

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

ROCK-PIPESTONE FAMILY SERVICES
COLLABORATIVE
LIVERNE, MINNESOTA

YEARS ENDED DECEMBER 31, 2006 AND 2007

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.

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 Office of the State Auditor's web site: www.auditor.state.mn.us.

**ROCK-PIPESTONE FAMILY SERVICES
COLLABORATIVE
LIVERNE, MINNESOTA**

Years Ended December 31, 2006 and 2007



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

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

TABLE OF CONTENTS

	<u>Reference</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		3
2006 Basic Financial Statements		
Statement of Net Assets and Governmental Fund Balance Sheet	Exhibit 1	8
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	Exhibit 2	9
2007 Basic Financial Statements		
Statement of Net Assets and Governmental Fund Balance Sheet	Exhibit 3	10
Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balance	Exhibit 4	11
Notes to the Financial Statements		12
Required Supplementary Information		
2006 Budgetary Comparison Schedule - General Fund	Schedule 1	20
2007 Budgetary Comparison Schedule - General Fund	Schedule 2	21
Notes to the Required Supplementary Information		22
Management and Compliance Section		
Schedule of Findings and Recommendations	Schedule 3	23
Report on Internal Control Over Financial Reporting and Minnesota Legal Compliance		25

This page was left blank intentionally.

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

ORGANIZATION
2007

Name	Organization	Term Expires
Governing Board		
Randy Ehlers*	Rock County Family Services	December 31, 2007
Mary Fischer**	Pipestone County Family Services	December 31, 2007
LeRoy Domagala	Edgerton Public Schools	December 31, 2007
Dave Deragisch	Hills-Beaver Creek Public Schools	December 31, 2007
Gary Fisher	Luverne Public Schools	December 31, 2007
Jim Lentz	Pipestone Area Public Schools	December 31, 2007
Luke Johnson	Pipestone County Board of Commissioners	December 31, 2007
Jane Wildung	Rock County Board of Commissioners	December 31, 2007
Brad Meyer	Nobles-Rock Public Health Services	December 31, 2007
Sue Monsen	Lincoln, Lyon, Murray and Pipestone Public Health	December 31, 2007
Jon Ramlo	Rock-Nobles Community Corrections	December 31, 2007
Jeff Arendt	Pipestone County Corrections	December 31, 2007
Scott Johnson	Southwestern Mental Health Center, Inc.	December 31, 2007
Neal Steffl	Southwest Minnesota Opportunity Council	December 31, 2007
Rachell Henning	Southwest Minnesota Private Industry Council	December 31, 2007
Holli Arp	University of Minnesota Extension Service	December 31, 2007
Executive Committee		
Randy Ehlers	Rock County Family Services	December 31, 2007
Mary Fischer	Pipestone County Family Services	December 31, 2007
Jane Wildung	Rock County Board of Commissioners	December 31, 2007
Luke Johnson	Pipestone County Board of Commissioners	December 31, 2007
LeRoy Domagala	Edgerton Public Schools	December 31, 2007
Gary Fisher	Luverne Public Schools	December 31, 2007
Coordinator		
Deb Denherder		
Fiscal Manager		
Ona M. Reker		
Fiscal Agent		
Gloria Rolfs		

*Chair 2006 and 2007
**Chair 2008

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

Governing Board
Rock-Pipestone Family Services Collaborative

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Rock-Pipestone Family Services Collaborative as of and for the years ended December 31, 2006 and 2007, 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 an opinion 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 opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the General Fund of the Rock-Pipestone Family Services Collaborative, as of December 31, 2006 and 2007, and the respective changes in financial position, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are 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 required supplementary information. 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

May 14, 2008

Page 2

This page was left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2006 AND 2007
(Unaudited)**

As management of the Rock-Pipestone 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, 2006 and 2007. 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 REPORTING ENTITY

The Rock-Pipestone Family Services Collaborative was established in 1999 under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Rock County Family Service Agency; Nobles-Rock Community Health Service; Rock-Nobles Community Corrections; Southwestern Mental Health Center, Inc.; Independent School District 2184 (Luverne); Independent School District 671 (Hills-Beaver Creek); University of Minnesota Extension Service – Rock County and Pipestone County; Southwest Minnesota Opportunity Council; Southwest Minnesota Private Industry Council; Rock County; Lincoln, Lyon, Murray and Pipestone Public Health; Independent School District 581 (Edgerton); Independent School District 2689 (Pipestone Area); Pipestone County/State of Minnesota Department of Corrections; Pipestone County Family Service Agency; and Pipestone County.

The Collaborative is governed by a 16-member Board. The Board consists of one representative from each participating member (generally elected officials).

The financial activities of the Rock-Pipestone Family Services Collaborative are accounted for by Rock County as fiscal agent.

The primary goal of the Collaborative is to support the healthy development of children and families.

FINANCIAL HIGHLIGHTS

The assets of the Rock-Pipestone Family Services Collaborative exceeded its liabilities by \$307,262 (net assets) in 2006 (Exhibit 1). The assets of the Rock-Pipestone Family Services Collaborative exceeded its liabilities by \$269,063 (net assets) in 2007 (Exhibit 3). Rock-Pipestone Family Services Collaborative's total net assets decreased by \$54,703 between 2005 and 2006 and decreased by \$38,199 between 2006 and 2007.

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 Rock-Pipestone Family Services Collaborative's basic financial statements consist of two statements for each year that combine government-wide financial statements and fund financial statements 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 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 Rock-Pipestone 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 its financial health is improving or deteriorating.

Governmental Fund

Revenues for the Rock-Pipestone Family Services Collaborative's General Fund decreased by \$62,471 and \$40,593, while total expenditures increased by \$11,294 and decreased by \$18,716 between 2005 and 2006 and between 2006 and 2007, respectively.

As shown in the Statement of Activities on Exhibit 2, the amount that was received through intergovernmental revenue in 2006 was 83.9 percent of the total revenue received, or \$101,669. As shown in the Statement of Activities on Exhibit 4, the amount that was received through intergovernmental revenue in 2007 was 67.5 percent of the total revenue received, or \$54,371.

The Rock-Pipestone Family Services Collaborative adopted an annual budget for its General Fund for both years ending December 31, 2006 and 2007. Those budgets are shown on the Budgetary Comparison Schedule on Schedules 1 and 2.

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.

Other information is provided as supplementary information regarding the Rock-Pipestone Family Services Collaborative's intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of financial position. The Rock-Pipestone Family Services Collaborative's assets exceeded liabilities by \$307,262 at the close of 2006. The Rock-Pipestone Family Services Collaborative's assets exceeded liabilities by \$269,063 at the close of 2007.

	Net Assets		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Current and other assets	\$ 282,648	\$ 318,447	\$ 371,589
Liabilities			
Other liabilities	<u>13,585</u>	<u>11,185</u>	<u>9,624</u>
Net Assets			
Unrestricted	<u>\$ 269,063</u>	<u>\$ 307,262</u>	<u>\$ 361,965</u>

Governmental Activities

The Rock-Pipestone Family Services Collaborative's activities decreased net assets by \$54,703 during 2006 and decreased the net assets during 2007 by \$38,199. Those changes represent a 15.1 percent decrease followed by a 12.4 percent decrease. Key elements in the change in net assets are as follows.

	Changes in Net Assets		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
Intergovernmental			
Reimbursement for services			
Minnesota Department of Human Services	\$ 48,984	\$ 57,889	\$ 165,000
Local	5,387	5,309	-
Charges for services	270	90	1,690
Gifts and contributions	6,522	7,160	10,075
Interest on investments	10,389	9,353	2,558
Miscellaneous	9,033	2,996	989
Total Revenues	\$ 80,585	\$ 82,797	\$ 180,312
Expenses			
Human services	118,784	137,500	126,206
Increase (Decrease) in Net Assets	\$ (38,199)	\$ (54,703)	\$ 54,106
Net Assets - January 1	307,262	361,965	307,859
Net Assets - December 31	\$ 269,063	\$ 307,262	\$ 361,965

General Fund Budgetary Highlights

There were no changes from the original General Fund expenditure budget to the final budget during 2006 or 2007.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2006 and 2007, the Rock-Pipestone Family Services Collaborative reports no capitalized assets.

Long-Term Debt

At December 31, 2006 and 2007, the Rock-Pipestone Family Services Collaborative had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Economic factors such as the unemployment rate in the Rock-Pipestone 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 Rock-Pipestone 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 Ona M. Reker, Rock-Pipestone Family Services Collaborative Fiscal Manager and Rock County Family Services Fiscal Supervisor, or Randy Ehlers, 2007 Collaborative Chairperson and Rock County Family Service Agency Director, P. O. Box 715, Luverne, Minnesota 56156.

This page was left blank intentionally.

2006 FINANCIAL STATEMENTS

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

EXHIBIT 1

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

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and investments pooled with Rock County	\$ 313,859	\$ -	\$ 313,859
Due from other governments	4,588	-	4,588
Total Assets	\$ 318,447	\$ -	\$ 318,447
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 733	\$ -	\$ 733
Due to other governments	10,452	-	10,452
Total Liabilities	\$ 11,185	\$ -	\$ 11,185
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	307,262	\$ (307,262)	
Total Liabilities and Fund Balance	\$ 318,447		
Net Assets			
Unrestricted		\$ 307,262	\$ 307,262

The Rock-Pipestone 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.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2006**

	General Fund	Adjustments (See Note 2.B.)	Governmental Activities
Revenues			
Intergovernmental			
Reimbursement for services			
Minnesota Department of Human Services	\$ 91,666	\$ (33,777)	\$ 57,889
Local	9,913	(4,604)	5,309
Charges for services	90	-	90
Gifts and contributions	7,160	-	7,160
Investment earnings	9,353	-	9,353
Miscellaneous	2,996	-	2,996
	\$ 121,178	\$ (38,381)	\$ 82,797
Expenditures/Expenses			
Current			
Human services	137,500	-	137,500
	\$ (16,322)	\$ (38,381)	\$ (54,703)
Net Change in Fund Balance/Net Assets			
	\$ (16,322)	\$ (38,381)	\$ (54,703)
Fund Balance/Net Assets - January 1	323,584	38,381	361,965
Fund Balance/Net Assets - December 31	\$ 307,262	\$ -	\$ 307,262
 Reconciliation of the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities			
Net change in fund balance			\$ (16,322)
In the governmental funds, under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues between the fund statements and the statement of activities is the increase (decrease) in revenues deferred as unavailable.			
Deferred revenue - December 31		\$ -	
Deferred revenue - January 1		(38,381)	(38,381)
		\$ -	(38,381)
Change in Net Assets of Governmental Activities			\$ (54,703)

2007 FINANCIAL STATEMENTS

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

EXHIBIT 3

**STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DECEMBER 31, 2007**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and investments pooled with Rock County	\$ 271,567	\$ -	\$ 271,567
Due from other governments	11,081	-	11,081
Total Assets	\$ 282,648	\$ -	\$ 282,648
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 4,377	\$ -	\$ 4,377
Due to other governments	9,208	-	9,208
Total Liabilities	\$ 13,585	\$ -	\$ 13,585
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Unreserved			
Undesignated	269,063	\$ (269,063)	
Total Liabilities and Fund Balance	\$ 282,648		
Net Assets			
Unrestricted		\$ 269,063	\$ 269,063

The Rock-Pipestone 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.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

EXHIBIT 4

**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental			
Reimbursement for services			
Minnesota Department of Human Services	\$ 48,984	\$ -	\$ 48,984
Local	5,387	-	5,387
Charges for services	270	-	270
Gifts and contributions	6,522	-	6,522
Investment earnings	10,389	-	10,389
Miscellaneous	9,033	-	9,033
	\$ 80,585	\$ -	\$ 80,585
Expenditures/Expenses			
Current			
Human services	118,784	-	118,784
	\$ (38,199)	\$ -	\$ (38,199)
Net Change in Fund Balance/Net Assets			
	\$ (38,199)	\$ -	\$ (38,199)
Fund Balance/Net Assets - January 1	307,262	-	307,262
Fund Balance/Net Assets - December 31	\$ 269,063	\$ -	\$ 269,063

The Rock-Pipestone Family Services Collaborative has no capital assets, long-term liabilities, or revenue deferred as unavailable. Therefore, the Statement of Revenues, Expenditures, and Changes in Fund Balance of the General Fund is the same as the Statement of Activities of the governmental activities.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**

1. Summary of Significant Accounting Policies

The Rock-Pipestone Family Services Collaborative's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the years ended December 31, 2006 and 2007. 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 (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the Governing Board has the option to apply FASB pronouncements issued after that date, the Board has chosen not to do so. The more significant accounting policies established in GAAP and used by the Board are discussed below.

A. Financial Reporting Entity

The Rock County Collaborative was established July 1, 1999, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Rock-Pipestone Family Services Collaborative was established December 9, 2004, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Rock County Family Service Agency; Nobles-Rock Public Health Service; Rock-Nobles Community Corrections; Southwestern Mental Health Center, Inc.; Independent School District 2184 (Luverne); Independent School District 671 (Hills-Beaver Creek); University of Minnesota Extension Service - Rock County and Pipestone County; Southwest Minnesota Opportunity Council; Southwest Minnesota Private Industry Council; Rock County; Lincoln, Lyon, Murray and Pipestone Public Health; Independent School District 581 (Edgerton); Independent School District 2689 (Pipestone Area); Pipestone County/State of Minnesota Department of Corrections; Pipestone County Family Service Agency; and Pipestone County. The purpose of the Collaborative is to provide an interagency approach to providing child and family services.

The management of the Rock-Pipestone Family Services Collaborative is vested in a Governing Board composed of 16 members. Each member appoints its representative for a one-year term. No single member party retains control over the operations or has oversight responsibility for the Collaborative.

Rock County acts as fiscal agent for the Rock-Pipestone Family Services Collaborative and reports the fiscal transactions of the Collaborative as an agency fund.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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 through 4. 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.

C. Measurement Focus and Basis of Accounting

The governmental activities 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 financial statements 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 Rock-Pipestone Family Services Collaborative considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

When both restricted and unrestricted resources are available for use, it is the Rock-Pipestone Family Services Collaborative's policy to use restricted resources first and then unrestricted resources as needed.

D. Budgetary Data - General Budget Policies

The Rock-Pipestone Family Services Collaborative Governing Board adopts an estimated revenue and expenditure budget for the General Fund on the modified accrual basis of accounting. The budget may be amended or modified at any time by the Governing Board.

E. Assets, Liabilities, and Net Assets or Equity

1. Assets

Deposits and Investments

Cash is on deposit with Rock County.

Receivables

The financial statements for the Collaborative contain no allowance for uncollectible accounts. Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available that would indicate 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.

2. Liabilities

Deferred Revenue

Governmental funds and governmental activities defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Fund Balance/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 reported no reservations or designations for the years ended December 31, 2006 and 2007.

Unrestricted net assets represent the accumulated earnings of the Collaborative.

4. 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 period. Actual results could differ from those estimates.

F. Revenues and Expenditures

1. Revenues

In accordance with Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, revenues for nonexchange transactions are recognized based on the principal characteristics of the revenue. Exchange transactions are recognized as revenue when the exchange occurs. The modified accrual basis of accounting is used by the General Fund. Under this basis, revenue is not recognized in the financial statements unless it is available to finance current expenditures.

Intergovernmental

Government-mandated nonexchange transactions occur when a government at one level provides resources to a government at another level and requires that government to use them for a specific purpose. The provider government

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Revenues and Expenditures

1. Revenues

Intergovernmental (Continued)

establishes purpose restrictions and also may establish time requirements. Federal and state grants mandating the Collaborative perform particular programs are government-mandated nonexchange transactions. Revenues are recognized when eligibility and time requirements are met, usually when the corresponding expenditure is incurred.

Voluntary nonexchange transactions result from legislative or contractual agreements, such as grants, entitlements, appropriations, and donations. The provider may establish purpose restrictions or eligibility requirements. Revenues are recognized in the year to which they apply according to the statute or contract. Gifts and contributions from individuals are also considered voluntary nonexchange transactions and are generally recognized when received.

Exchange Transactions

Other revenues, such as charges for services and investment income, are recognized as revenue when earned.

2. Expenditures

Expenditure recognition for the General Fund includes only amounts represented by current liabilities.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The General Fund had expenditures in excess of budget for the year ended December 31, 2006.

<u>Fund</u>	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General	\$ 137,500	\$ 136,746	\$ 754

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

a. Deposits

Cash transactions are administered by the Rock County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board. 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, a requirement which Rock County was in compliance with as of December 31, 2006 and 2007.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the Collaborative:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less, and;

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

During the years ended December 31, 2006 and 2007, the Collaborative had no investments.

2. Receivables

Receivables as of December 31, 2006 and 2007, for the Collaborative's governmental activities are as follows:

	2006	2007
Governmental Activities		
Due from other governments	\$ 4,588	\$ 11,081

All receivables are expected to be received within the year.

B. Liabilities

1. Payables

Payables at December 31, 2006 and 2007, were as follows:

	2006	2007
Governmental Activities		
Accounts	\$ 733	\$ 4,377
Due to other governments	10,452	9,208
Total Governmental Activities	\$ 11,185	\$ 13,585

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

4. 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. The Collaborative is managing these risks with a membership in the Minnesota Counties Insurance Trust, a public entity risk pool. 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 years.

5. Subsequent Events

The main source of revenue for the Rock-Pipestone Family Services Collaborative is the Local Collaborative Time Study (LCTS) federal reimbursement from the Minnesota Department of Human Services. On February 8, 2008, the Minnesota Department of Human Services notified the Collaborative that the MA portion of the LCTS monies will not be funded after June 30, 2008. This represented \$16,020, or 14 percent, of total revenues for 2006 and \$12,593, or 16 percent, of total revenues for 2007.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
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>		
Revenues				
Intergovernmental	\$ 65,000	\$ 65,000	\$ 101,579	\$ 36,579
Charges for services	-	-	90	90
Gifts and contributions	4,000	4,000	7,160	3,160
Investment earnings	8,400	8,400	9,353	953
Miscellaneous	1,600	1,600	2,996	1,396
Total Revenues	\$ 79,000	\$ 79,000	\$ 121,178	\$ 42,178
Expenditures				
Current				
Human services	136,746	136,746	137,500	(754)
Excess of Revenues Over (Under) Expenditures	\$ (57,746)	\$ (57,746)	\$ (16,322)	\$ 41,424
Fund Balance - January 1	323,584	323,584	323,584	-
Fund Balance - December 31	\$ 265,838	\$ 265,838	\$ 307,262	\$ 41,424

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
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	\$ 60,000	\$ 60,000	\$ 54,371	\$ (5,629)
Charges for services	-	-	270	270
Gifts and contributions	4,000	4,000	6,522	2,522
Investment earnings	8,400	8,400	10,389	1,989
Miscellaneous	1,600	1,600	9,033	7,433
Total Revenues	\$ 74,000	\$ 74,000	\$ 80,585	\$ 6,585
Expenditures				
Current				
Human services	123,989	123,989	118,784	5,205
Excess of Revenues Over (Under) Expenditures	\$ (49,989)	\$ (49,989)	\$ (38,199)	\$ 11,790
Fund Balance - January 1	307,262	307,262	307,262	-
Fund Balance - December 31	\$ 257,273	\$ 257,273	\$ 269,063	\$ 11,790

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007

1. General Budget Policies

The Rock-Pipestone Family Services Collaborative Governing Board adopts an estimated revenue and expenditure budget for the General Fund. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the Governing Board. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund.

2. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

3. Budget Amendments

The Collaborative did not amend the expenditure budget during 2006 or 2007.

4. Excess of Expenditures Over Budget

The following funds had expenditures in excess of budget for the year ended December 31, 2006:

<u>Fund</u>	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 137,500	\$ 136,746	\$ 754

This page was left blank intentionally.

This page was left blank intentionally.

**ROCK-PIPESTONE FAMILY SERVICES COLLABORATIVE
LIVERNE, MINNESOTA**

Schedule 3

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**

INTERNAL CONTROL

ITEM ARISING THIS YEAR

07-1 **Segregation of Duties**

Management is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system. The size of the Rock-Pipestone Family Services Collaborative and its staffing limits the internal control that management can design and implement into the organizations. Management should be aware that segregation of duties is not adequate from an internal control point of view.

Management is responsible for the accuracy and completeness of all financial records and related information. Also, management is responsible for controls over the period-end financial reporting process, including controls over procedures used to enter transaction totals into the general ledger; initiate, authorize, record, and process journal entries into the general ledger; and record recurring and nonrecurring adjustments to the financial statements.

Management has requested that we prepare the annual financial statements and related notes. This arrangement is not unusual for organizations the size of the Rock-Pipestone Family Services Collaborative. These decisions were based on the availability of the Collaborative's staff and the cost-benefit of using our expertise.

During our audit, we proposed adjustments to convert the Collaborative's financial records to the financial statements as reported. These adjustments related to revenue and expenditure classification in the General Fund and the conversion of the fund statements to government-wide statements.

We recommend the Board be mindful that limited staffing causes inherent risks in safeguarding the organization's assets and proper reporting of its financial activity. We recommend the Board continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Client's Response:

Due to limited personnel, the Collaborative will continue to explore methods for segregation of duties.



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 INTERNAL CONTROL OVER FINANCIAL REPORTING AND MINNESOTA LEGAL COMPLIANCE

Governing Board
Rock-Pipestone Family Services Collaborative

We have audited the financial statements of the governmental activities and the General Fund of the Rock-Pipestone Family Services Collaborative as of and for the years ended December 31, 2006 and 2007, and have issued our report thereon dated May 14, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Rock-Pipestone Family Services Collaborative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions 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 a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 Collaborative'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

Collaborative's financial statements that is more than inconsequential will not be prevented or detected by the Collaborative's internal control over financial reporting. We considered the deficiency described in the accompanying Schedule of Findings and Recommendations as item 07-1 to be a significant deficiency 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 Collaborative'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, we believe the significant deficiency mentioned above is not a material weakness.

Minnesota Legal Compliance

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

The *Minnesota Legal Compliance Audit Guide for Local Government* contains 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 because no debt has been issued by the Rock-Pipestone Family Services Collaborative; deposits and investments, because Collaborative funds are held by the fiscal agent; contracting and bidding, as no contracts were noted; and miscellaneous provisions as the Collaborative is not a county or a city.

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

The Collaborative's written response to the significant deficiency, identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the Collaborative's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Governing Board, management, and others within the Rock-Pipestone Family Services Collaborative 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

May 14, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR