

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

---

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

YEARS ENDED DECEMBER 31, 2005 AND 2006

## **Description of the Office of the State Auditor**

The mission of the State Auditor's Office 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 160 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 approximately 730 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.

Office of the State Auditor  
525 Park Street, Suite 500  
Saint Paul, Minnesota 55103  
(651) 296-2551  
state.auditor@state.mn.us  
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

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

**Years Ended December 31, 2005 and 2006**



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

This page was left blank intentionally.

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

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization Schedule		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Basic Financial Statements		
General Fund Balance Sheet and Governmental Activities Statement of Net Assets	Exhibit 1	3
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities Statement of Activities	Exhibit 2	4
Budgetary Comparison Schedule for the Year Ended December 31, 2005	Exhibit 3	5
Budgetary Comparison Schedule for the Year Ended December 31, 2006	Exhibit 4	6
Notes to the Financial Statements		7
<b>Management and Compliance Section</b>		
Schedule of Findings and Recommendations		12
Report on Minnesota Legal Compliance		13

This page was left blank intentionally.



This page was left blank intentionally.

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

**ORGANIZATION SCHEDULE  
2006**

Agency

---

Governance Board

Ed Larsen  
Gary Walters  
Terry Sluss  
John (“Jinx”) Ferrari  
Ruth Gmeinder  
Scott Kile  
David Kennedy

County Health  
Social Services  
Tri-County Community Action  
Community Corrections  
ISD #181  
ISD #182  
ISD #186

Collaborative Council

Susan Beck  
Deb Anderson  
Michael Kafka  
Jerry Walseth  
Jamie Skjeveland  
Rick Linnell  
Larry Ketchum  
Kathy Daly  
Pat Sharbonda  
Mimi Thurlow  
Janine Lepage  
Darla Robertson  
Bonnie Kriha  
Eric Thielbar

Social Services  
Public Health  
Community Corrections  
ISD #181  
ISD #182  
ISD #186  
Tri-County Community Action  
Interagency Early Intervention Committee  
Mental Health Local Advisory Committee  
Parent Representative  
County Attorney  
Parent Representative  
Community Transition Interagency Committee  
Parent Representative

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## 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 General Fund of Crow Wing County Family Services Collaborative as of and for the years ended December 31, 2005 and 2006, 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 General Fund of Crow Wing County Family Services Collaborative as of December 31, 2005 and 2006, and the respective changes in financial position thereof and the General Fund budgetary comparisons for each of the years then ended in conformity with accounting principles generally accepted in the United States of America.

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/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 30, 2007

Page 2

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

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

*EXHIBIT 1*

**GENERAL FUND BALANCE SHEET  
AND GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS  
DECEMBER 31, 2005 AND 2006**

	2005	2006
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 2,090,296	\$ 2,115,073
Due from other governments	268,675	96,025
<b>Total Assets</b>	<b>\$ 2,358,971</b>	<b>\$ 2,211,098</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 12,082	\$ 4,887
Due to other governments	43,950	81,066
<b>Total Liabilities</b>	<b>\$ 56,032</b>	<b>\$ 85,953</b>
<b>Fund Balance/Net Assets</b>		
Unreserved/unrestricted	2,302,939	2,125,145
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 7,020,881</b>	<b>\$ 6,547,341</b>

Crow Wing County Family Services Collaborative has no capital assets, long-term liabilities, or revenue deferred as unavailable. Therefore, the Balance Sheet of the General Fund is the same as the Statement of Net Assets of the Governmental Activities.

**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, 2005 AND 2006**

	<b>2005</b>	<b>2006</b>
<b>Revenues</b>		
<b>Intergovernmental</b>		
State of Minnesota - Department of Human Services		
Local collaborative time study	\$ 1,194,268	\$ 412,907
Local		
Alternative service delivery	240,239	196,431
Partner contributions	700	700
	<b>\$ 1,435,207</b>	<b>\$ 610,038</b>
<b>Total intergovernmental</b>		
Gifts and contributions	7,000	12,059
Investment earnings	52,121	88,842
Miscellaneous	130	5,069
	<b>\$ 1,494,458</b>	<b>\$ 716,008</b>
<b>Total Revenues</b>		
<b>Expenditures</b>		
<b>Current</b>		
<b>Human services</b>		
Administration	\$ 25,798	\$ 21,608
Communication	750	-
Serving at-risk families/youth	1,043,296	872,194
Community allocations	119,147	-
	<b>\$ 1,188,991</b>	<b>\$ 893,802</b>
<b>Total Expenditures</b>		
<b>Net Change in Fund Balance</b>	<b>\$ 305,467</b>	<b>\$ (177,794)</b>
<b>Fund Balance - January 1</b>	<b>1,997,472</b>	<b>2,302,939</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,302,939</b>	<b>\$ 2,125,145</b>

Crow Wing County Family Services Collaborative has no capital assets, long-term liabilities, or revenue deferred as unavailable. Therefore, the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance is the same as the Governmental Activities Statement of Activities.

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

**EXHIBIT 3**

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
<b>Intergovernmental</b>				
State of Minnesota - Department of Human Services				
Local collaborative time study	\$ 800,000	\$ 800,000	\$ 1,194,268	\$ 394,268
Local				
Alternative service delivery	262,372	262,372	240,239	(22,133)
Partner contributions	700	700	700	-
<b>Total intergovernmental</b>	<b>\$ 1,063,072</b>	<b>\$ 1,063,072</b>	<b>\$ 1,435,207</b>	<b>\$ 372,135</b>
Gifts and contributions	-	-	7,000	7,000
Investment earnings	20,000	20,000	52,121	32,121
Miscellaneous	-	-	130	130
<b>Total Revenues</b>	<b>\$ 1,083,072</b>	<b>\$ 1,083,072</b>	<b>\$ 1,494,458</b>	<b>\$ 411,386</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Administration	\$ 36,000	\$ 36,000	\$ 25,798	\$ 10,202
Communication	3,100	3,100	750	2,350
Serving at-risk families/youth	1,103,212	1,103,212	1,043,296	59,916
Community allocations	120,000	120,000	119,147	853
Sustainable funding resources/other	20,000	20,000	-	20,000
<b>Total Expenditures</b>	<b>\$ 1,282,312</b>	<b>\$ 1,282,312</b>	<b>\$ 1,188,991</b>	<b>\$ 93,321</b>
<b>Net Change in Fund Balance</b>	<b>\$ (199,240)</b>	<b>\$ (199,240)</b>	<b>\$ 305,467</b>	<b>\$ 504,707</b>
<b>Fund Balance - January 1</b>	<b>1,997,472</b>	<b>1,997,472</b>	<b>1,997,472</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,798,232</b>	<b>\$ 1,798,232</b>	<b>\$ 2,302,939</b>	<b>\$ 504,707</b>

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

**EXHIBIT 4**

**BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
State of Minnesota - Department of Human Services				
Local collaborative time study	\$ 391,792	\$ 391,792	\$ 412,907	\$ 21,115
Local				
Alternative service delivery	241,979	241,979	196,431	(45,548)
Partner contributions	700	700	700	-
<b>Total intergovernmental</b>	<b>\$ 634,471</b>	<b>\$ 634,471</b>	<b>\$ 610,038</b>	<b>\$ (24,433)</b>
Gifts and contributions	-	-	12,059	12,059
Investment earnings	18,000	18,000	88,842	70,842
Miscellaneous	-	-	5,069	5,069
<b>Total Revenues</b>	<b>\$ 652,471</b>	<b>\$ 652,471</b>	<b>\$ 716,008</b>	<b>\$ 63,537</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Administration	\$ 27,500	\$ 27,500	\$ 21,608	\$ 5,892
Serving at-risk families/youth	966,728	966,728	872,194	94,534
<b>Total Expenditures</b>	<b>\$ 994,228</b>	<b>\$ 994,228</b>	<b>\$ 893,802</b>	<b>\$ 100,426</b>
<b>Net Change in Fund Balance</b>	<b>\$ (341,757)</b>	<b>\$ (341,757)</b>	<b>\$ (177,794)</b>	<b>\$ 163,963</b>
<b>Fund Balance - January 1</b>	<b>2,302,939</b>	<b>2,302,939</b>	<b>2,302,939</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,961,182</b>	<b>\$ 1,961,182</b>	<b>\$ 2,125,145</b>	<b>\$ 163,963</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006**

---

---

1. Summary of Significant Accounting Policies

Crow Wing County Family Services Collaborative's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the years ending December 31, 2005 and 2006, except that the Crow Wing County Family Services Collaborative has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. 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.

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

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

---

---

1. Summary of Significant Accounting Policies (Continued)

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 capital assets, 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 as available if collected within 90 days of the end of the current period. Intergovernmental revenue and interest are considered 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 and then unrestricted resources as 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 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, 2005 and 2006. 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, 2006.

**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.

This page was left blank intentionally.



This page was left blank intentionally.

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2006**

**FINANCIAL STATEMENT AUDIT - INTERNAL CONTROLS**

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Flex Fund Checking Account (00-2)**

Crow Wing County Family Services Collaborative maintains a Flex Fund checking account for family preservation and support disbursements. Checks were not mailed directly to the vendors but were distributed to the clients.

**Resolution**

The policy was updated so all checks are mailed directly to the vendor; no checks are given to the clients.

**Journal Entries (04-1)**

There was a lack of segregation of duties over approval of journal entries.

**Resolution**

A policy has been implemented that requires the Fiscal Supervisor to review and approve all journal entries.

This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500  
525 PARK STREET  
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)  
(651) 296-4755 (Fax)  
state.auditor@state.mn.us (E-mail)  
1-800-627-3529 (Relay Service)

## REPORT ON 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, 2005 and 2006, and have issued our report thereon dated August 30, 2007.

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

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

REBECCA OTTO  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

August 30, 2007

Page 2