

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

MEEKER-MCLEOD-SIBLEY
COMMUNITY HEALTH SERVICES
HUTCHINSON, MINNESOTA

YEAR ENDED DECEMBER 31, 2010

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

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

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

Year Ended December 31, 2010



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

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

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

ORGANIZATION
2010

Office	Name
Board Members	
McLeod County Commissioners	
Secretary	Raymond Bayerl
Member	Paul Wright
Member	Beverly Wangerin
Member	Kermit Terlinden
Member	Sheldon Nies
Meeker County Commissioners	
Chair	Amy Wilde
Member	Ron Kutzke
Member	James Swenson
Member	Wally Strand
Member	David Gabrielson
Sibley County Commissioners	
Member	Harold Pettis
Member	Charles Woehler
Vice Chair	Jim Swanson
Member	Lee Anderly
Member	William Pinske
Fiscal Officer	Cindy Schultz
Management Team	
McLeod County Public Health Director	Kathy Nowak
Meeker County Public Health Director	Diane Winter
Sibley County Public Health Director	Allie Freidrichs
Community Health Services Director	Ann Bajari

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Community Health Board
Meeker-McLeod-Sibley Community
Health Services

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, 2010, which collectively comprise the Health Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Health Services' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, 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, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that 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. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, which consisted of inquiries of management about 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.

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 as a whole. The other schedules, including the Schedule of Expenditures of Federal Awards required by OMB Circular A-133, listed in the table of contents, 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. The schedules have 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 19, 2011, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 19, 2011

/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
HUTCHINSON, MINNESOTA**

EXHIBIT 1

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

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 323,855	\$ -	\$ 323,855
Due from other governments	337,189	-	337,189
Total Assets	\$ 661,044	\$ -	\$ 661,044
 <u>Liabilities and Fund Balance/Net Assets</u>			
Current liabilities			
Accounts payable	\$ 10,322	\$ -	\$ 10,322
Due to other governments	463,158	-	463,158
Deferred revenue - unavailable	48,595	(48,595)	-
Total Liabilities	\$ 522,075	\$ (48,595)	\$ 473,480
Fund Balance			
Unreserved			
Undesignated	138,969	(138,969)	
Net Assets			
Unrestricted		187,564	187,564
Total Liabilities and Fund Balance/Net Assets	\$ 661,044	\$ -	\$ 661,044
 Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 138,969
Certain long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental fund.			48,595
Net Assets - Governmental Activities			\$ 187,564

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

EXHIBIT 2

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

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 2,283,291	\$ 48,595	\$ 2,331,886
Expenditures/Expenses			
Health			
Current	\$ 393,441	\$ -	\$ 393,441
Intergovernmental	1,923,354	-	1,923,354
Total Expenditures/Expenses	\$ 2,316,795	\$ -	\$ 2,316,795
Net Change in Fund Balance/Net Assets	\$ (33,504)	\$ 48,595	\$ 15,091
Fund Balance/Net Assets - January 1	172,473	-	172,473
Fund Balance/Net Assets - December 31	\$ 138,969	\$ 48,595	\$ 187,564
 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			\$ (33,504)
 Under the modified accrual basis, receivables not available for expenditures are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenues is the increase or decrease in revenues defined as unavailable.			48,595
Change in Net Assets of Governmental Activities			\$ 15,091

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

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Summary of Significant Accounting Policies

Meeker-McLeod-Sibley Community Health Services' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2010. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the 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, five 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.

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
HUTCHINSON, 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. 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.

D. Assets, Liabilities, and Net Assets 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.

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

1. Summary of Significant Accounting Policies

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

2. Capital Assets

Capital assets are recorded in the governmental activities column in the statement of net assets. 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 estimated fair value at the date of donation.

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

3. Fund Equity

In the General Fund column of the financial statements, the Health Services reports fund balance. The unreserved, undesignated fund balance account indicates the portion of equity which is available for budgeting and expending in future periods.

4. 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 and encumbrances lapse at year-end. The budgets may be amended or modified at any time by the Community Health Board.

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

2. Detailed Notes

A. Deposits and Investments

Cash is on deposit with McLeod County. Cash transactions are administered by the McLeod County Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral, a requirement with which the County was in compliance at December 31, 2010.

B. Receivables

The Health Services did not have any receivables scheduled to be collected beyond one year as of December 31, 2010.

3. 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.

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

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

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 such litigation not covered by insurance would not materially affect the financial statements of the Health Services.

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REQUIRED SUPPLEMENTARY INFORMATION

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

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 1,990,328	\$ 1,990,328	\$ 2,283,291	\$ 292,963
Expenditures				
Health				
Community Health Services Grant	\$ 285,313	\$ 285,313	\$ 295,243	\$ (9,930)
Centers for Disease Control and Prevention	66,824	66,824	27,147	39,677
Early Hearing Detection and Intervention	4,600	4,600	1,900	2,700
Women, Infants, and Children Maternal and Child Health Services	371,250	371,250	528,603	(157,353)
Block Grant	82,344	82,344	82,344	-
Family Planning Special Projects	85,000	85,000	93,640	(8,640)
Child Abuse and Neglect Discretionary Activities	-	-	5,779	(5,779)
Tobacco-Free Communities	255,000	255,000	263,026	(8,026)
Immunization Grants	-	-	4,700	(4,700)
Healthy Communities Activities	6,000	6,000	1,236	4,764
Home Visiting Temporary Assistance for Needy Families	95,011	95,011	92,040	2,971
Drug-Free Communities	-	-	123,684	(123,684)
Fetal Alcohol Program	114,387	114,387	122,052	(7,665)
Child and Teen Checkups Medical Assistance Program	155,555	155,555	155,203	352
Immunization Grant - ARRA	-	-	6,575	(6,575)
Public Health Emergency Preparedness Grants	210,192	210,192	207,171	3,021
Statewide Health Improvement Program	258,852	258,852	306,452	(47,600)
Total Expenditures	\$ 1,990,328	\$ 1,990,328	\$ 2,316,795	\$ (326,467)
Net Change in Fund Balance	\$ -	\$ -	\$ (33,504)	\$ (33,504)
Fund Balance - January 1	172,473	172,473	172,473	-
Fund Balance - December 31	\$ 172,473	\$ 172,473	\$ 138,969	\$ (33,504)

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010**

1. Budgetary Information

Meeker-McLeod-Sibley Community 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 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, 2010, by \$326,467.

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OTHER SCHEDULES

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

EXHIBIT B-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2010**

Grants

State

Minnesota Department of Health	\$	1,043,413
Human Services		<u>61,132</u>
Total state	\$	<u>1,104,545</u>

Federal

Department of Agriculture

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$	531,603
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Department of Health and Human Services

Drug-Free Communities Support Program Grants		123,684
Centers for Disease Control and Prevention		66,129
Child Abuse and Neglect Discretionary Activities		5,779
TANF Home Visiting (Temporary Assistance for Needy Families)		95,011
Child and Teen Checkups MA (Medical Assistance Program)		53,479
Immunization Grants		4,700
Immunization Grant - ARRA		6,575
Universal Newborn Hearing Screening		1,900
PHER Grants (Public Health Emergency Preparedness)		207,542
Maternal and Child Health Services Block Grant (MCH)		<u>82,344</u>

Total federal	\$	<u>1,178,746</u>
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Total Intergovernmental Revenue	\$	<u><u>2,283,291</u></u>
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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
HUTCHINSON, MINNESOTA**

EXHIBIT B-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>\$ 531,603</u>
U.S. Department of Health and Human Services		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 123,684
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	207,542
Universal Newborn Hearing Screening	93.251	1,900
Immunization Grants	93.268	4,700
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	66,129
Temporary Assistance for Needy Families	93.558	95,011
Child Abuse and Neglect Discretionary Activities	93.670	5,779
Immunization - ARRA	93.712	6,575
Maternal and Child Health Services Block Grant to the States	93.994	82,344
Passed Through Minnesota Department of Human Services		
Medical Assistance Program	93.778	<u>53,479</u>
Total U.S. Department of Health and Human Services		<u>\$ 647,143</u>
Total Federal Awards		<u>\$ 1,178,746</u>

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

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, 2010. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 or changes in net assets 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 the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

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

4. Subrecipients

Of the expenditures presented in the schedule, Meeker-McLeod-Sibley Community Health Services provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
10.557	Special Supplemental Nutrition Program for WIC	\$ 528,602
93.276	Drug-Free Communities Support Program Grants	123,684
93.069	Public Health Emergency Preparedness	196,793
93.251	Universal Newborn Hearing Screening	1,900
93.268	Immunization Grants	4,700
93.283	Centers for Disease Control and Prevention	27,147
93.558	Temporary Assistance for Needy Families (TANF)	92,040
93.670	Child Abuse and Neglect Discretionary Activities	5,779
93.712	Immunization - ARRA	6,575
93.994	Maternal and Child Health Services Block Grant	69,377
93.778	Medical Assistance Program	53,479
		<hr/>
Total		\$ 1,110,076

5. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Meeker-McLeod-Sibley Community Health Services.
- B. No matters involving internal control over financial reporting were reported in the "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*."
- C. No instances of noncompliance material to the financial statements of Meeker-McLeod-Sibley Community Health Services were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Meeker-McLeod-Sibley Community Health Services expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major programs are:
 - Special Supplemental Nutrition Program for Women, Infants, and Children CFDA #10.557
 - Public Health Emergency Preparedness CFDA #93.069
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Meeker-McLeod-Sibley Community Health Services was not determined to be a low-risk auditee.

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board's (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is effective for Meeker-McLeod-Sibley Community Health Services for the year ending December 31, 2011. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance are reserved, unreserved-designated, and unreserved-undesignated. Statement 54 replaces these components with nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.

- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Meeker-McLeod-Sibley Community Health Services should begin the process for implementing the new fund balance classifications. A key step in successfully implementing the new fund balance requirements is to plan ahead. Meeker-McLeod-Sibley Community Health Services can start with the following steps:

- review the requirements of GASB Statement 54;
- review current fund balances and compare to the new classifications;
- reclassify January 1, 2011, fund balance using the new classifications;
- review/update/prepare a comprehensive fund balance policy;
- prepare appropriate Board resolutions to commit fund balance; and
- if the Community Health Board intends to delegate authority to assign fund balance, prepare the resolutions delegating that authority.

Additional implementation steps could include: deciding on how fund balance will be presented in the financials, such as detailed vs. aggregate methods, and developing the potential note disclosures. Additional guidance on GASB Statement 54 can be found on the Office of the State Auditor's website at:

http://www.auditor.state.mn.us/other/Statements/fundbalances_postGASB54_1012_state ment.pdf.

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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*

Community Health Board
Meeker-McLeod-Sibley Community
Health Services

We have audited 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, 2010, which collectively comprise the Health Services' basic financial statements, and have issued our report thereon dated August 19, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Meeker-McLeod-Sibley Community Health Services' internal control over financial reporting as a basis for designing our auditing procedures 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Meeker-McLeod-Sibley Community Health Services' financial statements are free of 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for deposits and investments and claims and disbursements because these categories were tested for McLeod County, and contracting and bidding and public indebtedness because neither of these categories applied to Meeker-McLeod-Sibley Community Health Services.

The results of our tests indicate that, for the items tested, Meeker-McLeod-Sibley Community Health Services complied with the material terms and conditions of applicable legal provisions.

Included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the Health Services, and we are reporting it for that purpose.

This report is intended solely for the information and use of the Community Health Board, management, others within Meeker-McLeod-Sibley Community Health Services, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2011

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Community Health Board
Meeker-McLeod-Sibley Community
Health Services

Compliance

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) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010. Meeker-McLeod-Sibley Community Health Services' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Health Services' management. Our responsibility is to express an opinion on the Health Services' compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination on the Health Services' compliance with those requirements.

In our opinion, Meeker-McLeod-Sibley Community Health Services complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Meeker-McLeod-Sibley Community Health Services is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Health Services' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 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.

Our consideration of the 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Community Health Board, management and others within the Health Services, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 19, 2011