

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

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

YEARS ENDED DECEMBER 31, 2007 AND 2008

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 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.

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

Years Ended December 31, 2007 and 2008



**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
2008**

	<u>Agency</u>
Governance Board	
Rachel Reabe Nystrom	County Public Health
Philip Trusty	Social Services
Rosemary Franzen	Tri-County Community Action
Paul Thiede	Community Corrections
Reed Campbell	ISD #181
Kelly McCalla	ISD #182
Curt Johnson	ISD #186
Collaborative Council	
Susan Beck	Social Services
Sheila Skogen	Public Health
Michael Kafka	Community Corrections
Steve Razidlo	ISD #181
Jamie Skjeveland	ISD #182
Rick Linnell	ISD #186
Larry Ketchum	Tri-County Community Action
Pat Wright	Interagency Early Intervention Committee
Pat Sharbonda	Mental Health Local Advisory Committee
Heidi Hahn	Community Transition Interagency Committee
Janine Lepage	County Attorney staff
Marie Thurlow	Parent Representative
Karin Lunneborg	Parent Representative
Eric Thielbar	Parent Representative

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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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 General Fund of the Crow Wing County Family Services Collaborative as of and for the years ended December 31, 2007 and 2008, 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 the Crow Wing County Family Services Collaborative as of December 31, 2007 and 2008, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Management's Discussion and Analysis. However, we did not audit the information and express no opinion on it.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

October 27, 2009

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007 AND 2008
(Unaudited)**

As management of the Crow Wing County Family Services Collaborative, we offer the readers of the Collaborative's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended December 31, 2007 and 2008. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

FINANCIAL HIGHLIGHTS

The assets of the Crow Wing County Family Services Collaborative exceeded its liabilities by \$2,016,311 (net assets) in 2007 (Exhibit 1). The assets of the Crow Wing County Family Services Collaborative exceeded its liabilities by \$1,989,869 (net assets) in 2008 (Exhibit 4). Crow Wing County Family Services Collaborative total net assets decreased by \$108,834 between 2006 and 2007 and decreased by \$26,442 between 2007 and 2008.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. The Crow Wing County Family Services Collaborative's basic financial statements consist of two statements for each year that combine government-wide financial statements and fund financial statements, a budget to actual statement for each year, and 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 first column of each of the statements that combine the government-wide and fund financial statements presents governmental fund data. These columns focus on how money flows in and out and the balances left at year-end that are available for spending. They are reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. These columns provide a detailed short-term view of the operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the third column) in the center column of each statement.

The third column in each statement presents the governmental activities' Statement of Net Assets and the Statement of Activities, which provide information about the activities of the Crow Wing County Family Services Collaborative as a whole and present a longer-term view of the finances. These columns include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Over time, increases or decreases in net assets are one indicator of whether the Collaborative's financial health is improving or deteriorating.

Governmental Fund

Revenues in the Crow Wing County Family Services Collaborative's General Fund increased by \$66,959 and by \$4,431 between 2006 and 2007 and between 2007 and 2008, respectively. Total expenditures decreased by \$2,001 and \$5,961 between 2006 and 2007 and between 2007 and 2008, respectively.

As shown in the Statement of Activities on Exhibit 2, the amount that was received through intergovernmental revenue in 2007 was 84.9 percent of the total revenue received, or \$664,545. As shown in the Statement of Activities on Exhibit 5, the amount that was received through intergovernmental revenue in 2008 was 87.7 percent of the total revenue received, or \$690,819.

The Crow Wing County Family Services Collaborative adopted an annual budget for its General Fund for both years ending December 31, 2007 and 2008. Those budgets are shown on the Budgetary Comparison Statements on Exhibits 3 and 6.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of financial position. The Crow Wing County Family Services Collaborative's assets exceeded liabilities by \$2,016,311 at the close of 2007. The Crow Wing County Family Services Collaborative's assets exceeded liabilities by \$1,989,869 at the close of 2008.

	Net Assets		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Assets			
Current and other assets	\$ 2,195,608	\$ 2,151,551	\$ 2,211,098
Liabilities			
Other liabilities	<u>205,739</u>	<u>135,240</u>	<u>85,953</u>
Net Assets			
Unrestricted	<u>\$ 1,989,869</u>	<u>\$ 2,016,311</u>	<u>\$ 2,125,145</u>

The Crow Wing County Family Services Collaborative's activities decreased net assets by \$108,834 during 2007 and decreased the net assets during 2008 by \$26,442. Those changes represent a 5.1 percent decrease followed by a 1.3 percent decrease. Key elements in the change in net assets are as follows

	Changes in Net Assets		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
Revenues			
Intergovernmental			
Minnesota Department of Human Services	\$ 426,465	\$ 461,450	412,907
Local	264,354	203,095	197,131
Gifts and contributions	12,000	14,441	12,059
Interest from investments	74,876	99,519	88,842
Miscellaneous	9,703	4,462	5,069
Total Revenues	\$ 787,398	\$ 782,967	\$ 716,008
Expenses			
Human Services	813,840	891,801	893,802
Increase (Decrease) in Net Assets	\$ (26,442)	\$ (108,834)	\$ (177,794)
Net Assets - January 1	2,016,311	2,125,145	2,302,939
Net Assets - December 31	\$ 1,989,869	\$ 2,016,311	\$ 2,125,145

General Fund Budgetary Highlights

There were no changes from the original General Fund expenditure budget to the final budget during 2007 or 2008.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2007 and 2008, the Crow Wing County Family Services Collaborative reports no capitalized assets.

Long-Term Debt

The Crow Wing County Family Services Collaborative acquired a long-term liability in the amount of \$215,857 in 2008. This resulted from the return of LCTS funds to the Department of Human Services due to a federal audit disallowance. The Collaborative reached an agreement with the Department of Human Services to pay back the \$215,757 over a three-year period starting in 2008 on a quarterly basis. The Collaborative reached an agreement with School District #181 to reimburse those funds to the Collaborative over a three-year period starting in 2009 on an annual basis.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Economic factors such as the unemployment rate in the Crow Wing County Family Services Collaborative's service area and demographic factors, such as minority population, are not relevant to budgeting for the Collaborative.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Crow Wing County Family Services Collaborative's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Marty Sapetal, Crow Wing County Family Services Collaborative Coordinator; Deb Ellis, Crow Wing County Social Services Fiscal Officer; or Susan Beck, Crow Wing County Community Service Agency Director, P. O. Box 686, Brainerd, Minnesota 56401.

2007 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
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2007**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 2,031,454	\$ -	\$ 2,031,454
Due from other governments	120,097	-	120,097
Total Assets	\$ 2,151,551	\$ -	\$ 2,151,551
<u>Liabilities and Fund Balance/Net Assets</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 8,865	\$ -	\$ 8,865
Due to other governments	126,375	-	126,375
Total Liabilities	\$ 135,240	\$ -	\$ 135,240
Fund Balance			
Unreserved			
Designated for federal audit disallowance	\$ 320,000	\$ (320,000)	
Undesignated	1,696,311	(1,696,311)	
Total Fund Balance	\$ 2,016,311	\$ (2,016,311)	
Net Assets			
Unrestricted		\$ 2,016,311	\$ 2,016,311
Total Liabilities and Fund Balance/Net Assets	\$ 2,151,551	\$ -	\$ 2,151,551

**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 WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental			
Passed through Minnesota Department of Human Services			
Local Collaborative Time Study	\$ 409,756	\$ -	\$ 409,756
Community Mental Health Block Grant	51,694	-	51,694
Local	203,095	-	203,095
Gifts and contributions	14,441	-	14,441
Investment earnings	99,519	-	99,519
Miscellaneous	4,462	-	4,462
Total Revenues	\$ 782,967	\$ -	\$ 782,967
Expenditures/Expenses			
Current			
Human services			
Administration	\$ 22,561	\$ -	\$ 22,561
Serving at-risk families/youth	869,240	-	869,240
Total Expenditures/Expenses	\$ 891,801	\$ -	\$ 891,801
Net Change in Fund Balance/Net Assets	\$ (108,834)	\$ -	\$ (108,834)
Fund Balance/Net Assets - January 1	2,125,145	-	2,125,145
Fund Balance/Net Assets - December 31	\$ 2,016,311	\$ -	\$ 2,016,311

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

EXHIBIT 3

**BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Passed through Minnesota Department of Human Services				
Local Collaborative Time Study	\$ 391,792	\$ 391,792	\$ 409,756	\$ 17,964
Community Mental Health Block Grant	-	-	51,694	51,694
Local	242,679	242,679	203,095	(39,584)
Gifts and contributions	-	-	14,441	14,441
Investment earnings	12,000	12,000	99,519	87,519
Miscellaneous	10,903	10,903	4,462	(6,441)
	<u>\$ 657,374</u>	<u>\$ 657,374</u>	<u>\$ 782,967</u>	<u>\$ 125,593</u>
Total Revenues				
Expenditures				
Current				
Human services				
Administration	\$ 27,500	\$ 27,500	\$ 22,561	\$ 4,939
Serving at-risk families/youth	987,161	987,161	869,240	117,921
	<u>\$ 1,014,661</u>	<u>\$ 1,014,661</u>	<u>\$ 891,801</u>	<u>\$ 122,860</u>
Total Expenditures				
	<u>\$ 1,014,661</u>	<u>\$ 1,014,661</u>	<u>\$ 891,801</u>	<u>\$ 122,860</u>
Net Change in Fund Balance	<u>\$ (357,287)</u>	<u>\$ (357,287)</u>	<u>\$ (108,834)</u>	<u>\$ 248,453</u>
Fund Balance - January 1	<u>2,125,145</u>	<u>2,125,145</u>	<u>2,125,145</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,767,858</u>	<u>\$ 1,767,858</u>	<u>\$ 2,016,311</u>	<u>\$ 248,453</u>

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2008 BASIC FINANCIAL STATEMENTS

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

EXHIBIT 4

**GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2008**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 1,859,380	\$ -	\$ 1,859,380
Due from other governments	120,371	-	120,371
Noncurrent assets			
Due from other governments	-	215,857	215,857
Total Assets	\$ 1,979,751	\$ 215,857	\$ 2,195,608
 <u>Liabilities and Fund Balance/Net Assets</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 1,891	\$ -	\$ 1,891
Due to other governments	59,991	72,000	131,991
Noncurrent liabilities			
Due to other governments - noncurrent	-	71,857	71,857
Total Liabilities	\$ 61,882	\$ 143,857	\$ 205,739
Fund Balance			
Unreserved			
Designated for federal audit disallowance	\$ 248,000	\$ (248,000)	
Undesignated	1,669,869	(1,669,869)	
Total Fund Balance	\$ 1,917,869	\$ (1,917,869)	
Net Assets			
Unrestricted		\$ 1,989,869	\$ 1,989,869
Total Liabilities and Fund Balance/Net Assets	\$ 1,917,869	\$ 215,857	\$ 2,195,608
 Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 1,917,869
Noncurrent assets are reported in the Statement of Net Assets but not in the Fund Balance Sheet.			215,857
Noncurrent liabilities are reported in the Statement of Net Assets but not in the Fund Balance Sheet.			(143,857)
Net Assets - Governmental Activities			\$ 1,989,869

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

EXHIBIT 5

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES
STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2008**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental			
Passed through Minnesota Department of Human Services			
Local Collaborative Time Study	\$ 345,029	\$ -	\$ 345,029
Community Mental Health Block Grant	81,436	-	81,436
Local	264,354	-	264,354
Gifts and contributions	12,000	-	12,000
Investment earnings	74,876	-	74,876
Miscellaneous	9,703	-	9,703
	\$ 787,398	\$ -	\$ 787,398
Expenditures/Expenses			
Current			
Human services			
Administration	\$ 17,112	\$ -	\$ 17,112
Serving at-risk families/youth	796,728	-	796,728
Debt service			
Principal	72,000	(72,000)	-
	\$ 885,840	\$ (72,000)	\$ 813,840
Net Change in Fund Balance/Net Assets	\$ (98,442)	\$ 72,000	\$ (26,442)
Fund Balance/Net Assets - January 1	2,016,311	-	2,016,311
Fund Balance/Net Assets - December 31	\$ 1,917,869	\$ 72,000	\$ 1,989,869
 Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities			
Net Change in Fund Balance			\$ (98,442)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.			72,000
Change in Net Assets of Governmental Activities			\$ (26,442)

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

EXHIBIT 6

**BUDGETARY COMPARISON STATEMENT
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Passed through Minnesota Department of Human Services				
Local Collaborative Time Study	\$ 250,000	\$ 250,000	\$ 345,029	\$ 95,029
Community Mental Health Block Grant	103,396	103,396	81,436	(21,960)
Local	300,700	300,700	264,354	(36,346)
Gifts and contributions	-	-	12,000	12,000
Investment earnings	25,000	25,000	74,876	49,876
Miscellaneous	-	-	9,703	9,703
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>\$ 679,096</u>	<u>\$ 679,096</u>	<u>\$ 787,398</u>	<u>\$ 108,302</u>
Expenditures				
Current				
Human services				
Administration	\$ 19,000	\$ 19,000	\$ 17,112	\$ 1,888
Serving at-risk families/youth	932,083	932,083	796,728	135,355
Debt service				
Principal	-	-	72,000	(72,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>\$ 951,083</u>	<u>\$ 951,083</u>	<u>\$ 885,840</u>	<u>\$ 65,243</u>
Net Change in Fund Balance	<u>\$ (271,987)</u>	<u>\$ (271,987)</u>	<u>\$ (98,442)</u>	<u>\$ 173,545</u>
Fund Balance - January 1	<u>2,016,311</u>	<u>2,016,311</u>	<u>2,016,311</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,744,324</u>	<u>\$ 1,744,324</u>	<u>\$ 1,917,869</u>	<u>\$ 173,545</u>

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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, 2007 AND 2008**

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, 2007 and 2008. 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.

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.

The operation of the Collaborative is conducted by the Council, which is composed of executive officers or designees of mandated partners and a designee of the County Attorney plus a representative of three interagency committees and three parents representing parent groups in the community impacted by Collaborative services and programs. The three committees are Interagency Early Intervention Committee (IEIC), Children's Mental Health Local Advisory Council (LAC), and Community Transition Interagency Committee (CTIC). The Council has powers and duties necessary for the conducting of Collaborative business, subject only to those powers specifically reserved to the Governance Board.

**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 the Crow Wing County Family Services Collaborative.

B. Basic Financial Statements

Basic financial statements include information on the Collaborative's activities as a whole and information on the individual fund of the Collaborative. These separate presentations are reported in different columns on Exhibits 1, 2, 4, and 5. Each of the exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the Collaborative as a whole.

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Collaborative's net assets are reported as unrestricted net assets. The statement of activities demonstrates the degree to which the expenses of the Collaborative are offset by revenues.

The balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund are presented on the modified accrual basis and report current financial resources.

The basic financial statements also include a budget-to-actual statement for 2007 and 2008. These budget-to-actual statements are Exhibits 3 and 6.

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.

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 they are needed.

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 value at the date of donation. The Collaborative currently holds no capital assets over the \$1,000 capitalization threshold.

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

1. Summary of Significant Accounting Policies

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

4. Liabilities

All current liabilities are recorded in the General Fund.

5. Fund Balance and Net Assets

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's net assets are unrestricted.

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.

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

2. Detailed Notes

A. 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. Minnesota Statutes §§ 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

In 2008, School District 181 made an agreement with the Collaborative to pay back the Local Collaborative Time Study (LCTS) funds that the Collaborative is paying back to the state for the federal audit disallowance. The Collaborative will receive quarterly payments beginning July 1, 2009.

Year Ending December 31	Long-Term Receivable Principal
2009	\$ 72,000
2010	72,000
2011	71,857
Total	\$ 215,857

B. Liabilities

Long-Term Payable

Long-term payable at December 31, 2008, is for the payback of LCTS funds due to a federal audit disallowance. The Crow Wing County Family Services Collaborative made an agreement with the Department of Human Services to pay back LCTS funds over three years.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rates (%)	Original Issue Amount	Outstanding Balance December 31, 2008
Long-Term Payable		\$71,857 -			
Due to other governments	2010	\$72,000	N/A	\$ 215,827	\$ 143,857

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

2. Detailed Notes

B. Liabilities (Continued)

Debt Service Requirements

Debt Service requirements at December 31, 2008, were as follows:

Year Ending December 31	Long-Term Payable Principal
2009	\$ 72,000
2010	71,857
Total	\$ 143,857

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-Term Payable Due to other governments	\$ -	\$ 215,857	\$ 72,000	\$ 143,857	\$ 72,000

3. Risk Management

The 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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STATE AUDITOR

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Governance Board
Crow Wing County Family Services Collaborative

We have audited the 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, 2007 and 2008, which collectively comprise the Collaborative's basic financial statements. 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, the 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

October 27, 2009

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