

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011

## **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.

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

**For the Years Ended December 31, 2010 and 2011**



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

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

ORGANIZATION  
2011

Governing Board	Representing	Term Expires
Chair Dale Hiland	Lincoln, Lyon, and Murray Counties	January 2012
Vice Chair Jay Kieft	Kandiyohi County Family Services	January 2012
Secretary/Treasurer Craig Myers	Cottonwood County	January 2012
Members		
Leah Lundgren	McLeod County	January 2012
Julie Hogen	Redwood County	January 2012
Nicole Names	Nobles and Pipestone County	January 2012
Trich Lien	Northern Region Consumer Representative	January 2012
Lisa Schultz	Chippewa County	January 2012
Luann Sasse	Southern Region Consumer Representative	January 2012
Sarah Ackerman	Western Mental Health Center	January 2012
Peggy Heglund	Yellow Medicine County	January 2012
Project Coordinator Linda Sjoberg (Non-Voting Member)	State-Operated Services	Indefinite
Liaison Paul Heyl (Non-Voting Member)	Minnesota Department of Human Services	Indefinite

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Executive Board  
Southwestern Minnesota Adult Mental Health Consortium

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Southwestern Minnesota Adult Mental Health Consortium as of and for the years ended December 31, 2010 and 2011, which collectively comprise the Consortium's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express opinions 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Southwestern Minnesota Adult Mental Health Consortium as of December 31, 2010 and 2011, and the respective changes in financial position thereof and the budgetary comparison statements for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.6. to the financial statements, for 2010 and 2011, the Southwestern Minnesota Adult Mental Health Consortium adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying financial information listed as a supporting schedule in the table of contents is presented for purposes of additional analysis and is not a required part of the Southwestern Minnesota Adult Mental Health Consortium's basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

December 12, 2012

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2010 AND 2011  
(Unaudited)**

As management of the Southwestern Minnesota Adult Mental Health Consortium, we offer the readers of the Consortium's financial statements this narrative overview and analysis of its financial activities for the fiscal years ended December 31, 2010 and 2011. 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 Southwestern Minnesota Adult Mental Health Consortium was established pursuant to Minn. Stat. ch. 245. Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, and Murray Human Services Board, entered into a joint powers agreement (Minn. Stat. § 471.59) in November 1997.

The Consortium is governed by a 11-member governing board to be selected in the following manner: eight representatives from member counties (four from the Northern Region and four from the Southern Region), two consumer representatives, and one representative selected by the Mental Health Centers serving the 18 counties.

The governing board, in order to be statutorily compliant, will operate under the ultimate authority of the Boards of County Commissioners, represented by the Executive Commissioner Board. The Executive Commissioner Board has the authority and will direct and review the actions and duties of the governing board. The Executive Commissioner Board is composed of a Commissioner Representative from each County Board within the 18-county Consortium jurisdiction.

The financial activities of the Southwestern Minnesota Adult Mental Health Consortium are accounted for by Cottonwood County as fiscal agent.

The primary activities of the Consortium are to take actions and enter into such agreements as may be necessary to plan and develop within the Consortium's geographic jurisdiction, a system of care that will serve the needs of adults with serious and persistent mental illness. This responsibility is jointly shared by the counties and is in accordance with Minn. Stat. § 245.465 et sequitur.

## **FINANCIAL HIGHLIGHTS**

In 2010, the assets of the Southwestern Minnesota Adult Mental Health Consortium exceeded its liabilities by \$1,922,322 of which \$18,929 is invested in capital assets (Exhibit 1), leaving unrestricted net assets of \$1,903,393. For 2011, the assets of the Southwestern Minnesota Adult Mental Health Consortium exceeded its liabilities by \$1,563,414 of which \$35,329 is invested in capital assets (Exhibit 4), leaving unrestricted net assets of \$1,528,085. The Southwestern Minnesota Adult Mental Health Consortium's total net assets decreased from \$1,922,322 in 2010 to \$1,563,414 in 2011, for a decrease of \$358,908.

## **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 Southwestern Minnesota Adult Mental Health Consortium's basic financial statements consist of two statements 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 first two 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 Southwestern Minnesota Adult Mental Health Consortium 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.

**Notes to the financial statements** provide additional information that is 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 Southwestern Minnesota Adult Mental Health Consortium's intergovernmental revenues.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of financial position. The Southwestern Minnesota Adult Mental Health Consortium's assets exceeded liabilities by \$1,563,414 at the close of 2011. The largest portion of the Consortium's net assets reflects current assets.

	Net Assets		
	2011	2010	2009
Assets			
Current and other assets	\$ 2,092,233	\$ 2,300,179	\$ 2,278,573
Capital assets	35,329	18,929	25,735
Total Assets	<u>\$ 2,127,562</u>	<u>\$ 2,319,108</u>	<u>\$ 2,304,308</u>
Liabilities			
Other liabilities	<u>\$ 564,148</u>	<u>\$ 396,786</u>	<u>\$ 327,637</u>
Net Assets			
Invested in capital assets	\$ 35,329	\$ 18,929	\$ 25,735
Unrestricted	<u>1,528,085</u>	<u>1,903,393</u>	<u>1,950,936</u>
Total Net Assets	<u>\$ 1,563,414</u>	<u>\$ 1,922,322</u>	<u>\$ 1,976,671</u>

### Governmental Activities

The Southwestern Minnesota Adult Mental Health Consortium's activities decreased net assets during 2010 by \$54,349, representing a 3 percent decrease. In 2011, net assets decreased by \$358,908, representing a 19 percent decrease. Key elements in these changes in net assets are as follows:

	Changes in Net Assets		
	2011	2010	2009
Revenues			
Intergovernmental	\$ 3,734,047	\$ 4,110,780	\$ 4,246,038
Investment Revenue	10,432	22,609	22,005
Miscellaneous	-	-	3,643
Total Revenues	<u>\$ 3,744,479</u>	<u>\$ 4,133,389</u>	<u>\$ 4,271,686</u>
Expenditures			
Human Services	<u>4,103,387</u>	<u>4,187,738</u>	<u>4,327,451</u>
Increase (Decrease) in Net Assets	\$ (358,908)	\$ (54,349)	\$ (55,765)
Net Assets - January 1	<u>1,922,322</u>	<u>1,976,671</u>	<u>2,032,436</u>
Net Assets - December 31	<u>\$ 1,563,414</u>	<u>\$ 1,922,322</u>	<u>\$ 1,976,671</u>

## **FINANCIAL ANALYSIS OF THE GENERAL FUND**

Revenues for the Southwestern Minnesota Adult Mental Health Consortium's fund decreased from 2009 to 2010 by \$138,297, while total expenditures decreased by \$139,713 during the same period. From 2010 to 2011, revenues decreased by \$388,910, while total expenditures decreased by \$84,351 during the same period.

As shown in the Statement of Revenues, Expenditures, and Changes in Fund Balance on Exhibit 2, the amount that was received through intergovernmental revenue in 2010 was 99.5 percent of the total revenue received, or \$4,270,571. For 2011 (Statement of Revenues, Expenditures, and Changes in Fund Balance on Exhibit 5), the amount that was received through intergovernmental revenue was 99.7 percent of the total revenue received, or \$3,745,521.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The general operating budget for the Southwestern Minnesota Adult Mental Health Consortium is adopted annually based on a base grant amount. Budget revisions are done after a final grant award is received from the Minnesota Department of Human Services (DHS). The governing board is presented monthly financial statements. The Consortium has tried to keep a consistent Chart of Accounts to help maintain consistency in financial reporting. However, in order to receive grant reimbursement, DHS requires the Consortium to use specific account codes. Beginning in 2010, DHS made a change in the account codes that the Consortium was able to use to report expenditures. This made comparing 2009 and 2010 spending patterns very difficult. What had been previously reported in one account number was now reported in numerous accounts and reported with other spending. After analyzing the revenue and expenditure variances between 2009 and 2010, the following conclusions were reached.

The Mental Health Grant received from the State of Minnesota decreased by \$242,791 (on an accrual basis). This was partially offset by an increase in reimbursement for services provided by the Buffalo Ridge and Tri-Star ACT teams (\$91,060).

More grant dollars were carried over from 2008 to 2009 than were carried over from 2009 to 2010. Because the grant "revenue" is reimbursement for spending, the spending level has to be decreased to reflect the grant dollars available. Areas of spending that were reduced in 2010 compared to 2009 were Crisis Intervention Training (extensive training was done in 2009, and in 2010 training was continued but at reduced levels.). Payments to counties in the areas of Supported Employment and Discretionary Case Management were reduced in 2010 after having been increased in 2009.

For the 2011 year, there was a further reduction in the Consortium's State Mental Health Grant in the amount of \$208,067, for a total reduction from the 2009 level of \$450,858. There were also reductions in reimbursements for services at the Buffalo Ridge and Tri-Star ACT teams. The Consortium offset some of the reductions through the use of restricted funds which had been earned in previous years.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

The Southwestern Minnesota Adult Mental Health Consortium's depreciable capital assets (net of accumulated depreciation) at December 31, 2010 and 2011, totaled \$18,929 and \$35,329 respectively. This investment in capital assets includes office furniture and equipment.

### **Long-Term Debt**

At the end of the fiscal years 2010 and 2011, the Southwestern Minnesota Adult Mental Health Consortium had no outstanding debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

The 2011 Special Legislative Session resulted in an approximate across the board base reduction adjustment of 9.7 percent for the Adult Mental Health Initiative grants as well as the County Community Support Program Services Grant. For the Consortium, this equates to an ongoing annual reduction of \$299,749. The Southwestern Minnesota Adult Mental Health Consortium adopted the 2011 budget based on a preliminary grant award. Another factor in 2011 was the restructure of the rate-setting methodology for the ACT/IRTS/Crisis Stabilization programs. There is a potential to see costs for the non-Medicaid services to increase. The 2011 budget included increasing the use of restricted accounts in order to maintain core programs with several popular but non-essential programs eliminated.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Southwestern Minnesota Adult Mental Health Consortium's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Linda Sjoberg, Project Coordinator, 2200 - 23rd Street N.E., Suite 2050, Willmar, Minnesota 56201.

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**2010 BASIC FINANCIAL STATEMENTS**

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

**EXHIBIT 1**

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2010**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Current assets			
Cash	\$ 1,475,951	\$ -	\$ 1,475,951
Accounts receivable	45,736	-	45,736
Loans receivable	300,000	(300,000)	-
Allowance for uncollectible loans receivable	(50,000)	50,000	-
Due from other governments	528,492	-	528,492
Noncurrent assets			
Long-term loans receivable	-	250,000	250,000
Capital assets			
Depreciable - net	-	18,929	18,929
<b>Total Assets</b>	<b>\$ 2,300,179</b>	<b>\$ 18,929</b>	<b>\$ 2,319,108</b>
<b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 129,208	\$ -	\$ 129,208
Due to other governments	267,578	-	267,578
Deferred revenue - unavailable	372,606	(372,606)	-
<b>Total Liabilities</b>	<b>\$ 769,392</b>	<b>\$ (372,606)</b>	<b>\$ 396,786</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Nonspendable for loans receivable	\$ 250,000		
Unassigned	1,280,787		
<b>Total Fund Balance</b>	<b>\$ 1,530,787</b>	<b>\$ (1,530,787)</b>	
Net Assets			
Invested in capital assets		\$ 18,929	\$ 18,929
Unrestricted		1,903,393	1,903,393
<b>Total Net Assets</b>		<b>\$ 1,922,322</b>	<b>\$ 1,922,322</b>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 2,300,179</b>	<b>\$ 18,929</b>	<b>\$ 2,319,108</b>

The notes to the financial statements are an integral part of this statement.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

***EXHIBIT 1  
(Continued)***

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2010**

**Reconciliation of the General Fund Balance to Net Assets**

<b>Fund Balance - General Fund</b>	<b>\$ 1,530,787</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	18,929
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>372,606</u>
<b>Net Assets - Governmental Activities</b>	<b><u><u>\$ 1,922,322</u></u></b>

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

**EXHIBIT 2**

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	General Fund	Adjustments	Governmental Activities
<b>Revenues</b>			
Intergovernmental	\$ 4,270,571	\$ (159,791)	\$ 4,110,780
Investment earnings	22,609	-	22,609
	<b>\$ 4,293,180</b>	<b>\$ (159,791)</b>	<b>\$ 4,133,389</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Human services</b>			
Mental health	4,180,932	6,806	4,187,738
	<b>\$ 112,248</b>	<b>\$ (166,597)</b>	<b>\$ (54,349)</b>
<b>Net Change in Fund Balance/Net Assets</b>			
<b>Fund Balance/Net Assets - January 1</b>	<b>1,418,539</b>	<b>558,132</b>	<b>1,976,671</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 1,530,787</b>	<b>\$ 391,535</b>	<b>\$ 1,922,322</b>

**Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities**

<b>Net Change in Fund Balance</b>	<b>\$ 112,248</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 3,904	
Current year depreciation expense	(10,710)	(6,806)

In the 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 or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 372,606	
Deferred revenue - January 1	(532,397)	(159,791)

<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (54,349)</b>
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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

*EXHIBIT 3*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 4,617,401	\$ 4,617,401	\$ 4,270,571	\$ (346,830)
Interest on investments	-	-	22,609	22,609
<b>Total Revenues</b>	<b>\$ 4,617,401</b>	<b>\$ 4,617,401</b>	<b>\$ 4,293,180</b>	<b>\$ (324,221)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Mental health	4,517,789	4,517,789	4,180,932	336,857
<b>Net Change in Fund Balance</b>	<b>\$ 99,612</b>	<b>\$ 99,612</b>	<b>\$ 112,248</b>	<b>\$ 12,636</b>
<b>Fund Balance - January 1</b>	<b>1,418,539</b>	<b>1,418,539</b>	<b>1,418,539</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,518,151</b>	<b>\$ 1,518,151</b>	<b>\$ 1,530,787</b>	<b>\$ 12,636</b>

**2011 BASIC FINANCIAL STATEMENTS**

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

**EXHIBIT 4**

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2011**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Current assets			
Cash	\$ 1,177,950	\$ -	\$ 1,177,950
Accounts receivable	105,750	-	105,750
Loans receivable	300,000	(300,000)	-
Allowance for uncollectible loans receivable	(50,000)	50,000	-
Due from other governments	558,533	-	558,533
Noncurrent assets			
Long-term loans receivable	-	250,000	250,000
Capital assets			
Depreciable - net	-	35,329	35,329
<b>Total Assets</b>	<b>\$ 2,092,233</b>	<b>\$ 35,329</b>	<b>\$ 2,127,562</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 251,385	\$ -	\$ 251,385
Due to other governments	312,763	-	312,763
Deferred revenue - unavailable	361,132	(361,132)	-
<b>Total Liabilities</b>	<b>\$ 925,280</b>	<b>\$ (361,132)</b>	<b>\$ 564,148</b>
 <b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Nonspendable for loans receivable	\$ 250,000		
Unassigned	916,953		
<b>Total Fund Balance</b>	<b>\$ 1,166,953</b>	<b>\$ (1,166,953)</b>	
Net Assets			
Invested in capital assets		\$ 35,329	\$ 35,329
Unrestricted		1,528,085	1,528,085
<b>Total Net Assets</b>		<b>\$ 1,563,414</b>	<b>\$ 1,563,414</b>
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 2,092,233</b>	<b>\$ 35,329</b>	<b>\$ 2,127,562</b>

The notes to the financial statements are an integral part of this statement.

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

***EXHIBIT 4***  
***(Continued)***

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2011**

**Reconciliation of the General Fund Balance to Net Assets**

<b>Fund Balance - General Fund</b>	<b>\$ 1,166,953</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	35,329
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	<u>361,132</u>
<b>Net Assets - Governmental Activities</b>	<b><u><u>\$ 1,563,414</u></u></b>

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

*EXHIBIT 5*

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 3,745,521	\$ (11,474)	\$ 3,734,047
Investment earnings	10,432	-	10,432
	<b>\$ 3,755,953</b>	<b>\$ (11,474)</b>	<b>\$ 3,744,479</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
<b>Human services</b>			
Mental health	4,119,787	(16,400)	4,103,387
	<b>\$ (363,834)</b>	<b>\$ 4,926</b>	<b>\$ (358,908)</b>
<b>Net Change in Fund Balance/Net Assets</b>			
<b>Fund Balance/Net Assets - January 1</b>	<b>1,530,787</b>	<b>391,535</b>	<b>1,922,322</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 1,166,953</b>	<b>\$ 396,461</b>	<b>\$ 1,563,414</b>

**Reconciliation of the Statement of General Fund Revenues, Expenditures,  
and Changes in Fund Balance to the Statement of Activities of  
Governmental Activities**

<b>Net Change in Fund Balance</b>		<b>\$ (363,834)</b>
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 25,105	
Current year depreciation expense	(8,705)	16,400

In the 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 or decrease in revenues deferred as unavailable.

Deferred revenue - December 31	\$ 361,132	
Deferred revenue - January 1	(372,606)	(11,474)

<b>Change in Net Assets of Governmental Activities</b>		<b>\$ (358,908)</b>
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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

*EXHIBIT 6*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 4,335,871	\$ 4,117,540	\$ 3,745,521	\$ (372,019)
Interest on investments	-	-	10,432	10,432
<b>Total Revenues</b>	<b>\$ 4,335,871</b>	<b>\$ 4,117,540</b>	<b>\$ 3,755,953</b>	<b>\$ (361,587)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Mental health	4,236,240	4,236,240	4,119,787	116,453
<b>Net Change in Fund Balance</b>	<b>\$ 99,631</b>	<b>\$ (118,700)</b>	<b>\$ (363,834)</b>	<b>\$ (245,134)</b>
<b>Fund Balance - January 1</b>	<b>1,530,787</b>	<b>1,530,787</b>	<b>1,530,787</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,630,418</b>	<b>\$ 1,412,087</b>	<b>\$ 1,166,953</b>	<b>\$ (245,134)</b>

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011

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1. Summary of Significant Accounting Policies

The Southwestern Minnesota Adult Mental Health Consortium's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the years ended December 31, 2010 and 2011. 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 issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Southwestern Minnesota Adult Mental Health Consortium are discussed below.

A. Financial Reporting Entity

The Southwestern Minnesota Adult Mental Health Consortium was established in 1997 by 18 counties pursuant to the Adult Mental Health Act under Minn. Stat. ch. 245. The Consortium was established to provide more efficient adult mental health services for the mutual benefit of the Consortium's members and clients.

Cottonwood County, as fiscal agent, reports the transactions of the Consortium in an agency fund on its financial statements.

B. Basic Financial Statements

Basic financial statements include information on the Consortium's activities as a whole and information on the individual fund of the Consortium. These separate presentations are reported in different columns on Exhibits 1, 2, 4, and 5. 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 Consortium as a whole.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

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 Consortium's net assets are reported in two parts: invested in capital assets and unrestricted net assets. The statement of activities demonstrates the degree to which the expenses of the Consortium 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 Southwestern Minnesota Adult Mental Health Consortium considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered 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.

When both restricted and unrestricted resources are available for use, it is the Southwestern Minnesota Adult Mental Health Consortium's policy to use restricted resources first and then unrestricted resources as needed.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash

Cash is on deposit with Cottonwood County.

2. Capital Assets

Capital assets consist of furniture and equipment with an initial cost of \$500 or more and an estimated useful life in excess of one year. All capital assets are valued at their historical cost. Depreciation on the assets is calculated on a straight-line basis over 3 to 15 years.

3. Accounts Receivable

Accounts receivable are shown net of an allowance for uncollectible accounts.

4. Deferred Revenue

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

5. Classification of Net Assets

Net assets in the government-wide financial statements are classified in the following categories:

Invested in capital assets, net of related debt - the amounts of net assets representing capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

5. Classification of Net Assets (Continued)

Restricted net assets - the amount of net assets for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

6. Classification of Fund Balances

Beginning in 2010, the Southwestern Minnesota Adult Mental Health Consortium implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund balance is divided into five classifications based primarily on the extent to which the Consortium is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

Restricted - amounts are restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Classification of Fund Balances (Continued)

Committed - amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the Consortium Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of actions (ordinance or resolution) it employed to previously commit these amounts.

Assigned - amounts in the assigned fund balance classification are those the Consortium intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Consortium Board.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

The Consortium applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

7. 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.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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2. Stewardship, Compliance, and Accountability

General Budget Policies

The Consortium's Executive Board adopts an annual budget on a basis consistent with generally accepted accounting principles. The budget may be amended or modified at any time by the Board. Comparisons of estimated revenues and expenditures to actual are presented in the financial statements for the General Fund.

3. Detailed Notes

Assets

Cash Deposits

Cash transactions are administered by the Cottonwood 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. The County may invest in the types of investments authorized by Minn. Stat. §§ 118A.04 and 118A.05. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral, a requirement with which Cottonwood County was in compliance at December 31, 2010 and 2011.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the Consortium's deposits may not be returned to it. The Consortium does not have a deposit policy for custodial credit risk. As of December 31, 2010 and 2011, the Consortium's deposits were not exposed to custodial credit risk.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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3. Detailed Notes

Assets (Continued)

Receivables

Receivables (net of allowance for uncollectible loans receivable) as of December 31, 2010 and 2011, for the Consortium's governmental activities are as follows:

	2010	2011
Governmental Activities		
Accounts	\$ 45,736	\$ 105,750
Loans	300,000	300,000
Due from other governments	528,492	558,533
Subtotal Governmental Activities	\$ 874,228	\$ 964,283
Less: Allowance for uncollectible loans receivable	(50,000)	(50,000)
Total Governmental Activities	\$ 824,228	\$ 914,283

Loans receivable consists of a \$250,000 advance to Southwestern Mental Health Center for Intensive Residential Treatment Services and a \$50,000 advance to Lincoln, Lyon, and Murray Human Services for development of a specialized Group Residential Housing (GRH) facility. The advance to Southwestern Mental Health Center is due and payable on January 1, 2040. The advance to Lincoln, Lyon, and Murray Human Services will be forgiven if Western Mental Health continues to operate a Board and Lodge facility for a period of seven (7) years. All other receivables are expected to be received within the following year.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

3. Detailed Notes

Assets (Continued)

Capital Assets

Capital asset activity for the years ended December 31, 2010 and 2011, was as follows:

2010

	Beginning Balance	Increase	Decrease	Ending Balance
Office furniture and equipment	\$ 95,249	\$ 3,904	\$ 49,265	\$ 49,888
Less: accumulated depreciation	<u>69,514</u>	<u>10,710</u>	<u>49,265</u>	<u>30,959</u>
Total Capital Assets Depreciated, Net	<u>\$ 25,735</u>	<u>\$ (6,806)</u>	<u>\$ -</u>	<u>\$ 18,929</u>

2011

	Beginning Balance	Increase	Decrease	Ending Balance
Office furniture and equipment	\$ 49,888	\$ 25,105	\$ 10,218	\$ 64,775
Less: accumulated depreciation	<u>30,959</u>	<u>8,705</u>	<u>10,218</u>	<u>29,446</u>
Total Capital Assets Depreciated, Net	<u>\$ 18,929</u>	<u>\$ 16,400</u>	<u>\$ -</u>	<u>\$ 35,329</u>

Depreciation expense was charged to the Human Services function for the years ended December 31, 2010 and 2011.

4. Risk Management

The Southwestern Minnesota Adult Mental Health Consortium is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. For these risks, the Consortium has entered into a joint powers agreement with certain Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover its property and casualty liabilities.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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4. Risk Management (Continued)

The Property and Casualty Division of MCIT is self-sustaining, and the Consortium pays an annual premium to cover current and future losses. 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 Consortium in a method and amount to be determined by MCIT.

The Southwestern Minnesota Adult Mental Health Consortium did not reduce insurance coverage from the past year and has not had settlements in excess of insurance coverage in any of the past five years.

5. Contingent Liabilities

A. Unemployment Compensation

Background

The Southwestern Minnesota Adult Mental Health Consortium has in the past contracted with Minnesota State Operated Services (SOS). SOS notified the Consortium in 2010, that it would no longer offer the Consortium the option of replacing SOS staff that had left employment with the Consortium, with new SOS staff.

The Governing Board of the Consortium then determined that for a number of reasons, the Consortium would not be the employer of record when SOS staff were replaced. Instead, the Consortium would look to member counties and area service providers to be the employer of the staff member; with the Consortium contracting for the employee's services. As part of the contract for the services, the Consortium would agree that in the event the contracted employee becomes eligible for unemployment compensation (layoff or other termination) the Consortium will reimburse the employer for any unemployment compensation cost incurred.

Contingent Liability

The Consortium operates under a Joint Powers agreement between 18 counties in Southwestern Minnesota. Due to the contractual agreement between the Consortium and the different entities that have hired employees and contracted them to the Consortium, there is a contingent liability of the Consortium (and subsequently to the members of the joint powers) due to potential unemployment compensation claims.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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5. Contingent Liabilities

A. Unemployment Compensation

Contingent Liability (Continued)

The amount of the potential claims is very difficult to determine with any certainty. Some of the variables are:

1. Length of time benefits are received
  - a. Time needed for employee to be re-employed
  - b. Length of eligibility
    - i. Not all eligible benefits are chargeable
    - ii. Federal eligibility changes based on economic and political climate;
2. Salary of employee
  - a. Base or maximum on which benefits are based can change;
3. Number of weeks an employee has been receiving benefit eligible salary;
4. Whether or not benefits are paid based on a benefit program where the benefits are chargeable to the employer, or if fully or partially chargeable; and
5. The number of weeks an employee has been receiving salary that the Consortium is responsible for.

Formula

Using information from the Minnesota Unemployment website, the following benefit table was constructed. This table looks at benefits based only on State criteria, with all benefits chargeable to the Consortium. Following the benefit table are some definitions from the Minnesota Unemployment website that were used to construct the table. The salaries used were of current job classifications as of April 2011, rounded to the nearest \$5,000. There are two columns of benefits calculated: one for 26 weeks (the State of Minnesota maximum), and one for 99 weeks which is the current Federal maximum. The contingent benefits would likely fall somewhere within this range.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
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5. Contingent Liabilities

A. Unemployment Compensation (Continued)

Benefit Table

Number of Employees	Gross Yearly Salary	Weekly Gross Wage	Weekly Benefit	Number of Weeks	Maximum Total Benefits	Contingent Cost to Consortium	2011 Maximum Weeks	Maximum Total Benefits	Contingent Cost to Consortium
	\$ 30,000	\$ 577	\$ 288	26	\$ 7,500	\$ -	99	\$ 28,557.69	\$ -
1	35,000	673	337	26	8,750	8,750	99	33,317.31	33,317
1	40,000	769	385	26	10,000	10,000	99	38,076.92	38,077
1	45,000	865	433	26	11,250	11,250	99	42,836.54	42,837
	50,000	962	481	26	12,500	-	99	47,596.15	-
	55,000	1,058	529	26	13,750	-	99	52,355.77	-
	60,000	1,154	577	26	15,000	-	99	57,115.38	-
1	65,000	1,250	578	26	15,028	15,028	99	57,222.00	57,222
	70,000	1,346	578	26	15,028	-	99	57,222.00	-
Total Contingent Cost to Consortium						<u>\$ 45,028</u>			<u>\$ 171,453</u>
Contingent Cost to Each County						\$ 2,502			\$ 9,525

Definitions

Weekly and Maximum Benefit Amounts

The unemployment benefit is approximately half of the average weekly gross wage in the base period up to the State maximum of \$578. The maximum benefit amount on an account is 26 times the weekly benefit amount.

The weekly benefit amount is the higher of:

1. The highest quarter of wages in the base period divided by 26, up to a maximum of \$372, or
2. The total base period wages divided by 104 up to a maximum of \$578.

The maximum amount of benefits available is the lower of:

1. The weekly benefit amount multiplied by 26, or
2. The total base period wages divided by 3.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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5. Contingent Liabilities

A. Unemployment Compensation

Definitions (Continued)

Base Period

The base period is one-year (four calendar quarters) period of time. The base period depends on the benefit account date and the wages paid in each calendar quarter during the past five completed quarters.

For applications in the first month of a calendar quarter (January, April, July, or October):

1. The base period is the first four of the last five completed quarters if there are enough wages to establish a benefit account. If not enough wages, then
2. The base period is the last four completed quarters.

For applications in the second or third months of a calendar quarter (February, March, May, June, August, September, November, or December):

1. The wages paid in the following time periods are compared:
  - a. the last four completed quarters, and
  - b. the first four of the last five completed quarters.
2. The time period with the greater amount of wages is the base period.
3. If the wages are the same in both time periods, the base period is the last four completed quarters.

B. Accrued Vacation and Sick Leave for Contracted Employees

The current five contracted employees work for McLeod County and the Western Mental Health Center. The Consortium could be contingently liable for accrued vacation or sick leave paid at severance.

**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

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5. Contingent Liabilities

B. Accrued Vacation and Sick Leave for Contracted Employees (Continued)

Sick Leave

Neither McLeod County nor Western Mental Health Center pay accumulated sick leave in the event an employee leaves employment.

Vacation

Below is the accumulated vacation payable for the five currently contracted employees.

	<u>Total Liability</u>
McLeod County	\$ 3,609
Western Mental Health Center	<u>1,389</u>
Total	<u>\$ 4,998</u>

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**SUPPORTING SCHEDULE**

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

*EXHIBIT A-1*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011**

	<u>2010</u>	<u>2011</u>
<b>Reimbursement for Services</b>		
<b>State</b>		
Minnesota Department of Human Services	\$ 979,855	\$ 811,189
<b>Grants</b>		
<b>State</b>		
Minnesota Department of Human Services	<u>3,290,716</u>	<u>2,934,332</u>
<b>Total Intergovernmental Revenue</b>	<u><u>\$ 4,270,571</u></u>	<u><u>\$ 3,745,521</u></u>

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**SOUTHWESTERN MINNESOTA  
ADULT MENTAL HEALTH CONSORTIUM  
WINDOM, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2011**

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Preparation of Financial Statements (07-1)**

The Southwestern Minnesota Adult Mental Health Consortium needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

**Resolution**

The Southwestern Minnesota Adult Mental Health Consortium provides trial balances, financial statements, notes, and the supporting schedules necessary for preparing fund level and government-wide financial statements. The Southwestern Minnesota Adult Mental Health Consortium has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

**Audit Adjustments (07-2)**

Management and employees, in the normal course of performing their assigned functions, were not able to prevent, or detect and correct, misstatement of the financial statements on a timely basis.

**Resolution**

There were no material or significant audit adjustments required in our audit of the Southwestern Minnesota Adult Mental Health Consortium's financial statements.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## REPORT ON MINNESOTA LEGAL COMPLIANCE

Executive Board  
Southwestern Minnesota Adult Mental Health Consortium

We have audited the financial statements of the governmental activities and the General Fund of the Southwestern Minnesota Adult Mental Health Consortium as of and for the years ended December 31, 2010 and 2011, which collectively comprise the Consortium's basic financial statements. 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 Political Subdivisions*, 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 Political Subdivisions* 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 with public indebtedness or miscellaneous provisions because most of these provisions were not applicable to the Southwestern Minnesota Adult Mental Health Consortium.

The results of our tests indicate that for the items tested, the Southwestern Minnesota Adult Mental Health Consortium complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Executive Board, management, and others within the Southwestern Minnesota Adult Mental Health Consortium 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

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

December 12, 2012

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