State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Meeker-McLeod-Sibley Community Health Services Litchfield, Minnesota

Year Ended December 31, 2020

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 Minnesota's local public pension funds; and

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

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

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Meeker-McLeod-Sibley Community Health Services Litchfield, Minnesota

Year Ended December 31, 2020

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

TABLE OF CONTENTS

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

TABLE OF CONTENTS
(Continued)

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

ORGANIZATION
2020

Office	Name
Board Members	
McLeod County Commissioners	
Secretary	Ron Shimanski
Member	Rich Pohlmeier
Alternate	Joe Nagel
Meeker County Commissioners	
Chair	Mike Housman
Member	Beth Oberg
Alternate	Joe Tacheny
Sibley County Commissioners	
Vice Chair	Bobbie Harder
Member	Bill Pinske
Alternate	Joy Cohrs
Management Team	
McLeod County Health and Human Services Director	Berit Spors
Meeker County Public Health Director	Diane Winter
Sibley County Public Health and Human Services Director	Klea Rettman
Community Health Services Administrator	Kiza Olson

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Community Health Board
Meeker-McLeod-Sibley Community Health Services
Litchfield, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Meeker-McLeod-Sibley Community Health Services as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Health Services' 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 Health Services' 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 Health Services' 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.

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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 Meeker-McLeod-Sibley Community Health Services as of December 31, 2020, and the respective changes in financial position thereof 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 Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Meeker-McLeod-Sibley Community Health Services' basic financial statements. The Other Schedules, which include the Schedule of Intergovernmental Revenue and the Schedule of Expenditures of Federal Awards (SEFA), and the related notes to the SEFA, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Other Schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Other Schedules are 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 October 21, 2021, on our consideration of Meeker-McLeod-Sibley Community Health Services' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 Meeker-McLeod-Sibley Community Health Services' 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 Meeker-McLeod-Sibley Community Health Services' 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 Health Services' basic financial statements. The accompanying SEFA is presented for purposes of additional analysis, 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), and is not a required part of the basic financial statements. Such 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. The 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/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

October 21, 2021

BASIC FINANCIAL STATEMENTS

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT 1

GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2020

	General Fund	Adjustments	Governmental Activities
Assets and Deferred Outflows of Resources			
Current assets			
Cash and pooled investments	$ 383,596	$ -	$ 383,596
Accounts receivable	77	-	77
Due from other governments	364,527	-	364,527
Noncurrent assets			
Capital assets			
Depreciable – net of accumulated depreciation	-	12,753	12,753
Total Assets	**$ 748,200**	**$ 12,753**	**$ 760,953**
Deferred Outflows of Resources			
Deferred pension outflows	-	83,303	83,303
Total Assets and Deferred Outflows of Resources	**$ 748,200**	**$ 96,056**	**$ 844,256**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Accounts payable	$ 3,450	$ -	$ 3,450
Salaries payable	12,963	-	12,963
Accrued payroll taxes	926	-	926
Other accrued liabilities	971	-	971
Due to other governments	433,127	-	433,127
Compensated absences payable	-	15,572	15,572
Noncurrent liabilities			
Compensated absences payable – long-term	-	7,396	7,396
Net pension liability	-	269,796	269,796
Total Liabilities	**$ 451,437**	**$ 292,764**	**$ 744,201**
Deferred Inflows of Resources			
Deferred pension inflows	**$ -**	**$ 34,276**	**$ 34,276**
Fund Balance			
Assigned for health programs	**$ 296,763**	**$ (296,763)**	**$ -**

The notes to the financial statements are an integral part of this statement.

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT 1
(Continued)

GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES
STATEMENT OF NET POSITION WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2020

	General Fund	Adjustments	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Net Position			
Investment in capital assets		$ 12,753	$ 12,753
Unrestricted		53,026	53,026
Total Net Position		**$ 65,779**	**$ 65,779**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 748,200**	**$ 96,056**	**$ 844,256**

Reconciliation of the General Fund Balance to Net Position – Governmental Activities

Fund Balance – General Fund		**$ 296,763**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		12,753
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental fund.		83,303
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental fund.		
Compensated absences payable	$ (22,968)	
Net pension liability	(269,796)	(292,764)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental fund.		(34,276)
Net Position – Governmental Activities		**$ 65,779**

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, 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, 2020

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 1,934,596	$ -	$ 1,934,596
Charges for services	3,233	-	3,233
Gifts and contributions	8,283	-	8,283
Miscellaneous	15,995	-	15,995
Total Revenues	**$ 1,962,107**	**$ -**	**$ 1,962,107**
Expenditures/Expenses			
Health			
Current	$ 711,276	$ 17,686	$ 728,962
Intergovernmental	1,127,452	-	1,127,452
Depreciation	-	4,996	4,996
Total Expenditures/Expenses	**$ 1,838,728**	**$ 22,682**	**$ 1,861,410**
Net Change in Fund Balance/Net Position	**$ 123,379**	**$ (22,682)**	**$ 100,697**
Fund Balance/Net Position – January 1	**173,384**	**(208,302)**	**(34,918)**
Fund Balance/Net Position – December 31	**$ 296,763**	**$ (230,984)**	**$ 65,779**

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

Net Change in Fund Balance		**$ 123,379**
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Current year depreciation		(4,996)
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 payable	$ (10,971)	
Change in net pension liability	(4,415)	
Change in deferred pension outflows	(27,671)	
Change in deferred pension inflows	25,371	(17,686)
Change in Net Position of Governmental Activities		**$ 100,697**

The notes to the financial statements are an integral part of this statement.

1. Summary of Significant Accounting Policies

Meeker-McLeod-Sibley Community Health Services' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2020. 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 Health Services are discussed below.

A. Financial Reporting Entity

The Meeker-McLeod-Sibley Community Health Board was established pursuant to Minn. Stat. §§ 145A.09-145A.14 and a joint powers agreement as the Meeker-McLeod-Sibley Health Services Board effective April 1, 1980. This joint powers agreement was revised, effective April 19, 1990, and the Board was renamed the Meeker-McLeod-Sibley Community Health Board. The Community Health Board consists of nine members, three each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services.

The Health Services participates in a jointly-governed organization described in Note 5.

B. Basic Financial Statements

The basic financial statements include information on Meeker-McLeod-Sibley Community Health Services' activities as a whole and information on the General Fund of the Health Services. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of Meeker-McLeod-Sibley Community Health Services as a whole.

The governmental activities columns are reported using the economic resources measurement focus and the full accrual basis of accounting, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Meeker-McLeod-Sibley Community Health Services' net position is reported as an investment in capital assets and unrestricted net position.

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

Meeker-McLeod-Sibley Community Health Services first utilizes restricted resources to finance qualifying activities. The statement of activities demonstrates the degree to which the expenses of Meeker-McLeod-Sibley Community Health Services are offset by revenues.

The balance sheet and statement of revenues, expenditures, and changes in fund balance for the General Fund are presented on the modified accrual basis of accounting and report current financial resources.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the 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. Meeker-McLeod-Sibley Community Health Services considers all revenues as available if collected within 90 days after the end of the current period. Charges for services are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for compensated absences, which is recognized as an expenditure to the extent that it has matured.

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

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

1. Due From/To Other Governments

Due from/to other governments amounts represent receivables and payables related to grants from other federal, state, and local governments for the program administration.

1. Summary of Significant Accounting Policies

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

1. Due From/To Other Governments (Continued)

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

2. Capital Assets

Capital assets and related depreciation are recorded in the governmental activities column in the statement of net position. Meeker-McLeod-Sibley Community Health Services defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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

3. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, comp time, vested sick leave balances, and sick leave balances in excess of the maximum balance. 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. A liability for this amount is reported in the governmental fund only if it has matured, for example, as a result of employee resignations and retirements. The current portion of compensated absences is based on percentages predetermined by management.

1. Summary of Significant Accounting Policies

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

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. Meeker-McLeod-Sibley Community Health Services reports deferred outflows of resources only under the full accrual basis of accounting associated with the pension plan and, accordingly, is only reported in the statement of net position.

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) until that time. Meeker-McLeod-Sibley Community Health Services reports deferred inflows of resources associated with pension benefits. This deferred inflow of resources arises only under the full accrual basis of accounting and, accordingly, is reported only in the statement of net position.

5. Classification of Net Position

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

Investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation.

Unrestricted – the amount of net position that does not meet the definition of investment in capital assets or restricted.

6. Classification of Fund Balance

Fund balance is divided into classifications based primarily on the extent to which the Health Services is bound to observe constraints imposed upon the use of resources in the General Fund. The Health Services only has assigned fund balance.

1. Summary of Significant Accounting Policies

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

6. Classification of Fund Balance (Continued)

Assigned – amounts in the assigned fund balance classification are intended to be used for specific purposes but 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 or the Community Health Services Administrator, who has been delegated that authority.

7. Budgetary Information

The Health Services adopts a revenue and expenditure budget for the General Fund on the modified accrual basis. The legal level of budgetary control is the function level. Appropriations lapse at year-end. The budget may be amended or modified at any time by the Community Health Board.

8. 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, 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.

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.

2. Significant Violations of Finance-Related Legal or Contractual Provisions

   At December 31, 2020, the Health Services' deposits were under-collateralized by $172,183, which is not in compliance with Minn. Stat. § 118A.03. Collateral will be obtained for future deposits for amounts held in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

3. Detailed Notes

   A. Assets

      1. Deposits

         The Health Services is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. The Health Services is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

         Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that the securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

         Custodial Credit Risk

         Custodial credit risk is the risk that in the event of a financial institution failure, the Health Services' deposits may not be returned to it. The Health Services does not have a deposit policy for custodial credit risk. As of December 31, 2020, the Health Services' deposits in the amount of $156,530 were exposed to custodial credit risk.

3. Detailed Notes

A. Assets (Continued)

2. Receivables

The Health Services did not have any receivables scheduled to be collected beyond one year as of December 31, 2020.

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Office equipment	$ 35,246	$ -	$ -	$ 35,246
Less: accumulated depreciation for				
Office equipment	(17,497)	(4,996)	-	(22,493)
Total Capital Assets Depreciated, Net	$ 17,749	$ (4,996)	$ -	$ 12,753

Depreciation expense of $4,996 was charged to the Health Services' health function in 2020.

B. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 11,997	$ 22,126	$ 11,155	$ 22,968	$ 15,572

3. Detailed Notes (Continued)

C. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of Meeker-McLeod-Sibley Community Health Services are covered by a defined benefit pension plan 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 plans are tax qualified plans 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 Meeker-McLeod-Sibley Community Health Services employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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.

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase.

3. Detailed Notes

C. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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. In the General Employees Plan, 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.

3. 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 2020.

In 2020, the Health Services 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 Health Services' contribution for the General Employees Plan for the year ended December 31, 2020, was $27,771. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2020, the Health Services reported a liability of $269,796 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Services' proportion of the net pension liability was based on the Health Services' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the Health Services' proportion was 0.0046 percent. It was 0.0048 percent measured as of June 30, 2019. The Health Services recognized pension expense of $34,486 for its proportionate share of the General Employees Plan's pension expense.

3. Detailed Notes

C. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The Health Services also recognized $718 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its 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 annually until September 15, 2031.

The Health Services' proportionate share of the net pension liability	$ 269,796
State of Minnesota's proportionate share of the net pension liability associated with the Health Services	8,250
Total	$ 278,046

The Health Services 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	$ 1,559	$ -
Changes in actuarial assumptions	-	9,068
Difference between projected and actual investment earnings	11,117	-
Changes in proportion	55,476	25,208
Contributions paid to PERA subsequent to the measurement date	15,151	-
Total	$ 83,303	$ 34,276

3. Detailed Notes

C. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The $15,151 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, 2021.

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
2021	$ 1,025
2022	25,323
2023	1,010
2024	6,518

5. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.25 percent per year
Active member payroll growth	3.00 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 were based on the Pub-2010 General Employee Mortality table, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. Inflation and investment assumptions were reviewed in the experience study report for the General Employees Plan.

3. 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. 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.

3. Detailed Notes

C. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes results in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

3. Detailed Notes

C. Defined Benefit Pension Plan

7. Changes in Actuarial Assumptions and Plan Provisions (Continued)

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

8. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 432,389
Current	7.50	269,796
1% Increase	8.50	135,669

3. Detailed Notes

C. Defined Benefit Pension Plan (Continued)

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.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

Meeker-McLeod-Sibley Community Health Services is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Health Services has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to cover its property and casualty liabilities. There were no significant reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 in 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may asses the Health Services in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the Health Services pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the Health Services in a method and amount to be determined by MCIT.

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

   B. Claims and Litigation

   Meeker-McLeod-Sibley Community Health Services, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The Health Services' attorney estimates that the potential claims against the Health Services resulting from litigation not covered by insurance would not materially affect the financial statements of the Health Services.

   C. Contingent Liabilities

   Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the Health Services expects such amounts, if any, to be immaterial.

5. Jointly-Governed Organization

   Minnesota Counties Computer Cooperative

   Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Meeker-McLeod-Sibley Community Health Services entered into a joint powers agreement with the MCCC during 2015. In 2020, the Health Services paid $30,950 to the MCCC.

REQUIRED SUPPLEMENTARY INFORMATION

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 1,652,240	$ 1,652,240	$ 1,934,596	$ 282,356
Charges for services	-	-	3,233	3,233
Gifts and contributions	-	-	8,283	8,283
Miscellaneous	-	-	15,995	15,995
Total Revenues	**$ 1,652,240**	**$ 1,652,240**	**$ 1,962,107**	**$ 309,867**
Expenditures				
Health				
Local Public Health Grant	$ 311,635	$ 311,635	$ 321,912	$ (10,277)
Universal Newborn Hearing Screening	3,000	3,000	3,900	(900)
Women, Infants, and Children	360,282	360,282	494,083	(133,801)
Family Planning Special Projects	34,074	34,074	31,232	2,842
Healthy Homes	20,000	20,000	21,863	(1,863)
Project Harmony	180,000	180,000	143,972	36,028
Crow River Area Breastfeeding Coalition	-	-	665	(665)
Follow Along Program	6,072	6,072	6,411	(339)
Maternal and Child Health Services Block Grant	81,891	81,891	61,489	20,402
Health Disparities	1,883	1,883	177,193	(175,310)
Healthy Communities Activities	4,000	4,000	2,050	1,950
Home Visiting Temporary Assistance for Needy Families	95,010	95,010	84,911	10,099
Child and Teen Checkups	229,411	229,411	175,901	53,510
Public Health Emergency Preparedness Grants	80,887	80,887	92,983	(12,096)
Suicide Prevention Grant	20,000	20,000	9,790	10,210
Influenza Vaccine	-	-	100	(100)
Statewide Health Improvement Program	224,095	224,095	210,273	13,822
Total Expenditures	**$ 1,652,240**	**$ 1,652,240**	**$ 1,838,728**	**$ (186,488)**
Net Change in Fund Balance	**$ -**	**$ -**	**$ 123,379**	**$ 123,379**
Fund Balance – January 1	**173,384**	**173,384**	**173,384**	**-**
Fund Balance – December 31	**$ 173,384**	**$ 173,384**	**$ 296,763**	**$ 123,379**

The notes to the required supplementary information are an integral part of this schedule.

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT A-2

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

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 Meeker-McLeod-Sibley Community Health Services (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
2020	0.0046 %	$ 269,796	$ 8,250	$ 278,046	$ 317,397	85.00 %	79.06 %
2019	0.0048	265,381	8,166	273,547	334,872	79.25	80.23
2018	0.0028	155,333	5,110	160,443	187,062	83.04	79.53
2017	0.0036	227,389	2,860	230,249	229,507	99.08	75.90
2016	0.0031	254,023	3,330	257,353	194,933	130.31	68.91
2015	0.0015	79,059	N/A	79,059	90,395	87.46	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

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

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)
2020	$ 27,771	$ 27,771	$ -	$ 370,278	7.50 %
2019	23,435	23,435	-	312,472	7.50
2018	20,543	20,543	-	273,896	7.50
2017	15,723	15,723	-	209,640	7.50
2016	16,555	16,555	-	220,747	7.50
2015	7,115	7,115	-	94,867	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
Meeker-McLeod-Sibley Community Health Services' year-end is December 31.

The notes to the required supplementary information are an integral part of this schedule.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Budgetary Information

   Meeker-McLeod-Sibley Community Health Services adopts estimated revenue and expenditure budgets for the General Fund on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is the function level. Appropriations and encumbrances lapse at year-end. The budgets may be amended or modified at any time by the Community Health Board.

2. Excess of Expenditures over Appropriations

   In the General Fund, the expenditures exceeded appropriations for the year ended December 31, 2020, by $186,488.

3. 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

   2020

   - The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
   - The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
   - Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
   - Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

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

General Employees Retirement Plan

2020 (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

- The mortality projection scale was changed from MP-2017 to MP-2018.

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

General Employees Retirement Plan (Continued)

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.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

General Employees Retirement Plan (Continued)

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.

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.

OTHER SCHEDULES

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT B-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020

Reimbursement for Services		
State		
Minnesota Department of Human Services	$	260,652
Grants		
State		
Minnesota Department of Health	$	727,169
Federal		
U.S. Department of Agriculture		
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	$	494,321
U.S. Department of the Treasury		
Coronavirus Relief Funds	$	70,392
U.S. Department of Education		
Special Education – Grants for Infants and Families	$	6,411
U.S. Department of Health and Human Services		
PHEP Grants (Public Health Emergency Preparedness)	$	24,568
HPP Grants (Hospital Preparedness Program)		55,629
Early Hearing Detection and Intervention		300
TANF Home Visiting (Temporary Assistance for Needy Families)		84,911
Block Grants for Prevention and Treatment of Substance Abuse		148,754
Maternal and Child Health Services Block Grant (MCH)		61,489
Total U.S. Department of Health and Human Services	$	375,651
Total federal	$	946,775
Total state and federal grants	$	1,673,944
Total Intergovernmental Revenue	$	1,934,596

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

EXHIBIT B-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	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	32573	**$ 494,321**	**$ 327,086**
U.S. Department of the Treasury				
Passed Through Minnesota Department of Health				
COVID-19 – Coronavirus Relief Fund	21.019	189813	**$ 70,392**	**$ 58,255**
U.S. Department of Education				
Passed Through Minnesota Department of Health				
Special Education – Grants for Infants and Families	84.181	B04MC32551	**$ 6,411**	**$ 6,411**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health				
Public Health Emergency Preparedness	93.069	NU90TP922026	$ 24,568	$ -
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	93.074	NU90TP922026	55,629	-
Early Hearing Detection and Intervention	93.251	12-700-00087	300	300
Temporary Assistance for Needy Families	93.558	159922	84,911	84,911
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	61,489	42,238
Passed Through Minnesota Department of Human Services				
Block Grants for Prevention and Treatment of Substance Abuse	93.959	GRK%155125	148,754	81,009
Total U.S. Department of Health and Human Services			**$ 375,651**	**$ 208,458**
Total Federal Awards			**$ 946,775**	**$ 600,210**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. Summary of Significant Accounting Policies

   A. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Meeker-McLeod-Sibley Community Health Services. The Health Services' reporting entity is defined in Note 1 to the financial statements.

   B. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Meeker-McLeod-Sibley Community Health Services under programs of the federal government for the year ended December 31, 2020. 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 Meeker-McLeod-Sibley Community Health Services, it is not intended to and does not present the financial position or changes in net position of Meeker-McLeod-Sibley Community Health Services.

   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.

2. De Minimis Cost Rate

   Meeker-McLeod-Sibley Community Health Services has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Community Health Board
Meeker-McLeod-Sibley Community Health Services
Litchfield, 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 Meeker-McLeod-Sibley Community Health Services as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Health Services' basic financial statements, and have issued our report thereon dated October 21, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Meeker-McLeod-Sibley Community Health Services' internal control over financial reporting as a basis for designing 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 Health Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health Services' internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Health Services' financial statements will not be prevented, or detected and corrected, on a timely basis. 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.

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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 2020-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

In connection with our audit, we noted that Meeker-McLeod-Sibley Community Health Services failed to comply with the provisions of the deposits and investments section of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the Schedule of Findings and Questioned Costs as item 2020-003. Also, in connection with our audit, nothing came to our attention that caused us to believe that Meeker-McLeod-Sibley Community Health Services failed to comply with the provisions of the contracting and bidding, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, insofar as they relate to accounting matters. 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 Health Services' noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Meeker-McLeod-Sibley Community Health Services' Response to Findings

Meeker-McLeod-Sibley Community Health Services' responses to the internal control and legal compliance findings identified in our audit are described in the Corrective Action Plan. The Health Services' responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Health Services' 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 Health Services' internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

October 21, 2021

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Community Health Board
Meeker-McLeod-Sibley Community Health Services
Litchfield, Minnesota

Report on Compliance for the Major Federal Program

We have audited Meeker-McLeod-Sibley Community Health Services' compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the Health Services' major federal program for the year ended December 31, 2020. Meeker-McLeod-Sibley Community Health Services' 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 Meeker-McLeod-Sibley Community Health Services' 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 Meeker-McLeod-Sibley Community Health Services' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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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 Health Services' compliance.

Opinion on the Major Federal Program
In our opinion, Meeker-McLeod-Sibley Community Health Services 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, 2020.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002. Our opinion on the major federal program is not modified with respect to this matter.

Meeker-McLeod-Sibley Community Health Services' response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Health Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Meeker-McLeod-Sibley Community Health Services 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 Health Services' 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 Health Services' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-002, that we consider to be a significant deficiency.

Meeker-McLeod-Sibley Community Health Services' response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The Health Services' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

October 21, 2021

MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 the major program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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)? **Yes**

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.

Meeker-McLeod-Sibley Community Health Services qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Audit Adjustments

Criteria: 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 of the financial statements on a timely basis.

Condition: Adjustments and reclassifications were prepared by the external auditor which resulted in significant changes to Meeker-McLeod-Sibley Community Health Services' financial statements.

Context: A cash basis trial balance was provided by the Health Services. The external auditors were asked to prepare the journal entries necessary to convert the cash basis trial balance to the appropriate basis of accounting necessary for preparing fund level and government-wide financial statements. Management reviewed and approved the journal entries to be booked.

Effect: Numerous journal entries were necessary in order for the financial report to be fairly stated.

Cause: The Health Services' accounting firm only performed limited services in the preparation of the financial report and only on the cash basis of accounting.

Recommendation: We recommend the Health Services work with its accounting firm to prepare the financial report on the modified accrual and full accrual basis of accounting. In addition, we recommend the Health Services' staff implement additional procedures over financial reporting to ensure the information is complete and accurate so the Health Services' financial statements are fairly presented in accordance with accounting principles generally accepted in the United States of America.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-002

Prior Year Finding Number: 2019-001

Repeat Finding Since: 2018

<u>Special Supplemental Nutrition Program for Women, Infants, and Children: Procurement</u>

Program: U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557), Award No. 32573, 2020

Pass-Through Agency: Minnesota Department of Health

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. In addition, Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. Lastly, federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement.

Condition: Meeker-McLeod-Sibley Community Health Services updated its procurement policy in 2020; however, it did not include all of the required components to be in compliance with Title 2 U.S. *Code of Federal Regulations* § 200.318. In addition, documentation was not maintained for the history of the one procurement transaction tested.

Questioned Costs: None.

Context: The sample size for all compliance requirements was based on guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Noncompliance with grant requirements.

Cause: The policy was not revised to include all of the necessary information. Staff did not follow the policy when entering into the procurement contract.

Recommendation: We recommend Meeker-McLeod-Sibley Community Health Services develop and implement policies and procedures that will ensure compliance with the Uniform Guidance procurement requirements. In addition, this should identify the documentation the Health Services expects staff to maintain to sufficiently support compliance.

View of Responsible Official: Concur

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03 to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: At year-end, Meeker-McLeod-Sibley Community Health Services had deposits with Security Bank & Trust that were not adequately covered by Federal Deposit Insurance Corporation (FDIC) insurance or collateral.

Context: Deposits were under-collateralized by $172,183 on December 31, 2020.

Effect: When the Health Services has insufficient collateral with a bank, it may not receive all deposits in the event of bank default.

Cause: The Health Services was not reviewing the monthly bank reconciliations performed by its accounting firm, including monitoring deposits for sufficient collateral coverage.

Recommendation: We recommend Meeker-McLeod-Sibley Community Health Services establish procedures to monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Concur

Public Health
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Community Health Services

Meeker-McLeod-Sibley Community Health Services

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Litchfield, MN 55355

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Fax Line (320)-693-5399

REPRESENTATION OF MEEKER-MCLEOD-SIBLEY
COMMUNITY HEALTH SERVICES
LITCHFIELD, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001
Finding Title: Audit Adjustments

Name of Contact Person Responsible for Corrective Action:

Kiza Olson, Community Health Services Administrator

Corrective Action Planned:

MMS CHS will work with accounting firm to prepare the financial report on the modified-accrual and full accrual basis of accounting. MMS CHS will implement a monthly final approval to ensure the information is complete and accurate. Documentation of final approval will be saved for accuracy and accountability.

Anticipated Completion Date:

December 31, 2021

Finding Number: 2020-002
Finding Title: Special Supplemental Nutrition Program for Women, Infants, and Children: Procurement
Program: U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)

Name of Contact Person Responsible for Corrective Action:

Kiza Olson, Community Health Services Administrator

Meeker-McLeod-Sibley Community Health Services
114 N. Holcombe #250
Litchfield, MN 55355
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Corrective Action Planned:

The MMS CHS Administrator will update the procurement policy to be in compliance with Title 2 U.S. *Code of Federal Regulations* § 200.318. Findings of the procurement transaction will be saved per retention policy.

Anticipated Completion Date:

October 28, 2021

Finding Number: 2020-003
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Kiza Olson, Community Health Services Administrator

Corrective Action Planned:

MMS CHS will establish monthly procedures to monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03. Documentation of findings will be recorded.

Anticipated Completion Date:

December 31, 2021

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REPRESENTATION OF MEEKER-MCLEOD-SIBLEY COMMUNITY HEALTH SERVICES LITCHFIELD, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2019-001
Repeat Finding Since: 2018
Finding Title: Special Supplemental Nutrition Program for Women, Infants, and Children: Procurement, Suspension, and Debarment
Program: U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children (CFDA No. 10.557)

Summary of Condition: Meeker-McLeod-Sibley Community Health Services updated its procurement policy in 2019; however, it did not include all of the required components to be in compliance with Title 2 U.S. *Code of Federal Regulations* § 200.318. In addition, documentation was not maintained for the history of the one procurement transaction tested. Finally, there were no procedures in place to verify if an entity is suspended or debarred prior to entering into a covered transaction.

Summary of Corrective Action Previously Reported: Administrator will revise the Meeker-McLeod-Sibley Financial Management Policy, which was approved by the Community Health Board in February 2019 to meet the standards. Suspension and debarment will be verified and documented annually via SAM.gov. Entities will be checked in November 2020 then annually in January.

Status: Partially Corrected. Administrator failed to save a copy of the SAM.gov findings. Administrator will save a copy each finding.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___