

# STATE OF MINNESOTA

## Office of the State Auditor



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

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

**FOR THE YEAR ENDED DECEMBER 31, 2004**

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

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

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

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

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for over 700 public pension funds; and

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

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

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This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the State Auditor's web site: [www.auditor.state.mn.us](http://www.auditor.state.mn.us).

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

**For the Year Ended December 31, 2004**



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

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

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

ORGANIZATION  
DECEMBER 31, 2004

Representing

Board

Barbara Little  
Charles Liupakka  
Bev Green  
Janice Hall, Chair  
Willard M. Clark  
Sarah Nelson, M.D.  
Joanne Fay  
Mike Forsman  
Peg Sweeney

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

Director

Julie Myhre

Medical Consultant

Harold B. Leppink, M.D.

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# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON  
STATE AUDITOR

### INDEPENDENT AUDITOR'S REPORT

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

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, 2004, which collectively comprise the Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Board's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2004, and the respective changes in financial position thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 7, 2005, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 7, 2005

## **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, 2004  
(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, 2004. Please read it in conjunction with the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The total net assets of the Board increased by \$13,933 or 18.6 percent.
- The Board's General Fund reported an ending fund balance of \$120,852, an increase of \$40,205. Undesignated, unreserved fund balance (available spendable resources) account for \$120,320 of the fund balance or 99.6 percent.
- The General Fund reported an excess of revenue over expenditures of \$40,205.

**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 Assets and the Statement of Activities report information about the Board as a whole and about its activities. These statements include all assets and liabilities 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 assets and changes to them. Net assets--the difference between assets and liabilities--is one way to measure the Board's financial health, or financial position. Over time, increases or decreases in the Board's net assets are one indicator of whether its financial health is improving or deteriorating. The government-wide financial statements can be found in the final columns of Exhibits 1 and 2.

**Fund financial statements.** These statements provide detailed information about the General Fund--not the Board as a whole. The Board's General Fund is considered a governmental fund.

All of the Board's services are reported in the General Fund, which focuses on how money flows into and out of the fund and any 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. We describe the relationship (or differences) between General Fund activities (reported in the first column of Exhibits 1 and 2) and governmental activities (reported in the final column) in a reconciliation in the middle column of the statements.

**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 15-24.

**Supporting schedules.** A schedule of intergovernmental revenue is included as Schedule 1.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets 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, assets exceeded liabilities by \$88,995.

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

**Table 1**  
**Net Assets**

	Governmental Activities	
	2004	2003
Current and other assets	\$ 587,760	\$ 905,053
Other liabilities	\$ 466,908	\$ 824,406
Long-term liabilities outstanding	31,857	5,585
Total Liabilities	\$ 498,765	\$ 829,991
Net Assets		
Unrestricted	\$ 88,995	\$ 75,062

The following analysis focuses on the Board's net assets (Table 1).

### Governmental Activities

The Board's net assets increased by \$13,933, or 18.6 percent, from \$75,062 to \$88,995. The Board is able to report a positive balance in net assets.

Current and other assets are primarily due from other governments (\$494,450 or 84.1 percent).

The Board's long-term liabilities are for compensated absences. Amounts due to other governments account for 78.3 percent of the other liabilities. Other liabilities are detailed on the General Fund balance sheet under liabilities.

**Table 2**  
**Changes in Net Assets**

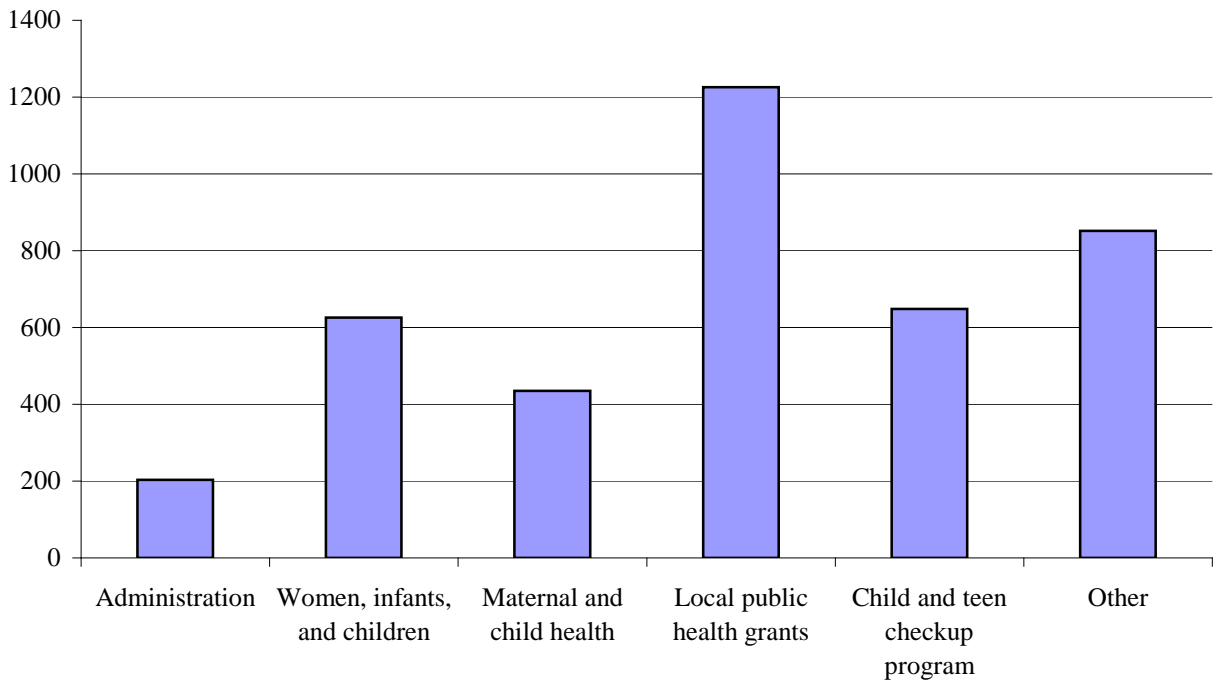
	Governmental Activities	
	2004	2003
Revenues		
Program Revenues		
Charges for services	\$ 3,761	\$ -
Operating grants and contributions	3,994,134	3,112,101
Total Revenues	\$ 3,997,895	\$ 3,112,101
Expenses		
Program expenses		
Administration	\$ 197,984	\$ 164,601
Women, infants, and children	625,599	507,875
Maternal and child health	434,610	142,255
Local public health grants	1,225,857	414,691
Child and teen checkup program	648,084	334,466
Other	851,828	1,530,528
Total Expenses	\$ 3,983,962	\$ 3,094,416
Increase (decrease) in net assets	\$ 13,933	\$ 17,685
Net Assets - January 1	75,062	57,377
Net Assets - December 31	\$ 88,995	\$ 75,062

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

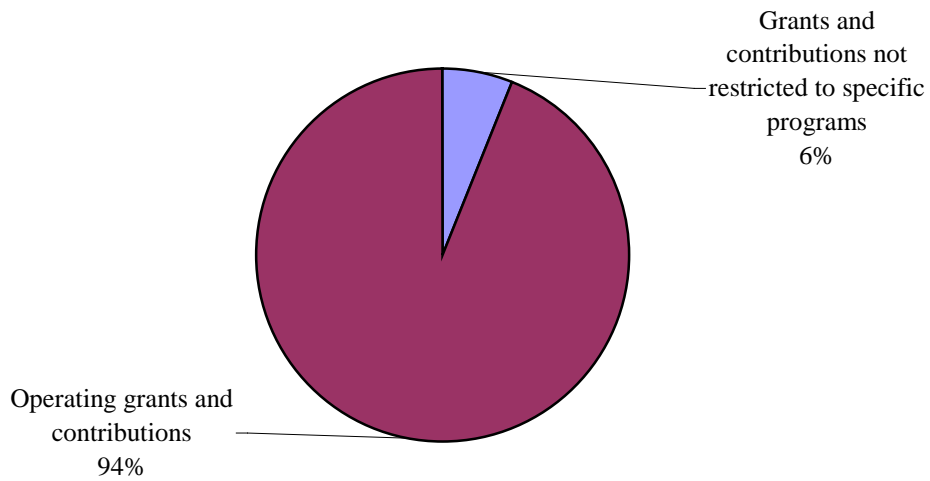
Operating grants and contributions were from state and federal grants. State grants of \$1,954,555 and federal grants of \$1,716,808 were reported in 2004.

Expenditures and revenues are shown in detail in the Budgetary Comparison Schedule.

### Expenses: Governmental Activities



### Revenues by Source: Governmental Activities



## **Financial Analysis of the General Fund**

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

The focus of 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, unreserved 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, 2004, the Board's General Fund reported a fund balance of \$120,852, compared with \$80,647 in 2003. Most of the fund balance, or \$120,320, was unreserved fund balance, which is available for spending at the Board's discretion. The remaining \$532 is reserved for encumbrances. Fund balance is reserved because it is either unavailable for spending or legally restricted.

The Board's fund balance increased \$40,205 as a result of revenues exceeding expenditures.

## **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.

Due to legislative action in 2003, with the consolidation of certain public health programs and grants and the elimination of others, there was a significant change in the funding levels between 2003 and 2004. With some fluctuation in certain public health programs, funding levels have remained relatively consistent during 2004 and 2005 (an approximate \$59,000 increase for 2005).

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 same percentages follow through in the total Board funding levels.

#### **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 Office at: 325 Lake Avenue South, Suite 510-B, Duluth, Minnesota 55802.

## **BASIC FINANCIAL STATEMENTS**

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

**EXHIBIT 1**

**GENERAL FUND BALANCE SHEET AND  
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET ASSETS  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
DECEMBER 31, 2004**

	General Fund	Adjustments	Governmental Activities
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 89,575	\$ -	\$ 89,575
Accounts receivable	3,735	-	3,735
Due from other governments	494,450	-	494,450
<b>Total Assets</b>	<b>\$ 587,760</b>	<b>\$ -</b>	<b>\$ 587,760</b>
<b><u>Liabilities</u></b>			
Current liabilities			
Accounts payable	\$ 3,421	\$ -	\$ 3,421
Salaries payable	2,182	-	2,182
Due to other governments	365,378	-	365,378
Deferred revenue - unearned	95,927	-	95,927
Long-term liabilities			
Due in more than one year	-	31,857	31,857
<b>Total Liabilities</b>	<b>\$ 466,908</b>	<b>\$ 31,857</b>	<b>\$ 498,765</b>
<b><u>Fund Balance/Net Assets</u></b>			
Fund Balance			
Reserved for encumbrances	\$ 532	\$ (532)	
Unreserved			
Undesignated	120,320	(120,320)	
<b>Total Fund Balance</b>	<b>\$ 120,852</b>	<b>\$ (120,852)</b>	
<b>Total Liabilities and Fund Balance</b>	<b>\$ 587,760</b>		
<b>Net Assets</b>			
Unrestricted		<b>\$ 88,995</b>	<b>\$ 88,995</b>
<b>Reconciliation of the General Fund Balance to Net Assets</b>			
Fund Balance - General Fund			\$ 120,852
Long-term liabilities are reported on the Statement of Net Assets but not in the Fund Balance Sheet			
Compensated absences payable			(31,857)
<b>Net Assets - Governmental Activities</b>			<b>\$ 88,995</b>

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

*EXHIBIT 2*

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES  
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>General Fund</b>	<b>Adjustments</b>	<b>Governmental Activities</b>
<b>Revenues</b>			
Intergovernmental	\$ 3,994,134	\$ -	\$ 3,994,134
Charges for services	3,761	-	3,761
<b>Total Revenues</b>	<b>\$ 3,997,895</b>	<b>\$ -</b>	<b>\$ 3,997,895</b>
<b>Expenditures/Expenses</b>			
<b>Current</b>			
Administration	\$ 171,712	\$ 26,272	\$ 197,984
Human Services	648,084	-	648,084
Health	3,137,894	-	3,137,894
<b>Total Expenditures/Expenses</b>	<b>\$ 3,957,690</b>	<b>\$ 26,272</b>	<b>\$ 3,983,962</b>
<b>Net Change in Fund Balance/Net Assets</b>	<b>\$ 40,205</b>	<b>\$ (26,272)</b>	<b>\$ 13,933</b>
<b>Fund Balance/Net Assets - January 1</b>	<b>80,647</b>	<b>(5,585)</b>	<b>75,062</b>
<b>Fund Balance/Net Assets - December 31</b>	<b>\$ 120,852</b>	<b>\$ (31,857)</b>	<b>\$ 88,995</b>
<b>Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities</b>			
Net Change in Fund Balance			\$ 40,205
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 governmental funds.			
Change in compensated absences during 2004			(26,272)
<b>Net Change in Net Assets of Governmental Activities</b>			<b>\$ 13,933</b>

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

*EXHIBIT 3*

**GENERAL FUND  
BUDGETARY COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
<b>Intergovernmental</b>				
<b>Federal grants</b>				
Women, infants, and children (WIC)	\$ 709,819	\$ 709,819	\$ 625,599	\$ (84,220)
Maternal and child health	366,148	366,148	484,532	118,384
Centers for disease control and prevention - bioterrorism	489,016	489,016	386,916	(102,100)
Temporary assistance for needy families (TANF)	199,749	199,749	200,352	603
Immunization grants	-	-	2,500	2,500
Preventive health and health services block grant	10,000	10,000	10,000	-
State indoor radon grant (SIRG)	6,909	6,909	6,909	-
<b>State grants</b>				
Local public health grant	1,180,160	1,180,160	1,386,753	206,593
TANF - state	-	-	35,710	35,710
Eliminating health disparities	1,354	1,354	1,354	-
Child and teen checkup program	256,825	256,825	322,174	65,349
Youth risk behavior	-	-	75,728	75,728
Fetal alcohol syndrome	80,000	80,000	132,836	52,836
<b>State shared</b>				
State PERA aid	-	-	597	597
<b>Reimbursement for services</b>				
Reimbursement for services - human services	256,825	256,825	322,174	65,349
<b>Charges for services</b>				
Culture of poverty workshop	3,735	3,735	3,761	26
<b>Total Revenues</b>	<b>\$ 3,560,540</b>	<b>\$ 3,560,540</b>	<b>\$ 3,997,895</b>	<b>\$ 437,355</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Administration</b>				
Salaries	\$ 102,449	\$ 102,449	\$ 101,157	\$ 1,292
Health insurance	26,803	26,803	23,184	3,619
PERA	5,666	5,666	5,596	70
FICA	7,838	7,838	7,396	442
Unemployment/workers' compensation	907	907	687	220
Telephone	2,700	2,700	2,374	326
Postage	1,000	1,000	-	1,000
Printing and publishing	4,200	4,200	2,860	1,340
Registrations and subscriptions	2,100	2,100	1,275	825
Professional services	10,720	10,720	6,984	3,736
Employee - travel	3,650	3,650	3,632	18
Building and facility	6,251	6,251	5,843	408
Insurance	375	375	641	(266)
Bonds	250	250	-	250
Board member fees - travel	4,075	4,075	3,207	868

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

**EXHIBIT 3  
(Continued)**

**GENERAL FUND  
BUDGETARY COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current</b>				
<b>Administration (continued)</b>				
Office equipment	960	960	479	481
Accounting	5,500	5,500	5,500	-
Office supplies	1,200	1,200	897	303
<b>Total administration</b>	<b>\$ 186,644</b>	<b>\$ 186,644</b>	<b>\$ 171,712</b>	<b>\$ 14,932</b>
<b>Women, Infants, and Children (WIC)</b>				
Carlton	102,316	102,316	93,878	8,438
Cook	13,450	13,450	11,380	2,070
Lake	29,732	29,732	28,877	855
St. Louis County	565,192	565,192	491,464	73,728
<b>Maternal and child health</b>				
Carlton	39,876	39,876	54,725	(14,849)
Cook	4,965	4,965	5,802	(837)
Lake	10,594	10,594	17,684	(7,090)
St. Louis County	356,360	356,360	356,399	(39)
<b>Local public health grant</b>				
Carlton	137,049	137,049	137,049	-
Cook	23,170	23,170	23,170	-
Lake	50,817	50,817	50,817	-
St. Louis County	808,228	808,228	1,014,821	(206,593)
<b>Temporary assistance for needy families (TANF) - state</b>				
Carlton	-	-	3,198	(3,198)
Cook	-	-	240	(240)
Lake	-	-	705	(705)
St. Louis County	-	-	31,567	(31,567)
<b>Eliminating health disparities</b>				
St. Louis County	1,354	1,354	1,354	-
<b>Centers for disease control and prevention - bioterrorism</b>				
Carlton	60,169	60,169	46,032	14,137
Cook	21,891	21,891	14,921	6,970
Lake	25,738	25,738	20,250	5,488
St. Louis County	351,934	351,934	305,713	46,221
<b>TANF</b>				
Carlton	17,898	17,898	17,898	-
Cook	1,338	1,338	1,338	-
Lake	4,538	4,538	4,538	-
St. Louis County	176,578	176,578	176,578	-

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

**EXHIBIT 3  
(Continued)**

**GENERAL FUND  
BUDGETARY COMPARISON  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Child and teen checkup program</b>				
Carlton	56,425	56,425	86,098	(29,673)
Cook	7,325	7,325	21,770	(14,445)
Lake	21,525	21,525	17,785	3,740
St. Louis County	428,375	428,375	518,696	(90,321)
Culture of Poverty Workshop	3,735	3,735	3,735	-
<b>Youth risk behavior</b>				
Lake	2,865	2,865	2,865	-
St. Louis County	-	-	73,091	(73,091)
<b>Fetal alcohol syndrome</b>				
St. Louis County	80,000	80,000	132,831	(52,831)
<b>Immunization grants</b>				
Carlton	-	-	1,600	(1,600)
St. Louis County	-	-	200	(200)
<b>Preventive health and health services block grant</b>				
Carlton	10,000	10,000	10,000	-
<b>State indoor radon grant (SIRG)</b>				
Cook	1,509	1,509	1,509	-
Lake	91	91	91	-
St. Louis County	2,163	2,163	2,163	-
CHB	3,146	3,146	3,146	-
<b>Total Expenditures</b>	<b>\$ 3,606,990</b>	<b>\$ 3,606,990</b>	<b>\$ 3,957,690</b>	<b>\$ (350,700)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (46,450)</b>	<b>\$ (46,450)</b>	<b>\$ 40,205</b>	<b>\$ 86,655</b>
<b>Fund Balance - January 1</b>	<b>80,647</b>	<b>80,647</b>	<b>80,647</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 34,197</b>	<b>\$ 34,197</b>	<b>\$ 120,852</b>	<b>\$ 86,655</b>

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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, 2004

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1. Summary of Significant Accounting Policies

The Carlton, Cook, Lake, and St. Louis Community Health Board's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Board are discussed below.

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. The significant changes in the statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Board's overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the Board's activities.

These and other changes are reflected in the accompanying financial statements (including the notes to financial statements). The Board has elected to implement all provisions of the statement in the current year.

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.

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

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

The Board is composed as follows:

- Except for St. Louis County, each member County Board of Commissioners appoints two members. St. Louis County is entitled to three members appointed by the County Board of Commissioners.
- Members appointed by each County having a Board of Health are selected from among those persons currently serving on that County's Board of Health.
- At least two of the members appointed are providers of health services. The remaining members are laypersons representative of the people in the community and include at least one person who is not a member of a County Board of Commissioners.

The primary activities of the 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 Board in an agency fund on its annual financial statements.

B. Basic Financial Statements

Basic financial statements include information on the Board's activities as a whole and information on the individual fund. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the Exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of the Board as a whole.

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Board's net assets are reported in two parts: invested in capital assets, net of related debt, and unrestricted net assets. The Statement of Activities demonstrates the degree to which the expenses of the Board are offset by revenues.

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

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund are presented on the modified accrual basis and report current financial resources.

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The Board considers all revenues to be available if collected within 180 days after the end of the current period. Charges for services and interest are considered to be 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.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Pooled Investments

The Board's available cash balances are pooled and invested by St. Louis County in accordance with Minnesota State Statutes. The Board's cash balances and investments are at fair value based on quoted market prices. Additional disclosures defining cash and pooled investments can be found in the St. Louis County Comprehensive Annual Financial Report.

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

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1. Summary of Significant Accounting Policies

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

2. Capital Assets

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

3. Deferred Revenue

Deferred revenue consists of state and federal pass-through grants received, but not yet earned.

4. 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 fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Under the Board's personnel policy, employees are granted vacation in varying amounts based on their length of service. Vacation leave earned varies from 7 to 29 days per year. Sick leave earned is 13 days per year.

Unused vacation leave is paid to employees upon termination. Unvested sick leave, approximately \$11,550 at December 31, 2004, is available to employees in the event of illness-related absences and is not paid to them at termination.

During 2004, the Board adjusted a personnel policy allowing vested sick leave to be paid to employees at retirement or used for the payment of employees' health insurance coverage during their retirement. This applies to employees who have

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

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Compensated Absences (Continued)

retired after having been continuously employed by the Board for at least five years prior to such retirement and having up to 1900 hours of unused sick leave time.

5. Fund Equity

The General Fund balance sheet reports reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Board reported reservations for encumbrances in the amount of \$532 for the year ended at December 31, 2004.

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 estimates and assumptions that affect the reported amounts of assets and liabilities 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.

E. Budgetary Information

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

In the fall (September/October) of each year, the CHB Director submits a request for appropriations in the CHB Administration Budget, including funding sources, to the Community Health Board for approval so that individual County appropriations can be determined and CHB Administration budgets can be prepared. County budgets are approved by the local County Board. The CHB submits the four County's budgets to the State for approval.

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

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1. Summary of Significant Accounting Policies

E. Budgetary Information (Continued)

The appropriated budgets are prepared by each CHB member county. 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 county level.

For the year ended December 31, 2004, expenditures exceeded budget by \$350,700; revenue exceeded expectations by \$437,355.

Encumbrance accounting, under which commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund. Encumbrances (purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and provide authority for the carryover of appropriations to the subsequent year in order to complete these transactions. An encumbrance in the amount of \$532 was reported at December 31, 2004.

2. Detailed Notes

A. Assets

1. Deposits and Investments

Minn. Stat. §§ 118A.02 and 118A.04 authorize the Board 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 Board. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral. Minn. Stat. §§ 118A.04 and 118A.05 authorize the types of securities available to the Board for investment.

Additional disclosures as required by GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, and GASB Statement No. 31, *Accounting And Financial Reporting for Certain Investments and for External Investment Pools*, are disclosed on an entity-wide basis in the St. Louis County Comprehensive Annual Financial Report.

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

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2. Detailed Notes

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, were:

	Governmental Activities	Not Expected to be Collected Within the Year
Accounts Due from other governments	\$ 3,735 494,450	\$ -
Total Receivables	\$ 498,185	\$ -

B. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	Governmental Activities
Accounts Salaries Due to other governments	\$ 3,421 2,182 365,378
Total Payables	\$ 370,981

2. Leases

Operating Leases

The 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 \$5,543 for the year ended December 31, 2004. The future minimum lease payments for these leases are as follows:

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

2. Detailed Notes

B. Liabilities

2. Leases

Operating Leases (Continued)

Year Ending December 31	Amount
2005	\$ 5,931
2006	5,931
2007	5,931
2008	5,931
2009	5,931
Total	\$ 29,655

3. Deferred Compensation

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

4. Long-Term Liabilities

Changes in compensated absences payable for 2004 were:

January 1	\$ 5,585
Net increase	26,272
December 31	\$ 31,857

No amount is expected to be paid out in 2005.

5. Risk Management

The 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 Board participates in St. Louis County's dental and life insurance plans; the Board purchases commercial insurance for all other risks of loss. The

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

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2. Detailed Notes

B. Liabilities

5. Risk Management (Continued)

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.

3. Employee Retirement Systems and Pension Plans

A. Plan Description

All full-time and certain part-time employees of the Carlton, Cook, Lake, and St. Louis Community Health Board (CHB) are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). The PERA administers the Public Employees Retirement Fund, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Using Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

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

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3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

For Public Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

The benefit provisions stated in the previous paragraphs 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 public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund. That report may be obtained on the web at [mnpera.org](http://mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The Board makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. The Board is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53

The Board's contributions for the years ending December 31, 2004, 2003, and 2002, were \$5,542, \$4,938, and \$4,138, respectively, equal to the contractually required contributions for each year as set by state statute.

**SUPPLEMENTARY INFORMATION**

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

**Schedule 1**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<b>General Fund</b>
<b>Shared Revenue</b>	
<b>State</b>	
PERA rate reimbursement	\$ <u>597</u>
<b>Reimbursement for Services</b>	
<b>State</b>	
Minnesota Department of Human Services	\$ <u>322,174</u>
<b>Grants</b>	
<b>State</b>	
Minnesota Department of Health	\$ 1,632,381
Human Services	<u>322,174</u>
<b>Total State</b>	<b>\$ <u>1,954,555</u></b>
<b>Federal</b>	
Department of Agriculture	\$ 625,599
Health and Human Services	1,084,300
Environmental Protection Agency	<u>6,909</u>
<b>Total Federal</b>	<b>\$ <u>1,716,808</u></b>
<b>Total State and Federal Grants</b>	<b>\$ <u>3,671,363</u></b>
<b>Total Intergovernmental Revenue</b>	<b>\$ <u><u>3,994,134</u></u></b>

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Segregation of Duties

The limited number of the office personnel within the Carlton, Cook, Lake, and St. Louis Community Health Board prevents the segregation of accounting functions necessary to ensure adequate internal accounting control. This is not unusual in operations the size of the Board, and we realize this is somewhat alleviated by the fact that St. Louis County is the Board's fiscal agent.

We recommended that management be aware of this condition. The most effective system of control lies in management's knowledge of the Board's operations and periodic review of those operations.

Client's Response:

*The Carlton, Cook, Lake, and St. Louis Community Health Board is aware of the internal control situation and is in continuous review of the Board's operations. Continuous review is an ongoing process. No formal completion date is applicable.*

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

None.

## **OTHER REQUIRED REPORTS**

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PATRICIA ANDERSON  
STATE AUDITOR

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

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

We have audited the financial statements of the Carlton, Cook, Lake, and St. Louis Community Health Board as of and for the year ended December 31, 2004, and have issued our report thereon dated July 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Carlton, Cook, Lake, and St. Louis Community Health Board's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Board's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 96-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by

employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition indicated above is not a material weakness.

### 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 of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Minnesota Legal Compliance

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

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

The results of our tests indicate that for the items tested the Carlton, Cook, Lake, and St. Louis Community Health Board complied with the material terms and conditions of applicable legal provisions.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 7, 2005



# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

#### Compliance

We have audited the compliance of the Carlton, Cook, Lake, and St. Louis Community Health Board with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2004. The Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Board's management. Our responsibility is to express an opinion on the Board's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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. Our audit does not provide a legal determination on the Board's compliance with those requirements.

In our opinion, the Carlton, Cook, Lake, and St. Louis Community Health Board complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2004.

## Internal Control Over Compliance

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

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

## Schedule of Expenditures of Federal Awards

We have audited the financial statements of the Carlton, Cook, Lake, and St. Louis Community Health Board as of and for the year ended December 31, 2004, and have issued our report thereon dated July 7, 2005. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as whole.

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

*/s/Pat Anderson*

PATRICIA ANDERSON  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

End of Fieldwork: July 7, 2005

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

Schedule 3

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

<b>Federal Grantor Pass-Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Number</b>	<b>Expenditures</b>	<b>Passed Through to Subrecipients</b>
<b>U.S. Department of Agriculture</b>				
Passed Through Minnesota Department of Health Supplemental Food Program for Women, Infants, and Children	10.557		\$ <b>625,599</b>	\$ <b>625,599</b>
<b>U.S. Environmental Protection Agency</b>				
Passed Through Minnesota Department of Health State Indoor Radon Grant (SIRG)	66.032	H12-A70603	\$ <b>6,909</b>	\$ <b>6,909</b>
<b>U.S. Department of Health and Human Services</b>				
Passed Through Minnesota Department of Health Immunization Grants	93.268	H12-AS9134	\$ 2,500	\$ 2,500
Centers for Disease Control and Prevention - Bioterrorism	93.283	H12-A37374	386,916	386,916
Temporary Assistance for Needy Families (TANF)	93.558		200,352	200,352
Preventive Health and Health Services Block Grant	93.991	A65870	10,000	10,000
Maternal and Child Health Services Block Grant	93.994		484,532	434,610
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 1,084,300</b>	<b>\$ 1,034,378</b>
<b>Total Federal Awards</b>			<b>\$ 1,716,808</b>	<b>\$ 1,666,886</b>

Notes to Schedule of Expenditures of Federal Awards

1. The Schedule of Expenditures of Federal Awards presents the activity of federal award programs expended by the Carlton, Cook, Lake, and St. Louis County Community Health Board. The Board's reporting entity is defined in Note 1 to the financial statements.
2. The expenditures on this schedule are on the modified accrual basis of accounting.
3. Unlisted pass-through grant numbers were not assigned by the pass-through agency.