

# STATE OF MINNESOTA

## Office of the State Auditor



**Patricia Anderson**  
**State Auditor**

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

YEAR ENDED DECEMBER 31, 2004

## **Description of the Office of the State Auditor**

The Office of the State Auditor serves as a watchdog for Minnesota taxpayers by helping to ensure financial integrity, accountability, and cost-effectiveness in local governments throughout the state.

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 250 financial and compliance audits per year and has oversight responsibilities for over 4,300 local units of government throughout the state. The office currently maintains five divisions:

**Audit Practice** - conducts financial and legal compliance audits for 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 over 700 public pension funds; and

**Tax Increment Financing, Investment and Finance** - 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 Employee's 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, 2004**



**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  
2004

Office	Name
<b>Board Members</b>	
<b>McLeod County Commissioners</b>	
Member	Raymond Bayerl
Member	Grant Knutson
Secretary	Beverly Wangerin
Member	Mel Dose
Member	Sheldon Nies
<b>Meeker County Commissioners</b>	
Chair	Amy Wilde
Member	Ron Kutzke
Member	Jim Swenson
Member	Hugh Wagner
Member	David Gabrielson
<b>Sibley County Commissioners</b>	
Member	Harold Pettis
Vice Chair	Charles Woehler
Member	Leo Bauer
Member	Lee Anderly
Member	William Pinske
<b>Fiscal Officer</b>	Cindy Schultz
<b>Management Team</b>	
McLeod County Public Health Director	Becky Felling
Meeker County Public Health Director	Diane Winter
Sibley County Public Health Director	Mavis Pautz
Community Health Services Coordinator	Ann Bajari

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# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

## 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 major fund information of the Meeker-McLeod-Sibley Community Health Services, as of and for the year ended December 31, 2004, 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 opinion.

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 major fund of the Meeker-McLeod-Sibley Community Health Services as of December 31, 2004, 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.

As discussed in Note 1 to the basic financial statements, the Meeker-McLeod-Sibley Community Health Services adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*, as amended, and Statement No. 38, *Certain Financial Statement Note Disclosures*, as of and for the year ended December 31, 2004. These statements result in a change in the format and content of the basic financial statements.

The 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 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 an opinion on the financial statements that collectively comprise the Meeker-McLeod-Sibley Community Health Services' basic financial statements. The supplementary information listed in the table of contents 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 a report dated September 29, 2005, on our consideration of the 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 29, 2005

## **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, 2004**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 223,639	\$ -	\$ 223,639
Accounts receivable	1,361	-	1,361
Due from other governments	159,161	-	159,161
Capital assets			
Depreciable - net	-	2,702	2,702
<b>Total Assets</b>	<b>\$ 384,161</b>	<b>\$ 2,702</b>	<b>\$ 386,863</b>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 14,431	\$ -	\$ 14,431
Due to other governments	229,516	-	229,516
<b>Total Liabilities</b>	<b>\$ 243,947</b>	<b>\$ -</b>	<b>\$ 243,947</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Unreserved			
Undesignated	140,214	\$ (140,214)	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 384,161</b>		
Net Assets			
Invested in capital assets		\$ 2,702	\$ 2,702
Unrestricted		140,214	140,214
<b>Total Net Assets</b>		<b>\$ 142,916</b>	<b>\$ 142,916</b>
<b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - General Fund			\$ 140,214
Capital assets are reported on the Statement of Net Assets but not in the General Fund Balance Sheet			2,702
<b>Net Assets - Governmental Activities</b>			<b>\$ 142,916</b>

**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, 2004**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 1,584,917	\$ -	\$ 1,584,917
Charges for services	1,561	-	1,561
Miscellaneous	3,535	-	3,535
<b>Total Revenues</b>	<b>\$ 1,590,013</b>	<b>\$ -</b>	<b>\$ 1,590,013</b>
<b>Expenditures/Expenses</b>			
<b>Health</b>			
Current	\$ 82,090	\$ 1,357	\$ 83,447
Intergovernmental	1,412,532	-	1,412,532
<b>Total Expenditures/Expenses</b>	<b>\$ 1,494,622</b>	<b>\$ 1,357</b>	<b>\$ 1,495,979</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 95,391</b>	<b>\$ (1,357)</b>	<b>\$ 94,034</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>44,823</b>	<b>4,059</b>	<b>48,882</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 140,214</b>	<b>\$ 2,702</b>	<b>\$ 142,916</b>

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

Net Change in Fund Balance		\$ 95,391
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. The Health Services had no capital outlay in 2004; depreciation expense is the adjustment to full accrual.		(1,357)
<b>Change in Net Assets of Governmental Activities</b>		<b>\$ 94,034</b>

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

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

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1. Summary of Significant Accounting Policies

The Meeker-McLeod-Sibley Community Health Services' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. 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.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The most significant change in the statements is the financial statements were prepared using full accrual accounting for all of the Health Services' activities.

This and other changes are reflected in the accompanying financial statements (including the notes to the financial statements). Meeker-McLeod-Sibley Community Health Services has elected to implement all provisions of the statement in the current year, except it has not presented in the financial statements 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.

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.

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

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1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

Basic financial statements include information on Meeker-McLeod-Sibley Community Health Services' activities as a whole and information on the individual 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.

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 assets are reported in two parts: invested in capital assets and unrestricted net assets. The statement of activities demonstrates the degree to which the expenses of 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 and report current financial resources.

C. Measurement Focus and Basis of Accounting

The governmental activities 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 to be available if collected within 90 days after the end of the current period. Charges for services are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred.

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

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1. Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Net Assets or Equity

1. 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 market 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.

2. 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.

2. Detailed Notes on All Funds

A. Assets

1. 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 which the County was in compliance with at December 31, 2004.

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

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2. Detailed Notes on All Funds

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Office equipment	\$ 20,563	\$ -	\$ 12,103	\$ 8,460
Less: accumulated depreciation for				
office equipment	16,504	1,357	12,103	5,758
Total capital assets depreciated, net	\$ 4,059	\$ (1,357)	\$ -	\$ 2,702

Depreciation expense was charged to current health expenditures in the amount of \$1,357.

3. Receivables

The Health Services did not have any receivables scheduled to be collected beyond one year as of December 31, 2004.

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 Insurance 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 the MCIT is self-sustaining and the County 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, the MCIT may assess the County in a method and amount to be determined by the MCIT.

**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, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 1,556,855	\$ 1,556,855	\$ 1,584,917	\$ 28,062
Charges for services	-	-	1,561	1,561
Miscellaneous	-	-	3,535	3,535
<b>Total Revenues</b>	<b>\$ 1,556,855</b>	<b>\$ 1,556,855</b>	<b>\$ 1,590,013</b>	<b>\$ 33,158</b>
<b>Expenditures</b>				
<b>Health</b>				
<b>Current</b>				
Community Health	\$ 58,000	\$ 58,000	\$ 82,090	\$ (24,090)
<b>Intergovernmental</b>				
CHS Grant	\$ 287,870	\$ 287,870	\$ 246,212	\$ 41,658
Center for Disease Control and Prevention	107,364	107,364	106,818	546
WIC	255,000	255,000	259,094	(4,094)
MCH Grant	89,313	89,313	75,458	13,855
FPSP Grant	113,749	113,749	103,630	10,119
Tobacco Free Communities	177,320	177,320	145,103	32,217
Healthy Communities Activities	5,000	5,000	7,320	(2,320)
State Indoor Radon Grant	29,490	29,490	22,627	6,863
Home Visiting - TANF	48,724	48,724	41,165	7,559
Drug Free Communities - Department of Justice	100,000	100,000	109,873	(9,873)
Southwest Minnesota Grant	-	-	211	(211)
Fetal Alcohol Program	70,000	70,000	101,314	(31,314)
Child and Teen Checkups Medical Assistance	138,025	138,025	138,025	-
HRSA Grant	77,000	77,000	55,682	21,318
<b>Total intergovernmental</b>	<b>\$ 1,498,855</b>	<b>\$ 1,498,855</b>	<b>\$ 1,412,532</b>	<b>\$ 86,323</b>
<b>Total Health Expenditures</b>	<b>\$ 1,556,855</b>	<b>\$ 1,556,855</b>	<b>\$ 1,494,622</b>	<b>\$ 62,233</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 95,391</b>	<b>\$ 95,391</b>
<b>Fund Balance - January 1</b>	<b>44,823</b>	<b>44,823</b>	<b>44,823</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 44,823</b>	<b>\$ 44,823</b>	<b>\$ 140,214</b>	<b>\$ 95,391</b>

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

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. 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.

2. Excess of Expenditures over Budget

The General Fund has expenditures in excess of budget for the year ended December 31, 2004:

	Budget	Expenditures Actual	Excess
General Fund			
Health			
Current	\$ 58,000	\$ 82,090	\$ (24,090)

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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, 2004**

**Grants**

**State**

Minnesota Department/Board of Health	\$ 536,663
Human Services	129,481
	<hr/>

<b>Total State</b>	<b>\$ 666,144</b>
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**Federal**

Special Supplemental Nutrition Program (WIC)	\$ 281,471
Drug-Free Communities Support Program Grant	86,349
State Indoor Radon Grant	22,627
Center for Disease Control and Prevention	106,252
Temporary Assistance for Needy Families - Home Visiting	48,745
Child and Teen Checkups Medical Assistance	138,025
Rural Health Care Services	53,208
Block Grant for Prevention and Treatment of Substance Abuse	92,783
Maternal and Child Health Services Block Grant	89,313
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<b>Total Federal</b>	<b>\$ 918,773</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 1,584,917</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, 2004**

**I. SUMMARY OF AUDITOR'S RESULTS**

- A. Our report expresses an unqualified opinion 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 program 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 program 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 program is:
  - Special Supplemental Food Program for  
Women, Infants, and Children
  - CFDA #10.557
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. Meeker-McLeod-Sibley Community Health Services was 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.



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PATRICIA ANDERSON  
STATE AUDITOR

**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 major fund of Meeker-McLeod-Sibley Community Health Services as of and for the year ended December 31, 2004, and have issued our report thereon dated September 29, 2005. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

## 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 compliance in public indebtedness because no debt has been issued by the Meeker-McLeod-Sibley Community Health Services, deposits and investments because the Health Services' funds are held by the fiscal agent, contracting and bidding as no contracts were noted, and miscellaneous provisions as none of the provisions are applicable to 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.

This report is intended solely for the information and use of the Community Health Board, and management and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 29, 2005



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OFFICE OF THE 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 its major federal program for the year ended December 31, 2004. The Health Services' major federal program is 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 its major federal program is the responsibility of the Health Services' management. Our responsibility is to express an opinion on the Meeker-McLeod-Sibley Community 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 its major federal program for the year ended December 31, 2004.

## Internal Control Over Compliance

The 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 the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of Meeker-McLeod-Sibley Community Health Services as of and for the year ended December 31, 2004, and have issued our report thereon dated September 29, 2005. Our audit was performed for the purpose of forming opinions on the 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 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/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: September 29, 2005



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

*Schedule 4*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2004**

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program (WIC)	10.557	\$ <u>281,471</u>	\$ <u>281,471</u>
<b>U.S. Department of Justice</b>			
Direct Drug-Free Communities Support Program Grant	16.729	\$ <u>86,349</u>	\$ <u>86,349</u>
<b>U.S. Environmental Protection Agency</b>			
Passed Through Minnesota Department of Health State Indoor Radon Grant	66.032	\$ <u>22,627</u>	\$ <u>22,627</u>
<b>U.S. Department of Health and Human Services</b>			
Passed through Minnesota Department of Health Center for Disease Control and Prevention - Investigations and Technical Assistance	93.283	\$ 106,252	\$ 106,252
Temporary Assistance for Needy Families	93.558	48,745	48,745
Medical Assistance Program	93.778	138,025	138,025
Rural Health Care Services Outreach and Rural Health Network Development Program	93.912	53,208	53,208
Block Grant for Prevention and Treatment of Substance Abuse	93.959	92,783	92,783
Maternal and Child Health Services Block Grant	93.994	<u>89,313</u>	<u>89,313</u>
<b>Total Department of Health and Human Services</b>		<b>\$ <u>528,326</u></b>	<b>\$ <u>528,326</u></b>
<b>Total Federal Awards</b>		<b>\$ <u>918,773</u></b>	<b>\$ <u>918,773</u></b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity 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. The expenditures on this schedule are on the accrual basis of accounting.
3. Pass-through grant numbers were not assigned by the pass-through agency.