

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Pope County Housing and Redevelopment
Authority/Economic Development Authority
(A Component Unit of Pope County)
Glenwood, Minnesota**

Year Ended December 31, 2020

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice – conducts financial and legal compliance audits of local governments;

Government Information – collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations – provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension – monitors investment, financial, and actuarial reporting for Minnesota’s local public pension funds; and

Tax Increment Financing – promotes compliance and accountability in local governments’ use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**Pope County Housing and Redevelopment
Authority/Economic Development Authority
(A Component Unit of Pope County)
Glenwood, Minnesota**

Year Ended December 31, 2020



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

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**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

ORGANIZATION
2020

Office	Name	Term	
		From	To
Commissioners			
Member	Paul Gerde	January 2020	December 2020
Member	Cody Rogahn	January 2020	December 2020
Member	Jason Rupp	January 2020	December 2024
Member	Greg Vold	January 2018	December 2022
Member	Lori Vaadeland*	January 2017	December 2021
Member	Allen Rutter	January 2021	December 2025
Member	Vacant	Vacant	Vacant
Officers			
Executive Director	Jason Murray	January 2020	December 2020

*Chair



INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Pope County Housing and Redevelopment
Authority/Economic Development Authority
Glenwood, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Pope County Housing and Redevelopment Authority/Economic Development Authority, a component unit of Pope County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Pope County Housing and Redevelopment Authority/Economic Development Authority as of December 31, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 13, 2021, on our consideration of the Pope County Housing and Redevelopment Authority/Economic Development Authority'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 solely 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 effectiveness of the Pope County Housing and Redevelopment Authority/Economic Development Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pope County Housing and Redevelopment Authority/Economic Development Authority's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

September 13, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)**

INTRODUCTION

The Pope County Housing and Redevelopment Authority/Economic Development Authority's (Authority) Management's Discussion and Analysis (MD&A) is designed to (a) assist the reader in focusing on significant financial information, (b) provide an overview of the financial activity, (c) identify changes in the financial position (its ability to address the next and subsequent year challenges), and (d) identify individual issues or concerns. Since the MD&A is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Authority's financial statements.

FINANCIAL HIGHLIGHTS

- The Authority's total net position increased to \$1,496,826 in 2020, an increase of \$208,592, or 16.19 percent.
- At the close of 2020, the Authority's net position was \$1,496,826. There are two components that comprise this balance:
 - Net investment in capital assets of a negative \$28,647, an increase of \$17,447 when compared to the prior year.
 - Unrestricted net position of \$1,525,473, an increase of \$191,145 when compared to the prior year, is available for use in the operations and for meeting ongoing Authority obligations.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. The Authority's basic financial statements consist of two parts: the financial statements and the notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

The financial statements consist of the following:

- The statement of net position compares the assets and liabilities to give an overall view of the financial health of the Authority.
- The statement of revenues, expenses, and changes in net position provides information on an aggregate view of the Authority’s finances. All of the current year’s revenues and expenses are taken into account, regardless of when the cash was received or paid.
- The statement of cash flows provides sources and uses of cash for the Authority.

FINANCIAL ANALYSIS

Summary Statement of Net Position

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change (%)</u>
Assets				
Current assets	\$ 1,638,692	\$ 1,468,207	\$ 170,485	11.6
Capital assets, net	<u>2,062,645</u>	<u>2,115,701</u>	<u>(53,056)</u>	(2.5)
Total Assets	<u>\$ 3,701,337</u>	<u>\$ 3,583,908</u>	<u>\$ 117,429</u>	3.3
Liabilities				
Current liabilities	\$ 166,555	\$ 161,427	\$ 5,128	3.2
Noncurrent liabilities	<u>2,037,956</u>	<u>2,134,247</u>	<u>(96,291)</u>	(4.5)
Total Liabilities	<u>\$ 2,204,511</u>	<u>\$ 2,295,674</u>	<u>\$ (91,163)</u>	(4.0)
Net Position				
Net investment in capital assets	\$ (28,647)	\$ (46,094)	\$ 17,447	(37.9)
Unrestricted	<u>1,525,473</u>	<u>1,334,328</u>	<u>191,145</u>	14.3
Total Net Position	<u>\$ 1,496,826</u>	<u>\$ 1,288,234</u>	<u>\$ 208,592</u>	16.2

Statement of Changes in Net Position

	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>Percentage Change (%)</u>
Revenues				
Nonoperating revenues				
Property taxes	\$ 330,272	\$ 323,708	\$ 6,564	2.0
Intergovernmental revenue	9,155	8,352	803	9.6
Miscellaneous income	131,995	139,684	(7,689)	(5.5)
Investment earnings	4,467	1,870	2,597	138.9
Other income	5,310	-	5,310	100.0
	<u>\$ 481,199</u>	<u>\$ 473,614</u>	<u>\$ 7,585</u>	1.6
Expenses				
Operating expenses				
Administrative services	\$ 12,352	\$ 13,472	\$ (1,120)	(8.3)
Professional services	76,177	71,200	4,977	7.0
Insurance	9,394	9,154	240	2.6
Miscellaneous	29,568	36,719	(7,151)	(19.5)
Depreciation	53,056	53,056	-	-
Nonoperating expenses				
Repairs and maintenance	31,197	34,192	(2,995)	(8.8)
Loss on sale of land held for resale	-	32,000	(32,000)	(100.0)
Loss on disposal of land	-	95,000	(95,000)	(100.0)
Interest expense	57,705	69,253	(11,548)	(16.7)
Advertising	3,158	4,158	(1,000)	(24.1)
Other expense	-	18,775	(18,775)	(100.0)
	<u>\$ 272,607</u>	<u>\$ 436,979</u>	<u>\$ (164,372)</u>	(37.6)
Change in Net Position	\$ 208,592	\$ 36,635	\$ 171,957	469.4
Net Position – January 1	<u>1,288,234</u>	<u>1,251,599</u>	<u>36,635</u>	2.9
Net Position – December 31	<u>\$ 1,496,826</u>	<u>\$ 1,288,234</u>	<u>\$ 208,592</u>	16.2

CAPITAL ASSETS

At year-end, the Authority had \$2,062,645 invested in capital assets, as reflected in the following schedule, a net decrease of \$53,056.

	Capital Assets (Net of Depreciation)			Percentage Change
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>(%)</u>
Land	\$ 311,797	\$ 311,797	\$ -	-
Buildings	<u>1,750,848</u>	<u>1,803,904</u>	<u>(53,056)</u>	(2.9)
Total Capital Assets	<u>\$ 2,062,645</u>	<u>\$ 2,115,701</u>	<u>\$ (53,056)</u>	(2.5)

DEBT OUTSTANDING

At year-end, the Authority had \$2,133,744 in debt outstanding, a decrease of \$90,467 from the prior year.

	Debt (Net of Premium/Discount)			Percentage Change
	<u>2020</u>	<u>2019</u>	<u>Increase (Decrease)</u>	<u>(%)</u>
General obligation bonds	\$ 2,091,292	\$ 2,161,795	\$ (70,503)	(3.3)
Note payable	<u>42,452</u>	<u>62,416</u>	<u>(19,964)</u>	(32.0)
Total Debt	<u>\$ 2,133,744</u>	<u>\$ 2,224,211</u>	<u>\$ (90,467)</u>	(4.1)

Additional information on long-term debt can be found in Note 2.B to the financial statements.

ECONOMIC FACTORS

The Authority depends on financial resources flowing from, or associated with, both the State of Minnesota and Pope County. Because of this dependency, the Authority is subject to changes in state and local laws and appropriations.

Significant economic factors that could affect the Authority include: (1) local inflationary, recessionary, and employment trends, which can affect the incomes of low-income public housing residents and, therefore, the amount of rental income; (2) inflationary pressure on utility rates, supplies, and other costs, which can impact economic development; and (3) local labor supply and demand, which can affect salary and wage rates.

CONTACTING THE AUTHORITY

This MD&A is designed to provide a general overview. If you have any questions about this report, or need additional financial information, contact the Pope County Housing and Redevelopment Authority/Economic Development Authority, 130 East Minnesota Avenue, Glenwood, Minnesota 56334.

BASIC FINANCIAL STATEMENTS

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Assets

Current assets

Cash and cash equivalents	\$ 904,173
Accounts receivable	759
Taxes receivable	
Delinquent	16,620
Loans receivable	274,774
Land held for resale	428,100
Restricted assets	
Cash for security deposits	13,371
Cash for workforce grant	895

Total current assets **\$ 1,638,692**

Noncurrent assets

Capital assets	
Nondepreciable	\$ 311,797
Depreciable – net	1,750,848

Total noncurrent assets **\$ 2,062,645**

Total Assets **\$ 3,701,337**

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

Liabilities

Current liabilities

Due to other governments	\$	850
Accrued interest payable		24,124
Unearned rent		31,527
General obligation bonds payable		75,000
Note payable		20,788
		20,788

Total current liabilities **\$ 152,289**

Current liabilities payable from restricted assets

Tenant security deposits	\$	13,371
Accounts payable		895
		895

Total current liabilities payable from restricted assets **\$ 14,266**

Noncurrent liabilities

General obligation bonds payable	\$	2,016,292
Note payable		21,664
		21,664

Total noncurrent liabilities **\$ 2,037,956**

Total Liabilities **\$ 2,204,511**

Net Position

Net investment in capital assets	\$	(28,647)
Unrestricted		1,525,473
		1,525,473

Total Net Position **\$ 1,496,826**

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

EXHIBIT 2

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020**

Operating Expenses	
Administrative services	\$ 12,352
Professional services	76,177
Insurance	9,394
Miscellaneous	29,568
Depreciation	53,056
	<hr/>
Total Operating Expenses	\$ 180,547
	<hr/>
Operating Income (Loss)	\$ (180,547)
	<hr/>
Nonoperating Revenues (Expenses)	
Property taxes	\$ 330,272
Intergovernmental revenue	9,155
Miscellaneous income	131,995
Investment earnings	4,467
Repairs and maintenance	(31,197)
Interest expense	(57,705)
Fees and charges	5,310
Advertising	(3,158)
	<hr/>
Total Nonoperating Revenues (Expenses)	\$ 389,139
	<hr/>
Change in net position	\$ 208,592
	<hr/>
Net Position – January 1	1,288,234
	<hr/>
Net Position – December 31	\$ 1,496,826
	<hr/> <hr/>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

EXHIBIT 3

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

Cash Flows from Operating Activities	
Payments to suppliers	\$ (115,898)
Payments for administrative services	<u>(12,155)</u>
Net cash provided by (used in) operating activities	<u>\$ (128,053)</u>
Cash Flows from Noncapital Financing Activities	
Property taxes	\$ 319,144
Intergovernmental revenues	13,331
Repairs and maintenance	(31,197)
Rent deposits	132,049
Fees and charges	5,310
Advertising expense	(3,158)
Principal paid on note payable	<u>(19,964)</u>
Net cash provided by (used in) noncapital financing activities	<u>\$ 415,515</u>
Cash Flows from Capital and Related Financing Activities	
Principal paid on long-term debt	\$ (70,000)
Interest paid on long-term debt	<u>(59,155)</u>
Net cash provided by (used in) capital and related financing activities	<u>\$ (129,155)</u>
Cash Flows from Investing Activities	
Collections of loan principal	\$ 8,938
Loans issued	(69,999)
Interest received on loans	<u>4,467</u>
Net cash provided by (used in) investing activities	<u>\$ (56,594)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 101,713
Cash and Cash Equivalents at January 1	<u>816,726</u>
Cash and Cash Equivalents at December 31	<u><u>\$ 918,439</u></u>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

***EXHIBIT 3
(Continued)***

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020
Increase (Decrease) in Cash and Cash Equivalents**

Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (180,547)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 53,056
(Increase) decrease in accounts receivable	(759)
Increase (decrease) in due to other governments	<u>197</u>
Total adjustments	<u>\$ 52,494</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (128,053)</u></u>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

The Pope County Housing and Redevelopment Authority/Economic Development Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established by GAAP and used by the Authority are discussed below.

A. Financial Reporting Entity

The Pope County Housing and Redevelopment Authority was established in May 1994, having all the powers and duties of a county housing and redevelopment authority under the provisions of Minn. Stat. §§ 469.001 to 469.047. In April 2011, the Authority was granted powers of an Economic Development Authority under Minn. Stat. §§ 469.090 to 469.1081. The Authority is governed by a seven-member Board of Commissioners who are appointed by the Pope County Board of Commissioners.

The Authority is considered to be a component unit of Pope County and is included in Pope County's financial statements as a discretely presented component unit.

B. Basis of Presentation

The accounts of the Pope County Housing Redevelopment Authority/Economic Development Authority are presented as an enterprise fund. Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basis of Presentation (Continued)

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

C. Measurement Focus and Basis of Accounting

The Authority's financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when a liability is incurred, regardless of the timing of cash flows.

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

D. Assets, Liabilities, and Net Position

1. Cash and Cash Equivalents

The Authority has defined cash and cash equivalents to include cash on hand and demand deposits.

2. Receivables

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

No allowance for uncollected receivables has been provided because such amounts are not expected to be material.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position (Continued)

3. Property Held for Resale

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

4. Restricted Assets

Certain funds of the Authority are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

5. Capital Assets

Capital assets, which include land and buildings, are reported in the financial statements. Capital assets are defined by the Authority 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 acquisition value.

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.

Capital assets are depreciated using the straight-line method over their estimated useful lives ranging from three to 40 years.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Position (Continued)

6. Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

7. Classification of Net Position

Net position is classified in the following categories:

Net investment in capital assets – net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets, net of unspent related debt proceeds, if any.

Restricted net position – net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – net position that does not meet the definition of restricted or net investment in capital assets.

8. 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 HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

The Authority's total deposits are reported as follows:

Cash and cash equivalents	\$ 904,173
Restricted assets	
Cash for security deposits	13,371
Cash for workforce grant	<u>895</u>
Total Deposits	<u>\$ 918,439</u>

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Authority's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of December 31, 2020, the Authority's deposits were not exposed to custodial credit risk.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

The Authority had no investments as of December 31, 2020.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Of the loans receivable, \$263,049 is not expected to be collected within the next year. The loans receivable balance consists of loans issued by the Authority for housing and economic development within the County.

3. Capital Assets

The Authority's capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 311,797	\$ -	\$ -	\$ 311,797
Capital assets depreciated				
Buildings	\$ 2,122,240	\$ -	\$ -	\$ 2,122,240
Less: accumulated depreciation for Buildings	\$ (318,336)	\$ (53,056)	\$ -	\$ (371,392)
Total capital assets depreciated, net	\$ 1,803,904	\$ (53,056)	\$ -	\$ 1,750,848
Capital Assets, Net	\$ 2,115,701	\$ (53,056)	\$ -	\$ 2,062,645

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Liabilities

Long-Term Debt

Long-term debt outstanding at December 31, 2020, consists of the following:

<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, 2020</u>
2013A General Obligation Bonds	02/01/2034	\$40,000 - \$245,000	0.85 - 3.10	<u>\$ 2,405,000</u>	<u>\$ 2,085,000</u>
Note Payable	06/01/2022	\$18,412 - \$21,664	4.13	<u>\$ 100,000</u>	<u>\$ 42,452</u>

The debt service requirements as of December 31, 2020, are as follows:

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Note Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 75,000	\$ 54,843	\$ 20,788	\$ 1,753
2022	85,000	53,435	21,664	895
2023	95,000	51,725	-	-
2024	105,000	49,720	-	-
2025	115,000	47,410	-	-
2026 - 2030	745,000	187,154	-	-
2031 - 2035	865,000	55,963	-	-
Total	<u>\$ 2,085,000</u>	<u>\$ 500,250</u>	<u>\$ 42,452</u>	<u>\$ 2,648</u>

Long-term liability activity for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
General obligation bonds	\$ 2,155,000	\$ -	\$ 70,000	\$ 2,085,000	\$ 75,000
(Discount)/premium	6,795	-	503	6,292	-
Note payable	62,416	-	19,964	42,452	20,788
Long-Term Liabilities	<u>\$ 2,224,211</u>	<u>\$ -</u>	<u>\$ 90,467</u>	<u>\$ 2,133,744</u>	<u>\$ 95,788</u>

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

3. Summary of Significant Contingencies and Other Items

A. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters. To manage these risks, the Authority has joined the Minnesota Counties Intergovernmental Trust (MCIT) and purchases commercial insurance. The Authority retains risk for the deductible portions of the insurance policies. The amounts of these deductibles are considered immaterial to the financial statements. 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.

B. Tax Abatements – Pay-As-You-Go Tax Increment

The Authority entered into a property tax abatement agreement with a developer, dated September 1, 2017, for a period of 14 years effective in the years 2019 through 2033, under Minn. Stat. §§ 469.174 to .1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low- to moderate-income housing, and economic development. TIF captures the increase in tax capacity and property taxes (of most taxing jurisdictions, including the Authority) from development or redevelopment to provide funding for the related project. The pay-as-you-go note provides for payment to the developer of all tax increment received in the prior six months. The payment reimburses the developer for certain public improvements in an amount not to exceed \$68,000. The Authority provided a tax abatement in the form of a tax refund in the amount of \$2,897 for 2020.



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

Independent Auditor's Report

Board of Commissioners
Pope County Housing and Redevelopment
Authority/Economic Development Authority
Glenwood, Minnesota

We have audited, 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, the financial statements of the Pope County Housing and Redevelopment Authority/Economic Development Authority, a component unit of Pope County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated September 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pope County Housing and Redevelopment Authority/Economic Development Authority's internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pope County Housing and Redevelopment Authority/Economic Development Authority's financial statements are free from 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 financial statements. 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

In connection with our audit, nothing came to our attention that caused us to believe that the Pope County Housing and Redevelopment Authority/Economic Development Authority failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above referenced provisions, insofar as they relate to accounting matters. Additionally, we tested for compliance with the authority to issue public debt.

Pope County Housing and Redevelopment Authority/Economic Development Authority's Response to Findings

The Pope County Housing and Redevelopment Authority/Economic Development Authority's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

September 13, 2021

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

Repeat Finding Since: 2016

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: The Pope County Housing and Redevelopment Authority/Economic Development Authority has one person who is responsible for billing, collecting, recording, and depositing receipts.

Context: Due to the limited number of personnel within the Authority, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of the Authority; however, 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.

Effect: Inadequate segregation of duties could adversely affect the Authority's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by personnel in the normal course of performing their assigned functions.

Cause: The Authority does not have the economic resources needed to hire additional qualified accounting staff in order to adequately segregate duties.

**POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Recommendation: We recommend the Authority's Board and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure the internal control policies and procedures are being implemented by personnel to the extent possible.

View of Responsible Official: Concur



**REPRESENTATION OF
POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2020-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

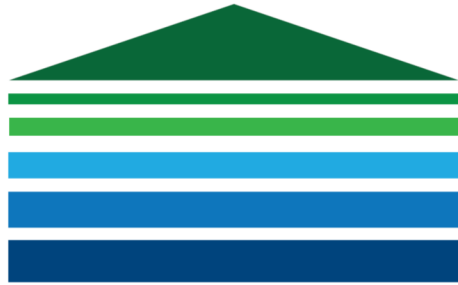
HRA-EDA Board of Commissioners
Jason Murray, Executive Director

Corrective Action Planned:

It is difficult for an organization of our size and financial resources to truly establish segregation of accounting duties. The Board and Staff will establish policies and practices to best address internal accounting controls.

Anticipated Completion Date:

Ongoing



POPE COUNTY

M I N N E S O T A

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**REPRESENTATION OF
POPE COUNTY HOUSING AND REDEVELOPMENT AUTHORITY/
ECONOMIC DEVELOPMENT AUTHORITY
GLENWOOD, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding Number: 2019-001

Finding Title: Segregation of Duties

Summary of Condition: The Pope County Housing and Redevelopment Authority/Economic Development Authority (Authority) has one person who is responsible for billing, collecting, recording, and depositing receipts.

Summary of Corrective Action Previously Reported: It is difficult for an organization of the Authority's size and financial resources to truly establish segregation of accounting duties. The Board and staff have established policies and practices to best address internal accounting controls.

Status: Not Corrected. The organization implemented several policies to insure adequate review of accounting duties. However, due to the financial resources and size of the organization, full segregation of duties will be difficult to achieve. The HRA-EDA management will continue to monitor the day to day financial activity.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X