

Office of the State Auditor
State Auditor Enterprise Fund
Statement of Net Position and Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2015

Account No	Account Description	Prior Year Balance	MMB Ending Balance
ASSETS			
Current Assets			
100001	Cash and Cash Equivalents	-	400,000.00
120002	Accounts Receivable	2,239,000.00	1,180,000.00
	Total Current Assets	<u>2,239,000.00</u>	<u>1,580,000.00</u>
Noncurrent Assets			
175600	Depreciable Capital Assets (Net)	136,000.00	95,000.00
	Total Noncurrent Assets	<u>136,000.00</u>	<u>95,000.00</u>
	Total Assets	<u>2,375,000.00</u>	<u>1,675,000.00</u>
DEFERRED OUTFLOWS OF RESOURCES			
165009	Contrib after Msrmt Dt-DefOut		198,000.00
165008	Chg Contrib_Prop/Act-DefOut		45,000.00
	Total Deferred Outflows of Resources	<u>-</u>	<u>243,000.00</u>
LIABILITIES			
Current Liabilities:			
200001	Accounts Payable	234,000.00	293,000.00
230001	Interfund Payables	764,000.00	200,000.00
260500	Compensated Absences Payable	130,000.00	144,000.00
	Total Current Liabilities	<u>1,128,000.00</u>	<u>637,000.00</u>
Noncurrent Liabilities			
260501	Compensated Absences Payable	687,000.00	724,000.00
290100	Net PENS Obligation		2,201,000.00
290150	Other Postemployment Benefits	62,000.00	77,000.00
	Total Noncurrent Liabilities	<u>749,000.00</u>	<u>3,002,000.00</u>
	Total Liabilities	<u>1,877,000.00</u>	<u>3,639,000.00</u>
DEFERRED INFLOWS OF RESOURCES			
241005	Expectd/Actual Exper-DefOut		48,000.00
241006	Change of Assumption-DefOut		1,604,000.00
241007	Project/Act Inv Earn-DefOut		1,141,000.00
	Total Deferred Inflows of Resources	<u>-</u>	<u>2,793,000.00</u>

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NET POSITION			
320001	Net Investment in Capital Assets	136,000.00	95,000.00
Restricted for:			
330700	Other Purposes	362,000.00	-
	Total Restricted	362,000.00	-
300001	Unrestricted	-	(4,609,000.00)
	Total Net Position	498,000.00	(4,514,000.00)
Operating Revenues			
649710	Net Sales - Audit Charges		6,109,000.00
	Total Operating Revenues		6,109,000.00
	Less: Cost of Goods Sold		
	Gross Margin		6,109,000.00
Operating Expenses:			
411	Purchased Services		566,000.00
410	Salaries and Fringe Benefits		5,168,000.00
471	Claims		5,000.00
470	Equipment - Capital		-
490009	Depreciation and Amortization		41,000.00
413	Supplies and Materials		19,000.00
415	Repairs and Maintenance		16,000.00
	Indirect Costs		-
430	Other Expenses		18,000.00
	Total Operating Expenses		5,833,000.00
	Operating Income (Loss)		276,000.00
Nonoperating Revenues (Expenses):			
512052	Investment Income		-
	Total Nonoperating Revenues (Expenses)		-
	Income (Loss) Before Transfers and Contributions		276,000.00
800101	Transfers-In		-
	Total Income (Loss)		276,000.00
	Special Item		-
	Change in Net Position		276,000.00

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	Net Position, Beginning, as Reported		498,000.00
	Prior Period Adjustment		-
390100	Change in Accounting Principle		(5,288,000.00)
	Change in Reporting Entity		-
390200	Change in Fund Structure		-
	Net Position, Beginning, as Restated		<u>(4,790,000.00)</u>
	Net Position, Ending		<u><u>(4,514,000.00)</u></u>



REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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November 10, 2015

Commissioner Myron Frans
Minnesota Management and Budget
400 Centennial Office Building
St. Paul, MN 55155

RE: Audit Hourly Rates

Dear Commissioner Frans:

Pursuant to Minn. Stat. § 6.58, enclosed for your approval, is the Office of the State Auditor's annual review of the schedule of charges for the examination of client accounts and records. The enclosed documents present the methodology used to analyze the Office of the State Auditor's rates through calendar year 2016.

Our analysis has determined that in order to recover the costs for audit services as mandated by law, hourly audit rates must be raised starting with the pay period ending January 12, 2016, by approximately 6 percent. The increase can be primarily attributed to the following factors.

- **Increases in compensation.** Effective July 1, 2015, audit staff received a general wage adjustment of 2.5 percent and on July 1, 2016, audit staff will receive a general wage adjustment of 2.5 percent based on state bargaining agreements. In addition, many of our audit staff are qualified to receive step increases.
- **Increase in insurance.** For fiscal year 2016 and 2017, there is a projected increase in insurance costs of 6.93 percent and 9.55 percent, respectively.
- **Increase in space rental costs.** The amount of space rented by the Audit Practice Division has not increase for the last several years but the contracts do include an increase in the amount paid per square foot.

All other costs are projected to be consistent with past expenses. We will continue to review and monitor the need for any rate adjustments in the future.

Pursuant to Minn. Stat. §6.581, we are required to report the newly proposed audit rates to the legislative committees with oversight over the State Auditor's budget, thirty days prior to implementation. In order to report the approved rates thirty days before implementation, we need your approval by November 30, 2015. I would be happy to sit down with your staff and show how the rates were calculated, if this would be helpful to expedite the review and approval.

If you have any questions or concerns regarding the accompanying schedules, please feel free to call me at 651-297-7110 or email me at Matt.Lindemann@osa.state.mn.us.

Sincerely,



Matthew Lindemann
Director of Budget, Finance, & Technology

Enclosures

Cc: Rebecca Otto, State Auditor
Greg Hierlinger, Deputy State Auditor
Celeste Grant, Deputy State Auditor/General Counsel
Ify Onyiah, MMB Executive Budget Officer

Preliminary - Subject to Approval of Minnesota Management & Budget

**Office of the State Auditor
Schedule of Hourly Rates
CY 2016**

Class Title	Audit Rates	
	2015	2016
Interns	40.00	42.00
Local Government Auditor	60.00	64.00
Local Government Auditor Intermediate	68.00	73.00
Local Government Auditor Senior	76.00	81.00
Local Government Auditor Staff Specialist	83.00	88.00
Local Government Auditor Staff Specialist Senior	86.00	92.00
Local Government Auditor Director	92.00	98.00
Local Government Auditor Manager	105.00	110.00
Reviewer	105.00	110.00
Local Government Auditor Division Director	105.00	110.00
Legal Counsel	105.00	110.00
Director of Special Investigations	105.00	110.00
Assistant State Auditor	105.00	110.00
Deputy State Auditor	105.00	110.00
Word Processing	25.00	25.00

11/9/15

S:\Accounting\FY16\Audit - Rates\[2016 Audit Rate Analysis.xlsx]Sch of Hourly Rates



Office Memorandum

Date: December 4, 2015

To: Matthew Lindemann
Director of Budget, Finance, & Technology
Office of the State Auditor

From: Margaret Kelly, State Budget Director *MK*

Subject: Approval of CY 2016 Audit Hourly Rates

Pursuant to your request of November 10, 2015, the rates proposed in the attached schedule are approved. The rates are effective through calendar year 2016.

Based on our review and analysis of the financial information submitted, we find your rate proposal to be reasonably calculated to ensure that the amount collected will be sufficient to pay the costs connected with the audits.

Thank you to you and your staff for the timely and helpful responses to our questions during the rate review process.

Attachment

cc: Rebecca Otto, State Auditor
Greg Hierlinger, Deputy State Auditor
Celeste Grant, Deputy State Auditor/General Counsel
Kerstin Larson, MMB Team Lead
Ify Onyiah, MMB Executive Budget Officer

Click here to enter a date.

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Schedule of Hourly Rates
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	2015	2016
Interns	40.00	42.00
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Local Government Auditor Senior	76.00	81.00
Local Government Auditor Staff Specialist	83.00	88.00
Local Government Auditor Staff Specialist Senior	86.00	92.00
Local Government Auditor Director	92.00	98.00
Local Government Auditor Manager	105.00	110.00
Reviewer	105.00	110.00
Local Government Auditor Division Director	105.00	110.00
Legal Counsel	105.00	110.00
Director of Special Investigations	105.00	110.00
Assistant State Auditor	105.00	110.00
Deputy State Auditor	105.00	110.00
Word Processing	25.00	25.00

**Office of the State Auditor
Projected Audit Costs and Recoveries
CY 2016**

Costs

<u>Salaries</u>	
Salaries	5,694,395
Part-time/seasonal	170,079
Overtime	116,253
Other miscellaneous salary costs	34,200
 <u>Other Expenses</u>	
Rent	247,668
Printing	-
Professional & technical services	92,150
Computer & systems services	94,930
Communications	45,630
Instate travel	95,000
Out-of-state travel	-
Employee development	33,400
Supplies & materials	24,000
Repair & Maintenance	10,000
Other operating costs	15,655
Equipment	45,418
<u>Changes in Accrued Expenses</u>	
Compensated Absences	50,000
Depreciation	41,000
Other Post Employment Benefits	15,000
Total Recoverable Costs	<u><u>6,824,777</u></u>

Recoveries

<u>Recovery</u>	<u>Hourly Rate</u>	<u>Billable Hours</u>	
Interns	42.00	450	18,900
Local Government Auditor	64.00	10,075	644,800
Local Government Auditor Intermediate	73.00	31,825	2,323,225
Local Government Auditor Senior	81.00	21,770	1,763,370
Local Government Auditor Staff Specialist	88.00	9,900	871,200
Local Government Auditor Staff Specialist Senior	92.00	-	-
Local Government Auditor Director	98.00	10,360	1,015,280
Local Government Auditor Manager	110.00	400	44,000
Reviewer	110.00	450	49,500
Billed Expenses			95,000
			<u><u>6,825,275</u></u>
Excess of Recoveries Over/(Under) Costs			<u><u>498</u></u>

11/10/15