health insurance for qualified retired employees from date of retirement until death in accordance with County policy. The rates are based on the County's group health policy rates. During 2004, the County paid health insurance premiums for 28 retirees totaling \$125,948.

**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 Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</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	\$ 735,000
2003A G.O. Capital Improvement Bonds	03/01/2008	\$185,000 - \$215,000	1.05 - 2.45	1,000,000	815,000
Total General Obligation Bonds				<u>\$ 2,030,000</u>	<u>\$ 1,550,000</u>
State of Minnesota Septic System Replacement Loan	06/15/2017	\$390 - \$470	2.00	\$ 4,300	\$ 4,300

5. Debt Service Requirements

Debt payments are made from the Debt Service Fund. Debt service requirements at December 31, 2004, were as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 290,000	\$ 36,961	\$ -	\$ -
2006	295,000	31,996	-	-
2007	310,000	25,635	392	82
2008	320,000	17,949	400	75
2009	110,000	11,955	408	66
2010 - 2017	225,000	12,470	3,100	225
Total	<u>\$ 1,550,000</u>	<u>\$ 136,966</u>	<u>\$ 4,300</u>	<u>\$ 448</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, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
General obligation bonds	\$ 1,830,000	\$ -	\$ 280,000	\$ 1,550,000	\$ 290,000
Claims and judgments	30,000	-	30,000	-	-
Loans payable	-	4,300	-	4,300	-
Compensated absences	509,187	334,390	298,548	545,029	24,136
Long-Term Liabilities	<u>\$ 2,369,187</u>	<u>\$ 338,690</u>	<u>\$ 608,548</u>	<u>\$ 2,099,329</u>	<u>\$ 314,136</u>

The loan payable is the result of a loan received from the Minnesota Pollution Control Agency to assist County residents in septic system replacement. The loan is to be paid back over ten years beginning in 2007 with two percent interest. The General Fund will make these payments.

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 web at 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 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. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary.

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

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30

The County's contributions for the years ending December 31, 2004, 2003, and 2002, 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
2004	\$ 192,870	\$ 20,497
2003	186,136	19,245
2002	188,225	20,895

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 for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT). 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 from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

B. Contingent Liabilities

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

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

**POPE COUNTY
GLENWOOD, MINNESOTA**

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

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 \$18,945,693 as of December 31, 2004, which was a net decrease of \$306,097.

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.

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not act to discharge any liability incurred or chargeable to any county before the effective date of withdrawal. Control is vested in the West

**POPE COUNTY
GLENWOOD, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

West Central Area Agency on Aging (Continued)

Central 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 West Central Area Agency on Aging can be obtained from its administrative office, P. O. Box 726, Fergus Falls, Minnesota 56537.

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 grant 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 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 to be repaid by June 2006.

**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)

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.

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 2004.

REQUIRED SUPPLEMENTARY INFORMATION

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,421,354	\$ 2,421,354	\$ 2,078,247	\$ (343,107)
Special assessments	-	-	70	70
Licenses and permits	40,300	40,300	61,151	20,851
Intergovernmental	1,054,861	1,054,861	1,196,804	141,943
Charges for services	410,918	410,918	424,791	13,873
Fines and forfeits	1,000	1,000	11,837	10,837
Gifts and contributions	39,152	39,152	4,835	(34,317)
Investment income	200,000	200,000	194,949	(5,051)
Miscellaneous	157,820	157,820	186,899	29,079
Total Revenues	\$ 4,325,405	\$ 4,325,405	\$ 4,159,583	\$ (165,822)
Expenditures				
Current				
General government				
Commissioners	\$ 163,505	\$ 164,705	\$ 170,386	\$ (5,681)
Wellness program	2,992	2,992	1,624	1,368
Information technology	68,552	76,607	64,203	12,404
Coordinator	113,827	122,680	121,694	986
Auditor/treasurer	280,898	307,200	298,257	8,943
County assessor	232,129	251,813	251,776	37
Elections	26,500	26,500	21,716	4,784
Accounting and auditing	30,000	30,000	44,504	(14,504)
Data processing	33,561	35,912	36,753	(841)
Attorney	156,375	165,776	170,845	(5,069)
Recorder	228,506	228,506	225,864	2,642
Surveyor	2,500	2,500	-	2,500
Environmental services	168,320	201,850	193,732	8,118
Buildings and plant	385,103	386,640	296,965	89,675
Veterans service officer	73,194	76,024	77,125	(1,101)
Other general government	163,474	58,521	143,812	(85,291)
Total general government	\$ 2,129,436	\$ 2,138,226	\$ 2,119,256	\$ 18,970
Public safety				
Sheriff	\$ 735,761	\$ 736,601	\$ 696,188	\$ 40,413
Snowmobile grant	5,000	5,000	3,276	1,724
Boat and water safety	17,362	17,362	20,577	(3,215)
Coroner	4,250	4,250	9,307	(5,057)
Enhanced 911	19,160	19,160	17,294	1,866
Dispatchers	227,998	228,698	244,761	(16,063)
Court services	189,181	195,043	184,828	10,215
Probation and parole	-	-	729	(729)
Sentence to service	55,056	56,285	54,839	1,446
Emergency management	8,262	8,262	37,696	(29,434)
Total public safety	\$ 1,262,030	\$ 1,270,661	\$ 1,269,495	\$ 1,166

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 38,295	\$ 38,295	\$ 42,676	\$ (4,381)
Coordinator on aging	74,344	76,783	78,640	(1,857)
Other	2,690	2,690	2,690	-
Total culture and recreation	\$ 115,329	\$ 117,768	\$ 124,006	\$ (6,238)
Conservation of natural resources				
County extension	\$ 99,387	\$ 99,527	\$ 96,320	\$ 3,207
Soil and water conservation	36,214	36,214	36,214	-
Agricultural inspections	16,650	16,650	14,718	1,932
Agricultural society/County fair	22,894	22,894	22,984	(90)
Water management	171,318	151,318	105,148	46,170
Shoreland management	4,843	4,843	3,817	1,026
Other	-	-	4,300	(4,300)
Total conservation of natural resources	\$ 351,306	\$ 331,446	\$ 283,501	\$ 47,945
Economic development				
Community development	\$ 39,692	\$ 39,692	\$ 12,692	\$ 27,000
Senior citizens	1,755	1,755	1,755	-
Total economic development	\$ 41,447	\$ 41,447	\$ 14,447	\$ 27,000
Intergovernmental				
Sanitation				
Pope-Douglas Solid Waste Board	\$ 43,779	\$ 43,779	\$ 49,099	\$ (5,320)
Culture and recreation				
Library	\$ 62,082	\$ 62,082	\$ 62,082	\$ -
Capital outlay	\$ -	\$ -	\$ 1,338,945	\$ (1,338,945)
Total Expenditures	\$ 4,005,409	\$ 4,005,409	\$ 5,260,831	\$ (1,255,422)
Excess of Revenues Over (Under) Expenditures	\$ 319,996	\$ 319,996	\$ (1,101,248)	\$ (1,421,244)

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Transfers in	\$ 220,800	\$ 220,800	\$ 390,900	\$ 170,100
Transfers out	-	-	(123,171)	(123,171)
Loans issued	-	-	4,300	4,300
Total Other Financing Sources (Uses)	\$ 220,800	\$ 220,800	\$ 272,029	\$ 51,229
Net Change in Fund Balance	\$ 540,796	\$ 540,796	\$ (829,219)	\$ (1,370,015)
Fund Balance - January 1	4,120,388	4,120,388	4,120,388	-
Fund Balance - December 31	\$ 4,661,184	\$ 4,661,184	\$ 3,291,169	\$ (1,370,015)

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 702,664	\$ 702,664	\$ 634,154	\$ (68,510)
Intergovernmental	2,675,221	2,675,221	3,254,612	579,391
Charges for services	-	-	23,412	23,412
Miscellaneous	-	-	74,025	74,025
Total Revenues	\$ 3,377,885	\$ 3,377,885	\$ 3,986,203	\$ 608,318
Expenditures				
Current				
Highways and streets				
Administration	\$ 513,400	\$ 513,400	\$ 200,156	\$ 313,244
Maintenance	737,200	737,200	668,802	68,398
Construction	1,611,576	1,611,576	2,432,159	(820,583)
Equipment maintenance and shops	486,000	486,000	415,190	70,810
Total highways and streets	\$ 3,348,176	\$ 3,348,176	\$ 3,716,307	\$ (368,131)
Intergovernmental				
Highways and streets	\$ -	\$ -	\$ 250,932	\$ (250,932)
Debt service				
Principal retirement	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Total Expenditures	\$ 3,378,176	\$ 3,378,176	\$ 3,997,239	\$ (619,063)
Excess of Revenues Over (Under) Expenditures	\$ (291)	\$ (291)	\$ (11,036)	\$ (10,745)
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 149,867	\$ 149,867
Proceeds from sale of assets	-	-	17,422	17,422
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 167,289	\$ 167,289
Net Change in Fund Balance	\$ (291)	\$ (291)	\$ 156,253	\$ 156,544
Fund Balance - January 1	(2,141)	(2,141)	(2,141)	-
Increase (decrease) in reserved for inventories	-	-	(5,175)	(5,175)
Fund Balance - December 31	\$ (2,432)	\$ (2,432)	\$ 148,937	\$ 151,369

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 619,012	\$ 619,012	\$ 791,074	\$ 172,062
Intergovernmental	1,482,409	1,482,409	1,516,134	33,725
Charges for services	28,800	28,800	60,661	31,861
Gifts and contributions	-	-	13,745	13,745
Miscellaneous	79,095	79,095	32,645	(46,450)
Total Revenues	\$ 2,209,316	\$ 2,209,316	\$ 2,414,259	\$ 204,943
Expenditures				
Current				
Human services				
Income maintenance	\$ 602,911	\$ 602,911	\$ 644,905	\$ (41,994)
Social services	1,645,455	1,645,455	1,701,169	(55,714)
Total Expenditures	\$ 2,248,366	\$ 2,248,366	\$ 2,346,074	\$ (97,708)
Net Change in Fund Balance	\$ (39,050)	\$ (39,050)	\$ 68,185	\$ 107,235
Fund Balance - January 1	1,720,280	1,720,280	1,720,280	-
Fund Balance - December 31	\$ 1,681,230	\$ 1,681,230	\$ 1,788,465	\$ 107,235

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 29,077	\$ 29,077	\$ 44,671	\$ 15,594
Expenditures				
Current				
Conservation of natural resources				
Other	\$ 19,300	\$ 19,300	\$ 5,500	\$ 13,800
Debt service				
Interest	-	-	2,193	(2,193)
Total Expenditures	\$ 19,300	\$ 19,300	\$ 7,693	\$ 11,607
Net Change in Fund Balance	\$ 9,777	\$ 9,777	\$ 36,978	\$ 27,201
Fund Balance - January 1	(86,558)	(86,558)	(86,558)	-
Fund Balance - December 31	\$ (76,781)	\$ (76,781)	\$ (49,580)	\$ 27,201

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 242,336	\$ 242,336	\$ 230,994	\$ (11,342)
Expenditures				
Intergovernmental				
Sanitation	242,336	242,336	230,993	11,343
Net Change in Fund Balance	\$ -	\$ -	\$ 1	\$ 1
Fund Balance - January 1	14,713	14,713	14,713	-
Fund Balance - December 31	\$ 14,713	\$ 14,713	\$ 14,714	\$ 1

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**POPE COUNTY
GLENWOOD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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 function 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, 2004:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,260,831	\$ 4,005,409	\$ 1,255,422
Road and Bridge Special Revenue Fund	3,997,239	3,378,176	619,063
Family Services Special Revenue Fund	2,346,074	2,248,366	97,708

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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.

Secondary Co-op - to account for the receipts and disbursements of the Secondary Co-op.

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, 2004**

	Special Revenue				Total Nonmajor Governmental Funds
	Health Services	Law Library	Gravel Tax	Housing and Redvelopment Authority	
Assets					
Cash and pooled investments	\$ 249,761	\$ 22,955	\$ 21,869	\$ 35,954	\$ 330,539
Accounts receivable	41,818	-	-	-	41,818
Due from other funds	1,325	-	4,106	-	5,431
Due from other governments	24,756	2,572	-	-	27,328
Total Assets	\$ 317,660	\$ 25,527	\$ 25,975	\$ 35,954	\$ 405,116
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 9,408	\$ 6,081	\$ -	\$ -	\$ 15,489
Salaries payable	11,812	-	-	-	11,812
Due to other funds	2,757	-	-	-	2,757
Advance from other funds	-	-	-	25,000	25,000
Total Liabilities	\$ 23,977	\$ 6,081	\$ -	\$ 25,000	\$ 55,058
Fund Balance					
Reserved for gravel pit closure	\$ -	\$ -	\$ 25,975	\$ -	\$ 25,975
Unreserved					
Undesignated	293,683	19,446	-	10,954	324,083
Total Fund Balance	\$ 293,683	\$ 19,446	\$ 25,975	\$ 10,954	\$ 350,058
Total Liabilities and Fund Balance	\$ 317,660	\$ 25,527	\$ 25,975	\$ 35,954	\$ 405,116

**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, 2004**

	Special Revenue			Housing and Redevelopment Authority	Total Nonmajor Governmental Funds
	Health Services	Law Library	Gravel Tax		
Revenues					
Taxes	\$ -	\$ -	\$ 4,106	\$ -	\$ 4,106
Intergovernmental	149,371	-	-	-	149,371
Charges for services	538,645	-	-	-	538,645
Fines and forfeits	-	26,006	-	-	26,006
Investment earnings	-	-	-	299	299
Total Revenues	\$ 688,016	\$ 26,006	\$ 4,106	\$ 299	\$ 718,427
Expenditures					
Current					
General government	\$ -	\$ 28,537	\$ -	\$ -	\$ 28,537
Health	756,484	-	-	-	756,484
Economic development	-	-	-	440,590	440,590
Debt service					
Interest	-	-	-	3,755	3,755
Total Expenditures	\$ 756,484	\$ 28,537	\$ -	\$ 444,345	\$ 1,229,366
Excess of Revenues Over (Under) Expenditures	\$ (68,468)	\$ (2,531)	\$ 4,106	\$ (444,046)	\$ (510,939)
Other Financing Sources (Uses)					
Transfers in	\$ 123,171	\$ -	\$ -	\$ -	\$ 123,171
Proceeds from sale of assets	-	-	-	455,000	455,000
Total Other Financing Sources (Uses)	\$ 123,171	\$ -	\$ -	\$ 455,000	\$ 578,171
Net Change in Fund Balance	\$ 54,703	\$ (2,531)	\$ 4,106	\$ 10,954	\$ 67,232
Fund Balance - January 1	238,980	21,977	21,869	-	282,826
Fund Balance - December 31	\$ 293,683	\$ 19,446	\$ 25,975	\$ 10,954	\$ 350,058

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 6

**BUDGETARY COMPARISON SCHEDULE
HEALTH SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 121,610	\$ 121,610	\$ 149,371	\$ 27,761
Charges for services	544,390	544,390	538,645	(5,745)
Total Revenues	\$ 666,000	\$ 666,000	\$ 688,016	\$ 22,016
Expenditures				
Current				
Health				
Health services	789,171	789,171	756,484	32,687
Excess of Revenues Over (Under) Expenditures	\$ (123,171)	\$ (123,171)	\$ (68,468)	\$ 54,703
Other Financing Sources (Uses)				
Transfers in	123,171	123,171	123,171	-
Net Change in Fund Balance	\$ -	\$ -	\$ 54,703	\$ 54,703
Fund Balance - January 1	238,980	238,980	238,980	-
Fund Balance - December 31	\$ 238,980	\$ 238,980	\$ 293,683	\$ 54,703

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
LAW LIBRARY SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<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	\$ 26,006	\$ (4,994)
Expenditures				
Current				
General government				
Law library	30,339	30,339	28,537	1,802
Net Change in Fund Balance	\$ 661	\$ 661	\$ (2,531)	\$ (3,192)
Fund Balance - January 1	21,977	21,977	21,977	-
Fund Balance - December 31	<u>\$ 22,638</u>	<u>\$ 22,638</u>	<u>\$ 19,446</u>	<u>\$ (3,192)</u>

**POPE COUNTY
GLENWOOD, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,562,918	\$ 1,562,918	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,562,918	\$ 1,562,918	\$ -
 <u>SELECT ACCOUNT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 5,428	\$ 57,013	\$ 57,395	\$ 5,046
<u>Liabilities</u>				
Accounts payable	\$ 5,428	\$ 57,013	\$ 57,395	\$ 5,046
 <u>COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 19,793	\$ 233,369	\$ 231,791	\$ 21,371
<u>Liabilities</u>				
Due to other governments	\$ 19,793	\$ 233,369	\$ 231,791	\$ 21,371

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SECONDARY CO-OP</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 202	\$ 202	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 202	\$ 202	\$ -
 <u>GLACIAL RIDGE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 220,942	\$ 220,942	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 220,942	\$ 220,942	\$ -
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 130,799	\$ 9,261,780	\$ 9,224,124	\$ 168,455
<u>Liabilities</u>				
Due to other governments	\$ 130,799	\$ 9,261,780	\$ 9,224,124	\$ 168,455

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOWN AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 12	\$ 2,174,999	\$ 2,174,751	\$ 260
<u>Liabilities</u>				
Due to other governments	\$ 12	\$ 2,174,999	\$ 2,174,751	\$ 260
 <u>WEST POPE HOSPITAL DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 265,327	\$ 265,327	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 265,327	\$ 265,327	\$ -
 <u>FARWELL KENSINGTON SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,200	\$ 1,200	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,200	\$ 1,200	\$ -

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
<u>VILLARD LAKES SANITARY DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,207	\$ 1,207	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,207	\$ 1,207	\$ -
 <u>SAUK RIVER WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 27,686	\$ 27,686	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 27,686	\$ 27,686	\$ -
 <u>NORTH FORK WATERSHED DISTRICT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 37,244	\$ 37,244	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 37,244	\$ 37,244	\$ -

**POPE COUNTY
GLENWOOD, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 49,908	\$ 1,256,517	\$ 1,264,781	\$ 41,644
<u>Liabilities</u>				
Due to other governments	\$ 49,908	\$ 1,256,517	\$ 1,264,781	\$ 41,644
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 205,940	\$ 15,100,404	\$ 15,069,568	\$ 236,776
<u>Liabilities</u>				
Accounts payable	\$ 5,428	\$ 57,013	\$ 57,395	\$ 5,046
Due to other governments	200,512	15,043,391	15,012,173	231,730
Total Liabilities	\$ 205,940	\$ 15,100,404	\$ 15,069,568	\$ 236,776

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OTHER SCHEDULES

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 8

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	Interest Rate (%)	Maturity Date	Fair Value
Pooled Deposits and Investments			
Certificates of deposit			
Hometown Community Bank	2.25	April 30, 2005	\$ 200,000
Hometown Community Bank	2.50	July 17, 2005	100,000
Hometown Community Bank	2.50	November 5, 2005	225,000
Eagle Bank	2.25	April 21, 2005	500,000
Lowry State Bank	1.85	January 4, 2005	200,000
Bremer Bank	2.15	November 26, 2005	90,000
First National Bank	2.25	April 20, 2005	24,000
Total certificates of deposit			\$ 1,339,000
Checking accounts			
Glenwood State Bank	Variable	Continuous	\$ 3,693
Eagle Bank	Variable	Continuous	2,000
Total checking accounts			\$ 5,693
Savings accounts			
Glenwood State Bank	Variable	Continuous	\$ 5,108,073
Eagle Bank	Variable	Continuous	504,153
Eagle Bank	Variable	Continuous	548
Total savings accounts			\$ 5,612,774
Total pooled deposits and investments			\$ 6,957,467
Cemetery Investment Trust Fund Investments			
Certificates of deposit			
Glenwood State Bank	2.25	August 10, 2005	\$ 16,400
Glenwood State Bank	2.45	October 8, 2005	5,000
Glenwood State Bank	2.45	October 29, 2005	8,000
Glenwood State Bank	2.45	December 30, 2005	7,000
Glenwood State Bank	5.70	January 3, 2005	7,200
Glenwood State Bank	5.70	February 7, 2005	5,000
Glenwood State Bank	5.70	April 13, 2005	1,000
Glenwood State Bank	6.25	June 19, 2005	7,000
Glenwood State Bank	6.40	July 25, 2005	1,000
Glenwood State Bank	6.40	September 5, 2005	3,000
Total certificates of deposit			\$ 60,600
Passbook savings accounts			
Glenwood State Bank	Variable	Continuous	\$ 3,260
Eagle Bank	Variable	Continuous	5,825
Total passbook savings accounts			\$ 9,085
Total Cemetery Investment Trust Fund investments			\$ 69,685
Total Deposits and Investments			\$ 7,027,152

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 9

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

	2003		2004		2005	
	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)	Amount	Net Tax Capacity Rate (%)
Tax Capacity						
Real property	\$ 6,523,266		\$ 7,364,267		\$ 8,593,129	
Personal property	255,019		265,454		270,886	
Total Tax Capacity	\$ 6,778,285		\$ 7,629,721		\$ 8,864,015	
Taxes Levied for County Purposes						
General	\$ 2,683,984	32.622	\$ 2,714,660	30.946	\$ 3,143,322	30.462
Road and Bridge	823,500	9.913	795,000	8.987	835,000	8.021
Family Services	1,003,296	12.083	1,062,396	12.009	1,180,609	11.340
Incinerator Bonds	122,485	1.822	125,845	1.662	123,850	1.408
Capital Improvements Notes	220,000	3.273	220,800	2.915	218,200	2.481
Total Levy for County Purposes	\$ 4,853,265	59.713	\$ 4,918,701	56.519	\$ 5,500,981	53.712
Less Credits Payable by State	849,567		648,619		788,128	
Net Levy Certified to State	\$ 4,003,698		\$ 4,270,082		\$ 4,712,853	
Less Market Value Credits Payable by State	532,424		542,013		568,359	
Net Levy for County Purposes	\$ 3,471,274		\$ 3,728,069		\$ 4,144,494	
Tax Capacity - Light and Power						
Assessed at 43%	\$ 25,584		\$ 25,848		\$ 26,880	
Assessed at 5%	1,908		1,960		2,040	
Total Tax Capacity - Light and Power	\$ 27,492		\$ 27,808		\$ 28,920	

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 9
(Continued)

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

	2003		2004		2005	
	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%	\$ 30,522	119.302	\$ 29,163	112.826	\$ 28,181	104.841
Assessed at 5%	2,276	119.302	2,211	112.826	2,139	104.841
Market value based on property tax	305	0.022	585	0.042	501	0.035
State tax	14,969	54.447	15,109	54.109	14,784	51.121
Total Light and Power Tax Levies	\$ 48,072		\$ 47,068		\$ 45,605	
Special Assessments						
Ditch liens and assessments	\$ 524,902		\$ 523,655		\$ 595,922	
Percentage of Tax Collections for All Purposes	96.48%		96.00%		N/A	

**POPE COUNTY
GLENWOOD, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2004**

	Assets			Total
	Cash and Investments	Special Assessments Receivable		
		Delinquent	Deferred	
County Ditches				
2	\$ 6,935	\$ -	\$ 122	\$ 7,057
3	767	-	-	767
4	1,408	-	-	1,408
6	866	254	-	1,120
7	5,730	-	-	5,730
8	6,724	11	756	7,491
9	2,948	-	-	2,948
10	2,916	-	144	3,060
11	218	-	-	218
12	508	-	-	508
15	3,730	-	432	4,162
17	3,370	-	-	3,370
19	101	-	-	101
24	831	-	-	831
27	433	-	-	433
28	9,687	-	579	10,266
General	1,585	25	101,854	103,464
Judicial Ditches				
3 Pope and Douglas	29,161	3	-	29,164
4 Pope and Douglas	455	-	-	455
4 Pope and Swift	583	252	9,013	9,848
9 Pope and Swift	1,491	-	18,404	19,895
Total	\$ 80,447	\$ 545	\$ 131,304	\$ 212,296

Schedule 10

	Liabilities			Total	Fund Balances Undesignated	Total Liabilities and Fund Balances
	Accounts Payable	Deferred Revenue	Advance from Other Funds			
\$ 162	\$ 122	\$ -	\$ 284	\$ 6,773	\$ 7,057	
30	-	-	30	737	767	
28	-	-	28	1,380	1,408	
-	254	-	254	866	1,120	
30	-	-	30	5,700	5,730	
109	767	-	876	6,615	7,491	
24	-	-	24	2,924	2,948	
252	144	-	396	2,664	3,060	
-	-	-	-	218	218	
29	-	-	29	479	508	
110	432	-	542	3,620	4,162	
60	-	-	60	3,310	3,370	
-	-	-	-	101	101	
35	-	-	35	796	831	
-	-	-	-	433	433	
229	579	-	808	9,458	10,266	
515	101,879	93,422	195,816	(92,352)	103,464	
151	3	-	154	29,010	29,164	
29	-	-	29	426	455	
35	9,265	4,800	14,100	(4,252)	9,848	
27	18,404	29,950	48,381	(28,486)	19,895	
\$ 1,855	\$ 131,849	\$ 128,172	\$ 261,876	\$ (49,580)	\$ 212,296	

**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 11

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2004**

Shared Revenue

State

Highway users tax	\$	2,981,952
County program aid		648,619
Market value credit		545,086
PERA rate reimbursement		17,671
Disparity reduction aid		22,609
Police aid		24,426
Enhanced 911		41,036

Total Shared Revenue **\$ 4,281,399**

Reimbursement for Services

State

Minnesota Department of Human Services	\$	627,869
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Payments

Local

Local contributions	\$	73,604
Payments in lieu of taxes		28,922

Total Payments **\$ 102,526**

Grants

State

Minnesota Department/Board of		
Corrections	\$	47,382
Public Safety		4,693
Transportation		8,564
Health		84,866
Natural Resources		10,096
Human Services		453,343
Water and Soil Resources		108,071
Office of Environmental Assistance		49,099
Pollution Control Agency		13,165
Peace Officers Board		47,177

Total State **\$ 826,456**

Federal

Agency/Department of		
Agriculture	\$	42,346
Justice		18,355
Transportation		5,192
Environmental Protection		738
Health and Human Services		226,679
Homeland Security		31,418

Total Federal **\$ 324,728**

Total State and Federal Grants **\$ 1,151,184**

Total Intergovernmental Revenue **\$ 6,162,978**

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**POPE COUNTY
GLENWOOD, MINNESOTA**

Schedule 12

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2004**

**I. 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 which do not have sufficient segregation of duties include Recorder, Planning and Zoning, 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 officials are 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.

II. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

**Highway Planning and Construction – Davis-Bacon Act – CFDA #20.205
(03-1)**

The County had no documented monitoring process for determining compliance with the Davis-Bacon Act which requires the County to pay prevailing wage rates not less than those established by the U.S. Department of Labor on projects funded by federal dollars.

Furthermore, the County provided no evidence that it had actually performed procedures to determine compliance with the Davis-Bacon Act.

Resolution

The County has developed a form that inspectors sign to document that they have reviewed the payroll reports and that they are in compliance with the Davis-Bacon Act.

III. OTHER FINDINGS AND RECOMMENDATIONS

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

PREVIOUSLY REPORTED ITEM RESOLVED

Fund Balance Deficits – Ditch Special Revenue Fund (96-4)

Three of the 21 active drainage ditch systems in the Ditch Special Revenue Fund had deficit unreserved, undesignated fund balances as of December 31, 2003, totaling \$152,255. These individual ditch system deficits resulted in the Ditch Special Revenue Fund having a deficit fund balance as of December 31, 2003, of \$86,558. Minn. Stat. § 103E.735, subd. 1, permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

Resolution

Although these ditch systems continue to have deficit unreserved, undesignated fund balances, the County has levied sufficiently to recover the costs and, as the assessments become available to be recognized as revenue, the fund deficits will be eliminated.



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PATRICIA ANDERSON
STATE AUDITOR

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING 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 Pope County as of and for the year ended December 31, 2004, and have issued our report thereon dated July 22, 2005. 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 Recommendations 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 and management 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: July 22, 2005