

**FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007**



**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA**

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

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 June 30, 2008 and 2007, and for the year ending June 30, 2008 and the 18-month period ending June 30, 2007, which 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 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 Collaborative, as of June 30, 2008 and 2007, and the respective changes in financial position, thereof and the respective budgetary comparison for the general fund for the year and 18-month period 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 December 29, 2008 on our consideration of the 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 that testing, and not to provide an opinion on the internal control over financial 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 audit.

The 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
December 29, 2008

**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA
STATEMENTS OF NET ASSETS
JUNE 30, 2008 AND 2007**

Exhibit A-1

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 1,468,675	\$ 1,831,996
Due from other governmental units	<u>24,283</u>	<u>85,083</u>
Total assets	<u>\$ 1,492,958</u>	<u>\$ 1,917,079</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 80,364	\$ 39,062
Unearned revenue	<u>359,691</u>	<u>872,489</u>
Total liabilities	<u>440,055</u>	<u>911,551</u>
NET ASSETS		
Unrestricted	<u>1,052,903</u>	<u>1,005,528</u>
Total liabilities and net assets	<u>\$ 1,492,958</u>	<u>\$ 1,917,079</u>

**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008**

Exhibit A-2

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Family services collaborative	\$ 90,483	\$ -	\$ (90,483)
Local collaborative time study	134,985	-	(134,985)
Truancy intervention program	183,944	-	(183,944)
Family support model program	100,851	-	(100,851)
Restorative justice	39,309	-	(39,309)
Reentry services	145,510	-	(145,510)
	<u>\$ 695,082</u>	<u>\$ -</u>	<u>(695,082)</u>
 GENERAL REVENUES			
Local collaborative time study administration			671,260
Unrestricted investment earnings			71,197
			<u>742,457</u>
 CHANGES IN NET ASSETS			47,375
 NET ASSETS - BEGINNING			<u>1,005,528</u>
 NET ASSETS - ENDING			<u>\$ 1,052,903</u>

**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA
STATEMENT OF ACTIVITIES
18-MONTH PERIOD ENDED JUNE 30, 2007**

Exhibit A-3

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities			
Family services collaborative	\$ 75,327	\$ -	\$ (75,327)
Local collaborative time study	370,742	-	(370,742)
Truancy intervention program	166,576	-	(166,576)
Family support model program	96,141	-	(96,141)
Restorative justice	33,825	-	(33,825)
	<u>\$ 742,611</u>	<u>\$ -</u>	<u>(742,611)</u>
GENERAL REVENUES			
Local collaborative time study administration			618,837
Unrestricted investment earnings			170,215
			<u>789,052</u>
CHANGES IN NET ASSETS			46,441
NET ASSETS - BEGINNING			<u>959,087</u>
NET ASSETS - ENDING			<u>\$ 1,005,528</u>

**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA
BALANCE SHEETS
JUNE 30, 2008 AND 2007**

Exhibit A-4

	<u>2008</u>	<u>2007</u>
ASSETS		
Cash	\$ 1,468,675	\$ 1,831,996
Due from other governmental units	<u>24,283</u>	<u>85,083</u>
Total assets	<u>\$ 1,492,958</u>	<u>\$ 1,917,079</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable	\$ 80,364	\$ 39,062
Deferred revenue	<u>359,691</u>	<u>872,489</u>
Total liabilities	<u>440,055</u>	<u>911,551</u>
FUND BALANCE - UNRESERVED	<u>1,052,903</u>	<u>1,005,528</u>
Total liabilities and fund balance	<u>\$ 1,492,958</u>	<u>\$ 1,917,079</u>

CLAY COUNTY COLLABORATIVE

MOORHEAD, MINNESOTA

STATEMENTS OF REVENUES,

EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2008 AND 18-MONTH PERIOD ENDED JUNE 30, 2007

Exhibit A-5

	2008				
	Original Budget	Final Budget	Actual	Variance With Final Budget	2007 Actual
REVENUES					
Federal					
U.S. department of justice	\$ -	\$ -	\$ 87,683	\$ 87,683	\$ -
State of Minnesota					
Department of human services	200,000	200,000	555,512	355,512	613,519
Investment earnings	25,000	25,000	71,197	46,197	170,215
Miscellaneous	20,600	20,600	28,065	7,465	5,318
Total revenues	<u>245,600</u>	<u>245,600</u>	<u>742,457</u>	<u>496,857</u>	<u>789,052</u>
EXPENDITURES					
Family services collaborative	103,850	103,850	90,483	13,367	75,327
Local collaborative time study	271,662	271,662	134,985	136,677	370,742
Truancy intervention program	225,694	225,694	183,944	41,750	166,576
Family support model program	116,000	116,000	100,851	15,149	96,141
Restorative justice	66,000	66,000	39,309	26,691	33,825
Reentry services	138,860	138,860	145,510	(6,650)	-
Total expenditures	<u>818,216</u>	<u>818,216</u>	<u>695,082</u>	<u>213,617</u>	<u>742,611</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
	(572,616)	(572,616)	47,375	710,474	46,441
FUND BALANCE, BEGINNING OF PERIOD					
	<u>1,005,528</u>	<u>1,005,528</u>	<u>1,005,528</u>	<u>-</u>	<u>959,087</u>
FUND BALANCE, END OF PERIOD					
	<u>\$ 432,912</u>	<u>\$ 432,912</u>	<u>\$ 1,052,903</u>	<u>\$ 710,474</u>	<u>\$ 1,005,528</u>

**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 - ORGANIZATION AND PURPOSE

Clay County Collaborative (the 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 Collaborative Governance Board. The Governance Board is composed of a representative and an alternate from the governing board/committee/council/commission of each partner organization as well as parent/consumer representatives representing interagency partners and system work groups. Membership in the Collaborative includes partner organizations mandated by State statutes (Clay County, a Clay County Public School District, a federal grantee for the Head Start Program in Clay County, a Mental Health Professional who serves children and families in Clay County, Clay County Court Services/Department of Corrections, Clay County Public Health, and consumers/parents of children with special needs who are participating partners of the Collaborative and residents of Clay County), as well as, other non-profit and other partner organizations which serve the Collaborative's target population in Clay County. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of the Collaborative.

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

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

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 – Cash is on deposit with Clay County.

Fund Balance – Unreserved indicates that portion of fund balance 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

NOTE 4 - DUE FROM OTHER GOVERNMENTS

The amount due from other governments at June 30, 2008 and 2007, is \$24,283 and \$85,083, respectively, due from the federal government.

NOTE 5 - UNEARNED REVENUE

Unearned revenue at June 30, 2008 and June 30, 2007, is \$359,691 and \$872,489, respectively, consists of the portion of the Local Collaborative Time Study grant received but not yet earned.

NOTE 6 - RISK MANAGEMENT

The 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.



CPAs & BUSINESS ADVISORS

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

The Governing Board
Clay County Collaborative
Moorhead, Minnesota

We have audited the financial statements of the general fund of Clay County Collaborative, Moorhead, Minnesota, for the year ended June 30, 2008 and the 18-month period ended June 30, 2007, and have issued our report thereon dated December 29, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Collaborative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Collaborative's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Collaborative's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider deficiencies 08-1, 08-2 and 08-3 described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1, 08-2 and 08-3 to be material weaknesses.

Compliance and Other Matters

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

The Collaborative's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Collaborative's responses and, accordingly, we express no opinion on them.

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
December 29, 2008

**CLAY COUNTY COLLABORATIVE
MOORHEAD, MINNESOTA
SCHEDULE OF AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008 AND 18-MONTH PERIOD ENDED JUNE 30, 2007**

A. FINDINGS - FINANCIAL STATEMENT AUDIT

Material Weaknesses

08-1 Segregation of Duties

Condition: The Collaborative has a lack of segregation of duties in certain areas due to a limited staff.

Criteria: A good system of internal control contemplates an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Effect: Inadequate segregation of duties could adversely affect the Collaborative's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: There is a limited amount of office employees involved in the internal control process.

Recommendation: While we recognize that your staff may not be large enough to permit complete segregation of duties in all respects for an effective system of internal control, the functions should be reviewed to determine if additional segregation is feasible and to improve efficiency and effectiveness of financial management of the Collaborative.

Management's Response: Due to cost constraints, there will be no further administrative employees added.

08-2 Preparation of Financial Statements

Condition: The Collaborative does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements.

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause: The Collaborative does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Recommendation: This circumstance is not unusual in a Collaborative of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Management's Response: Due to cost constraints, the Collaborative will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

08-3 Significant Journal Entries

Condition: During the course of our engagement, we proposed material audit adjustments that would not have been identified as a result of the Collaborative's existing internal controls, and therefore could have resulted in a material misstatement of the Collaborative's financial statements.

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Effect: This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Cause: The Collaborative does not have an internal control system designed to identify all necessary adjustments.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

Management's Response: The Collaborative will make an effort to review and reconcile all accounts in future years.

B. FINDINGS – MINNESOTA LEGAL COMPLIANCE – NONE