

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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

YEAR ENDED DECEMBER 31, 2009

## **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.

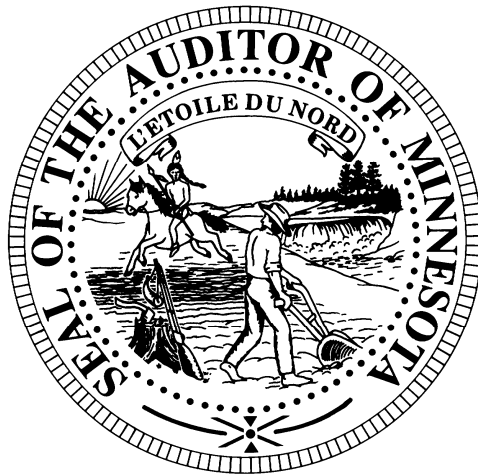
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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

**Year Ended December 31, 2009**



**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  
2009

Office	Name
<b>Board Members</b>	
<b>McLeod County Commissioners</b>	
Member	Raymond Bayerl
Member	Paul Wright
Member	Beverly Wangerin
Chair	Kermit Terlinden
Member	Sheldon Nies
<b>Meeker County Commissioners</b>	
Vice Chair	Amy Wilde
Member	Ron Kutzke
Member	James Swenson
Member	Wally Strand
Member	David Gabrielson
<b>Sibley County Commissioners</b>	
Member	Harold Pettis
Member	Charles Woehler
Secretary	Jim Swanson
Member	Leo Anderly
Member	William Pinske
<b>Fiscal Officer</b>	Cindy Schultz
<b>Management Team</b>	
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, 2009, 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 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 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 provides a reasonable basis for our 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, 2009, 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.

Meeker-McLeod-Sibley Community Health Services has not presented a Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison in Schedule 1 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Meeker-McLeod-Sibley Community Health Services' basic financial statements. The supplementary information listed in the table of contents as the other schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2010, 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* and should be considered in assessing the results of our audit.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

September 1, 2010

## **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, 2009**

	General Fund	Adjustments	Governmental Activities
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 362,769	\$ -	\$ 362,769
Due from other governments	295,006	-	295,006
<b>Total Assets</b>	<b>\$ 657,775</b>	<b>\$ -</b>	<b>\$ 657,775</b>
 <b><u>Liabilities and Fund Balance/Net Assets</u></b>			
Current liabilities			
Accounts payable	\$ 10,373	\$ -	\$ 10,373
Due to other governments	450,938	-	450,938
Unearned revenue	23,991	-	23,991
<b>Total Liabilities</b>	<b>\$ 485,302</b>	<b>\$ -</b>	<b>\$ 485,302</b>
Fund Balance			
Unreserved			
Undesignated	172,473	(172,473)	
Net Assets			
Unrestricted		172,473	172,473
<b>Total Liabilities and Fund Balance/Net Assets</b>	<b>\$ 657,775</b>	<b>\$ -</b>	<b>\$ 657,775</b>

**Reconciliation of the General Fund Balance to Net Assets**

The Health Services has no capital assets or long-term debt; therefore, the modified accrual statements equal the full accrual statements.

**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, 2009**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 2,048,486	\$ -	\$ 2,048,486
<b>Expenditures/Expenses</b>			
<b>Health</b>			
Current	\$ 448,133	\$ -	\$ 448,133
Intergovernmental	1,582,769	-	1,582,769
<b>Total Expenditures/Expenses</b>	<b>\$ 2,030,902</b>	<b>\$ -</b>	<b>\$ 2,030,902</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 17,584</b>	<b>\$ -</b>	<b>\$ 17,584</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>154,889</b>	<b>-</b>	<b>154,889</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 172,473</b>	<b>\$ -</b>	<b>\$ 172,473</b>

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

The Health Services has no capital assets or long-term debt; therefore, the modified accrual statements equal the full accrual statements.

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009**

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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, 2009. 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**

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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

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**

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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**

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2. Detailed Notes

Assets

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, 2009.

B. Receivables

The Health Services did not have any receivables scheduled to be collected beyond one year as of December 31, 2009.

C. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Office equipment	\$ 8,460	\$ -	\$ 8,460	\$ -
Less: accumulated depreciation for Office equipment	8,460	-	8,460	-
Total Capital Assets Depreciated, Net	\$ -	\$ -	\$ -	\$ -

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), formerly the Minnesota Counties Insurance Trust, 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.

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

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3. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 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**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 1,529,458	\$ 1,529,458	\$ 2,048,486	\$ 519,028
<b>Expenditures</b>				
<b>Health</b>				
Community Health Services Grant	\$ 285,315	\$ 285,315	\$ 312,207	\$ (26,892)
State Asthma Grant	-	-	7,351	(7,351)
Centers for Disease Control and Prevention	68,768	68,768	110,924	(42,156)
Women, Infants, and Children Maternal and Child Health Services Block Grant	347,000	347,000	466,655	(119,655)
Family Planning Special Projects	81,379	81,379	68,758	12,621
Child Abuse and Neglect Discretionary Activities	90,000	90,000	107,781	(17,781)
Tobacco-Free Communities	-	-	14,257	(14,257)
Immunization Grants	255,000	255,000	266,087	(11,087)
Healthy Communities Activities	-	-	1,420	(1,420)
Home Visiting Temporary Assistance for Needy Families	6,000	6,000	5,988	12
Drug-Free Communities	95,014	95,014	89,662	5,352
Fetal Alcohol Program	-	-	120,906	(120,906)
Child and Teen Checkups Medical Assistance Program	146,982	146,982	143,289	3,693
Public Health Emergency Preparedness Grants	154,000	154,000	154,352	(352)
Statewide Health Improvement Program	-	-	81,476	(81,476)
	-	-	79,789	(79,789)
<b>Total Expenditures</b>	<b>\$ 1,529,458</b>	<b>\$ 1,529,458</b>	<b>\$ 2,030,902</b>	<b>\$ (501,444)</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 17,584</b>	<b>\$ 17,584</b>
<b>Fund Balance - January 1</b>	<b>154,889</b>	<b>154,889</b>	<b>154,889</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 154,889</b>	<b>\$ 154,889</b>	<b>\$ 172,473</b>	<b>\$ 17,584</b>

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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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, 2009, by \$501,444.

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**OTHER SCHEDULE**

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

**Schedule 2**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**Grants**

**State**

Minnesota Department of Health	\$ 891,406
Human Services	<u>120,078</u>
<b>Total state</b>	<b><u>\$ 1,011,484</u></b>

**Federal**

**Department of Agriculture**

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	\$ 465,151
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**Department of Health and Human Services**

Drug-Free Communities Support Program Grants	143,476
Centers for Disease Control and Prevention	67,960
Child Abuse and Neglect Discretionary Activities	14,257
TANF Home Visiting (Temporary Assistance for Needy Families)	105,253
Child and Teen Checkups MA (Medical Assistance Program)	77,001
Immunization Grants	1,420
PHER Grants (Public Health Emergency Preparedness)	81,105
Maternal and Child Health Services Block Grant (MCH)	<u>81,379</u>

<b>Total federal</b>	<b><u>\$ 1,037,002</u></b>
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<b>Total Intergovernmental Revenue</b>	<b><u><u>\$ 2,048,486</u></u></b>
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**MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES  
HUTCHINSON, MINNESOTA**

*Schedule 3*

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

**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 Applicable to Each Major Program and 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***

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM RESOLVED

**Monitoring of Internal Controls (07-1)**

Our previous reports identified the need for the Community Health Services (CHS) Director to continue monitoring recorded transactions as well as to monitor the financial statement preparation process, including a final review of the statements and notes, before they are submitted to the auditors. In addition, we also recommended the CHS Director obtain assurance from McLeod County that internal controls have been monitored and all of the CHS' transactions are accounted for and recorded properly.

**Resolution**

The CHS Director has continued to monitor recorded transactions on a monthly basis and did perform a review of the financial statements and notes to the financial statements before they were submitted to the auditors. The CHS Director has not obtained assurance from McLeod County that internal controls are being monitored and all CHS transactions are accounted for and properly recorded; however, this can be determined during the monthly review of the transactions, and we consider this adequately resolved.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS**

None.

**IV. OTHER FINDINGS AND RECOMMENDATIONS**

OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as 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 reserved, unreserved, designated, and undesignated are being replaced by 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.

### Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for Meeker-McLeod-Sibley Community Health Services for the year ended December 31, 2011.

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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***

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, 2009, which collectively comprise the Health Services' basic financial statements, and have issued our report thereon dated September 1, 2010. 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 Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our study included all of the listed categories, except that we did not test for deposits and investments and claims and disbursements, because these categories were tested at 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.

Also 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 it is reported for that reason.

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

September 1, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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REBECCA OTTO  
STATE AUDITOR

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## REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Community Health Board  
Meeker-McLeod-Sibley Community  
Health Services

### Compliance

We have audited the compliance of Meeker-McLeod-Sibley Community Health Services with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. 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 are applicable to each of its major federal programs for the year ended December 31, 2009.

#### 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 in order to determine our 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 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.

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.

#### Schedule of Expenditures of Federal Awards

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, 2009, which collectively comprise the Health Services' basic financial statements, and have issued our report thereon dated September 1, 2010. Our audit was performed for the purpose of forming opinions on Meeker-McLeod-Sibley Community Health Services' financial statements that collectively comprise the Health Services' basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

September 1, 2010

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

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

*Schedule 4*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>		
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	<u>\$ 465,151</u>
<b>U.S. Department of Health and Human Services</b>		
Direct		
Drug-Free Communities Support Program Grants	93.276	\$ 143,476
Passed Through Minnesota Department of Health		
Public Health Emergency Preparedness	93.069	81,105
Immunization Grants	93.268	1,420
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	67,960
Temporary Assistance for Needy Families	93.558	105,253
Child Abuse and Neglect Discretionary Activities	93.670	14,257
Maternal and Child Health Services Block Grant to the States	93.994	81,379
Passed Through Minnesota Department of Human Services		
Medical Assistance Program	93.778	<u>77,001</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>\$ 571,851</u>
<b>Total Federal Awards</b>		<u>\$ 1,037,002</u>

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

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2009**

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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, 2009. 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**

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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	\$ 465,151
93.276	Drug-Free Communities Support Program Grants	143,476
93.069	PHER Grants	80,105
93.268	Immunization Grants	1,420
93.283	Centers for Disease Control and Prevention	67,960
93.558	Temporary Assistance for Needy Families (TANF)	85,941
93.670	Child Abuse and Neglect Discretionary Activities	14,257
93.994	Maternal and Child Health Services Block Grant	66,087
93.778	Medical Assistance Program	73,003
	Total	<u>\$ 997,400</u>