

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

TOWN OF RUSSIA
POLK COUNTY, MINNESOTA

AGREED-UPON PROCEDURES

MARCH 1, 2005

Description of the Office of the State Auditor

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

Tax Increment Financing, Investment and Finance - 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 Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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POLK COUNTY, MINNESOTA**

March 1, 2005



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

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT
ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors
Town of Russia

We have performed the procedures enumerated below, which were agreed to by the Town of Russia, solely to assist you with respect to ensuring adequate accounting procedures and other practices are being followed to account for and report on the financial activities of the Town. These procedures were applied to the Town's records as of March 1, 2005. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the Town. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

1. Procedure

Determine that minutes are prepared and approved for proceedings of the Town.

Findings

04-1 Minutes of Monthly Town Board Meetings

We reviewed the minutes to the proceedings of the Town Board meetings for the year and noted the following:

- The Board minutes are handwritten and difficult to read.
- No approval of the minutes was noted at subsequent Town Board meetings.
- The minutes are not signed.

Various statutes that refer to taking or publishing minutes use the term “proceedings” or “official proceedings.” The Minnesota Attorney General has used the definition of “proceedings” found at Minn. Stat. § 331A.01, subd. 6, in analyzing the clerk’s duties to take minutes. This statute states, in part:

“Proceedings” means the substance of all official actions taken by the governing body of a local public corporation at any regular or special meeting, and at minimum includes the subject matter of a motion, the persons making and seconding a motion, the roll call vote on a motion, the character of resolutions or ordinances offered, including a brief description of their subject matter, and whether defeated or adopted.

At a minimum, the minutes must include the information required by Minn. Stat. § 13D.01, subd. 4, (Open Meeting Law). This provision requires that the individual votes of each member of the governing body on “an action taken in a meeting required by this section to be open to the public” be specifically recorded, except for votes on “payments of judgments, claims and amounts fixed by statute.”

If having satisfied minimum requirements, the question of how elaborate and extensive the minutes should be is largely a policy matter for determination by the particular body in the exercise of reasonable judgment and discretion. The Attorney General has explained:

. . . there may be circumstances in which it would be advisable for the town board to provide for the minutes to include information over and above what is necessary to satisfy minimum statutory requirements for a record of its official actions. Op. Atty. Gen. 851-C (March 5, 1992).

Such circumstances may include meetings where the Board is acting in a judicial capacity, such as when it reviews requests for variances or special use permits. At such times, the minutes may include the Board’s reasons for reaching a particular decision. Such minutes could be crucial in defending a court challenge to the decision.

While the following is not an exhaustive list, some specific items that should be included in the minutes to the proceedings of Town Board meetings are:

- type of meeting (regular, special, adjourned regular, adjourned special, recessed, and emergency);
- capacity in which the Board is meeting: as Board of Supervisors, Board of Audit, commission;
- date and place the meeting was held;

- time the meeting was called to order;
- list of Town Board members present and absent;
- approval of minutes of the previous meeting, with any corrections noted;
- identity of parties to whom contracts were awarded;
- abstentions from voting due to a conflict and the Board member's name and reason for abstention;
- reasons the Town Board determines to award a particular contract to a bidder other than the lowest bidder;
- granting of variances or special use permits;
- approval of hourly rates paid for services provided, mileage rates, meal reimbursement amounts, and per diem amounts;
- listing of all bills (including per diems) allowed or approved for payment, noting the warrant number, claimant, purpose, and amount;
- transfers of funds; and
- reason the meeting was concluded and the time the meeting concluded.

The minutes should be signed by the town clerk when prepared, and then signed by a board member, preferably the chair, at the time the minutes are adopted by the board, usually at the next meeting. We further recommend typing the minutes to make them easier to read. We believe that by following the above guidance, the Town will provide a more adequate history of its meetings.

2. Procedure

Review procedures and records used to account for the receipt and disbursement of funds, and determine if such procedures and records appear adequate for reporting on activities of the Town.

Findings

04-2 Segregation of Duties

Due to the limited number of Town of Russia officials, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in smaller entities; however, the Town Board of Supervisors should

constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Generally, segregation of duties can be attained with the hiring of additional personnel; however, this becomes a significant cost consideration to local governments such as the Town of Russia. Under the above conditions, the most effective system of control lies in the knowledge of the Board and the Town's officers regarding the Town's operations and the periodic review of those operations.

04-3 Checkbook Register

The Town does not maintain a record of the cash balance in the checkbook register.

We recommend the Town maintain a checkbook register that records all receipts and disbursements and maintains a current cash balance that can be reconciled to the bank statements.

3. Procedure

Review practices followed to deposit funds in the bank.

Findings

None.

4. Procedure

Determine if bank statements are reconciled in a timely manner.

Findings

04-4 Bank Reconciliations

No formal bank reconciliations were prepared since the Town does not maintain a record of its cash balance. See Finding 04-03.

We recommend bank statements be reconciled to the checkbook register on a monthly basis.

5. Procedure

Determine if the process for approving disbursements is adequate.

Findings

None.

6. Procedure

Determine if vendor invoices are on hand to support disbursements.

Findings

None.

7. Procedure

Determine if sufficient records are on hand to document the wages paid to employees.

Findings

None.

8. Procedure

Determine if quarterly reports on salary withholdings have been filed in a timely manner with the state and federal governments.

Findings

None.

9. Procedure

Determine if records are kept on land, buildings, and equipment of the Town.

Findings

None.

10. Procedure

Determine if the Town is in compliance with the *Minnesota Legal Compliance Audit Guide for Local Government*.

Findings

None.

11. Procedure

Determine if the Town is current with filing its annual reporting forms to the Office of the State Auditor, and that the amounts reported reflect the amounts recorded in the Town's records.

Findings

04-5 Reporting Form

We reviewed a copy of the reporting form submitted to the Office of the State Auditor as prepared by the Town. The beginning cash balance was correct but did not agree with the ending cash balance reported the prior year. When current year receipts were added to the beginning cash balance and current year disbursements were subtracted, the amount did not agree to the reported ending cash. In addition, some activity was reported on an incorrect line. We assisted in correcting the reporting form.

We recommend more care be taken in the future to accurately prepare the reporting form. If the Town has any questions on completing the reporting form, please contact the Government Information Division of the Office of the State Auditor at (651) 297-3162.

We were not engaged to, and did not, perform an audit of the Town of Russia's financial statements, the objective of which would be the expression of an opinion on those financial statements. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Town of Russia and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: March 1, 2005