

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER-MCLEOD-SIBLEY
COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

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 150 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 650 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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**MEEKER-MCLEOD-SIBLEY
COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

Year Ended December 31, 2016



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

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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Basic Financial Statements		
General Fund Balance Sheet and Governmental Activities - Statement of Net Position with Adjustments to Convert Modified to Full Accrual	1	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	2	7
Notes to the Financial Statements		9
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	A-1	27
Schedule of Funding Progress - Other Postemployment Benefits	A-2	28
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-3	29
Schedule of Contributions	A-4	30
Notes to the Required Supplementary Information		31
Other Schedules		
Schedule of Intergovernmental Revenue	B-1	33
Schedule of Expenditures of Federal Awards	B-2	34
Notes to the Schedule of Expenditures of Federal Awards		35

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page</u>
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		37
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		40
Schedule of Findings and Questioned Costs		43
Corrective Action Plan		47
Summary Schedule of Prior Audit Findings		48

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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

ORGANIZATION
2016

Office	Name
Board Members	
McLeod County Commissioners	
Secretary	Doug Krueger
Member	Joe Nagel
Member	Sheldon Nies
Member	Ron Shimanski
Member	Paul Wright
Meeker County Commissioners	
Member	Dale Fenrich
Member	Mike Housman
Member	Mike Huberty
Member	Bryan Larson
Chair	Beth Oberg
Sibley County Commissioners	
Member	Joy Cohrs
Vice Chair	Bobbie Harder
Member	Gary Kruggel
Member	Bill Pinske
Member	Jim Swanson
Fiscal Officer	Cindy Schultz Ford
Management Team	
McLeod County Public Health Director	Jennifer Hauser
Meeker County Public Health Director	Diane Winter
Sibley County Public Health and Human Services Director	Vicki Stock
Community Health Services Director	Allie Freidrichs

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Community Health Board
Meeker-McLeod-Sibley Community Health Services
Glencoe, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Meeker-McLeod-Sibley Community Health Services, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Health Services' basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Health Services' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Services' internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 Meeker-McLeod-Sibley Community Health Services as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker-McLeod-Sibley Community Health Services' basic financial statements. The other schedules, including the Schedule of Intergovernmental Revenue and the Schedule of Expenditures of Federal Awards (SEFA) and the related notes to the SEFA, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other schedules are the responsibility of management and were derived from and

relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 31, 2017, on our consideration of Meeker-McLeod-Sibley Community Health Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Meeker-McLeod-Sibley Community Health Services' internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Services' basic financial statements. The accompanying SEFA as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated in all material respects in relation to the basic financial statements as a whole.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 31, 2017

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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BASIC FINANCIAL STATEMENTS

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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2016**

	General Fund	Adjustments	Governmental Activities
<u>Assets and Deferred Outflows of Resources</u>			
Current assets			
Cash and cash equivalents	\$ 149,558	\$ -	\$ 149,558
Due from other governments	479,355	-	479,355
Noncurrent assets			
Capital assets			
Depreciable - net of accumulated depreciation	-	4,622	4,622
Total Assets	\$ 628,913	\$ 4,622	\$ 633,535
Deferred Outflows of Resources			
Deferred pension outflows	-	160,228	160,228
Total Assets and Deferred Outflows of Resources	\$ 628,913	\$ 164,850	\$ 793,763
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Current liabilities			
Accounts payable	\$ 2,557	\$ -	\$ 2,557
Salaries payable	15,740	-	15,740
Accrued payroll taxes	1,092	-	1,092
Other accrued liabilities	2,866	-	2,866
Due to other governments	359,181	-	359,181
Compensated absences payable	-	6,344	6,344
Noncurrent liabilities			
Compensated absences payable - long-term	-	2,986	2,986
Other postemployment benefits (OPEB)	-	8,503	8,503
Net pension liability	-	255,016	255,016
Total Liabilities	\$ 381,436	\$ 272,849	\$ 654,285
Deferred Inflows of Resources			
Unavailable revenue	\$ 37,164	\$ (37,164)	\$ -
Deferred pension inflows	-	19,170	19,170
Total Deferred Inflows of Resources	\$ 37,164	\$ (17,994)	\$ 19,170

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

Page 5

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**EXHIBIT 1
(Continued)**

**GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2016**

	General Fund	Adjustments	Governmental Activities
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
(Continued)			
Fund Balance			
Assigned for health programs	\$ 210,313	\$ (210,313)	\$ -
Net Position			
Investment in capital assets		\$ 4,622	\$ 4,622
Unrestricted		115,686	115,686
Total Net Position		\$ 120,308	\$ 120,308
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 628,913	\$ 164,850	\$ 793,763
Reconciliation of the General Fund Balance to Net Position			
Fund Balance - General Fund			\$ 210,313
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.			4,622
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund.			37,164
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.			160,228
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental fund.			
Compensated absences payable		\$ (9,330)	
OPEB		(8,503)	
Net pension liability		(255,016)	(272,849)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.			(19,170)
Net Position - Governmental Activities			\$ 120,308

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

Page 6

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, 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, 2016**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 1,883,952	\$ (134,592)	\$ 1,749,360
Gifts and contributions	4,500	-	4,500
Total Revenues	\$ 1,888,452	\$ (134,592)	\$ 1,753,860
Expenditures/Expenses			
Health			
Current	\$ 414,569	\$ 50,021	\$ 464,590
Intergovernmental	1,323,313	-	1,323,313
Depreciation	-	2,335	2,335
Total Expenditures/Expenses	\$ 1,737,882	\$ 52,356	\$ 1,790,238
Net Change in Fund Balance/Net Position	\$ 150,570	\$ (186,948)	\$ (36,378)
Fund Balance/Net Position - January 1	59,743	96,943	156,686
Fund Balance/Net Position - December 31	\$ 210,313	\$ (90,005)	\$ 120,308

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**EXHIBIT 2
(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, 2016**

**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	\$	150,570
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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 outlays reported as expenditures	\$	3,232	
Current year depreciation		<u>(2,335)</u>	897

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues is the increase or decrease in revenues deferred as unavailable. (135,585)

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 the governmental fund.

Change in compensated absences payable	\$	(6,012)	
Change in other postemployment benefits		(6,043)	
Change in net pension liability		(175,957)	
Change in deferred pension outflows		149,034	
Change in deferred pension inflows		<u>(13,282)</u>	<u>(52,260)</u>

Change in Net Position of Governmental Activities	\$	<u><u>(36,378)</u></u>
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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Summary of Significant Accounting Policies

Meeker-McLeod-Sibley Community Health Services' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Health Services are discussed below.

A. Financial Reporting Entity

The Meeker-McLeod-Sibley Community Health Board was established pursuant to Minn. Stat. §§ 145A.09-145A.14 and a joint powers agreement as the Meeker-McLeod-Sibley Health Services Board effective April 1, 1980. This joint powers agreement was revised, effective April 19, 1990, and the Board was renamed the Meeker-McLeod-Sibley Community Health Board. The Community Health Board consists of 15 members, 5 each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

McLeod County, in an agent capacity, reports the cash transactions of the Health Services as an agency fund on its annual financial statements.

The Health Services participates in a jointly-governed organization described in Note 6.

B. Basic Financial Statements

Basic financial statements include information on Meeker-McLeod-Sibley Community Health Services' activities as a whole and information on the General Fund of the Health Services. These separate presentations are reported in different columns on Exhibits 1 and 2. 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 Meeker-McLeod-Sibley Community Health Services as a whole.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

The governmental activities columns are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Meeker-McLeod-Sibley Community Health Services' net position is reported as an investment in capital assets and unrestricted net position. Meeker-McLeod-Sibley Community Health Services first utilizes restricted resources to finance qualifying activities. The statement of activities demonstrates the degree to which the expenses of Meeker-McLeod-Sibley Community Health Services 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 of accounting and report current financial resources.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements 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. Meeker-McLeod-Sibley Community Health Services considers all revenues as available if collected within 90 days after the end of the current period. Charges for services are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which are recognized as expenditures to the extent that they are matured.

When both restricted and unrestricted resources are available for use, it is the Health Services' policy to use restricted resources first and then unrestricted resources as needed.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Due From/To Other Governments

Due from/to other governments amounts represent receivables and payables related to grants from other federal, state, and local governments for the program administration.

2. Capital Assets

Capital assets and related depreciation are recorded in the governmental activities column in the statement of net position. Meeker-McLeod-Sibley Community Health Services defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Capital assets of Meeker-McLeod-Sibley Community Health Services are depreciated using the straight-line method over an estimated five-year useful life.

3. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, comp time, vested sick leave balances, and sick leave balances in excess of the maximum balance. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The current portion of compensated absences is based on percentages predetermined by management based on historical information.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity
(Continued)

4. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the Board has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, the difference between projected and actual earnings on pension plan investments, and changes in both actuarial assumptions and proportionate share and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. Meeker-McLeod-Sibley Community Health Services has two items that qualify for reporting in this category, unavailable revenue and deferred pension inflows. Unavailable revenue is reported only in the governmental fund balance sheet and is recognized as an inflow of resources in the period that the amounts become available. The deferred pension inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also changes in proportionate share and, accordingly, are reported only in the statement of net position.

5. Classification of Net Position

Net position in the government-wide statements is classified in the following categories:

Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

5. Classification of Net Position (Continued)

Unrestricted - the amount of net position that does not meet the definition of net investment in capital assets or restricted.

6. Classification of Fund Balance

Fund balance is divided into classifications based primarily on the extent to which the Health Services is bound to observe restraints upon the use of resources in the General Fund. The Health Services only has assigned fund balance.

Assigned - Amounts in the assigned fund balance classification are intended to be used 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 Community Health Board or the McLeod County Auditor-Treasurer, who has been delegated that authority as fiscal agent by Board resolution.

7. Budgetary Information

The Health Services adopts estimated revenue and expenditure budgets for the General Fund on the modified accrual basis. The legal level of budgetary control is the function level. Appropriations lapse at year-end. The budgets may be amended or modified at any time by the Community Health Board.

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, deferred outflows of resources, liabilities, and deferred inflows of resources; 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.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

9. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

2. Detailed Notes

A. Assets

1. Deposits

Cash is on deposit with McLeod County. Cash transactions are administered by the McLeod 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. All funds of McLeod County are pooled.

2. Receivables

The Health Services did not have any receivables scheduled to be collected beyond one year as of December 31, 2016. No allowance has been made for uncollectible receivables because such amounts are not expected to be material.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

2. Detailed Notes

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Office equipment	\$ 10,269	\$ 3,232	\$ -	\$ 13,501
Less: accumulated depreciation for				
Office equipment	<u>(6,544)</u>	<u>(2,335)</u>	<u>-</u>	<u>(8,879)</u>
Total Capital Assets Depreciated, Net	<u>\$ 3,725</u>	<u>\$ 897</u>	<u>\$ -</u>	<u>\$ 4,622</u>

Depreciation expense of \$2,335 was charged to the Health Services' health function in 2016.

B. Liabilities and Deferred Inflows of Resources

1. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Compensated absences	<u>\$ 3,318</u>	<u>\$ 6,012</u>	<u>\$ -</u>	<u>\$ 9,330</u>	<u>\$ 6,344</u>

2. Deferred Inflows of Resources - Unavailable Revenue

Deferred inflows of resources - unavailable revenue consists of federal grant receivables of \$37,164 that was not collected soon enough after year-end to pay liabilities of the current period.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of Meeker-McLeod-Sibley Community Health Services are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph 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 their public service.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

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 General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under 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. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

C. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2016.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan

C. Contributions (Continued)

In 2016, the Health Services was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75

The employee and employer contribution rates did not change from the previous year.

The Health Services' contribution for the General Employees Retirement Plan for the year ended December 31, 2016, were \$16,555. The contributions are equal to the contractually required contributions as set by state statute.

D. Pension Costs

At December 31, 2016, the Health Services reported a liability of \$255,016 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Services' proportion of the net pension liability was based on the Health Services' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Health Services' proportion was 0.0031 percent. It was 0.0015 percent measured as of June 30, 2015. The Health Services' recognized pension expense of \$57,749 for its proportionate share of the General Employees Retirement Plan's pension expense.

The Health Services also recognized \$993 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

The Health Services' proportionate share of the net pension liability	\$ 254,023
State of Minnesota's proportionate share of the net pension liability associated with the Health Services	3,330
Total	\$ 257,353

The Health Services reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 17,902
Changes in actuarial assumptions	49,932	-
Difference between projected and actual investment earnings	42,460	-
Changes in proportion	62,190	1,268
Contributions paid to PERA subsequent to the measurement date	5,646	-
Total	\$ 160,228	\$ 19,170

The \$5,646 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	\$ 41,411
2018	41,411
2019	43,374
2020	9,216

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees is assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Defined Benefit Pension Plan (Continued)

H. Pension Liability Sensitivity

The following presents the Health Services' proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the Health Services' proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 362,187
Current	7.50	255,016
1% Increase	8.50	166,722

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Other Postemployment Benefits (OPEB)

A. Plan Description

Meeker-McLeod-Sibley Community Health Services provides a defined benefit health care plan to eligible retirees and their spouses through McLeod County, as the Health Services' employees are employed through McLeod County. Prior to 2015, the liability associated with the Health Services' employees was recorded with McLeod County. Beginning in 2015, the liability is recorded for the Health Services. The health care plan offers medical, dental, and life coverage. Medical coverage is administered by Medica. Dental coverage is administered through the Midwest Dental Plan. Minnesota Life is the life insurance provider.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

4. Other Postemployment Benefits (OPEB)

A. Plan Description (Continued)

McLeod County is self-insured for medical coverage. Retirees pay 100 percent of the blended active/retiree premium rate, in accordance with Minn. Stat. § 471.61, subd. 2b. It is the County’s policy to periodically review its medical, dental, and life insurance coverage in order to provide the most favorable benefits and premiums for the employees and retirees.

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as the Health Services’ employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the Health Services based on contract terms with Medica, Assurant Dental, and Minnesota Life. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2016, the Health Services contributed \$95 to the life insurance plan. As of January 1, 2016, there were four retirees receiving health benefits from McLeod County’s health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The Health Services’ annual OPEB cost is calculated based on the annual required contribution (ARC) of the Health Services, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities over a period not to exceed 30 years. The following table shows the components of the Health Services’ annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Health Services’ net OPEB obligation to the plan.

ARC	\$	1,592
Interest on net OPEB obligation		258
Adjustment to ARC		4,525

Annual OPEB cost	\$	6,375
Contributions made		(332)

Increase in net OPEB obligation	\$	6,043
Net OPEB Obligation - Beginning of Year		2,460

Net OPEB Obligation - End of Year	\$	8,503

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

4. Other Postemployment Benefits (OPEB)

C. Annual OPEB Cost and Net OPEB Obligation (Continued)

The Health Services' annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2015 and 2016, were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2015	\$ 2,610	\$ 150	5.75%	\$ 2,460
December 31, 2016	6,375	332	5.21	8,503

D. Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the Health Services had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$10,676, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$10,676. The covered payroll (annual payroll of active employees covered by the plan) was \$101,774, and the ratio of the UAAL to the covered payroll was 10.49 percent.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

4. Other Postemployment Benefits (OPEB)

E. Actuarial Methods and Assumptions (Continued)

The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For January 1, 2016, the most recent actuarial valuation date, the projected unit credit cost method was used. The actuarial assumptions included a 3.50 percent discount rate, which is based on the investment yield expected to finance benefits. The Health Services currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 6.75 percent initially, reduced incrementally to an ultimate rate of 5.00 percent.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

Meeker-McLeod-Sibley Community Health Services is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; or natural disasters. The Health Services has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover its property and casualty liabilities. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

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

B. Claims and Litigation

Meeker-McLeod-Sibley Community Health Services, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Health Services' attorney estimates that the potential claims against the Health Services resulting from litigation not covered by insurance would not materially affect the financial statements of the Health Services.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

6. Jointly-Governed Organization

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Meeker-McLeod-Sibley Community Health Services entered into a joint powers agreement with MCCC during 2015. In 2016, the Health Services contributed \$1,400 in funding to MCCC in addition to payments for services provided.

REQUIRED SUPPLEMENTARY INFORMATION

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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,558,718	\$ 1,558,718	\$ 1,883,952	\$ 325,234
Gifts and contributions	6,000	6,000	4,500	(1,500)
Total Revenues	\$ 1,564,718	\$ 1,564,718	\$ 1,888,452	\$ 323,734
Expenditures				
Health				
Community Health Services Grant	\$ 358,784	\$ 358,784	\$ 365,552	\$ (6,768)
Healthy Homes	40,000	40,000	55,562	(15,562)
Early Hearing Detection and Intervention	3,000	3,000	4,300	(1,300)
Women, Infants, and Children	312,444	312,444	489,642	(177,198)
Maternal and Child Health Services				
Block Grant	67,834	67,834	67,834	-
Family Planning Special Projects	110,202	110,202	73,746	36,456
Block Grants for Prevention and Treatment of Substance Abuse	80,000	80,000	83,049	(3,049)
Immunization Grants	1,500	1,500	2,500	(1,000)
Healthy Communities Activities	6,000	6,000	3,688	2,312
Home Visiting Temporary Assistance for Needy Families	70,174	70,174	76,967	(6,793)
Special Education - Grants for Infants and Families	5,799	5,799	5,799	-
Child and Teen Checkups	203,414	203,414	203,417	(3)
Public Health Emergency Preparedness Grants	84,773	84,773	74,466	10,307
Maternal, Infant, and Early Childhood Home Visiting Grants	-	-	13,869	(13,869)
Statewide Health Improvement Program	220,794	220,794	217,491	3,303
Total Expenditures	\$ 1,564,718	\$ 1,564,718	\$ 1,737,882	\$ (173,164)
Net Change in Fund Balance	\$ -	\$ -	\$ 150,570	\$ 150,570
Fund Balance - January 1	59,743	59,743	59,743	-
Fund Balance - December 31	\$ 59,743	\$ 59,743	\$ 210,313	\$ 150,570

The notes to the required supplementary information are an integral part of this schedule.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT A-2

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2014	\$ -	\$ 3,795	\$ 3,795	0.00%	\$ 30,732	12.35%
January 1, 2016	-	10,676	10,676	0.00	101,774	10.49

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT A-3

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Meeker-McLeod-Sibley Community Health Services (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0031%	\$ 254,023	\$ 3,330	\$ 257,353	\$ 194,933	130.31%	68.91%
2015	0.0015	79,059	N/A	79,059	90,395	87.46	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2016**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	\$ 16,555	\$ 16,555	\$ -	\$ 220,747	7.50%
2015	7,115	7,115	-	94,867	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The Health Services' year-end is December 31.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Budgetary Information

Meeker-McLeod-Sibley Community Health Services adopts estimated revenue and expenditure budgets for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the function level. Appropriations and encumbrances lapse at year-end. The budgets may be amended or modified at any time by the Community Health Board.

2. Excess of Expenditures over Appropriations

In the General Fund, the expenditures exceeded appropriations for the year ended December 31, 2016, by \$173,164.

3. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2016

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP 2000 Combined Healthy Table projected to 2014 with Scale BB to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.
- The retirement tables for all employees were updated.
- The discount rate was changed from 4.00 percent to 3.50 percent.
- Claim costs were developed by age adjusting the premium information from McLeod County. The resulting claim amount was then blended with the expected claim amount from the previous valuation. As of January 1, 2014, actual claims and enrollment experience was used.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

3. Other Postemployment Benefits - Significant Actuarial Assumption Changes

2016 (Continued)

Plan Provisions

- Years of service required for benefit eligibility increased from three to five years.

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

OTHER SCHEDULES

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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT B-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2016**

Grants	
State	
Minnesota Department of Health	\$ 664,139
	<hr/>
Reimbursement for Services	
State - Minnesota Department of Human Services	\$ 261,708
	<hr/>
Federal	
U.S. Department of Agriculture	
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$ 484,969
	<hr/>
U.S. Department of Education	
Special Education - Grants for Infants and Families	\$ 5,799
	<hr/>
U.S. Department of Health and Human Services	
Medical Reserve Corps Small Grant Program	\$ 15,000
Block Grants for Prevention and Treatment of Substance Abuse	130,676
TANF Home Visiting (Temporary Assistance for Needy Families)	182,700
Immunization Cooperative Agreements	2,500
Universal Newborn Hearing Screening	400
PHEP Grants (Public Health Emergency Preparedness)	66,513
MIECHV Grants (Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting)	13,869
Maternal and Child Health Services Block Grant (MCH)	55,679
	<hr/>
Total U.S. Department of Health and Human Services	\$ 467,337
	<hr/>
Total federal	\$ 958,105
	<hr/>
Total Intergovernmental Revenue	\$ 1,883,952
	<hr/> <hr/>

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

EXHIBIT B-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 484,969	\$ 384,984
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education - Grants for Infants and Families	84.181	Not Provided	\$ 5,799	\$ 5,799
U.S. Department of Health and Human Services				
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	Not Provided	\$ 15,000	\$ -
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	Not Provided	66,513	38,541
Universal Newborn Hearing Screening	93.251	Not Provided	400	400
Immunization Cooperative Agreements	93.268	Not Provided	2,500	2,500
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	Not Provided	13,869	13,869
Temporary Assistance for Needy Families	93.558	Not Provided	118,237	76,967
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	92,843	67,834
Passed Through Minnesota Department of Human Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	14B1MNSAPT	80,676	57,561
Total U.S. Department of Health and Human Services			\$ 390,038	\$ 257,672
Total Federal Awards			\$ 880,806	\$ 648,455

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Meeker-McLeod-Sibley Community Health Services. The Health Services' reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Meeker-McLeod-Sibley Community Health Services under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Meeker-McLeod-Sibley Community Health Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Meeker-McLeod-Sibley Community Health Services.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Meeker-McLeod-Sibley Community Health Services has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 958,105
Grants received more than 90 days after year-end, unavailable in 2016 Maternal and Child Health Services Block Grant to the States (CFDA No. 93.994)	37,164
Grants unavailable in 2015, recognized as revenue in 2016 Temporary Assistance for Needy Families (CFDA No. 93.558)	(64,463)
Block Grants for Prevention and Treatment of Substance Abuse (CFDA No. 93.959)	<u>(50,000)</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 880,806</u>

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REBECCA OTTO
STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Community Health Board
Meeker-McLeod-Sibley Community Health Services
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Meeker-McLeod-Sibley Community Health Services as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Health Services' basic financial statements, and have issued our report thereon dated August 31, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meeker-McLeod-Sibley Community Health Services' internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Services' internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Health Services' financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meeker-McLeod-Sibley Community Health Services' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the Health Services' financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for deposits and investments and claims and disbursements because these categories were tested in conjunction with the McLeod County audit; McLeod County is the fiscal agent. We also did not test for contracting and bidding, public indebtedness, and tax increment financing because these categories did not apply to Meeker-McLeod-Sibley Community Health Services.

In connection with our audit, nothing came to our attention that caused us to believe that Meeker-McLeod-Sibley Community Health Services failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Health Services' noncompliance with the above referenced provisions.

Other Matters

Included in the Schedule of Findings and Questioned Costs is an unresolved other matter described as item 2015-001.

Meeker-McLeod-Sibley Community Health Services' Response to Finding

Meeker-McLeod-Sibley Community Health Services' response to the other matter identified in our audit is described in the Corrective Action Plan. The Health Services' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Counties* and the results of that testing, and not to provide an opinion on the effectiveness of the Health Services' internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Services' internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 31, 2017

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REBECCA OTTO
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Community Health Board
Meeker-McLeod-Sibley Community Health Services
Glencoe, Minnesota

Report on Compliance for the Major Federal Program

We have audited Meeker-McLeod-Sibley Community Health Services' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Health Services' major federal program for the year ended December 31, 2016. Meeker-McLeod-Sibley Community Health Services' major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Meeker-McLeod-Sibley Community Health Services' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Meeker-McLeod-Sibley Community Health Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Health Services' compliance with those requirements.

Opinion on the Major Federal Program

In our opinion, Meeker-McLeod-Sibley Community Health Services complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of Meeker-McLeod-Sibley Community Health Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Health Services' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Health Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2016-001, that we consider to be a significant deficiency.

Meeker-McLeod-Sibley Community Health Services' response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Meeker-McLeod-Sibley Community Health Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 31, 2017

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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over major program:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal program is:

Special Supplemental Nutrition Program for Women,
Infants, and Children

CFDA No. 10.557

The threshold for distinguishing between Types A and B programs was \$750,000.

Meeker-McLeod-Sibley-Community Health Services qualified as a low-risk auditee? **No**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2016-001

Cash Management

Program: U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557), Award # Not provided, 2016

Pass-Through Agency: Minnesota Department of Health

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: During our testing of internal controls over compliance for cash management, we noted that four of the eight reimbursements received by Meeker-McLeod-Sibley Community Health Services were not passed through to subrecipients until 17 to 32 days after the funds were received.

Questioned Costs: None.

Context: Meeker-McLeod-Sibley Community Health Services' subrecipients make payments that are eligible to be reimbursed through the grant. The Health Services requests reimbursement from the Minnesota Department of Health, then passes (reimburses) the grant funds to the subrecipients typically within two weeks of the funds being received by the Health Services.

Effect: Failure or lack of internal control designed to ensure compliance with federal cash management procedures.

Cause: Based on inquiry of staff with McLeod County, the Health Services' fiscal agent, payments are usually made to the subrecipients within two weeks of being received by the Health Services, but the payments were made later than the typical two-week timeframe.

Recommendation: We recommend Meeker-McLeod-Sibley Community Health Services implement procedures to ensure more timely reimbursement of grant funds to its subrecipients.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

OTHER MATTER

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-001

Subrecipient Monitoring

Program: U.S. Department of Health and Human Services' Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (CFDA No. 93.505), Award # Not provided, 2012

Pass-Through Agency: Minnesota Department of Health

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. In addition, Meeker-McLeod-Sibley Community Health Services is required to comply with the provisions for Subrecipient Monitoring in Part 3 of the 2016 Office of Management and Budget *Compliance Supplement*, including monitoring the activities to provide reasonable assurance that the subrecipient administers the federal award in compliance with federal requirements.

Condition: Meeker-McLeod-Sibley Community Health Services did not perform monitoring procedures over the subrecipient who received all of the grant funds.

Questioned Costs: None.

Context: Meeker-McLeod-Sibley Community Health Services has a grant agreement with the Minnesota Department of Health for the administration of this grant; requirements of this grant agreement specifically mention performance by the Health Services' subrecipient.

Effect: Meeker-McLeod-Sibley Community Health Services is not meeting federal regulations pertaining to subrecipient monitoring. Also, without performing monitoring procedures, the Health Services cannot be assured that its subrecipient is in compliance with federal regulations over the federal award.

Cause: Meeker-McLeod-Sibley Community Health Services was not involved in the grant process after signing the grant agreement; the state and the subrecipient were interacting directly.

Recommendation: We recommend Meeker-McLeod-Sibley Community Health Services review its grant agreements and subsequent monitoring procedures and perform monitoring of all subrecipients to ensure compliance with all applicable requirements.

View of Responsible Official: Concur

**REPRESENTATION OF
MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2016-001

Finding Title: Cash Management

**Program: Special Supplemental Nutrition Program for Women, Infants, and Children
(CFDA No. 10.557)**

Name of Contact Person Responsible for Corrective Action:

Allie Freidrichs, MMS CHS Director

Corrective Action Planned:

The Meeker-McLeod-Sibley Community Health Services recognizes the importance of timely reimbursements to subrecipients. Procedures have been implemented to ensure more timely reimbursement of grant funds to its subrecipients.

Anticipated Completion Date:

Implemented September 11, 2017.

Finding Number: 2015-001

Finding Title: Subrecipient Monitoring

**Program: Affordable Care Act (ACT) Maternal, Infant, and Early Childhood Home
Visiting Program (CFDA No. 93.505)**

Name of Contact Person Responsible for Corrective Action:

Allie Freidrichs, MMS CHS Director

Corrective Action Planned:

The grant agreement for the Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program ended on January 31, 2016 with Meeker-McLeod-Sibley Community Health Services.

Anticipated Completion Date:

This was completed at the end of the grant agreement January 31, 2016.

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**REPRESENTATION OF
MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
GLENCOE, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016**

Finding Number: 2015-001

Finding Title: Subrecipient Monitoring

**Program: Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home
Visiting Program (CFDA No. 93.505)**

Summary of Condition: Meeker-McLeod-Sibley Community Health Services did not perform monitoring procedures over the subrecipient who received all of the grant funds.

Summary of Corrective Action Previously Reported: The Meeker-McLeod-Sibley Community Health Services (CHS) Administrator will conduct subrecipient monitoring on all pass-through grants.

Status: Not Corrected. CHS did not perform monitoring procedures over the subrecipient who received all of the grant funds in 2016. The Executive Director indicated that she was not aware that CHS had received any 2016 payments for this grant as a new fiscal host for the grant was to transpire in 2016. CHS' grant period was through January 31, 2016.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X