

STATE OF MINNESOTA

Office of the State Auditor



Julie Blaha
State Auditor

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

YEAR ENDED DECEMBER 31, 2018

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 100 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 600 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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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

Year Ended December 31, 2018



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

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2018

Representing

Board

Marv Bodie, Vice Chair
Loren Bergstedt
Frances Jarchow
Heidi Doo-Kirk
Brad Alm
Peter Walsh
Patrick Boyle, Chair
Frank Jewell, Secretary
Beth Olson

Carlton County
Carlton County
Cook County
Cook County
Lake County
Lake County
St. Louis County
St. Louis County
St. Louis County

Director

Louise Anderson, R.N.

Medical Consultant

Jesse Coenen, M.D.

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JULIE BLAHA
STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Carlton, Cook, Lake, and St. Louis
Community Health Board
Duluth, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Carlton, Cook, Lake, and St. Louis Community Health Board as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Community Health Board's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control

relevant to the Community Health Board's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Community Health Board's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Carlton, Cook, Lake, and St. Louis Community Health Board as of December 31, 2018, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carlton, Cook, Lake, and St. Louis Community Health Board's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and

reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 9, 2019, on our consideration of the Carlton, Cook, Lake, and St. Louis Community Health Board's 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 solely 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 effectiveness of the Carlton, Cook, Lake, and St. Louis Community Health Board's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Carlton, Cook, Lake, and St. Louis Community Health Board's internal control over financial reporting and compliance.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 9, 2019

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Unaudited)**

Our Management's Discussion and Analysis (MD&A) of the Carlton, Cook, Lake, and St. Louis Community Health Board's financial performance provides an overview of the financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The total net position of the Board increased by \$18,278 (7 percent).
- The Board's General Fund reported an ending fund balance of \$104,724, an increase of \$16,241. Unrestricted fund balance (available spendable resources) accounts for all of the ending fund balance.
- The General Fund reported an excess of revenues over expenditures of \$16,241.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the Board's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial data and the fund financial data are reported in the same financial statements. This report contains other supporting schedules in addition to the basic financial statements.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities report information about the Board as a whole and about its activities. These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Board's net position and changes to it. Net position—the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources—is one way to measure the Board's financial health, or financial position. Over time, increases or decreases in the Board's net position are one indicator of whether its financial health is improving or deteriorating. The government-wide financial statements can be found on Exhibits 1 and 2.

Fund Financial Statements

Fund financial statements provide detailed information about the General Fund. The Board's General Fund is considered to be a governmental fund.

All of the Board's services and activities are reported in the General Fund, which focuses on how money flows in and out of the fund and on the balance left at year-end that is available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The General Fund statements provide a detailed short-term view of the Board's operations and the basic services it provides. General Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance Board programs. The General Fund financial statements can be found on Exhibits 3 through 7 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 35.

Supporting Schedules

A Schedule of Intergovernmental Revenue is included as Exhibit B-1.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may, over time, be a useful indicator of a government's financial position. In the case of the Carlton, Cook, Lake, and St. Louis Community Health Board, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$247,953. This deficit of net position is due to the Community Health Board's recognition of a portion of the Minnesota Public Employees Retirement Association's net pension liability on the Board's financial statements.

All of the Board’s net position is unrestricted. The Board does not have any individual assets costing more than \$5,000, which is the threshold the Board has set for defining capital assets.

The following analysis focuses on the Board’s net position (Table 1).

**Table 1
Net Position**

	Governmental Activities	
	2018	2017
Current and other assets	\$ 1,582,949	\$ 1,524,307
Deferred Outflows of Resources		
Deferred pension outflows	\$ 88,061	\$ 143,008
Liabilities		
Other liabilities	\$ 1,461,201	\$ 1,386,061
Long-term liabilities outstanding	329,314	456,293
Total Liabilities	\$ 1,790,515	\$ 1,842,354
Deferred Inflows of Resources		
Deferred pension inflows	\$ 128,448	\$ 91,192
Net Position		
Unrestricted	\$ (247,953)	\$ (266,231)

Governmental Activities

The Board’s net position increased by \$18,278 (7 percent), from (\$266,231) up to (\$247,953).

Of the \$1,582,949 in current and other assets, \$1,582,868 is made up of “due from other governments.”

The Board’s long-term liabilities are for compensated absences and net pension liability. Amounts due to other governments account for 83 percent of the other liabilities. Other liabilities are further detailed on the Statement of Net Position.

The following analysis focuses on the Board’s changes in net position (Table 2).

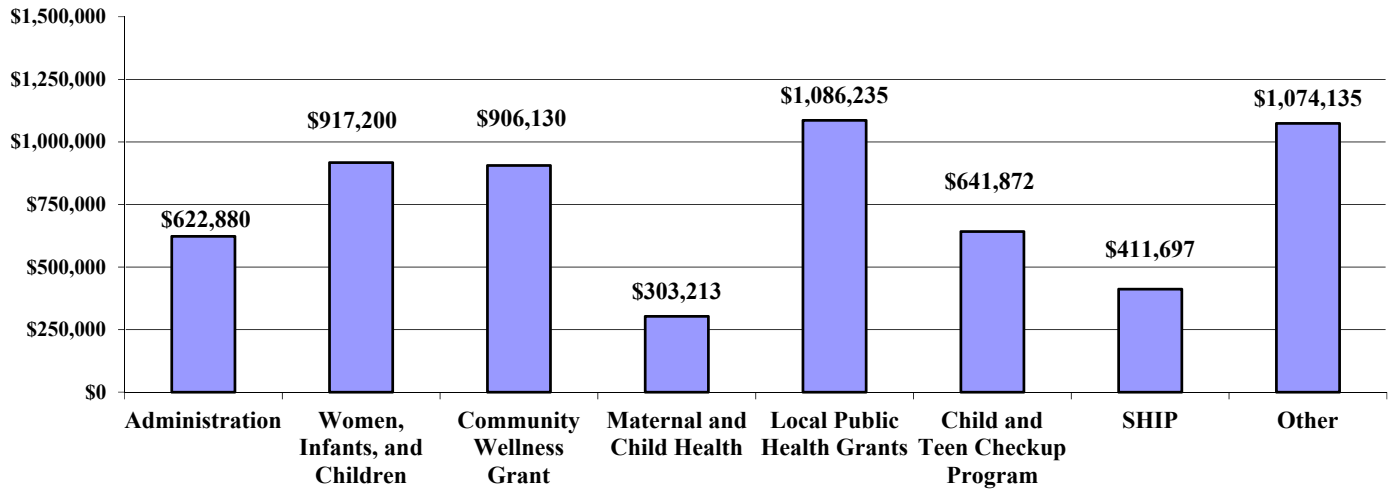
Table 2
Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Operating grants and contributions	\$ 5,977,122	\$ 5,843,563
Miscellaneous revenue	4,518	2,447
Total Revenues	<u>\$ 5,981,640</u>	<u>\$ 5,846,010</u>
Expenses		
Program expenses		
Administration	\$ 622,880	\$ 730,778
Women, infants, and children	917,200	887,657
Community Wellness Grant	906,130	842,579
Maternal and child health	303,213	303,213
Local public health grants	1,086,235	1,088,735
Child and teen checkup program	641,872	540,802
SHIP	411,697	478,266
Other	1,074,135	1,011,743
Total Expenses	<u>\$ 5,963,362</u>	<u>\$ 5,883,773</u>
Increase (Decrease) in Net Position	\$ 18,278	\$ (37,763)
Net Position – January 1	<u>(266,231)</u>	<u>(228,468)</u>
Net Position – December 31	<u>\$ (247,953)</u>	<u>\$ (266,231)</u>

Operating grants and contributions were from state-shared revenues and reimbursements and state and federal grants. State grants and reimbursements of \$2,317,554 and federal grants of \$3,298,658 were reported in 2018.

Expenditures and revenues are shown in detail in the budgetary comparison statement.

**Expenses
Governmental Activities**



Operating grants and contributions made up 99.92 percent of the governmental activities’ revenues.

Financial Analysis of the General Fund

As noted earlier, the Carlton, Cook, Lake, and St. Louis Community Health Board uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Board’s General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board’s financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year.

As of December 31, 2018, the Board’s General Fund reported a fund balance of \$104,724, compared with \$88,483 in 2017. Of the fund balance, all of it was unrestricted, which is available for spending at the Board’s discretion.

The Board’s General Fund’s fund balance increased \$16,241 as a result of revenues exceeding expenditures. This is due, in part, to grants which were partially expended in 2018. The remainder of the grants are expected to be spent in 2019.

General Fund Budgetary Highlights

The Carlton, Cook, Lake, and St. Louis Community Health Board is a regional organization providing services to four counties in northeastern Minnesota. The majority of the funding is provided through state and federal grants. Reimbursement for services is a minor funding source.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At year-end, the Board did not have any capital assets.

Debt Administration

At year-end, the Board did not have any outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Carlton, Cook, Lake, and St. Louis Community Health Board is both state and federal budget-responsive. The Board operates as the applicant agency for the four member counties and receives funding for various federal and state public health programs from the Minnesota Department of Health and the Minnesota Department of Human Services on a noncompetitive population needs-based formula or through a competitive grant application process. Funding allocations will fluctuate according to state and federal actions and population changes. The number of successful competitive grant-funding awards also affects the overall Board budget. With some fluctuation in certain public health programs, funding levels have remained relatively consistent. The Minnesota Statewide Health Improvement Partnership (SHIP) continued in 2018. The funding the Board received in 2015 to support chronic disease prevention strategies in the northeastern region, through the Community Wellness Grant (CWG), ended without opportunity for renewal in 2018. This is a Center for Disease Control (CDC) grant passed through to the Board by the Minnesota Department of Health.

The Board was also able to obtain a Healthy Families America Evidence Based Home Visiting grant in May 2018 to support the expansion of family home visiting in Carlton, Lake, and St. Louis Counties.

The Carlton, Cook, Lake, and St. Louis Community Health Board is the largest community health board (in geographic area) in the state. Carlton, Cook, Lake, and St. Louis Counties are located in northeastern Minnesota and cover 10,635 miles (over 13 percent of the entire square miles in the State of Minnesota).

St. Louis County's population represents 80 percent of the total four-county population. Carlton County is approximately 13 percent, Cook County is approximately 2 percent, and Lake County is approximately 5 percent. The Board uses this population apportionment as it considers distributing funding for some of its programs.

CONTACTING THE CARLTON, COOK, LAKE, AND ST. LOUIS COMMUNITY HEALTH BOARD'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of finances and to show the Carlton, Cook, Lake, and St. Louis Community Health Board's accountability for the money it receives. If you have a question about this report, or need information, contact the Board's office at 404 West Superior Street, Suite 250, Duluth, Minnesota 55802.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Assets

Due from other governments	\$ 1,582,868
Prepaid items	81
	<hr/>
Total Assets	\$ 1,582,949

Deferred Outflows of Resources

Deferred pension outflows	\$ 88,061
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Liabilities

Accounts payable	\$ 70,723
Salaries payable	12,129
Due to other governments	1,210,067
Unearned revenue – grants	143,717
Long-term liabilities	
Due within one year	24,565
Due in more than one year	18,649
Net pension liability	310,665
	<hr/>
Total Liabilities	\$ 1,790,515

Deferred Inflows of Resources

Deferred pension inflows	\$ 128,448
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Net Position

Unrestricted	\$ (247,953)
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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Expenses</u>	<u>Program Revenues Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
<u>Functions/Programs</u>			
Primary government Governmental activities Health	\$ 5,963,362	\$ 5,977,122	\$ 13,760
General Revenues			
Grants and contributions not restricted to specific programs			4,518
Change in net position			\$ 18,278
Net Position – Beginning			(266,231)
Net Position – Ending			\$ (247,953)

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUND

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUND
DECEMBER 31, 2018**

	General
<u>Assets</u>	
Due from other governments	\$ 1,582,868
Prepaid items	81
Total Assets	\$ 1,582,949
<u>Liabilities, Deferred Inflows of Resources, and Fund Balance</u>	
Liabilities	
Accounts payable	\$ 70,723
Salaries payable	12,129
Due to other governments	1,210,067
Unearned revenue – grants	143,717
Total Liabilities	\$ 1,436,636
Deferred Inflows of Resources	
Unavailable revenue – grants	\$ 41,589
Fund Balance	
Nonspendable	
Prepaid items	\$ 81
Assigned	
Special projects	229
Unassigned	104,414
Total Fund Balance	\$ 104,724
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 1,582,949

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018**

Fund balance – General Fund (Exhibit 3)	\$	104,724
Amounts reported for governmental activities in the statement of net position are different because:		
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		88,061
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental fund.		41,589
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences	\$ (43,214)	
Net pension liability	<u>(310,665)</u>	(353,879)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		<u>(128,448)</u>
Net Position of Governmental Activities (Exhibit 1)	\$	<u>(247,953)</u>

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	General
Revenues	
Intergovernmental	\$ 5,951,610
Miscellaneous	35,821
Total Revenues	\$ 5,987,431
Expenditures	
Current	
Health	5,971,190
Net Change in Fund Balance	\$ 16,241
Fund Balance – January 1	88,483
Fund Balance – December 31	\$ 104,724

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018**

Net change in fund balance – governmental fund (Exhibit 5)	\$	16,241
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Amounts reported for governmental activities in the statement of activities are different because:

In the fund, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment between the fund statement and the statement of activities is the increase or decrease in unavailable revenue.

Unavailable revenue – January 1	\$ (49,763)	
Unavailable revenue – December 31	<u>41,589</u>	(8,174)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Change in compensated absences	\$ (1,877)	
Change in net pension liability	104,291	
Change in deferred pension outflows	(54,947)	
Change in deferred pension inflows	<u>(37,256)</u>	<u>10,211</u>

Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u>18,278</u>
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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT 7

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$ 4,329,710	\$ 6,967,712	\$ 5,951,610	\$ (1,016,102)
Miscellaneous	8,972	25,140	35,821	10,681
Total Revenues	\$ 4,338,682	\$ 6,992,852	\$ 5,987,431	\$ (1,005,421)
Expenditures				
Administration				
Community Health Board	\$ 1,073,310	\$ 835,446	\$ 630,708	\$ 204,738
Intergovernmental				
Local Public Health Grant	\$ 185,476	\$ 1,086,235	\$ 1,086,235	\$ -
Special Supplemental Nutrition Program for Women, Infants, and Children	529,967	862,810	859,270	3,540
Maternal and Child Health	-	303,213	303,213	-
Temporary Assistance for Needy Families	443,409	396,782	396,782	-
Public Health Emergency Response	103,837	192,451	192,451	-
Statewide Health Improvement Program	242,581	258,562	264,419	(5,857)
Environmental Public Health and Emergency Response	16,241	18,778	18,778	-
Child and Teen Checkups	-	653,426	641,872	11,554
Community Wellness Grant	-	369,219	328,339	40,880
Evidence Based Home Visiting	210,573	800,555	446,649	353,906
Follow Along Program	3,866	9,050	9,050	-
Early Hearing Detection and Intervention	-	3,575	10,425	(6,850)
Total intergovernmental	\$ 1,735,950	\$ 4,954,656	\$ 4,557,483	\$ 397,173
Direct services				
Community Wellness Grant	\$ 1,367,479	\$ 998,260	\$ 577,791	\$ 420,469
Statewide Health Improvement Program	95,352	141,550	147,278	(5,728)
Special Supplemental Nutrition Program for Women, Infants, and Children	66,591	75,987	57,930	18,057
Total direct services	\$ 1,529,422	\$ 1,215,797	\$ 782,999	\$ 432,798
Total Expenditures	\$ 4,338,682	\$ 7,005,899	\$ 5,971,190	\$ 1,034,709
Net Change in Fund Balance	\$ -	\$ (13,047)	\$ 16,241	\$ 29,288
Fund Balance – January 1	88,483	88,483	88,483	-
Fund Balance – December 31	\$ 88,483	\$ 75,436	\$ 104,724	\$ 29,288

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2018

1. Summary of Significant Accounting Policies

The Carlton, Cook, Lake, and St. Louis Community Health Board's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the Community Health Board are discussed below.

A. Financial Reporting Entity

The Carlton, Cook, Lake, and St. Louis Community Health Board was established pursuant to Minn. Stat. ch. 145A and a joint powers agreement effective January 1, 1991.

The Community Health Board is composed as follows:

- Except for St. Louis County, each member county's Board of Commissioners appoints two members. St. Louis County is entitled to three members appointed by its County Board of Commissioners.
- Members appointed by each county having a Board of Health are selected from those persons currently serving on that county's board of health or county health advisory committee.
- Of the members appointed by each member county's Board of Commissioners, at least one member shall be a County Commissioner.

The primary activities of the Community Health Board are to protect and promote the health of the general population within the counties by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

St. Louis County reports the financial transactions of the Community Health Board in an agency fund on its annual financial statements.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

Basic financial statements include information on the Community Health Board's activities as a whole and information on the governmental fund. In the government-wide Statement of Net Position, the governmental activities 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 direct expenses of the Community Health Board are offset by revenues and are clearly identifiable with a specific function or activity.

Program revenues reported on the Statement of Activities include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational requirements of a particular function or activity. Revenues not classified as program revenues are presented as general revenues.

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the full 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. The Community Health Board considers all revenues as available if collected within 90 days after the end of the current period.

Charges for services and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

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

1. Cash

The Community Health Board's available cash balances are invested by St. Louis County in accordance with Minnesota statutes. Additional disclosures defining cash and pooled investments can be found in the St. Louis County Comprehensive Annual Financial Report.

2. Capital Assets

Capital assets are defined by the Community Health Board as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The Community Health Board does not have any assets costing more than \$5,000.

3. Receivables

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

4. Deferred Outflows/Inflows of Resources

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

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) or offset against expenses until that time. Currently, the Community Health Board has two types of deferred inflows. The governmental fund reports unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental fund balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. In 2018, there was \$41,589 reported as unavailable revenue related to grants. The Community Health Board also has deferred pension inflows. Deferred pension inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the differences between projected and actual earnings on pension plan investments, and pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. The current portion of this liability is estimated based on the vacation balance at year-end. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

Under the Community Health Board's personnel policy, employees are granted vacation in varying amounts based on their length of service. Vacation leave earned varies from 6½ to 29¼ days per year. Sick leave earned is 13 days per year.

Unused vacation leave is paid to employees upon termination. Unvested sick leave, approximately \$35,371 at December 31, 2018, is available to employees in the event of illness-related absences and is not paid to them at termination. The amount of unvested sick leave is not reported in the financial statements. The Community Health Board's personnel policy allows up to 1,900 hours of vested sick leave and any accrued vacation to be paid into the Minnesota State Retirement System's Health Care Savings Plan. This only applies to employees who have retired after having been continuously employed by the Community Health Board for at least five years prior to retirement. Funds in the Health Care Savings Plan can be used for the payment of employees' health insurance coverage after retirement.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

7. Classification of Net Position

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

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Classification of Net Position (Continued)

Unrestricted net position – the amount of net position that does not meet the definition of restricted.

The Community Health Board first utilizes restricted resources to finance qualifying activities.

8. Classification of Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Community Health Board is bound to observe constraints imposed upon the use of the resources in the governmental fund. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – amounts for which constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or is imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes imposed by formal action of the Community Health Board. Those committed amounts cannot be used for any other purpose unless the Community Health Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – amounts the Community Health Board intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Community Health Board.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Classification of Fund Balances (Continued)

Unassigned – unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications.

The Community Health Board applies restricted resources first when expenditures are incurred for purposes for which both restricted and unrestricted (committed, assigned, and unassigned) amounts are available. The Community Health Board does not have a formal policy for its use of unrestricted fund balance amounts; therefore, it considers committed amounts first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

9. Pension Plan

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

E. Budgetary Information

The Carlton, Cook, Lake, and St. Louis Community Health Board adopts an annual revenue and expenditure budget for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. The budget is subject to approval by the State of Minnesota and the Community Health Board, which comprises representatives from the member counties.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Budgetary Information (Continued)

In the fall (September/October) of each year, the Executive Director submits a request for appropriations in the Board administration budget, including funding sources, to the Community Health Board for approval so that individual county appropriations can be determined and Board administration budgets can be prepared. County budgets are approved by the local County Board. The Community Health Board submits the four counties' budgets to the state for approval. The appropriated budgets are prepared by each member County Board. The counties may make transfers of appropriations within their own county when appropriate.

Transfer of appropriations between county departments requires County Board approval. The legal level of budgetary control (the level at which expenditures may not legally exceed the budget) is at the object level.

For the year ended December 31, 2018, revenues were under expectations by \$1,005,421; expenditures were under budget by \$1,034,709.

2. Detailed Notes

A. Assets

Deposits

The Community Health Board is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit its cash and to invest in certificates of deposit in financial institutions designated by the St. Louis County Board of Commissioners and the Carlton, Cook, Lake, and St. Louis Community Health Board. Minnesota statutes require that all Community Health Board deposits be covered by insurance, surety bond, or collateral.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes (Continued)

B. Liabilities

1. Operating Leases

The Community Health Board is committed under operating leases for office space and office equipment. These leases are expected to continue or be replaced with similar leases. Total costs for such leases were \$38,530 for the year ended December 31, 2018. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2019	\$ 26,173
2020	20,539
2021	6,164
Total	\$ 52,876

2. Deferred Compensation

The Community Health Board's employees participate in St. Louis County's deferred compensation plan.

3. Long-Term Liabilities

Changes in compensated absences payable for 2018 were:

January 1	\$ 41,337
Additions	24,249
Reductions	(22,372)
December 31	\$ 43,214
Amount due within one year	\$ 24,565

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

B. Liabilities (Continued)

4. Unearned Revenue

The General Fund and the government-wide financial statements report as unearned revenue resources that have been received, but not yet earned. Unearned revenue as of December 31, 2018, was as follows:

	<u>Governmental Activities</u>
Unearned revenue	<u>\$ 143,717</u>

C. Defined Benefit Pension Plan

1. Plan Description

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

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No Carlton, Cook, Lake and St. Louis Community Health Board employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

C. Defined Benefit Pension Plan (Continued)

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.00 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

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

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

C. Defined Benefit Pension Plan (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018.

In 2018, the Community Health Board was required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

The Community Health Board's contributions for the General Employees Plan for the year ended December 31, 2018, were \$30,829. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2018, the Community Health Board reported a liability of \$310,665 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Community Health Board's proportion of the net pension liability was based on the Community Health Board's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Community Health Board's proportion was 0.0056 percent. It was 0.0065 percent measured as of June 30, 2017. The Community Health Board recognized pension expense of \$21,124 for its proportionate share of the General Employees Plan's pension expense.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

C. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The Community Health Board also recognized \$2,383 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and \$6 million thereafter, through calendar year 2031.

The Community Health Board's proportionate share of the net pension liability	\$	310,665
State of Minnesota's proportionate share of the net pension liability associated with the Community Health Board		10,219
Total	\$	320,884

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 9,484	\$ 9,869
Changes in actuarial assumptions	32,326	38,746
Difference between projected and actual investment earnings	-	36,742
Changes in proportion	29,196	43,091
Contributions paid to PERA subsequent to the measurement date	17,055	-
Total	\$ 88,061	\$ 128,448

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

C. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The \$17,055 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2019	\$ 16,363
2020	(25,310)
2021	(42,011)
2022	(6,484)

5. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

C. Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

2. Detailed Notes

C. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2018:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

8. Pension Liability Sensitivity

The following presents the Community Health Board’s proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the Community Health Board’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	<u>Discount Rate</u>	<u>Proportionate Share of the Net Pension Liability</u>
1% Decrease	6.50%	\$ 504,870
Current	7.50	310,665
1% Increase	8.50	150,354

9. Pension Plan Fiduciary Net Position

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

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

3. Risk Management

The Community Health Board is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Community Health Board participates in St. Louis County's dental and life insurance risk pools; the Community Health Board purchases commercial insurance for all other risks of loss. The Community Health Board did not have a loss exceeding the limits of insurance coverage for any of the past three years. There were no significant reductions in insurance from the prior year.

St. Louis County handles its risk pools through internal service funds. Additional disclosures as required by GASB Statement No. 10, *Accounting and Reporting for Risk Financing and Related Insurance Issues*, are disclosed on an entity-wide basis in the St. Louis County Comprehensive Annual Financial Report.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Community Health Board (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	0.0056 %	\$ 310,665	\$ 10,219	\$ 320,884	\$ 375,773	82.67 %	79.53 %
2017	0.0065	414,956	5,211	420,167	418,187	99.23	75.90
2016	0.0061	495,289	6,490	501,779	376,333	131.61	68.91
2015	0.0051	264,308	N/A	264,308	302,657	87.33	78.19

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

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT A-2

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b – a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2018	\$ 30,829	\$ 30,829	\$ -	\$ 411,053	7.50 %
2017	29,913	29,913	-	398,834	7.50
2016	29,246	29,246	-	389,947	7.50
2015	25,471	25,471	-	339,613	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. The Carlton, Cook, Lake, and St. Louis Community Health Board's year-end is December 31.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019, and returns to \$6 million annually through calendar year 2031.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

2016

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

SUPPLEMENTARY INFORMATION

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT B-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018**

Shared Revenue	
State	
PERA rate reimbursement	<u>\$ 2,135</u>
Reimbursement for Services	
State	
Minnesota Department of Human Services	<u>\$ 325,089</u>
Grants	
State	
Minnesota Department of Health	<u>\$ 2,299,412</u>
Federal	
Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 917,200
Special Education – Grants for Infants and Families	9,050
Public Health Emergency Preparedness	192,451
Environmental Public Health and Emergency Response	18,778
Universal Newborn Hearing Screening	1,475
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	750
Temporary Assistance for Needy Families (TANF)	396,782
State and Local Public Health Actions to Prevent Obesity, Diabetes, Heart Disease, and Stroke (PPHF)	958,621
Maternal, Infant, and Early Childhood Home Visiting Grant Program	367,078
Block Grants for the Prevention and Treatment of Substance Abuse	125,886
Maternal and Child Health Services Block Grant to the States	<u>336,903</u>
Total federal	<u>\$ 3,324,974</u>
Total state and federal grants	<u>\$ 5,624,386</u>
Total Intergovernmental Revenue	<u><u>\$ 5,951,610</u></u>

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

EXHIBIT B-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	12-700-00061	\$ 917,200	\$ 859,270
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	12-700-00061	\$ 9,050	\$ 9,050
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	65457	\$ 192,451	\$ 192,451
Environmental Public Health and Emergency Response	93.070	12-700-00061	18,778	18,778
Universal Newborn Hearing Screening	93.251	12-700-00061	1,475	1,475
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	12-700-00061	750	750
TANF Cluster				
Temporary Assistance for Needy Families	93.558	12-700-00061	396,782	396,782
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health Financed in Part by Prevention and Public Health Funding (PPHF)	93.757	12-700-00061	932,305	363,338
Maternal, Infant, and Early Childhood Home Visiting Cluster				
Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.870	132275	367,078	360,115
Maternal and Child Health Services Block Grant to the States	93.994	12-700-00061	336,903	303,213
Passed Through Minnesota Department of Human Services Block Grants for Prevention and Treatment of Substance Abuse	93.959	443358	125,886	-
Total U.S. Department of Health and Human Services			\$ 2,372,408	\$ 1,636,902
Total Federal Awards			\$ 3,298,658	\$ 2,505,222
Totals by Cluster				
Total expenditures for TANF Cluster			\$ 396,782	
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster			367,078	

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the Carlton, Cook, Lake, and St. Louis Community Health Board. The Community Health Board's 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 the Carlton, Cook, Lake, and St. Louis Community Health Board under programs of the federal government for the year ended December 31, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Carlton, Cook, Lake, and St. Louis Community Health Board, it is not intended to, and does not, present the financial position, changes in net position, or cash flows of the Carlton, Cook, Lake, and St. Louis Community Health Board.

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 Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Carlton, Cook, Lake, and St. Louis Community Health Board has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

	Federal CFDA Number	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue		\$ 3,324,974
Grants received more than 90 days after year-end, unavailable in 2018		
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health Financed in Part by Prevention and Public Health Funding (PPHF)	93.757	22,742
Grants unavailable in 2017, recognized as revenue in 2018		
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health Financed in Part by Prevention and Public Health Funding (PPHF)	93.757	<u>(49,058)</u>
Total Expenditures per Schedule of Expenditures of Federal Awards		<u>\$ 3,298,658</u>

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JULIE BLAHA
STATE AUDITOR

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

Independent Auditor's Report

Board of Directors
Carlton, Cook, Lake, and St. Louis
Community Health Board
Duluth, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of the Carlton, Cook, Lake, and St. Louis Community Health Board as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Community Health Board's basic financial statements, and have issued our report thereon dated August 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carlton, Cook, Lake, and St. Louis Community Health Board's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Community Health Board's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Community Health Board's 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 Community

Health Board's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 1996-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the Community Health Board's financial statements: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for contracting and bidding and tax increment financing because the Community Health Board did not enter into any new contracts and administers no tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the Carlton, Cook, Lake, and St. Louis Community Health Board failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Community Health Board's noncompliance with the above referenced provisions.

Carlton, Cook, Lake, and St. Louis Community Health Board's Response to Finding

The Carlton, Cook, Lake, and St. Louis Community Health Board's response to the internal control finding identified in our audit is described in the Corrective Action Plan. The Community Health Board's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

August 9, 2019

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JULIE BLAHA
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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of Directors
Carlton, Cook, Lake, and St. Louis
Community Health Board
Duluth, Minnesota

Report on Compliance for the Major Federal Program

We have audited the Carlton, Cook, Lake, and St. Louis Community Health Board's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Community Health Board's major federal program for the year ended December 31, 2018. The Carlton, Cook, Lake, and St. Louis Community Health Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Carlton, Cook, Lake, and St. Louis Community Health Board's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a

direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Carlton, Cook, Lake, and St. Louis Community Health Board's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the Carlton, Cook, Lake, and St. Louis Community Health Board complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

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

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

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

August 9, 2019

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Special Supplemental Nutrition Program for Women,
Infants, and Children

CFDA No. 10.557

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

The Carlton, Cook, Lake, and St. Louis Community Health Board qualified as a low-risk auditee? **Yes**

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 1996-001

Segregation of Duties

Criteria: Management is responsible for establishing and maintaining internal control. This responsibility includes internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: Due to the limited number of personnel, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Context: The size of the Carlton, Cook, Lake, and St. Louis Community Health Board and its staffing limits the internal control that management can design and implement into the organization.

Effect: Inadequate segregation of duties could adversely affect the Community Health Board's ability to detect misstatements in a timely period by employees in the normal course of performing their assigned functions.

Cause: Management has identified where inadequate segregation of duties issues exist. Management has determined that given departmental size, staffing considerations, and resource limitations, the desirable level of segregation of duties necessary to achieve an adequate level of internal control is not feasible.

**CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018**

Recommendation: Management is aware that segregation of duties is not adequate from an internal control point of view. We recommend the Board of Directors be mindful that limited staffing causes inherent risks in safeguarding the Carlton, Cook, Lake, and St. Louis Community Health Board's assets and the proper reporting of its financial activity. We recommend the Board of Directors continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. PREVIOUSLY REPORTED ITEM RESOLVED

2017-001 Suspension and Debarment (CFDA No. 93.757)

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**REPRESENTATION OF
CARLTON, COOK, LAKE, AND ST. LOUIS
COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 1996-001
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Louise Anderson, Executive Director

Corrective Action Planned:

The Carlton, Cook, Lake, and St. Louis Community Health Board (CHB) is aware of the internal control situation and is in continuous review of the Board's operations. The CHB staff has built in additional checks and balances through the Mitchell-Humphrey Financial System to make sure that every expense and revenue is correctly coded, and has a policy to support these additional workflows. The CHB Director provides review and oversight of all financial transactions and the St. Louis County (SLC) Auditor's staff communicates with the CHB Finance Specialist and CHB Director if any expense or revenue irregularities are noted. CHB Regional Grant Coordinators and the agency Executive Director review all grant invoices prior to submission for payment. The CHB continues to work with SLC Auditor's staff to review staff travel expense policy and practice, to ensure that best practices are used by staff in submission of invoices, as well as in administrative review of these invoices. County public health leaders and program staff are re-oriented to expense policy and practices at least on a yearly basis. Expense reimbursement guidelines are also included in county and other organizational contracts.

With the anticipated retirement of the CHB Executive Director in early 2019, a key component of orientation for the new CHB Executive Director will a review of the Federal rules and Uniform Guidance which apply to the CHB as a recipient of federal grant funding, as well as a thorough review of our previous single audit results and corrective actions (including those for segregation of duties).

Anticipated Completion Date:

No formal completion date is applicable, but the above steps are being implemented, and will continue to be reviewed in 2019.



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**REPRESENTATION OF
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COMMUNITY HEALTH BOARD
DULUTH, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Finding Number: 1996-001

Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel, segregation of accounting duties necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported: The CHB staff has built in additional checks and balances through the Mitchell-Humphrey Financial System to make sure that every expense and revenue is correctly coded, and has a policy to support these additional workflows. The CHB Director provides review and oversight of all financial transactions, and the fiscal host, St. Louis County (SLC) Auditor's staff contacts the CHB Finance Specialist and CHB Director, if any expense or revenue irregularities are noted. CHB Regional Grant Coordinators and the agency Director review all grant invoices prior to submission for payment.

Status: Not Corrected. Management has determined that given departmental size, staffing considerations, and resource limitations, the desirable level of segregation of duties necessary to achieve an adequate level of internal control is not feasible. However, the above noted multi-level reviews of expense and revenue by the CHB Director, Regional Grant Coordinators, the CHB Financial Specialist and the fiscal host, St. Louis County, provides for enhanced accuracy and identification of any irregularities in the accounting system, and appropriate follow-up.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-001

Finding Title: Suspension and Debarment

Summary of Condition: For two of the four contracts tested, verification procedures were not performed to determine that contractors were not suspended or debarred before the contracts were awarded.

Summary of Corrective Action Previously Reported: The Finance Specialist and agency Director will ensure that full contract language (including the Suspension or Debarment clause) is included in all contracts with counties, other organizations or individuals. The Financial Specialist develops the contracts, and the Director reviews all contracts prior to forwarding for signature. Both CHB employees will confirm that full contract language has been included in each contract.

Status: Corrected. Management has added full contract language (including the Suspension or Debarment clause) to all contracts with counties, other organization and individuals. The Financial Specialist continues to develop the draft contracts, which are then reviewed by the Director prior to forwarding for signature. During the development and review by the Financial Specialist and the Director, both confirm that the contract language has been included in each contract.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X