

Todd County, Long Prairie Minnesota

Audit Presentation
Exit Conference: Communication with those
Charged with Governance
Year Ending December 31, 2011

Tuesday, June 19, 2012

Agenda

- Introduction
- Required Communications
- Internal Control Findings
- Minnesota Legal Compliance Findings
- Financial Results
- Key Issues/Summary

INTRODUCTION

Audit Team

Your audit team consisted of the following professionals with a combined experience of 40 years in governmental accounting and auditing

- Doug Host – Partner (20 years)
- Sarah Utsch – Manager (6 years)
- Mike Olsen – Senior (6 years)
- Paige Batcha – Staff (3 years)
- Kristen Smude – Staff (3 years)
- Brendin Ketchum – Staff (2 years)

REQUIRED COMMUNICATIONS

Required Communications

- Significant difficulties encountered
 - Reconciliation of the budget in IFS to the board approved
- NO disagreements with management
- NO consultations with other independent accountants
- NO issues discussed prior to engagement of independent auditors
- Other Information accompanying the financial statements – auditor assumes no audit responsibility

Auditor's Responsibility

- Opinion on fairness of presentation of financials
- SAS #104-111 Key controls
 - Design – Documentation
 - Operation - Walkthroughs
- SAS #115 Control deficiencies observed:
material/significant

Financial Statements – Audit Results

- Significant accounting policies
 - Consistent with 2010 with exception of implementation of GASB 54
- Accounting Estimates – Reasonable/supported by calculations
- Disclosures – Adequate, clear complete
- Financial statement amounts – Fairly stated
- Opinion – Unqualified (clean)

Corrected and Uncorrected Misstatements

- Corrected (Audit Adjustments)
 - Record Additional Accruals
 - Revenue Reclassifications
 - Expenditure Reclassifications
 - Entries to record new bond issuances

INTERNAL CONTROL FINDINGS

Internal Control Findings

Material Weaknesses – deficiencies in internal control such that there is a reasonable possibility that a **material misstatement** would not be prevented or detected and corrected on a timely basis

- **Segregation of Duties**
- **Material Audit Adjustments**
- **Financial Reporting Process**

Internal Control Findings (Continued)

Significant Deficiencies - deficiencies in internal control that are **less severe than material weaknesses**, yet important enough to **merit attention by those charged with governance**

- **NONE**

MINNESOTA LEGAL COMPLIANCE FINDINGS

Minnesota Legal Compliance Finding

- Publishing of Claims
 - All claims exceeding \$2,000 and the total number of claims that do not exceed \$2,000 (in total) are required to be disclosed
 - The County is not publishing any of the Social Services claims
- Debt Service Levy Requirements
 - The 2011 Debt Service levy of \$201,810 was less than the required 105% of the 2011 principal and interest payments by \$6,181

FEDERAL SINGLE AUDIT FINDINGS

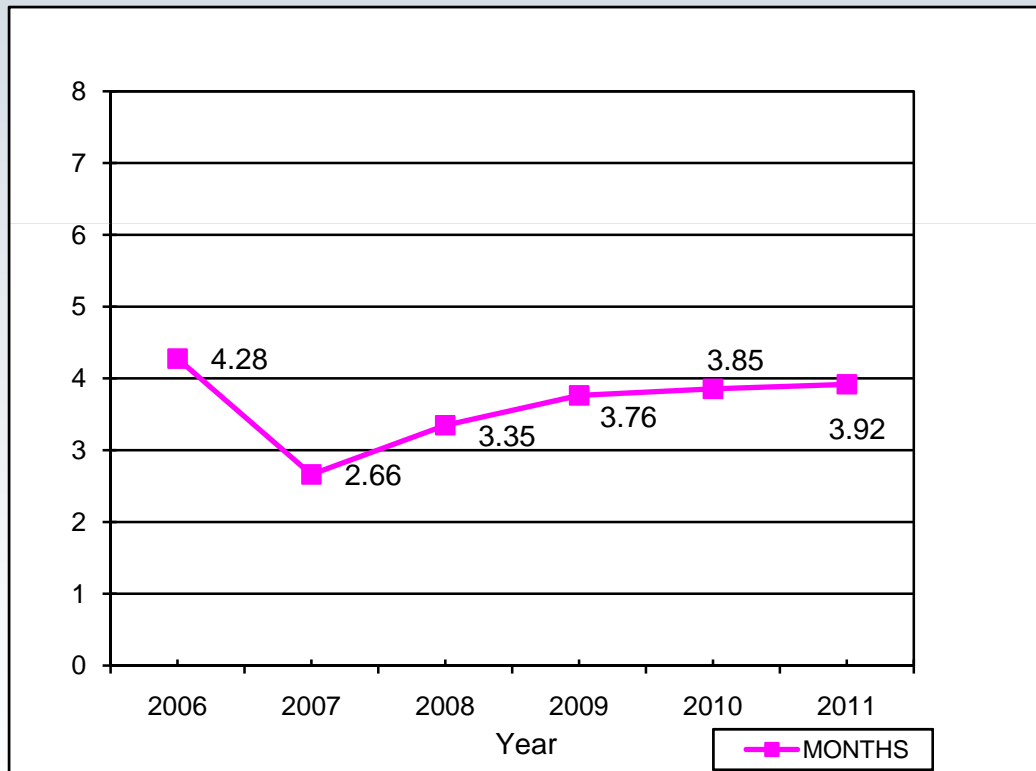
Federal Single Audit Compliance and Controls Findings

- Public Health TANF finding
 - No supporting documentation to support eligible expenditures that were submitted for reimbursement on the quarterly reports submitted to Morrison County
- Human Services TANF finding
 - Missing required language in the contract with Rural MN CEP regarding suspension and debarment

FINANCIAL RESULTS

Financial Results

Months of Expenditures in Fund Balance – Governmental Funds

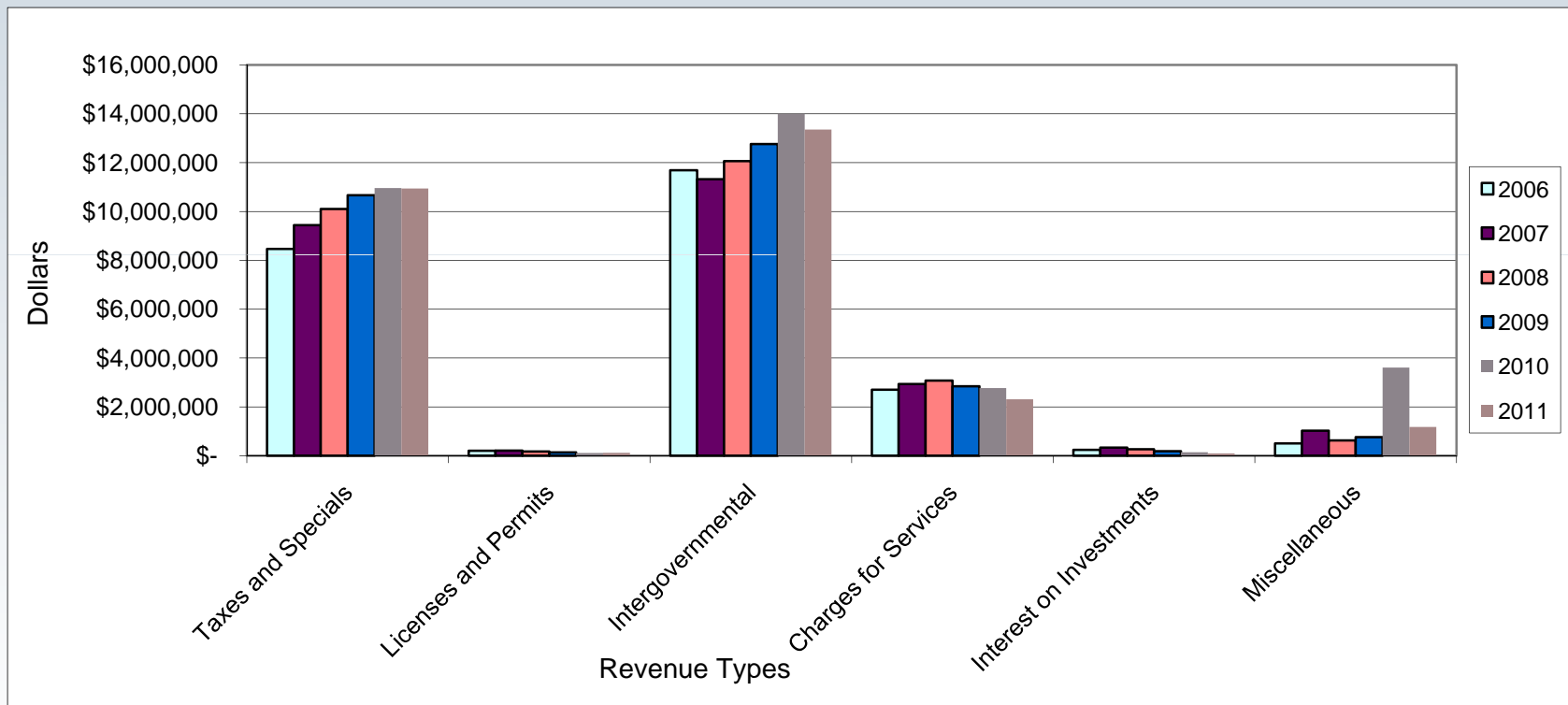


- MN Office of the State Auditor recommends 3-5 months
- Continues to increase since 2007
- Slight change in definition of unrestricted fund balance due to GASB 54

	2006	2007	2008	2009	2010	2011
Expenditures	\$ 25,553,198	\$ 28,170,560	\$ 25,401,364	\$ 26,028,011	\$ 30,809,759	\$ 29,515,590
Fund Balance	9,105,827	6,251,468	7,085,781	8,162,039	9,897,130	9,637,007

Financial Results

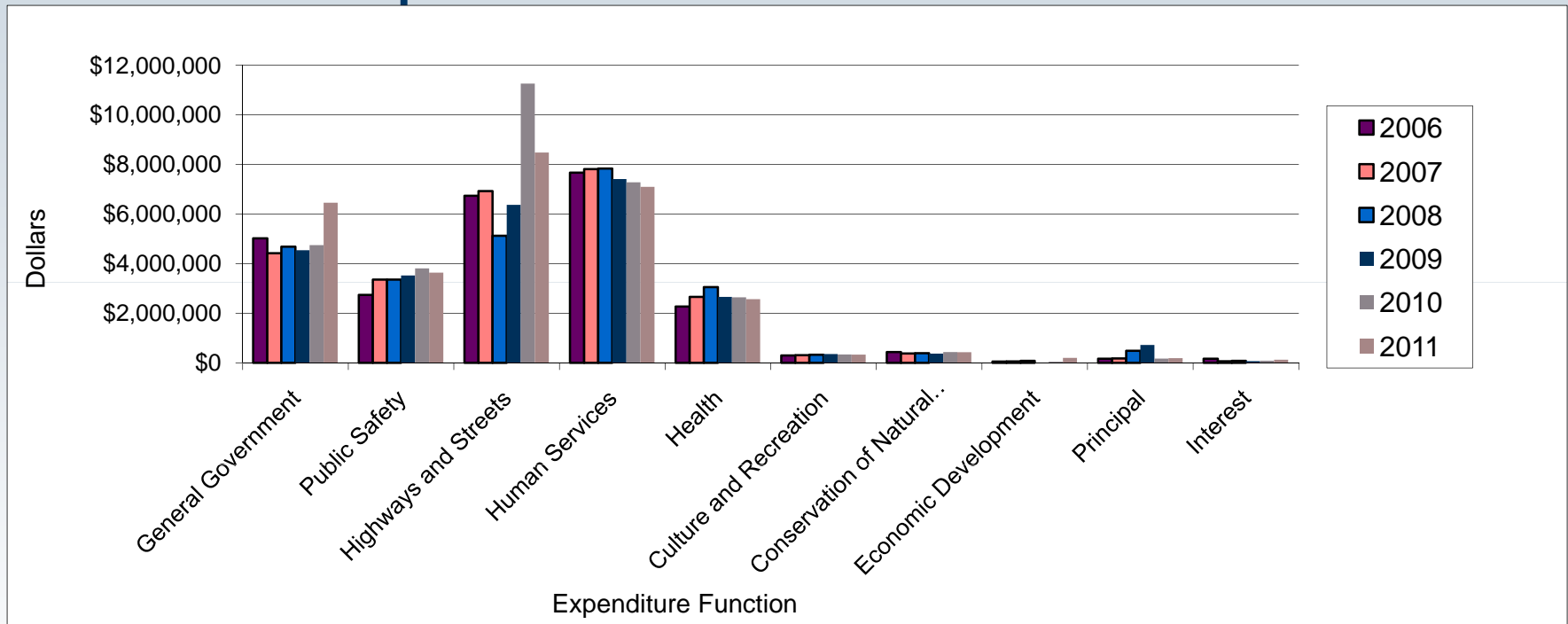
Revenues – All Governmental Funds



	2006	2007	2008	2009	2010	2011
Taxes and Specials	\$8,462,990	\$9,436,822	\$10,101,434	\$10,665,203	\$10,955,848	\$10,938,403
Licenses and Permits	201,905	208,736	171,437	135,935	111,106	117,434
Intergovernmental	11,688,607	11,317,846	12,059,396	12,757,348	13,994,375	13,355,944
Charges for Services	2,703,828	2,937,133	3,076,580	2,843,007	2,769,575	2,308,550
Interest on Investments	242,560	333,257	262,141	187,525	140,264	90,540
Miscellaneous	501,895	1,021,369	625,919	760,177	3,608,697	1,178,936
	<u>23,801,785</u>	<u>25,255,163</u>	<u>26,296,907</u>	<u>27,349,195</u>	<u>31,579,865</u>	<u>27,989,807</u>

Financial Results

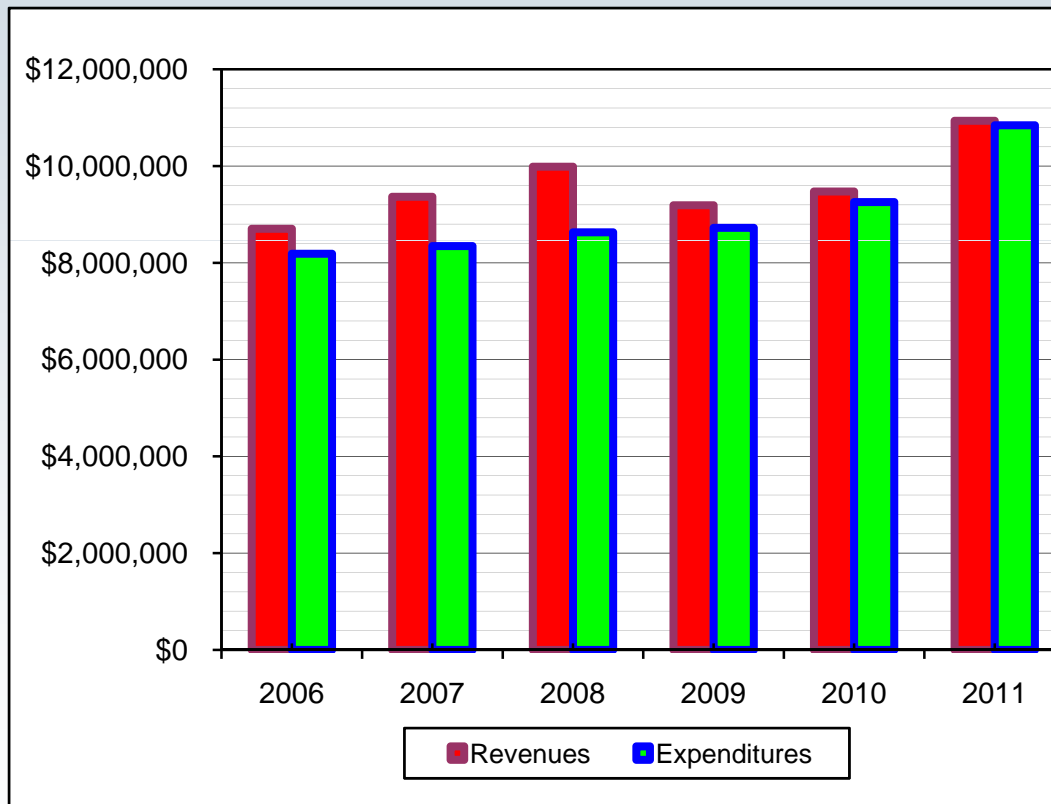
Expenditures – All Governmental Funds



	2006	2007	2008	2009	2010	2011
General Government	\$ 5,020,809	\$ 4,419,431	\$ 4,684,474	\$ 4,541,430	\$ 4,747,019	\$ 6,457,780
Public Safety	2,741,103	3,359,714	3,355,374	3,521,722	3,806,416	3,637,778
Highways and Streets	6,740,022	6,927,082	5,123,292	6,370,951	11,265,226	8,486,118
Human Services	7,670,653	7,812,173	7,837,031	7,411,752	7,280,075	7,099,089
Health	2,270,090	2,659,263	3,053,148	2,660,759	2,644,399	2,566,688
Culture and Recreation	293,326	307,787	322,359	354,380	334,258	329,896
Conservation of Natural Resources	432,837	375,191	386,762	367,958	431,023	425,005
Economic Development	52,945	57,286	77,707	11,081	45,645	196,254
Principal	165,000	175,000	483,973	717,946	172,503	189,926
Interest	166,413	60,313	77,244	70,032	83,195	127,056
	<u>\$25,553,198</u>	<u>\$26,153,240</u>	<u>\$25,401,364</u>	<u>\$26,028,011</u>	<u>\$30,809,759</u>	<u>\$29,515,590</u>

Financial Results

General Fund Revenues and Expenditures

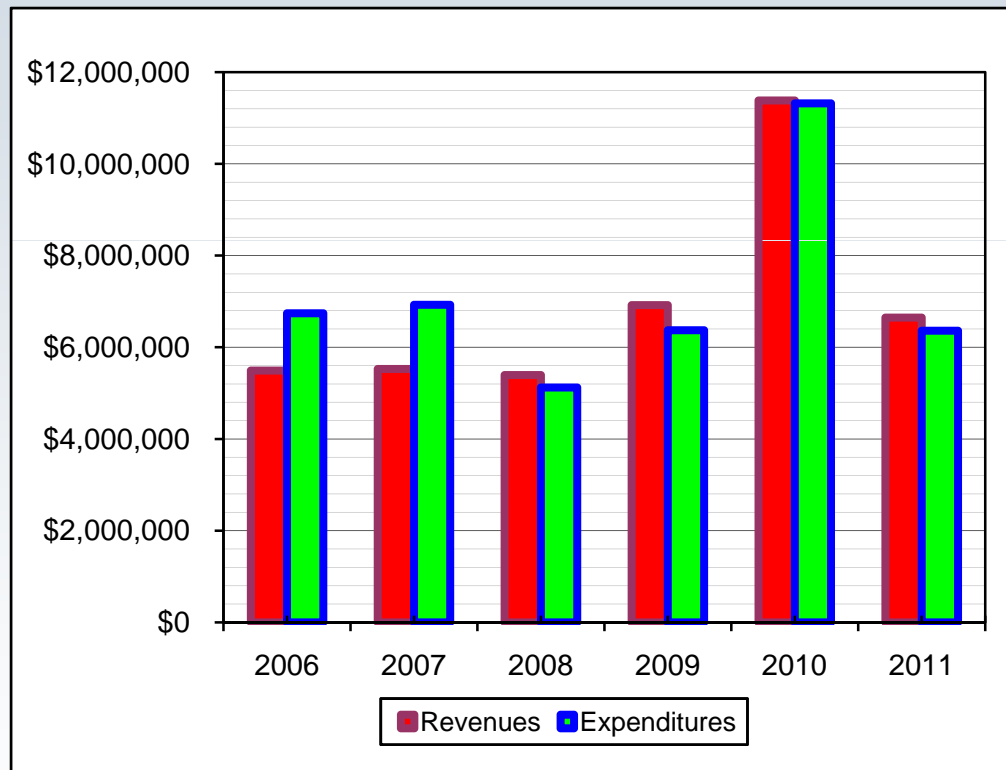


- Significant increase in both revenues and expenditures in 2011 is due to the Staples Project (\$1.7 million in revenues and \$2.2 million in expenditures)
- Transfers Out cause outflows to exceed inflows for 2011 and therefore a \$186,300 decrease in fund balance

	2006	2007	2008	2009	2010	2011
Revenues	8,703,120	9,362,995	9,986,316	9,187,525	9,473,694	10,935,181
Expenditures	8,185,661	8,345,552	8,628,303	8,722,348	9,254,858	10,840,563
Months Expenditures in Fund Balance	5.39	6.28	7.09	6.53	5.94	3.59

Financial Results

Public Works Fund Revenues and Expenditures



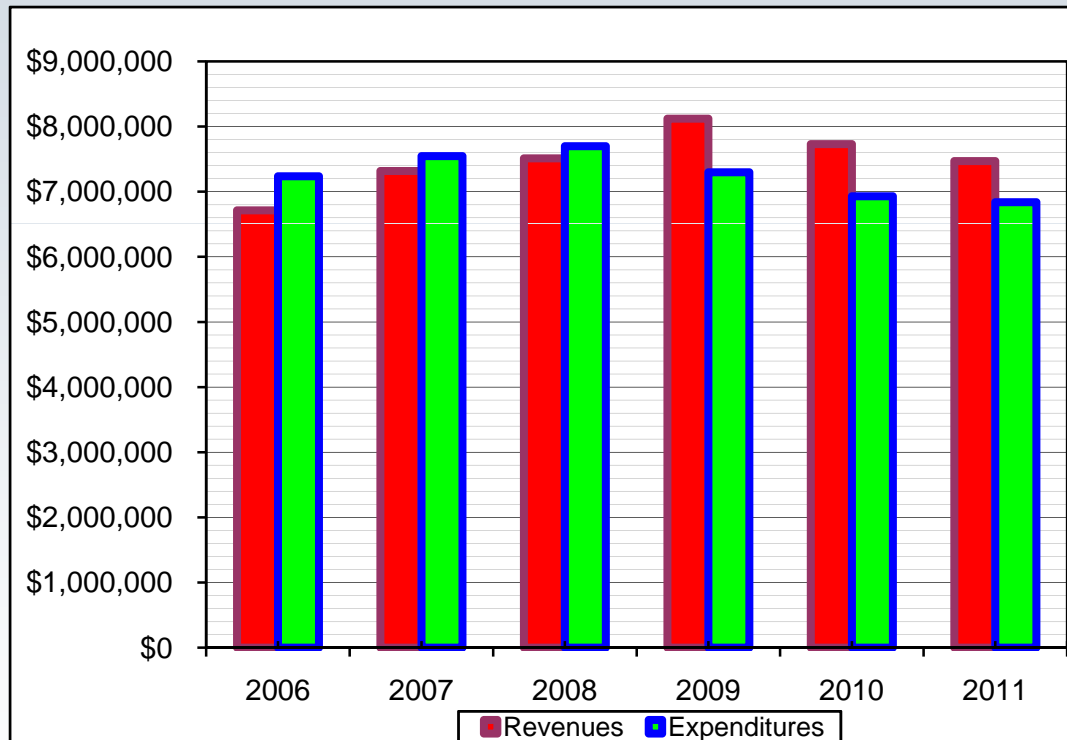
- Revenues and expenditures fluctuate based on projects
- Fund balance increased by \$301,679 and inventory balances at year-end were \$182,993 more than at prior year-end

	2006	2007	2008	2009	2010	2011
Revenues	\$ 5,490,984	\$5,528,606	\$5,393,480	\$6,920,799	\$11,382,609	\$6,647,918
Expenditures	6,740,022	6,927,082	5,123,292	6,370,951	11,321,917	6,361,828

Months Expenditures in Fund Balance	2006	2007	2008	2009	2010	2011
	4.58	2.19	3.44	3.95	2.73	4.76

Financial Results

Social Services Fund Revenues and Expenditures

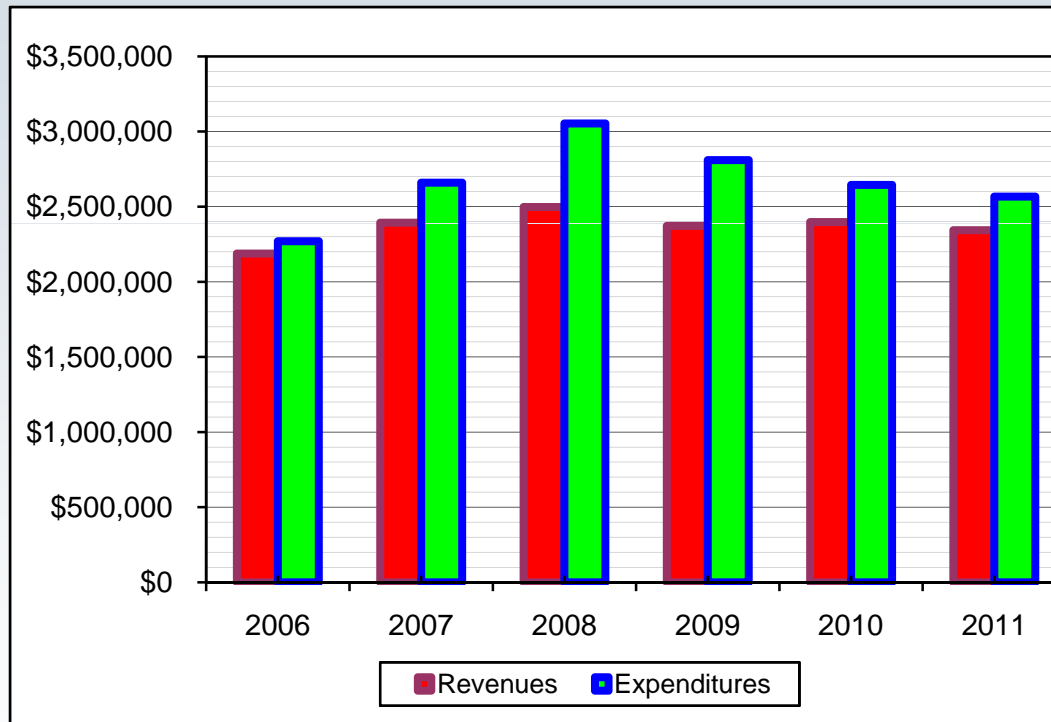


- Revenues were \$632,181 more than expenditures in the current year
- Slight decrease in revenues due to a change in the allocation of county program aid

	2006	2007	2008	2009	2010	2011
Revenues	\$6,712,975	\$7,318,046	\$7,511,901	\$8,119,274	\$7,730,570	\$7,469,797
Expenditures	7,235,303	7,545,274	7,697,688	7,298,194	6,928,546	6,837,616
Months Expenditures in Fund Balance	0.72	0.33	0.04	1.84	1.94	4.48

Financial Results

Community Health Fund Revenues and Expenditures

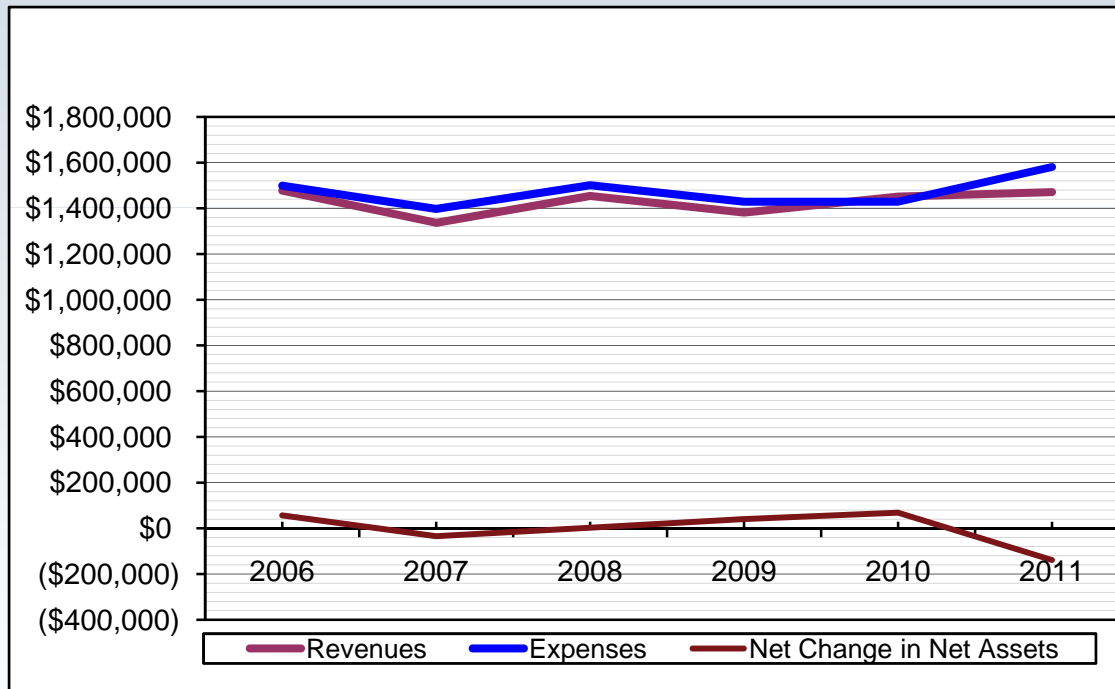


- Although expenditures exceed revenues, a transfer in of \$316,815 from the General Fund for the annual appropriation causes increase in fund balance of \$93,046
- Consistent revenues and expenditures with prior years

	2006	2007	2008	2009	2010	2011
Revenues	\$2,188,468	\$2,393,623	\$2,497,519	\$2,372,278	\$2,398,167	\$2,342,919
Expenditures	2,270,090	2,659,263	3,053,148	2,810,246	2,644,399	2,566,688
Months Expenditures in Fund Balance	7.43	5.14	3.97	4.62	4.91	5.99

Financial Results

Solid Waste Enterprise Fund Historical Trends

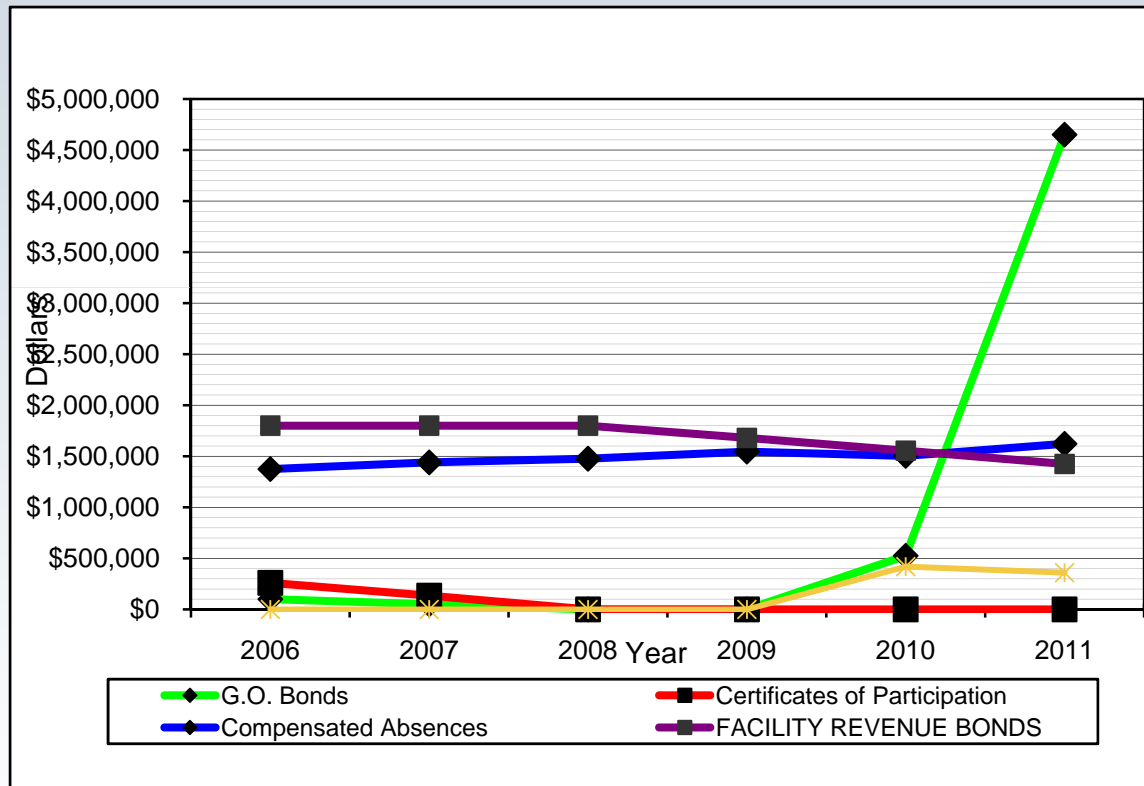


- The year-end net assets balance is 11.8 months of this fund's expenses
- Operating losses reported in 5 of the past 6 years
- SCORE money received is not included in the operating revenues
- Current year loss on trade in of capital assets is a result of a vehicle traded in that was purchased for motor pool

	2006	2007	2008	2009	2010	2011
Revenues	\$1,477,343	\$1,336,455	\$1,453,752	\$1,380,950	\$1,451,161	\$1,470,731
Expenses	1,498,966	1,397,141	1,500,942	1,428,583	1,428,745	1,580,760
Operating Revenue/(Loss)	(21,623)	(60,686)	(47,190)	(47,633)	22,416	(110,029)
Net Change in Net Assets	56,520	(34,119)	2,700	40,536	68,674	(138,985)
Months Expenses in Net Assets	12.95	13.60	12.68	13.67	14.24	11.82

Financial Results

County Indebtedness



- 2011 issuance of GO Courthouse bonds
- Decreases in other debt due to scheduled repayment
- Compensated absences increase slightly

	2006	2007	2008	2009	2010	2011
G.O. Bonds	\$ 100,000	\$ 50,000	\$ -	\$ -	\$ 525,000	\$ 4,650,000
Lease Facility Revenue Bonds	1,800,000	1,800,000	1,800,000	1,680,000	1,555,000	1,425,000
Certificates of Participation	260,000	135,000	-	-	-	-
Capital Lease Obligations	-	-	-	-	419,779	359,853
Compensated Absences	1,375,122	1,440,327	1,476,443	1,546,374	1,503,898	1,622,786

Financial Results

- Other Financial Highlights
 - The General, Public Works, Social Services, and Community Health funds all have year-end unrestricted fund balance within the State Auditor's recommendation of 3-5 months
 - Under GASB 54 the fund balance classifications changed and the audit now presents an additional fund balance restriction for the Recorder balance restricted by state statute. This causes the general fund to report less available resources than in previous years
 - The Solid Waste fund closed the year with a decrease in net assets. The net cash used by operations in that fund are reported as \$59,365

KEY ISSUES/SUMMARY

Key Issues/Summary

- County appears financially stable in many funds as of year-end
- We recommend additional procedures be developed to ensure that the board approved budget document matches what is entered into IFS so reports provided through-out the year are accurate

**Thank you to all for helping to get this
audit completed timely and for
allowing us to serve you!**

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