This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay] for assistance or visit the Office of the State Auditor's website: www.osa.state.mn.us.

Pope County Housing and Redevelopment Authority/Economic Development Authority

(A Component Unit of Pope County)

Glenwood, Minnesota

Annual Financial Report and Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
State Auditor Julie Blaha

(651) 296-2551 | State.Auditor@osa.state.mn.us | www.osa.state.mn.us

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

Table of Contents

	Exhibit	Page
Introductory Section		
Organization Schedule		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Statement of Net Position	1	8
Statement of Revenues, Expenses, and Changes in Net Position	2	9
Statement of Cash Flows	3	10
Notes to the Financial Statements		11
Management and Compliance Section		
Independent Auditor's 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*		17
Schedule of Findings and Recommendations		19
Corrective Action Plan		21
Summary Schedule of Prior Audit Findings		22

Introductory Section

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

Organization

December 31, 2025

Office	Name	Term Begins	Term Expires
Commissioners			
Member	Paul Gerde	January 2025	December 2025
Member	Paul Gremmels	January 2025	December 2025
Member	Jason Rupp	January 2025	December 2028
Member	Greg Vold	January 2024	December 2027
Member	Lori Vaadeland*	January 2022	December 2026
Member	Allen Rutter	January 2021	December 2025
Member	Vacant	Vacant	Vacant
Officer			
Executive Director	Jason Murray	January 2025	December 2025

*Chair

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited 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, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, although not a 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 Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we

conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2026, 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/Lisa Young

Lisa Young, CPA
Deputy State Auditor

October 13, 2026

Management's Discussion and Analysis

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

Management's Discussion and Analysis
December 31, 2025
(Unaudited)

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 $2,152,265 in 2025, an increase of $475,330, or 28.3 percent.
- At the close of 2025, the Authority's net position was $2,152,265. There are two components that comprise this balance:
  - Investment in capital assets of $44,434, which had no change when compared to the prior year.
  - Unrestricted net position of $2,107,831, an increase of $475,330, 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 Management's Discussion and Analysis is intended to serve as an introduction to the Authority's 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

Statement of Net Position

Condensed Statement of Net Position	2025	2024	Increase (Decrease)	Percentage Change (%)
Assets				
Current assets	$ 2,109,538	$ 1,638,034	$ 471,504	28.8
Capital assets	44,434	44,434	-	-
Total Assets	$ 2,153,972	$ 1,682,468	$ 471,504	28.0
Liabilities				
Current liabilities	$ 1,707	$ 5,533	$ (3,826)	(69.1)
Net Position				
Investment in capital assets	$ 44,434	$ 44,434	$ -	-
Unrestricted	2,107,831	1,632,501	475,330	29.1
Total Net Position	$ 2,152,265	$ 1,676,935	$ 475,330	28.3

Changes in Net Position

Condensed Statement of Revenues, Expenses, and Changes in Net Position	2025	2024	Increase (Decrease)	Percentage Change (%)
Revenues				
Nonoperating revenues				
Property taxes	$ 583,114	$ 509,809	$ 73,305	14.4
Intergovernmental revenue	50,143	190,757	(140,614)	(73.7)
Miscellaneous income	4	18	(14)	(77.8)
Investment earnings	25,826	14,475	11,351	78.4
Total Revenues	$ 659,087	$ 715,059	$ (55,972)	(7.8)
Expenses				
Operating expenses				
Administrative services	$ 18,380	$ 18,399	$ (19)	(0.1)
Professional services	88,827	61,221	27,606	45.1
Miscellaneous	9,569	175,179	(165,610)	(94.5)
Nonoperating expenses				
Repairs and maintenance	1,252	1,178	74	6.3
Advertising	290	121	169	139.7
Statewide affordable housing assistance	60,000	-	60,000	100.0
Other expense	5,439	6,347	(908)	(14.3)
Total Expenses	$ 183,757	$ 262,445	$ (78,688)	(30.0)
Change in Net Position	$ 475,330	$ 452,614	$ 22,716	5.0
Net Position – January 1	1,676,935	1,224,321	452,614	37.0
Net Position – December 31	$ 2,152,265	$ 1,676,935	$ 475,330	28.3

Capital Assets

At year-end, the Authority had $44,434 invested in capital assets, as reflected in the following schedule, no change when compared to the prior year.

Capital Assets

Capital Asset	2025	2024	Increase (Decrease)	Percentage Change (%)
Land	$ 44,434	$ 44,434	$ -	0.0

Debt Administration

At year-end, the Authority did not have any outstanding debt.

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

Exhibit 1

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

Statement of Net Position
December 31, 2025

Assets		
Current assets		
Cash and cash equivalents	$	1,522,899
Taxes receivable		
Delinquent		16,562
Loans receivable		267,961
Land held for resale		301,221
Restricted assets		
Cash for workforce grant		895
Total current assets	**$**	**2,109,538**
Noncurrent assets		
Capital assets		
Non-depreciable		44,434
Total Assets	**$**	**2,153,972**
Liabilities		
Current liabilities		
Due to other governments	$	812
Current liabilities payable from restricted assets		
Accounts payable		895
Total Liabilities	**$**	**1,707**
Net Position		
Investment in capital assets	$	44,434
Unrestricted		2,107,831
Total Net Position	**$**	**2,152,265**

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

Exhibit 2

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

Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended December 31, 2025

Operating Expenses		
Administrative services	$	(18,380)
Professional services		(88,827)
Miscellaneous		(9,569)
Total Operating Expenses and Operating Loss	**$**	**(116,776)**
Nonoperating Revenues (Expenses)		
Property taxes	$	583,114
Intergovernmental revenue		50,143
Miscellaneous income		4
Investment earnings		25,826
Repairs and maintenance		(1,252)
Statewide affordable housing assistance		(60,000)
Advertising		(290)
Other expense		(5,439)
Total Nonoperating Revenues (Expenses)	**$**	**592,106**
Change in net position	**$**	**475,330**
Net Position – January 1		**1,676,935**
Net Position – December 31	**$**	**2,152,265**

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

Exhibit 3

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

Statement of Cash Flows
For the Year Ended December 31, 2025

Cash Flows from Operating Activities		
Payments to suppliers	$	(102,213)
Payments for administrative services		(18,389)
Purchase and maintenance of land held for resale		(26,221)
Net cash provided by (used in) operating activities	**$**	**(146,823)**
Cash Flows from Noncapital Financing Activities		
Property taxes	$	584,730
Intergovernmental revenues		50,143
Repairs and maintenance		(1,252)
Statewide affordable housing assistance		(60,000)
Miscellaneous income		4
Other expenses		(5,439)
Advertising expense		(290)
Net cash provided by (used in) noncapital financing activities	**$**	**567,896**
Cash Flows from Investing Activities		
Collections of loan principal	$	7,916
Interest received on loans		25,826
Net cash provided by (used in) investing activities	**$**	**33,742**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**454,815**
Cash and Cash Equivalents at January 1		**1,068,979**
Cash and Cash Equivalents at December 31	**$**	**1,523,794**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**(116,776)**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Increase (decrease) in accounts payable	$	(3,817)
(Increase) decrease in land held for resale		(26,221)
Increase (decrease) in due to other governments		(9)
Total adjustments	**$**	**(30,047)**
Net Cash Provided by (Used in) Operating Activities	**$**	**(146,823)**

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

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, 2025

Note 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, 2025. 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.

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 a component unit of Pope County because it appoints members and is fiscally dependent on Pope County. The Authority is included in Pope County's financial statements as a discretely presented component unit.

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 partially through user charges.

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.

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.

Assets, Liabilities, and Net Position

Cash and Cash Equivalents

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

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 uncollectible receivables has been provided because such amounts are not expected to be material.

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.

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.

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.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Long-Term Obligations

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

Classification of Net Position

Net position is classified in the following categories:

Investment in capital assets – net position representing capital assets, net of accumulated depreciation.

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 investment in capital assets.

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.

Note 2 – Detailed Notes

Assets

Deposits and Investments

The Authority's total deposits are reported as follows:

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

Reconciliation of the Authority's
Total Cash and Investments to the Basic Financial Statements
as of December 31, 2025

Basic Financial Statement Accounts		Amount
Cash and cash equivalents	$	1,522,899
Restricted assets		
Cash for workforce grant		895
Total Deposits	$	1,523,794

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, 2025, the Authority's deposits were not exposed to custodial credit risk.

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) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or 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, 2025.

Receivables

Of the loans receivable, $257,255 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.

The Authority entered into a "deferred loan" agreement during 2025 which has a forgivable portion after three years, if all conditions are met. If the borrower makes $30,000 principal payments with a zero percent interest rate by December 31, 2029, the remaining principal amount of the loan, $47,384, will be forgiven. If the conditions are not met, the borrower is required to repay the entire principal balance.

Capital Assets

The Authority's capital asset activity for the year ended December 31, 2025, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2025

Capital Assets	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 44,434	$ -	$ -	$ 44,434

Note 3 – Summary of Significant Contingencies and Other Items

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.

Tax Abatements – Tax Increment Financing

Nelson Housing Development – Villard

The Authority entered into a property tax abatement agreement with Nelson Housing Development, 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). 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 payment reimburses the developer for certain 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 $7,369 for 2025. The revenue as it related to tax abatement for the year ended December 31, 2025, was $8,189.

Nelson Housing Development – Cyrus

The Authority entered into a property tax increment agreement with Nelson Housing Development, dated May 5, 2021, for a period of 25 years effective in the years 2022 through 2047, under Minn. Stat. §§ 469.174 to .1794 (Tax Increment Financing) through a tax increment plan. 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 tax increment plan provides an upfront payment to the developer for all eligible development costs in an amount not to exceed $60,000. The revenue as it related to tax abatement for the year ended December 31, 2025, was $12,492.

Nelson Housing Development – Starbuck

The Authority entered into a property tax increment agreement with Nelson Housing Development, dated August 17, 2022, for a period of 25 years effective in the years 2023 through 2048, under Minn. Stat. §§ 469.174 to .1794 (Tax Increment Financing) through a tax increment plan. 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 payment reimburses the developer for certain improvements in an amount not to exceed $98,000 at four percent interest. The revenue as it related to tax abatement for the year ended December 31, 2025, was $56,401.

Subsequent Events

On July 15, 2026, the Authority sold a parcel of land in the City of Glenwood for $45,000.

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, 2025, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated October 13, 2026.

Report on 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 opinion 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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2025-001, that we consider to be a significant deficiency.

Main: (651) 296-2551 • Fax: (651) 296-4755 • TTY: (800) 627-3529 • State.Auditor@osa.state.mn.us • www.osa.state.mn.us
An equal opportunity employer

Report on 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, we noted that the Pope County Housing and Redevelopment Authority/Economic Development Authority failed to comply with the provisions of the claims and disbursements section 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, as described in the Schedule of Findings and Recommendations as item 2025-002. Also, 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 – bid laws, depositories of public funds and public investments, conflicts of interest, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, 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.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Pope County Housing and Redevelopment Authority/Economic Development Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings Recommendations and 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 the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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/Lisa Young

Lisa Young, CPA
Deputy State Auditor

October 13, 2026

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

Schedule of Findings and Recommendations
For the Year Ended December 31, 2025

Section I – Financial Statement Findings

2025-001 **Segregation of Duties**
Prior Year Finding Number: 2024-001
Year of Finding Origination: 2016
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Management is responsible for establishing and maintaining internal control. Adequate segregation of duties is a key internal control in preventing and detecting errors or irregularities. To protect the Pope County Housing and Redevelopment/Economic Development Authority's assets, proper segregation of the record-keeping, custody, and authorization functions should be in place, and, where management decides segregation of duties may not be cost effective, compensating controls should be in place.

Condition: The Pope County Housing and Redevelopment Authority/Economic Development Authority lacks proper segregation of duties. The Authority contracts with an accounting firm where only one staff person performs all tasks related to administrative and accounting functions. As a result, the Authority has one staff person who is responsible for collecting, recording, and depositing receipts as well as reconciling bank accounts. Additionally, this staff person is responsible for preparing and posting journal entries in the general ledger.

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 ability of the Authority's staff, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

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

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 and monitor those procedures to ensure the internal control policies and procedures are implemented to the extent possible.

View of Responsible Official: Concur

Section II – Other Findings and Recommendations

2025-002 **Prompt Payment of Invoices**
Prior Year Finding Number: N/A
Year of Finding Origination: 2025
Type of Finding: Minnesota Legal Compliance

Criteria: As stated in Minn. Stat. § 471.425, subd. 2, the Authority is required to make payment on vendor invoices according to the terms of the contract, or within 35 days of the completed delivery of the goods or services or the receipt of the invoice, whichever is later. For bills paid after the time period set by contract or standard payment period, the government entity must calculate and pay interest as required.

Condition: Documentation of two of the 22 invoices tested for compliance with this statute did not demonstrate they were paid within 35 days of receipt of goods or services or the invoice. In addition, the Authority did not calculate or pay interest on either disbursement.

Context: Payments are presented and approved by the Board at meetings twice a month.

Effect: The Authority is not in compliance with Minn. Stat. §471.425, subd. 2.

Cause: A contributing factor may be that the Authority does not document the date the invoices are received and therefore the invoice date was used to calculate the number of days.

Recommendation: We recommend the Authority develop a process to ensure payments are made in accordance with Minn. Stat. § 471.425, subd. 2.

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, 2025

Finding Number: 2025-001
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

Finding Number: 2025-002
Finding Title: Prompt Payment of Invoices

Name of Contact Person Responsible for Corrective Action:
HRA-EDA Board of Commissioners
Jason Murray, Executive Director

Corrective Action Planned:

The HRA-EDA and Staff will work closely with Wangsness Ogdahl to ensure payments to vendors are made within the statutory requirement. This includes prompt completion of payments following approval by the Board and having a signor from the Executive Committee available to sign checks. We will work to establish a practice with Wangsness Ogdahl to have checks completed, signed and mailed within 3 to 5 days following Board approval, while monitoring the 35-day period.

Anticipated Completion Date:

December 1, 2026

130 Minnesota Avenue East, Glenwood, MN 56334 • Phone (320) 634-7847 • Fax (320) 634-5712 • www.popecountyhra.org • pchra-eda@co.pope.mn.us

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, 2025

Finding Number: 2024-001
Year of Finding Origination: 2016
Finding Title: Segregation of Duties

Summary of Condition: The Pope County Housing and Redevelopment/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 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.

Status: Not Corrected. The organization continues to monitor policies and best practices to ensure 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 Authority's management will continue to monitor the day-to-day financial activity.

130 Minnesota Avenue East, Glenwood, MN 56334 • Phone (320) 634-7847 • Fax (320) 634-5712 • www.popecountyhra.org • pchra-eda@co.pope.mn.us