

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, 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.

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

Years Ended December 31, 2006 and 2007



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

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

ORGANIZATION SCHEDULE
2007

EXECUTIVE COMMITTEE

County	Name	Term Expires
Chippewa	Kenneth Koenen	January 2008
Chippewa	Gene Van Binsbergen ¹	January 2010
Lac qui Parle	Terry Overlander	January 2010
Lac qui Parle	Albert Hoffman	January 2010
Swift	Richard Hanson	January 2010
Swift	Douglas Anderson	January 2010
Yellow Medicine	Ron Antony	January 2008
Yellow Medicine	Gary Johnson ²	January 2008

Position		
Judge	The Honorable Bruce Christopherson	Indefinite
Program Director	Midge Christianson	Indefinite
Administrative Assistant	Rosemary Lens	Indefinite

¹Chair

²Vice Chair

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Executive Board
Region 6W Community Corrections

We have audited the accompanying financial statements of the governmental activities and the General Fund of Region 6W Community Corrections as of and for the years ended December 31, 2006 and 2007, which collectively comprise Region 6W's basic financial statements. These financial statements are the responsibility of Region 6W Community Corrections' 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 basic 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 financial position of the governmental activities and the General Fund of Region 6W Community Corrections as of December 31, 2006 and 2007, and the changes in financial position thereof and the General Fund budgetary comparison for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region 6W Community Corrections' basic financial statements. The schedule listed as a supporting schedule in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of Region 6W Community Corrections. The supporting information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

April 7, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

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

As management of Region 6W Community Corrections, we offer the readers of Region 6W'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

Region 6W Community Corrections was created pursuant to the provisions of the Community Corrections Act, January 1, 1979. The agency provides probation and parole services to the far western Minnesota counties of Chippewa, Lac qui Parle, Swift, and Yellow Medicine; it is responsible for juvenile and adult court clients. Region 6W is staffed with corrections professionals.

Program planning is the responsibility of an advisory board. Policy, program, and budget management are accomplished through an Executive Committee consisting of County Commissioners, advisory board members, and judges.

Funding comes from Community Corrections Act subsidies, local contributions from the participating counties, charges for services, and miscellaneous revenues.

Chippewa County acts as fiscal agent for Region 6W and reports the cash transactions of Region 6W Community Corrections as an agency fund in its annual financial statements.

FINANCIAL HIGHLIGHTS

At December 31, 2006, the assets of Region 6W Community Corrections exceeded its liabilities by \$164,420 (net assets), of which \$26,718 is invested in capital assets (Exhibit 1), leaving unrestricted net assets of \$137,702. In 2007, assets exceeded liabilities by \$160,073, of which \$23,492 is invested in capital assets, net of related debt (Exhibit 4), leaving unrestricted net assets of \$136,581.

Region 6W Community Corrections' total net assets decreased by \$21,057 in 2006 and \$4,347 in 2007. Expenses attributable to depreciation expense and compensated absences seemed to have the largest impact on the decline in net assets.

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. Region 6W Community Corrections' basic financial statements for each year consist of two statements that combine government-wide financial statements and fund financial statements, a budgetary comparison statement, 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 Region 6W Community Corrections 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

In 2006, revenues for Region 6W Community Corrections' General Fund increased by \$59,064, while total expenditures increased by \$122,047. For 2007, revenues increased by \$131,741, while total expenditures increased by \$243,840.

As shown in Exhibits 2 and 5, the amount received through intergovernmental revenue was 93 percent of the total revenue received, or \$945,011, for 2006, and 94 percent, or \$1,080,887, for 2007.

Region 6W Community Corrections adopts an annual appropriated budget for its General Fund. A budgetary comparison schedule has been provided for this fund to demonstrate compliance with the budget.

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 Region 6W Community Corrections' intergovernmental revenues.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net assets serve as a useful indicator of financial position. Region 6W Community Corrections' assets exceeded liabilities by \$160,073 at the close of 2007. The largest portion of Region 6W's net assets reflects current assets.

	Net Assets		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Assets			
Current and other assets	\$ 242,222	\$ 234,635	\$ 241,331
Capital assets	139,026	26,718	30,710
Total Assets	<u>\$ 381,248</u>	<u>\$ 261,353</u>	<u>\$ 272,041</u>
Liabilities			
Long-term liabilities	\$ 198,881	\$ 80,188	\$ 66,665
Other liabilities	22,294	16,745	19,899
Total Liabilities	<u>\$ 221,175</u>	<u>\$ 96,933</u>	<u>\$ 86,564</u>
Net Assets			
Invested in capital assets, net of related debt	\$ 23,492	\$ 26,718	\$ 30,710
Unrestricted	136,581	137,702	154,767
Total Net Assets	<u>\$ 160,073</u>	<u>\$ 164,420</u>	<u>\$ 185,477</u>

Governmental Activities

Region 6W Community Corrections' activities decreased the net assets during 2006 by \$21,057, which is primarily due to an increase in intergovernmental revenues and an increase in personal services expenses. Net assets decreased by \$2,499 in 2007, which is primarily due to an increase in intergovernmental revenues and another increase in personal services expenses. Key elements in these increases in net assets are as follows:

	Changes in Net Assets		
	<u>2007</u>	<u>2006</u>	<u>2005</u>
Revenues			
Intergovernmental	\$ 1,080,887	\$ 945,011	\$ 912,151
Miscellaneous	<u>70,099</u>	<u>74,234</u>	<u>48,030</u>
Total Revenues	<u>\$ 1,150,986</u>	<u>\$ 1,019,245</u>	<u>\$ 960,181</u>
Expenses			
Public safety	\$ 1,116,883	\$ 1,011,221	\$ 882,268
Intergovernmental	34,850	29,081	33,197
Interest	<u>3,600</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>\$ 1,155,333</u>	<u>\$ 1,040,302</u>	<u>\$ 915,465</u>
Increase (Decrease) in Net Assets	\$ (4,347)	\$ (21,057)	\$ 44,716
Net Assets - January 1	<u>164,420</u>	<u>185,477</u>	<u>140,761</u>
Net Assets - December 31	<u>\$ 160,073</u>	<u>\$ 164,420</u>	<u>\$ 185,477</u>

General Fund Budgetary Highlights

Actual revenues were less than the budgeted revenues by \$97,834 in 2007, primarily due to miscellaneous revenues being significantly less than anticipated.

Actual expenditures in 2007 were less than the amount budgeted by \$62,075. This difference reflects lower than anticipated expenditures for personal services and other services and charges, as well as having no budgeted amounts for the intergovernmental and debt service expenditures. In 2006, revenues exceeded budget by \$26,413, and expenditures exceeded budget by \$3,726.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Region 6W Community Corrections' depreciable capital assets totaled \$26,718 (net of accumulated depreciation) at December 31, 2006, and \$139,026 at December 31, 2007. This investment in capital assets includes building, automotive, office furniture, and equipment. In 2007, Region 6W Community Corrections acquired a building at a cost of \$121,572.

Governmental Capital Assets

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Capital assets depreciated			
Buildings	\$ 121,572	\$ -	\$ -
Office furniture and equipment	55,555	48,090	43,276
Automotive	<u>18,473</u>	<u>18,473</u>	<u>18,473</u>
Total capital assets depreciated	<u>\$ 195,600</u>	<u>\$ 66,563</u>	<u>\$ 61,749</u>
Less: accumulated depreciation for			
Buildings	\$ 4,052	\$ -	\$ -
Office furniture and equipment	39,591	28,762	21,803
Automotive	<u>12,931</u>	<u>11,083</u>	<u>9,236</u>
Total accumulated depreciation	<u>\$ 56,574</u>	<u>\$ 39,845</u>	<u>\$ 31,039</u>
Total Capital Assets Depreciated, Net	<u><u>\$ 139,026</u></u>	<u><u>\$ 26,718</u></u>	<u><u>\$ 30,710</u></u>

Additional information on Region 6W's capital assets can be found in the notes to the financial statements.

Long-Term Debt

In 2007, Region 6W Community Corrections borrowed \$120,000 from Chippewa County, to be used for the purchase of a building. Loan repayments are to be made over ten years at an interest rate of six percent. Additional information can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The most significant economic factor facing Region 6W Community Corrections within the next several years will be the economic and political climate surrounding state and county budget issues. State funding via the Community Corrections Act subsidy and other correctional funding streams has remained flat for the past several years, without even inflationary increases. The existing administration at the state level continues to hold steady on pledges not to increase

revenues by raising taxes. However, at the local level, use of probation services continues to be heavy, and caseloads and associated costs continue to rise. Without increases in state revenue, the member counties are left to meet the growing demands by raising the county contribution amounts. In turn, local property taxes will continue to rise.

Region 6W Community Corrections has attempted to control expenses by focusing on efficiency. In 2006, the Executive Board voted to discontinue renting office space for the central office in Montevideo and chose instead to purchase a building. This was accomplished by borrowing funds from Chippewa County, which will be paid back over the course of ten years. During this ten-year time span, Region 6W Community Corrections would have spent an equal amount on rent as it will spend to purchase and remodel a building. However, at the end of the next ten years, Region 6W Community Corrections will retain ownership and equity in the building in addition to gaining the flexibility that comes with ownership. This will require a shift in budgeting and accounting practices, as Region 6W Community Corrections has never owned property in the past.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Region 6W Community Corrections' finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Midge Christianson, Program Director, P. O. Box 511, Montevideo, Minnesota 56265.

BASIC FINANCIAL STATEMENTS

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2006**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 200,099	\$ -	\$ 200,099
Due from other governments	34,536	-	34,536
Capital assets			
Depreciable - net	-	26,718	26,718
Total Assets	\$ 234,635	\$ 26,718	\$ 261,353
 <u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 6,665	\$ -	\$ 6,665
Salaries payable	6,109	-	6,109
Due to other governments	3,971	-	3,971
Long-term liabilities			
Due within one year	-	4,288	4,288
Due in more than one year	-	75,900	75,900
Total Liabilities	\$ 16,745	\$ 80,188	\$ 96,933
Fund Balance			
Unreserved			
Undesignated	217,890	\$ (217,890)	
Net Assets			
Invested in capital assets		\$ 26,718	\$ 26,718
Unrestricted		137,702	137,702
Total Net Assets		\$ 164,420	\$ 164,420
Total Liabilities and Fund Balance/Net Assets	\$ 234,635	\$ 26,718	\$ 261,353

Reconciliation of the General Fund Balance to Net Assets

Fund Balance - General Fund	\$ 217,890
Capital assets are reported in the Statement of Net Assets but not in the Fund Balance Sheet.	26,718
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds	(80,188)
Net Assets - Governmental Activities	\$ 164,420

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

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, 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, 2006**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 945,011	\$ -	\$ 945,011
Miscellaneous	74,234	-	74,234
Total Revenues	\$ 1,019,245	\$ -	\$ 1,019,245
Expenditures/Expenses			
Public safety			
Current			
Personal services	\$ 802,579	\$ 11,202	\$ 813,781
Other services and charges	151,177	-	151,177
Supplies	37,457	-	37,457
Depreciation	-	8,806	8,806
Intergovernmental	33,895	(4,814)	29,081
Total Expenditures/Expenses	\$ 1,025,108	\$ 15,194	\$ 1,040,302
Net Change in Fund Balance/Net Assets	\$ (5,863)	\$ (15,194)	\$ (21,057)
Fund Balance/Net Assets - January 1	223,753	(38,276)	185,477
Fund Balance/Net Assets - December 31	\$ 217,890	\$ (53,470)	\$ 164,420

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

Net Change in Fund Balance \$ (5,863)

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	\$ 4,814	
Depreciation expense	(8,806)	(3,992)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		(11,202)
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Change in Net Assets of Governmental Activities		\$ (21,057)
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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

EXHIBIT 3

**BUDGETARY COMPARISON
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	\$ 819,249	\$ 819,249	\$ 945,011	\$ 125,762
Miscellaneous	173,583	173,583	74,234	(99,349)
Total Revenues	\$ 992,832	\$ 992,832	\$ 1,019,245	\$ 26,413
Expenditures				
Current				
Public safety				
Personal services	\$ 791,258	\$ 791,258	\$ 802,579	\$ (11,321)
Other services and charges	195,124	195,124	151,177	43,947
Supplies	35,000	35,000	37,457	(2,457)
Total public safety	\$ 1,021,382	\$ 1,021,382	\$ 991,213	\$ 30,169
Intergovernmental				
Public safety	-	-	33,895	(33,895)
Total Expenditures	\$ 1,021,382	\$ 1,021,382	\$ 1,025,108	\$ (3,726)
Net Change in Fund Balance	\$ (28,550)	\$ (28,550)	\$ (5,863)	\$ 22,687
Fund Balance - January 1	223,753	223,753	223,753	-
Fund Balance - December 31	\$ 195,203	\$ 195,203	\$ 217,890	\$ 22,687

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

EXHIBIT 4

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET ASSETS
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2007**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 193,604	\$ -	\$ 193,604
Due from other governments	48,618	-	48,618
Capital assets			
Depreciable - net	-	139,026	139,026
Total Assets	\$ 242,222	\$ 139,026	\$ 381,248
 <u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 16,805	\$ -	\$ 16,805
Salaries payable	5,489	-	5,489
Long-term liabilities			
Due within one year	-	14,188	14,188
Due in more than one year	-	184,693	184,693
Total Liabilities	\$ 22,294	\$ 198,881	\$ 221,175
Fund Balance			
Unreserved			
Undesignated	219,928	\$ (219,928)	
Net Assets			
Invested in capital assets, net of related debt		\$ 23,492	\$ 23,492
Unrestricted		136,581	136,581
Total Net Assets		\$ 160,073	\$ 160,073
Total Liabilities and Fund Balance/Net Assets	\$ 242,222	\$ 139,026	\$ 381,248

Reconciliation of the General Fund Balance to Net Assets

Fund Balance - General Fund	\$ 219,928
Capital assets are reported in the Statement of Net Assets but not in the Fund Balance Sheet.	139,026
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(198,881)
Net Assets - Governmental Activities	\$ 160,073

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, 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, 2007**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 1,080,887	\$ -	\$ 1,080,887
Miscellaneous	70,099	-	70,099
	\$ 1,150,986	\$ -	\$ 1,150,986
Expenditures/Expenses			
Public safety			
Current			
Personal services	\$ 894,911	\$ 3,159	\$ 898,070
Other services and charges	156,094	-	156,094
Supplies	175,027	(131,382)	43,645
Depreciation	-	19,074	19,074
Intergovernmental	34,850	-	34,850
Debt service			
Principal	4,466	(4,466)	-
Interest	3,600	-	3,600
	\$ 1,268,948	\$ (113,615)	\$ 1,155,333
Excess of Revenues Over (Under) Expenditures/Expenses	\$ (117,962)	\$ 113,615	\$ (4,347)
Other Financing Sources (Uses)			
Proceeds of loan	120,000	(120,000)	-
	\$ 2,038	\$ (6,385)	\$ (4,347)
Fund Balance/Net Assets - January 1	217,890	(53,470)	164,420
Fund Balance/Net Assets - December 31	\$ 219,928	\$ (59,855)	\$ 160,073

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

**EXHIBIT 5
(Continued)**

**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, 2007**

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

Net Change in Fund Balance	\$	2,038
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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. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental fund, the proceeds of the sale increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets sold.

Capital outlay expenditures	\$	132,386	
Net book value of assets sold		(1,004)	
Depreciation expense		<u>(19,074)</u>	112,308

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment consumes financial resources. Neither transaction, however, has any effect on net assets.

Principal retirement	\$	4,466	
Proceeds of loan		<u>(120,000)</u>	(115,534)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences		<u>(3,159)</u>
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Change in Net Assets of Governmental Activities	\$	<u>(4,347)</u>
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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

EXHIBIT 6

**BUDGETARY COMPARISON
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	\$ 915,242	\$ 915,242	\$ 1,080,887	\$ 165,645
Miscellaneous	333,578	333,578	70,099	(263,479)
Total Revenues	\$ 1,248,820	\$ 1,248,820	\$ 1,150,986	\$ (97,834)
Expenditures				
Current				
Public safety				
Personal services	\$ 925,620	\$ 925,620	\$ 894,911	\$ 30,709
Other services and charges	230,832	230,832	156,094	74,738
Supplies	174,571	174,571	175,027	(456)
Total public safety	\$ 1,331,023	\$ 1,331,023	\$ 1,226,032	\$ 104,991
Intergovernmental				
Public safety	\$ -	\$ -	\$ 34,850	\$ (34,850)
Debt service				
Principal	\$ -	\$ -	\$ 4,466	\$ (4,466)
Interest	-	-	3,600	(3,600)
Total debt service	\$ -	\$ -	\$ 8,066	\$ (8,066)
Total Expenditures	\$ 1,331,023	\$ 1,331,023	\$ 1,268,948	\$ 62,075
Excess of Revenues Over (Under) Expenditures	\$ (82,203)	\$ (82,203)	\$ (117,962)	\$ 35,759
Other Financing Sources (Uses)				
Proceeds from loan	-	-	120,000	120,000
Net Change in Fund Balance	\$ (82,203)	\$ (82,203)	\$ 2,038	\$ 84,241
Fund Balance - January 1	217,890	217,890	217,890	-
Fund Balance - December 31	\$ 135,687	\$ 135,687	\$ 219,928	\$ 84,241

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

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

1. Summary of Significant Accounting Policies

Region 6W Community Corrections' 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 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 Region 6W Community Corrections are discussed below.

A. Financial Reporting Entity

Region 6W Community Corrections was created pursuant to the provisions of the Community Corrections Act, October 1, 1977. Region 6W provides probation and parole services to the far western Minnesota counties of Chippewa, Swift, Lac qui Parle, and Yellow Medicine; it is responsible for juvenile and adult court clients. Region 6W is staffed with corrections professionals.

Program planning is the responsibility of an advisory board. Policy, program, and budget management are accomplished through an Executive Committee consisting of County Commissioners, advisory board members, and judges.

Funding comes from Community Corrections Act subsidies, local contributions from the participating counties, and miscellaneous revenues.

Chippewa County acts as fiscal agent for Region 6W and reports the cash transactions of Region 6W Community Corrections as an agency fund in its annual financial statements.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

Basic financial statements include information on Region 6W's activities as a whole and information on the individual fund of Region 6W. 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 Region 6W 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. Region 6W'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 Region 6W 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. Region 6W Community Corrections 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 general 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.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, 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 Region 6W Community Corrections' policy to use restricted resources first and then unrestricted resources as needed.

D. Budgetary Data

The Executive Committee of Region 6W Community Corrections adopts estimated revenue and expenditure budgets for the General Fund on the modified accrual basis of accounting. The budget is adopted on a basis consistent with generally accepted accounting principles.

E. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Cash is on deposit with Chippewa County.

2. Receivables

The financial statements for Region 6W contain no allowance for uncollectible accounts. Uncollectible amounts due for receivables are recognized as bad debts at the time information becomes available that indicates 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.

3. Capital Assets

Capital assets, which include a building, office furniture and equipment, and automotive equipment, are reported in the governmental activities column in the statement of net assets. Capital assets are defined as assets with an initial, individual cost of more than \$1,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, and Net Assets or Equity

3. Capital Assets (Continued)

The building, office furniture and equipment, and automotive equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	30
Office furniture and equipment	3 to 15
Automotive equipment	3 to 15

4. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the fund financial statements. A liability for these amounts is reported in the General Fund only if it has matured, for example, as a result of employee resignations and retirements.

5. 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 that are not considered to be available to liquidate liabilities of the current period.

6. Long-Term Liabilities

Long-term liabilities are not reported in the fund. The General Fund reports only liabilities expected to be financed with available, spendable financial resources. The statement of net assets reports long-term liabilities of the governmental activities.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Fund Equity and 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. Region 6W Community Corrections reported no reservations or designations for the years ended December 31, 2006 and 2007.

Net assets invested in capital assets represents the accumulated value of the capital assets of Region 6W, net of related debt used to acquire those assets.

Unrestricted net assets represent the accumulated earnings of Region 6W.

8. 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.

2. Detailed Notes

A. Assets

1. Cash

Cash transactions are administered by the Chippewa 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 for which Chippewa County was in compliance for the two years ended December 31, 2006 and 2007.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

2. Detailed Notes

A. Assets (Continued)

2. Receivables

Region 6W did not have any receivables expected to be collected beyond one year at December 31, 2006 and 2007.

Due from other governments consists of \$34,536 at December 31, 2006, and \$48,618 at December 31, 2007. Both amounts were due from the state.

3. Capital Assets

Capital asset activity for the year ended December 31, 2006 and 2007, was as follows:

2006

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Office furniture and equipment	\$ 43,276	\$ 4,814	\$ -	\$ 48,090
Automotive equipment	18,473	-	-	18,473
Total capital assets depreciated	\$ 61,749	\$ 4,814	\$ -	\$ 66,563
Less: accumulated depreciation for				
Office furniture and equipment	\$ 21,803	\$ 6,959	\$ -	\$ 28,762
Automotive equipment	9,236	1,847	-	11,083
Total accumulated depreciation	\$ 31,039	\$ 8,806	\$ -	\$ 39,845
Total Capital Assets Depreciated, Net	\$ 30,710	\$ (3,992)	\$ -	\$ 26,718

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

2. Detailed Notes

A. Assets

3. Capital Assets (Continued)

2007

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ -	\$ 121,572	\$ -	\$ 121,572
Office furniture and equipment	48,090	10,814	3,349	55,555
Automotive equipment	18,473	-	-	18,473
Total capital assets depreciated	\$ 66,563	\$ 132,386	\$ 3,349	\$ 195,600
Less: accumulated depreciation for				
Buildings	\$ -	\$ 4,052	\$ -	\$ 4,052
Office furniture and equipment	28,762	13,174	2,345	39,591
Automotive equipment	11,083	1,848	-	12,931
Total accumulated depreciation	\$ 39,845	\$ 19,074	\$ 2,345	\$ 56,574
Total Capital Assets Depreciated, Net	\$ 26,718	\$ 113,312	\$ 1,004	\$ 139,026

Depreciation expense of \$8,806 for 2006 and \$19,074 for 2007 was charged to the public safety function.

B. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the years ended December 31, 2006 and 2007, was as follows:

2006

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 68,986	\$ 11,202	\$ -	\$ 80,188	\$ 4,288

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

2. Detailed Notes

B. Liabilities

Changes in Long-Term Liabilities (Continued)

2007

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 80,188	\$ 3,159	\$ -	\$ 83,347	\$ 4,850
Loans payable	-	120,000	4,466	115,534	9,338
Total	\$ 80,188	\$ 123,159	\$ 4,466	\$ 198,881	\$ 14,188

Loans Payable

In 2007, Region 6W Community Corrections borrowed \$120,000 from Chippewa County to be used for the purchase of a building to house Corrections staff. The loan is for ten years at an interest rate of six percent. During 2007, \$4,466 was paid against the principal amount of the loan. Future payment requirements are as follows:

Year Ending December 31	Principal	Interest
2008	\$ 9,338	\$ 6,794
2009	9,906	6,225
2010	10,510	5,622
2011	11,150	4,982
2012	11,828	4,303
2013 - 2017	62,802	9,791
Total	\$ 115,534	\$ 37,717

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of Region 6W Community Corrections are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated public service.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. Region 6W makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent.

Region 6W is required to contribute the following percentages of annual covered payroll in 2006, 2007, and 2008:

	2006	2007	2008
Public Employees Retirement Fund			
Basic Plan members	11.78%	11.78%	11.78%
Coordinated Plan members	6.00	6.25	6.50

Region 6W's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund were:

2007	2006	2005
\$ 41,980	\$ 34,656	\$ 31,243

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

4. Risk Management

Region 6W Community Corrections is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. Region 6W has entered into a joint powers agreement with certain Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to cover its workers' compensation and property and casualty liabilities.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$390,000 per claim in 2006 and \$400,000 per claim in 2007. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Region 6W in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and Region 6W 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 Region 6W in a method and amount to be determined by MCIT.

Region 6W Community Corrections has not reduced insurance coverage in the past year and has not had settlements in excess of insurance coverage in any of the past three years.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although Region 6W Community Corrections expects such amounts, if any, to be immaterial.

Region 6W Community Corrections is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of Region 6W's Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

5. Summary of Significant Contingencies and Other Items (Continued)

B. Related-Party Transaction

A Board member's real estate company was used in the purchase of Region 6W's building during 2007. The same Board member's son was the agent for the seller.

SUPPORTING SCHEDULE

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

Schedule 1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2007**

	<u>2006</u>	<u>2007</u>
Shared Revenue		
Contributions from counties	\$ 327,326	\$ 406,402
Grants		
State		
Minnesota Department of Corrections	<u>617,685</u>	<u>674,485</u>
Total Intergovernmental Revenue	<u><u>\$ 945,011</u></u>	<u><u>\$ 1,080,887</u></u>

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**REGION 6W COMMUNITY CORRECTIONS
MONTEVIDEO, MINNESOTA**

Schedule 2

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

I. MANAGEMENT PRACTICES

PREVIOUSLY REPORTED ITEM NOT RESOLVED

01-1 Capital Assets

Previous reports have noted that Region 6W Community Corrections established accounting policies to recognize certain purchases as capital assets. To date, however, these policies have not been approved by the Executive Board. Accounting policies and procedures should be approved by the Board to demonstrate accountability by the Board over financial activities. During our current audit, we were informed by the Administrative Assistant that the policies were updated in 2008 but still need Board approval.

We again recommend that the Executive Board adopt accounting policies and procedures relating to capital assets. The policies and procedures should incorporate the following:

- establishing a threshold for recognizing certain purchases as capital assets;
- establishing useful lives for the capital assets;
- a method for identifying all purchases and dispositions of capital assets;
- a record-keeping system for maintaining all information on capital assets, including accumulated depreciation; and
- a process to reconcile the detailed capital assets records to the financial statements.

II. OTHER ITEM FOR CONSIDERATION

Governmental Accounting Standards Board Statements

Other Postemployment Benefits (OPEB)

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which governs employer accounting and financial reporting for OPEB. This standard, similar to what GASB Statement 27 did for government employee pension benefits and plans, provides the accounting and reporting standards for the various other postemployment benefits many local governments offer to their employees. OPEB can include many different benefits offered to retirees such as health, dental, life, and long-term care insurance coverage.

If retirees are included in an insurance plan and pay a rate similar to that paid for younger active employees, this implicit subsidy is considered OPEB. In fact, local governments may be required to continue medical insurance coverage pursuant to Minn. Stat. § 471.61, subd. 2b. This benefit is common when accumulated sick leave is used to pay for retiree medical insurance. Under GASB Statement 45, accounting for OPEB is now similar to the accounting used by governments for pension plans.

In 2008, the legislature enacted a new law, Minn. Stat. § 471.6175, intended to help local governments address their OPEB liability in at least three important ways:

- it allows governments to create both revocable and irrevocable OPEB trusts;
- it authorizes the use of a different list of permissible investments for both revocable and irrevocable OPEB trusts; and
- it also permits governments to invest OPEB trust assets with the State Board of Investment, bank trust departments, and certain insurance companies.

Schedule 2
(Continued)

Some of the issues that Region 6W will need to address in order to comply with the statements are:

- determine if employees are provided OPEB;
- if OPEB are being provided, Region 6W will have to determine whether it will advance fund the benefits or pay for them on a pay-as-you-go basis;
- if OPEB are being provided, and Region 6W determines that the establishment of a trust is desirable in order to fund the OPEB, Region 6W will have to comply with the new legislation enacted authorizing the creation of an OPEB trust and establishing an applicable investment standard;
- if an OPEB trust will be established, Region 6W will have to decide whether to establish a revocable or an irrevocable trust, and report that trust appropriately in the financial statements; and
- in order to determine annual costs and liabilities that need to be recognized, Region 6W will have to decide whether to hire an actuary.

If applicable for Region 6W Community Corrections, GASB Statement 45 would be implemented for the year ended December 31, 2008.

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REPORT ON MINNESOTA LEGAL COMPLIANCE

Executive Board
Region 6W Community Corrections

We have audited the financial statements of the governmental activities and the General Fund of Region 6W Community Corrections as of and for the years ended December 31, 2006 and 2007, which collectively comprise Region 6W's basic financial statements, and have issued our report thereon dated [need date]. 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 contracting and bidding, as no contracts were noted, or deposits and investments because Region 6W Community Corrections' funds are held by a fiscal agent.

The results of our tests indicate that, for the items tested, Region 6W Community Corrections complied with the material terms and conditions of applicable legal provisions.

Included in the Schedule of Findings and Recommendations is a management practices comment and an other item for consideration. We believe these items to be of benefit to Region 6W, and they are reported for that purpose.

Region 6W's written response to the management practices finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit Region 6W's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Executive Board and management, and others within Region 6W Community Corrections 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

April 7, 2009