

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

**CROW WING COUNTY FAMILY
SERVICES COLLABORATIVE
BRainerd, MINNESOTA**

YEARS ENDED DECEMBER 31, 2002, 2003, AND 2004

Description of the Office of the State Auditor

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

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

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

Audit Practice - conducts financial and legal compliance audits for local governments;

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

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

Pension - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

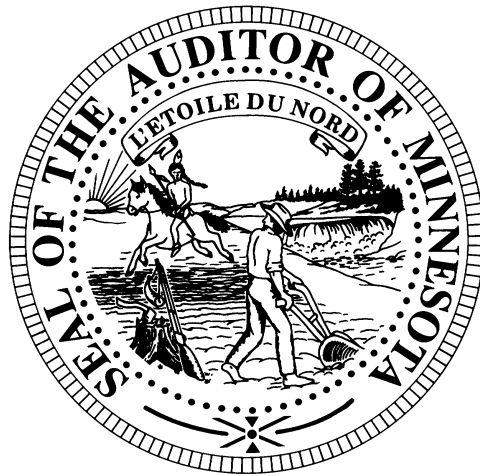
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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**CROW WING COUNTY FAMILY
SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

**Years Ended December 31, 2002, 2003,
and 2004**



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

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**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

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**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

**ORGANIZATION SCHEDULE
2004**

	<u>Agency</u>
Governance Board	
Ed Larsen	County Health
Gary Walters	Social Services
Terry Sluss	Tri-County Community Action
John (“Jinx”) Ferrari	Community Corrections
Ruth Gmeinder	ISD #181
Scott Kile	ISD #182
David Kennedy	ISD #186
Collaborative Council	
Susan Beck	Social Services
Deb Anderson	Public Health
Tina Theisen	Community Corrections
Jerry Walseth	ISD #181
Linda Lawrie	ISD #182
Percy Lingen	ISD #186
Larry Ketchum	Tri-County Community Action
Kathy Daly	Interagency Early Intervention Committee
Ione Miles	Mental Health Local Advisory Committee
Mimi Thurlow	Parent Representative
Janine Lepage	County Attorney
Darla Robertson	Parent Representative
Bonnie Kriha	Community Transition Interagency Committee

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INDEPENDENT AUDITOR'S REPORT

Governance Board
Crow Wing County Family Services Collaborative

We have audited the accompanying financial statements of the governmental activities and the major fund of the Crow Wing County Family Services Collaborative as of and for the years ended December 31, 2002, 2003, and 2004, which collectively comprise the Collaborative's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Collaborative's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Crow Wing County Family Services Collaborative as of December 31, 2002, 2003, and 2004, and the respective changes in financial position thereof and the General Fund budgetary comparisons for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the basic financial statements, the Crow Wing County Family Services Collaborative adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended; and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the years ended December 31, 2002, 2003, and 2004. These statements result in a change in the format and content of the basic financial statements.

The Crow Wing County Family Services Collaborative has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: November 3, 2005

BASIC FINANCIAL STATEMENTS

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**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET ASSETS
DECEMBER 31, 2002, 2003, AND 2004**

	2002	2003	2004
<u>Assets</u>			
Cash and pooled investments	\$ 1,727,643	\$ 1,700,815	\$ 1,732,375
Due from other governments	280,186	248,570	374,859
Total Assets	\$ 2,007,829	\$ 1,949,385	\$ 2,107,234
<u>Liabilities</u>			
Accounts payable	\$ 5,793	\$ 16,496	\$ 7,477
Due to other governments	92,014	54,871	102,285
Total Liabilities	\$ 97,807	\$ 71,367	\$ 109,762
<u>Fund Balance/Net Assets</u>			
Unreserved/Unrestricted	\$ 1,910,022	\$ 1,878,018	\$ 1,997,472

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRainerd, MINNESOTA**

EXHIBIT 2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2002, 2003, AND 2004**

	2002	2003	2004
Revenues			
Intergovernmental			
State of Minnesota - Department of Human Services			
Local collaborative time study	\$ 986,081	\$ 927,623	\$ 1,194,142
Children's mental health grant	32,555	12,390	-
Local			
Alternative service delivery	78,183	211,505	250,190
Partner contributions	1,250	6,413	3,737
Total intergovernmental	\$ 1,098,069	\$ 1,157,931	\$ 1,448,069
Gifts and contributions	2,700	-	-
Investment earnings	35,085	26,369	20,498
Total Revenues	\$ 1,135,854	\$ 1,184,300	\$ 1,468,567
Expenditures			
Current			
Human services			
Administration	\$ 33,792	\$ 45,520	\$ 29,760
Communication	1,379	2,767	3,171
Serving at-risk families/youth	804,023	1,011,017	1,153,682
Community allocations	150,000	157,000	162,500
Total Expenditures	\$ 989,194	\$ 1,216,304	\$ 1,349,113
Net Change in Fund Balance	\$ 146,660	\$ (32,004)	\$ 119,454
Fund Balance/Net Assets - January 1	1,763,362	1,910,022	1,878,018
Fund Balance/Net Assets - December 31	\$ 1,910,022	\$ 1,878,018	\$ 1,997,472

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRainerd, MINNESOTA**

EXHIBIT 3

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2002**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
State of Minnesota - Department of Human Services				
Local collaborative time study	\$ 850,000	\$ 850,000	\$ 986,081	\$ 136,081
Children's mental health grant	11,000	11,000	32,555	21,555
Local				
Alternative service delivery	136,500	136,500	78,183	(58,317)
Partner contributions	-	-	1,250	1,250
Total intergovernmental	\$ 997,500	\$ 997,500	\$ 1,098,069	\$ 100,569
Gifts and contributions	-	-	2,700	2,700
Investment earnings	52,000	52,000	35,085	(16,915)
Total Revenues	\$ 1,049,500	\$ 1,049,500	\$ 1,135,854	\$ 86,354
Expenditures				
Current				
Human services				
Administration	\$ 48,824	\$ 48,824	\$ 33,792	\$ 15,032
Communication	1,500	1,500	1,379	121
Serving at-risk families/youth	1,079,620	1,079,620	804,023	275,597
Community allocations	150,000	150,000	150,000	-
Total Expenditures	\$ 1,279,944	\$ 1,279,944	\$ 989,194	\$ 290,750
Net Change in Fund Balance	\$ (230,444)	\$ (230,444)	\$ 146,660	\$ 377,104
Fund Balance - January 1	1,763,362	1,763,362	1,763,362	-
Fund Balance - December 31	\$ 1,532,918	\$ 1,532,918	\$ 1,910,022	\$ 377,104

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRainerd, MINNESOTA**

EXHIBIT 4

**BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
State of Minnesota - Department of Human Services				
Local collaborative time study	\$ 925,000	\$ 925,000	\$ 927,623	\$ 2,623
Children's mental health grant	22,000	22,000	12,390	(9,610)
Local				
Alternative service delivery	211,504	211,504	211,505	1
Partner contributions	9,000	9,000	6,413	(2,587)
Total intergovernmental	\$ 1,167,504	\$ 1,167,504	\$ 1,157,931	\$ (9,573)
Investment earnings	32,000	32,000	26,369	(5,631)
Total Revenues	\$ 1,199,504	\$ 1,199,504	\$ 1,184,300	\$ (15,204)
Expenditures				
Current				
Human services				
Administration	\$ 55,575	\$ 55,575	\$ 45,520	\$ 10,055
Communication	6,500	6,500	2,767	3,733
Serving at-risk families/youth	1,021,148	1,092,848	1,011,017	81,831
Community allocations	165,000	165,000	157,000	8,000
Sustainable funding resources/other	90,000	18,300	-	18,300
Total Expenditures	\$ 1,338,223	\$ 1,338,223	\$ 1,216,304	\$ 121,919
Net Change in Fund Balance	\$ (138,719)	\$ (138,719)	\$ (32,004)	\$ 106,715
Fund Balance - January 1	1,910,022	1,910,022	1,910,022	-
Fund Balance - December 31	\$ 1,771,303	\$ 1,771,303	\$ 1,878,018	\$ 106,715

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

EXHIBIT 5

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
State of Minnesota - Department of Human Services				
Local collaborative time study	\$ 900,000	\$ 900,000	\$ 1,194,142	\$ 294,142
Local				
Alternative service delivery	252,173	252,173	250,190	(1,983)
Partner contributions	4,000	4,000	3,737	(263)
Total intergovernmental	\$ 1,156,173	\$ 1,156,173	\$ 1,448,069	\$ 291,896
Investment earnings	27,000	27,000	20,498	(6,502)
Total Revenues	\$ 1,183,173	\$ 1,183,173	\$ 1,468,567	\$ 285,394
Expenditures				
Current				
Human services				
Administration	\$ 56,500	\$ 56,500	\$ 29,760	\$ 26,740
Communication	7,500	7,500	3,171	4,329
Serving at-risk families/youth	1,191,004	1,208,004	1,153,682	54,322
Community allocations	165,000	165,000	162,500	2,500
Sustainable funding resources/other	53,700	36,700	-	36,700
Total Expenditures	\$ 1,473,704	\$ 1,473,704	\$ 1,349,113	\$ 124,591
Net Change in Fund Balance	\$ (290,531)	\$ (290,531)	\$ 119,454	\$ 409,985
Fund Balance - January 1	1,878,018	1,878,018	1,878,018	-
Fund Balance - December 31	\$ 1,587,487	\$ 1,587,487	\$ 1,997,472	\$ 409,985

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**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2002, 2003, AND 2004**

1. Summary of Significant Accounting Policies

The Crow Wing County Family Services Collaborative (Collaborative) financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the years ending December 31, 2002, 2003, and 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Collaborative are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes in the statements include the financial statements prepared using the full accrual accounting method for all of the Collaborative's activities.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). The Collaborative has elected to implement all provisions of the statement in the current year, except that the Crow Wing County Family Services Collaborative has not presented a Management's Discussion and Analysis that GASB has determined is necessary to supplement, although not required to be part of, the basic financial statements.

A. Financial Reporting Entity

A joint family services collaborative, the Collaborative was established in 1996 pursuant to Minn. Stat. § 124D.23 by Crow Wing County Public Health, Independent School District #181, Independent School District #182, Independent School District #186, and the Tri-County Community Action Program. Central Minnesota Community Corrections joined the Collaborative in 1997. The purpose of the Collaborative is to provide an interagency approach to providing child and family services.

The management of the Collaborative is vested in a Governance Board, which is composed of four County Commissioners and three school board members. No single member party retains control over the operations or has oversight responsibility for the Collaborative.

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRainerd, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Crow Wing County Human Services acts as fiscal agent for Crow Wing County Family Services Collaborative.

B. Basic Financial Statements

The financial statements combine fund level financial statements (General Fund) and government-wide financial statements (governmental activities). These statements include the financial activities of the Collaborative overall.

Government-wide activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term obligations. Governmental funds are presented on the modified accrual basis and report current financial resources. The Collaborative reports one governmental fund. The General Fund is the Collaborative's primary operating fund. It accounts for all financial resources of the Collaborative. As the Collaborative does not have any long-term receivables or liabilities, there are no differences between the full accrual basis and the modified accrual basis of accounting. Therefore, they are presented in the same columns in the basic financial statements.

C. Measurement Focus and Basis of Accounting

The governmental activities columns are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund columns (General Fund) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Collaborative considers all revenues to be available if collected within 90 days of the end of the current period. Intergovernmental revenue and interest is considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. When both restricted and unrestricted resources are available for use, it is the Collaborative's policy to use restricted resources first, then unrestricted resources as they are needed.

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Assets

The Collaborative's cash includes demand deposits and cash on deposit with Crow Wing County. The County obtains collateral to cover deposits in excess of insurance coverage.

2. Receivables

The financial statements for the Collaborative contain no allowance for uncollectible accounts. Uncollectible amounts due for receivables would be recognized as bad debts at the time information becomes available that indicates the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operations of the fund.

3. Capital Assets

The Collaborative defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated fair market value at the date of donation. The Collaborative currently holds no capital assets over the \$1,000 capitalization threshold.

4. Liabilities

All current liabilities are recorded in the General Fund.

5. Fund Equity

The fund financial statements report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Collaborative reported no reservations or designations for the years ending December 31, 2002, 2003, and 2004. The Collaborative's net assets are unrestricted.

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

1. Summary of Significant Accounting Policies

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

6. 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 periods. Actual results could differ from those estimates.

7. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. The Collaborative's Governance Board adopts estimated revenue and expenditure budgets for the General Fund.

The budgets may be amended or modified at any time by the Governance Board. Comparisons of the estimated revenues and expenditures to actual are presented in the financial statements.

2. Detailed Notes

Assets

Cash Deposits

Cash transactions are administered by the Crow Wing County Treasurer, who is authorized to deposit cash in financial institutions designated by the County Board pursuant to Minn. Stat. § 118A.02. Minn. Stat. §§ 118A.04 and 118A.05 authorize the types of investments available to the County. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Receivables

The Collaborative did not have any receivables scheduled to be collected beyond one year as of December 31, 2004.

**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRAINERD, MINNESOTA**

3. Risk Management

Crow Wing County Family Services Collaborative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. To cover risks associated with property and casualty, the Collaborative members are covered under their individual agency's insurance.

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**CROW WING COUNTY FAMILY SERVICES COLLABORATIVE
BRainerd, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED DECEMBER 31, 2002, 2003, AND 2004**

FINANCIAL STATEMENT AUDIT - INTERNAL CONTROLS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

00-2 Flex Fund Checking Account

Crow Wing County Family Services Collaborative maintains a Flex Fund checking account for family preservation and support disbursements. It was previously reported that the accounting functions necessary to maintain proper internal controls over the account were not adequately segregated. Controls were significantly improved through the implementation of review procedures and revision of policies. However, the following weaknesses were noted during the audit.

As part of strengthening internal controls, the Collaborative adopted a Flex Fund policy that identifies the types and amounts of disbursements that can be made from the account without reporting to the Finance Committee. While testing controls over Flex Fund disbursements, it was noted that the only disbursements reported to the Finance Committee are those exceeding the dollar amounts. Disbursements identified by the policy as not to be considered for Flex Fund spending are not reported to the Finance Committee. We recommend that the policy be updated to clarify which disbursements need to be reported.

The policy should also be updated to include procedures on the release of issued checks. Based upon our review of checks, it was noted that check #2435 issued to the City of Crosby and check #2436 issued to Minnesota Power were endorsed by the client and encoded to the same bank account. We recommend that guidelines be developed to help ensure that issued checks go to the appropriate vendor.

Client's Response:

The Family Services Collaborative Finance Committee will be meeting to discuss the findings of the audit. The Committee Chair is recommending that several policy changes and clarifications be instituted. These recommendations include mailing all vendor checks directly to vendors rather than distributing them to clients or staff. In addition, all disbursements that are a discretionary policy exception must be verbally approved by a Finance Committee member and reported to the Finance Committee on a regular basis.

ITEM ARISING THIS YEAR

04-1 Journal Entries

The Collaborative's financial activity is recorded on Crow Wing County's general ledger system. The internal controls over journal entries were reviewed as part of the audit; and it was noted that the same individual is responsible for initiating, approving, recording, and maintaining the supporting documentation for journal entries. This concentration of duties and responsibilities in one individual is not desirable from an internal control point of view.

We recommend that the procedures over journal entries be reviewed and that adequate separation of duties be implemented.

Client's Response:

A policy has already been implemented that will require the Fiscal Supervisor to review and approve any journal entries made by the staff person assigned Collaborative fiscal duties.



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PATRICIA ANDERSON
STATE AUDITOR

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Governance Board
Crow Wing County Family Services Collaborative

We have audited the financial statements of Crow Wing County Family Services Collaborative as of and for the years ended December 31, 2002, 2003, and 2004, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

The management of Crow Wing County Family Services Collaborative is responsible for establishing and maintaining internal control. In fulfilling this responsibility, management must make estimates and judgments to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that:

- assets are safeguarded against loss from unauthorized use or disposition,
- transactions are executed in accordance with management's authorization, and
- transactions are recorded properly to permit the preparation of basic financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the controls to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit, we considered Crow Wing County Family Services Collaborative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider

to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Collaborative's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Recommendations as items 00-2 and 04-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe neither of the reportable conditions indicated above is a material weakness.

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains five categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements. Our study included all of the listed categories, except that we did not test for compliance in public indebtedness, as no debt has been issued; deposits and investments, as funds are maintained on deposit with Crow Wing County; and contracting and bidding, as none of the requirements were applicable.

The results of our tests indicate that, for the items tested, Crow Wing County Family Services Collaborative complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Governance Board and management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

/s/Greg Hierlinger

PATRICIA ANDERSON
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: November 3, 2005