

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

---

**TOWN OF NORTH OTTAWA**  
**GRANT COUNTY, MINNESOTA**

**AGREED-UPON PROCEDURES**

**MARCH 31, 2006**

## **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.

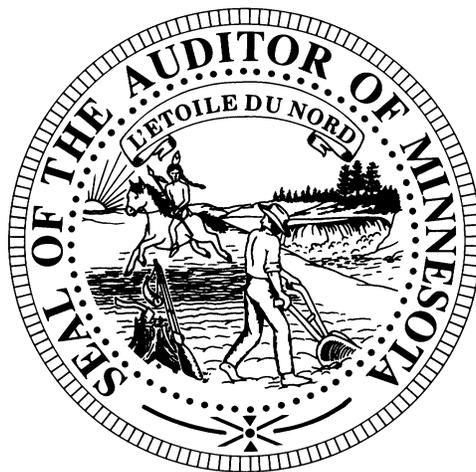
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employee's Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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 State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

**TOWN OF NORTH OTTAWA  
GRANT COUNTY, MINNESOTA**

**March 31, 2006**



**Agreed-Upon Procedures**

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

This page was left blank intentionally.



PATRICIA ANDERSON  
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 ON APPLYING AGREED-UPON PROCEDURES

Board of Supervisors  
Town of North Ottawa

We have performed the procedures enumerated below, which were agreed to by the Town of North Ottawa, solely to assist you with respect to assuring 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 31, 2006. 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 the procedures is solely the responsibility of the Town of North Ottawa. Consequently, we make no representation regarding the sufficiency of the procedures described 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.

### Finding

#### 05-1 Minutes of Monthly Town Board Meetings

We reviewed the minutes to the proceedings of the Town Board meetings for the year and noted that the minutes are not signed by the chairman of the Board.

The minutes should be signed by the Town Clerk/Treasurer, and attested to by a Board member, preferably the chair, at the time the minutes are adopted by the Board, usually at the next meeting. We believe that by following the above guidance, the Town will provide better documentation of approval of the official minutes 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.

Finding

05-2 Segregation of Duties

Due to the limited number of Town of North Ottawa 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 North Ottawa. 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.

3. Procedure

Review practices followed to deposit funds in the bank.

Finding

None.

4. Procedure

Determine if bank statements are reconciled in a timely manner.

Finding

None.

5. Procedure

Determine if the process for approving disbursements is adequate.

Finding

None.

6. Procedure

Determine if vendor invoices are on hand to support disbursements.

Finding

None.

7. Procedure

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

Finding

None.

8. Procedure

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

Finding

None.

9. Procedure

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

Finding

None.

10. Procedure

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

Finding

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.

Finding

05-3 Reporting Form

We received a copy of the reporting form submitted to the Office of the State Auditor. Transactions between the checking account and the investments were not reported properly. Section I on Receipts and Section II on Disbursements should report only the amounts deposited and disbursed from the checking account. Interest reported in Section I included interest from the certificate of deposit. The beginning cash balance tied to last year's reported ending balance; however, that cash balance was incorrect. Also one disbursement was not included in the report.

We recommend more care be taken to prepare the reporting form. If there are any questions on preparing 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 North Ottawa'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 North Ottawa and is not intended to be, and should not be, used by anyone other than the specified party.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

March 31, 2006