

**FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**



**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA**

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CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT**

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The Governing Board  
Clay County Collaborative  
Moorhead, Minnesota

We have audited the accompanying financial statements of the general fund of the Clay County Collaborative as of and for the years ended December 31, 2005 and 2004, which comprise Clay County Collaborative's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clay County Collaborative's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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 audits provide 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 general fund of the Clay County Collaborative, as of December 31, 2005 and 2004, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2006 on our consideration of the Clay County Collaborative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The **Clay County Collaborative** has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to part of, the basic financial statements.

Eide Bailly LLP

Fargo, North Dakota  
May 11, 2006

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
STATEMENT OF NET ASSETS  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

Exhibit A-1

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 1,985,113	\$ 2,100,564
Due from other governments	<u>126,023</u>	<u>267,953</u>
	<u>2,111,136</u>	<u>2,368,517</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable	29,050	7,233
Salaries payable	1,703	35,327
Due to other governments	5,835	-
Deferred revenue	1,115,461	1,263,219
Compensated absences	<u>-</u>	<u>23,567</u>
	<u>1,152,049</u>	<u>1,329,346</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$ 959,087</u>	<u>\$ 1,039,171</u>

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2005**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Local collaborative time study	\$ 520,212	\$ 547,948	\$ 27,736
Truancy Intervention Program	122,190	122,190	-
Family Services	154,219	100	(154,119)
Restorative Justice	27,374	27,374	-
Local Advisory Council	3,742	3,742	-
Reentry Services	68,349	68,351	2
	<u>\$ 896,086</u>	<u>\$ 769,705</u>	<u>(126,381)</u>
GENERAL REVENUES			
Unrestricted investment earnings			<u>46,297</u>
CHANGES IN NET ASSETS			(80,084)
NET ASSETS - BEGINNING			<u>1,039,171</u>
NET ASSETS - ENDING			<u>\$ 959,087</u>

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2004**

Exhibit A-3

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Local collaborative time study	\$ 395,307	\$ 411,084	\$ 15,777
Truancy Intervention Program	194,264	194,264	-
Family Services	25,194	3,197	(21,997)
Restorative Justice	69,147	84,965	15,818
Local Advisory Council	1,806	1,806	-
Wraparound process	-	5,926	5,926
Adolescent services	3,097	759	(2,338)
HelpWorks	164	-	(164)
Mental health screenings	40,693	-	(40,693)
Way to Go	-	44	44
Reentry Services	133,379	221,297	87,918
	<u>\$ 863,051</u>	<u>\$ 923,342</u>	<u>60,291</u>
GENERAL REVENUES			
Unrestricted investment earnings			<u>23,605</u>
CHANGES IN NET ASSETS			83,896
NET ASSETS - BEGINNING			<u>955,275</u>
NET ASSETS - ENDING			<u>\$ 1,039,171</u>

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
BALANCE SHEETS  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

Exhibit A-4

	<u>2005</u>	<u>2004</u>
<b>ASSETS</b>		
Cash and pooled investments	\$ 1,985,113	\$ 2,100,564
Due from other governments	<u>126,023</u>	<u>267,953</u>
Total assets	<u>\$ 2,111,136</u>	<u>\$ 2,368,517</u>
<b>LIABILITIES AND FUND BALANCE</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 29,050	\$ 7,233
Salaries payable	1,703	35,327
Due to other governments	5,835	-
Deferred revenue	<u>1,115,461</u>	<u>1,263,219</u>
Total liabilities	<u>1,152,049</u>	<u>1,305,779</u>
FUND BALANCE - UNRESERVED	<b>959,087</b>	1,062,738
Amounts reported for governmental activities in the statement of net assets is different because:		
Compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>-</u>	<u>(23,567)</u>
Net assets of governmental activities	<u>\$ 959,087</u>	<u>\$ 1,039,171</u>

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
STATEMENTS OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

Exhibit A-5

	2005			Variance With Final Budget Positive (Negative)	2004 Actual
	Original Budget	Final Budget	Actual		
<b>REVENUES</b>					
Federal					
U.S. Department of Justice	\$ 68,430	\$ 68,430	\$ <b>68,349</b>	\$ (81)	\$ 103,586
State of Minnesota					
Department of Human Services	711,750	711,750	<b>697,086</b>	(14,664)	817,822
Investment earnings	10,000	10,000	<b>46,297</b>	36,297	23,605
Miscellaneous	5,960	5,960	<b>4,270</b>	(1,690)	1,934
<b>Total revenues</b>	<b>796,140</b>	<b>796,140</b>	<b>816,002</b>	<b>19,862</b>	<b>946,947</b>
<b>EXPENDITURES</b>					
Local collaborative time study	704,093	704,093	<b>543,779</b>	160,314	395,307
Truancy Intervention Program	229,874	229,874	<b>122,190</b>	107,684	203,635
Family Services	-	-	<b>154,219</b>	(154,219)	25,194
Restorative Justice	60,066	60,066	<b>27,374</b>	32,692	69,147
Local Advisory Council	3,333	3,333	<b>3,742</b>	(409)	1,806
Adolescent services	-	-	-	-	3,097
HelpWorks	-	-	-	-	164
Mental health screenings	-	-	-	-	40,693
Reentry Services	102,645	102,645	<b>68,349</b>	34,296	133,379
<b>Total expenditures</b>	<b>1,100,011</b>	<b>1,100,011</b>	<b>919,653</b>	<b>180,358</b>	<b>872,422</b>
Excess of revenues over (under) expenditures	(303,871)	(303,871)	<b>(103,651)</b>	200,220	74,525
Fund balance, beginning of year	1,062,738	1,062,738	<b>1,062,738</b>	-	988,213
<b>Fund Balance, end of year</b>	<b>\$ 758,867</b>	<b>\$ 758,867</b>	<b>\$ 959,087</b>	<b>\$ 200,220</b>	<b>\$ 1,062,738</b>

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
RECONCILIATION OF THE CHANGE IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

Exhibit A-6

	<u>2005</u>	<u>2004</u>
NET CHANGE IN FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ (103,651)	\$ 74,525
<p>Amounts reported for governmental activities  in the statement of activities is different because:</p> <p style="padding-left: 40px;">In the statement of activities compensated absences are  measured by the amounts earned during the year. In the  governmental funds, however, expenditures for these items  are measured by the amount of financial resources used  (essentially, the amount paid).</p>		
	<u>23,567</u>	<u>9,371</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (80,084)</u></u>	<u><u>\$ 83,896</u></u>

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2005 AND 2004**

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**NOTE 1 - ORGANIZATION AND PURPOSE**

Clay County Collaborative was established in 1995 pursuant to Minn. Stat. 124D.23, between Clay County; Clay County Public Health; Independent School District Nos. 146, 150, 152, 914, and 2164; Clay-Wilkin Opportunity Council Head Start; Collaborative Advisory Committee; Minnesota Department of Corrections-Clay County Court Services; and voluntary partners. The Collaborative's primary purpose is to work in partnership with Clay County families, communities, agencies/organizations, and institutions to increase opportunities to improve child health and development, reduce barriers to quality school performance, and improve family functioning through enhanced self-esteem and the development of general employment skills.

The management of the Collaborative is vested in the Clay County Collaborative Board. The Board is composed of two Clay County Commissioners, two school board members from Independent School District No. 152, one school board member from each of the other four participating school districts, one city representative from within each of the five school districts, one representative of the Clay-Wilkin Opportunity Council Head Start, one representative of the Collaborative Advisory Committee, one representative of the Minnesota department of Corrections-Clay County Court Services, two consumer/parent representatives of children with special needs, The Administrator of the Clay County Public Health Department, the Director of Clay County Social Services, and two superintendent representatives. No single member party retains control over the operations or has oversight responsibility for the Collaborative. The Boards appoints a fiscal agent to handle and be responsible for safekeeping the funds of the Collaborative.

Clay County acts as fiscal agent for the Clay County Joint Powers Collaborative. These financial statements include only the transactions of Clay County Joint Powers Collaborative and are not intended to present the transactions of the Collaborative's member agencies.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net assets and the statement of activities. Governmental activities are normally financed through intergovernmental revenues.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Interest earnings and other items not properly included among program revenues are reported instead as general revenues.

## NOTES TO FINANCIAL STATEMENTS

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### **B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements 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 the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Collaborative considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Intergovernmental revenue and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the Collaborative receives cash.

The Collaborative reports the following major governmental fund:

**General Fund** – The Collaborative uses this fund to account for all financial resources.

### **C. OTHER SIGNIFICANT ACCOUNTING POLICIES**

*Budget* – The Collaborative’s board adopts an estimated revenue and expenditure budget. The budget may be amended or modified at any time by the board.

*Cash and Investments* – Cash and investments are on deposit with Clay County

*Fund Equity Designation* – Unreserved indicates that portion of fund equity which is available for appropriation in future periods.

### **NOTE 3 - CASH DEPOSITS**

Cash transactions are administered by the Clay 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 4 - DUE FROM OTHER GOVERNMENTS

The amount due from other governments at December 31, 2005 and 2004, is \$126,023 and \$267,953, respectively, due from the federal government.

### NOTE 5 - DEFFERED REVENUE

Deferred revenue at December 31, 2005 and 2004, is \$1,115,461 and \$1,263,219, respectively, consists of the portion of the Local Collaborative Time Study grant received but not yet earned

### NOTE 6 - RISK MANAGEMENT

Clay County 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 risk associated with property and casualty, the Collaborative is a member of the Minnesota Counties Insurance Trust (MCIT). Other risks are covered by commercial insurance. The Collaborative 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 previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The Property and Casualty Division of MCIT is self-sustaining and members pay an annual premium to cover current and future losses. The MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the members in a method and amount to be determined by MCIT.

### NOTE 7 - DEFINED BENEFIT PENSION PLANS - STATEWIDE

#### PERA

##### *Plan Description*

All full-time and certain part-time employees of the Collaborative are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) that is a cost-sharing, multiple-employer retirement plan. This plan is established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

## NOTES TO FINANCIAL STATEMENTS

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Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members each year of service. PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF. That report may be obtained on the web at [mnpera.com](http://mnpera.com), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (612) 296-7460 or 1-800-652-9026.

### *Funding Policy*

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The Collaborative makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10%, respectively, of their annual covered salary. **Clay County Collaborative** is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 5.53% for Coordinated Plan PERF members. The Collaborative's contributions to the Public Employees Retirement Fund for the years ending December 31, 2005, 2004, and 2003, were equal to the contractually required contributions for each year as set by state statute.



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CPAs & BUSINESS ADVISORS

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND OTHER MATTERS  
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS AND THE MINNESOTA LEGAL  
COMPLIANCEGUIDE FOR LOCAL GOVERNMENTS**

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The Governing Board  
Clay County Collaborative  
Moorhead, Minnesota

We have audited the financial statements of the governmental activities and each major fund of Clay County Collaborative, Moorhead, Minnesota, for the years ended December 31, 2005 and 2004, which comprise the Collaborative's basic financial statements and have issued our report thereon dated May 11, 2006. We conducted our audits 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; and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes, Section 6.65.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether Clay County Collaborative's financial statements are free of material misstatement, we performed tests of the Collaborative's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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*.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers five main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, and claims and disbursements for Collaborative's. Our study included all of the listed categories. The results of our tests disclosed no instances of noncompliance that are required to be reported the *Minnesota Legal Compliance Audit Guide for Local Government*.

### *Internal Control Over Financial Reporting*

In planning and performing our audit, we considered Clay County Collaborative's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion 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. The reportable condition is described in the accompanying schedule of findings as Finding No. 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 caused by error or fraud 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 structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe the 04-1 reportable condition is not a material weakness.

We also noted other matters involving the internal control over financial reporting, which we have reported to the management of Clay County Collaborative.

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

Eide Bailly LLP

Fargo, North Dakota  
May 11, 2006

**CLAY COUNTY COLLABORATIVE  
MOORHEAD, MINNESOTA  
SUMMARY OF AUDIT FINDINGS  
YEARS ENDED DECEMBER 31, 2005 AND 2004**

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**CURRENT YEAR FINDING** – NONE

**PRIOR YEAR FINDING**

04-1 – The Collaborative has a lack of segregation of duties in certain areas due to a limited staff.

**CORRECTIVE ACTION PLAN**

1. Explanation of disagreement with audit finding – There is no disagreement with the audit finding.
2. Actions planned in response to finding – At the present time, the Collaborative has segregated the duties of all key accounting areas in the most efficient manner possible, given its limited staff. Due to cost constraints, there will be no further administrative employees added.