

STATE OF MINNESOTA

Office of the State Auditor



Patricia Anderson
State Auditor

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

FOR THE YEAR ENDED DECEMBER 31, 2005

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.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

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.

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

For the Year Ended December 31, 2005



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

This page was left blank intentionally.

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

TABLE OF CONTENTS

	Reference	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
General Fund Balance Sheet and Governmental Activities - Statement of Net Assets with Adjustments to Convert Modified to Full Accrual	Exhibit 1	10
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	Exhibit 2	11
General Fund Budgetary Comparison	Exhibit 3	12
Notes to the Financial Statements		15
Supplementary Information		
Schedule of Intergovernmental Revenue	Schedule 1	25
Management and Compliance Section		
Schedule of Findings and Questioned Costs	Schedule 2	26
Other Required Reports		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		28
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133		30
Schedule of Expenditures of Federal Awards	Schedule 3	33

This page was left blank intentionally.

This page was left blank intentionally.

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

ORGANIZATION
DECEMBER 31, 2005

Representing

Board

Barbara Little
Charles Liupakka
Beverly Green
Janice Hall, Chair
Willard M. Clark
Sarah Nelson, M.D.
Mike Forsman
Steve O'Neil
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.

This page was left blank intentionally.

This page was left blank intentionally.



STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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, 2005, 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, 2005, 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.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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 conducted for the purpose of forming opinions on the financial statements that collectively comprise the Carlton, Cook, Lake, and St. Louis Community Health Board's basic financial statements 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2006, 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 14, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2005
(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, 2005. Please read it in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

- The total net assets of the Board increased by \$24,175 or 27.2 percent.
- The Board's General Fund reported an ending fund balance of \$146,933, an increase of \$26,081. Undesignated, unreserved fund balance (available spendable resources) account for \$141,085 of the fund balance or 96 percent.
- The General Fund reported an excess of revenue over expenditures of \$26,081.

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 \$113,170.

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	
	2005	2004
Current and other assets	\$ 566,542	\$ 587,760
Other liabilities	\$ 419,609	\$ 466,908
Long-term liabilities outstanding	33,763	31,857
Total Liabilities	\$ 453,372	\$ 498,765
Net Assets		
Unrestricted	\$ 113,170	\$ 88,995

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

Governmental Activities

The Board's net assets increased by \$24,175, or 27.2 percent, from \$88,995 to \$113,170. The Board is able to report a positive balance in net assets.

Current and other assets are primarily cash and pooled investments (\$353,729 or 62.4 percent) and due from other governments (\$206,976 or 36.5 percent).

The Board's long-term liabilities are for compensated absences. Amounts due to other governments account for 85.1 percent of the other liabilities. Other liabilities are detailed on the General Fund balance sheet under liabilities.

**Table 2
Changes in Net Assets**

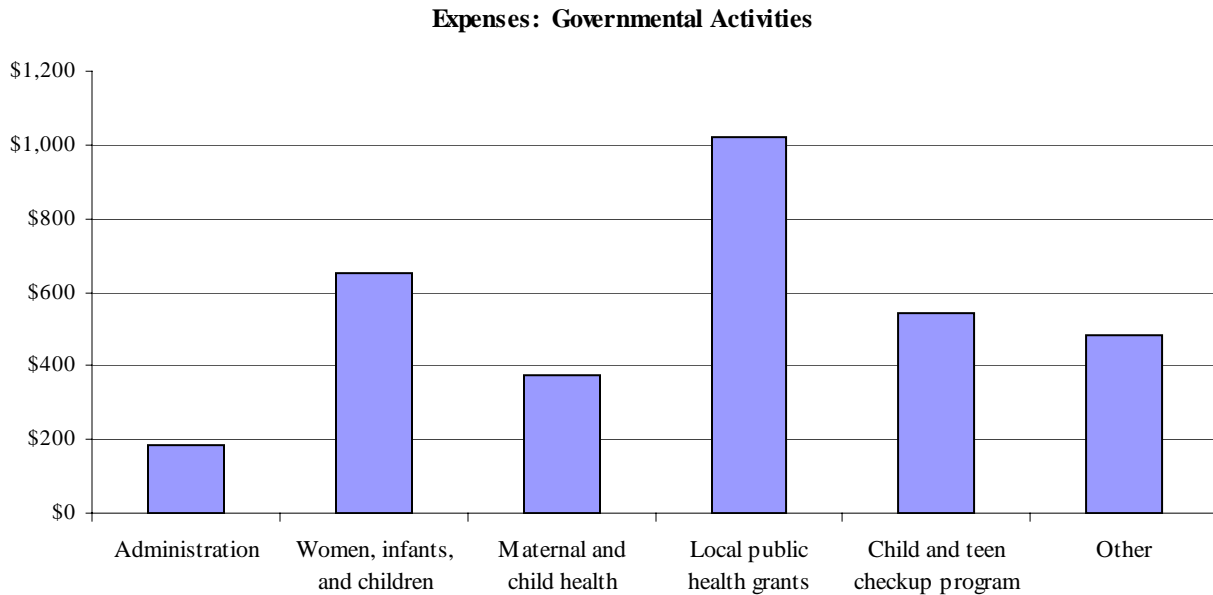
	Governmental Activities	
	2005	2004
Revenues		
Program revenues		
Charges for services	\$ -	\$ 3,761
Operating grants and contributions	3,286,432	3,994,134
Total Revenues	\$ 3,286,432	\$ 3,997,895
Expenses		
Program expenses		
Administration	\$ 187,792	\$ 197,984
Women, infants, and children	654,220	625,599
Maternal and child health	374,030	434,610
Local public health grants	1,019,441	1,225,857
Child and teen checkup program	367,888	648,084
Other	658,886	851,828
Total Expenses	\$ 3,262,257	\$ 3,983,962

	Governmental Activities	
	2005	2004
Increase (Decrease) in Net Assets	\$ 24,175	\$ 13,933
Net Assets - January 1	88,995	75,062
Net Assets - December 31	\$ 113,170	\$ 88,995

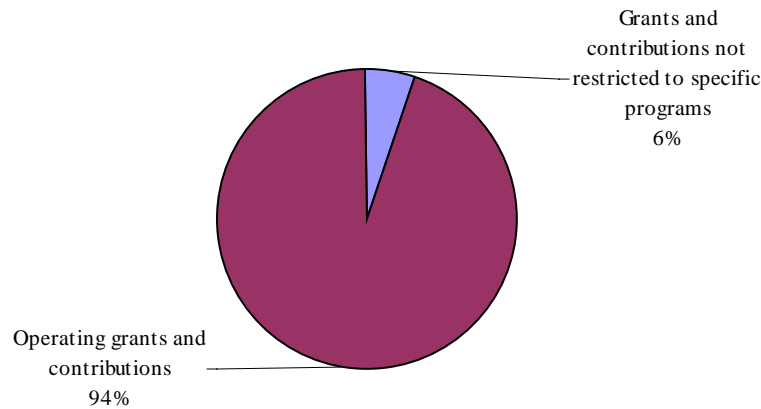
The following analysis focuses on the Board's changes in net assets (Table 2).

Operating grants and contributions were from state shared revenues and reimbursements and state and federal grants. State grants of \$1,440,055 and federal grants of \$1,661,519 were reported in 2005.

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



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 the Board's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Board's financing requirements. In particular, 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, 2005, the Board's General Fund reported a fund balance of \$146,933, compared with \$120,852 in 2004. Most of the fund balance, or \$141,085, was unreserved fund balance, which is available for spending at the Board's discretion. The remaining \$5,848 is reserved for encumbrances and prepaid items. Fund balance is reserved because it is either unavailable for spending or legally restricted.

The Board's fund balance increased \$26,081 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 404 West Superior Street, Suite 220, Duluth, Minnesota 55802.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

**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, 2005**

	General Fund	Adjustments	Governmental Activities
<u>Assets</u>			
Cash and pooled investments	\$ 353,729	\$ -	\$ 353,729
Accounts receivable	521	-	521
Due from other governments	206,976	-	206,976
Prepaid items	5,316	-	5,316
Total Assets	\$ 566,542	\$ -	\$ 566,542
<u>Liabilities</u>			
Current liabilities			
Accounts payable	\$ 6,372	\$ -	\$ 6,372
Salaries payable	2,309	-	2,309
Due to other governments	385,697	-	385,697
Deferred revenue - unearned	25,231	-	25,231
Long-term liabilities			
Due in more than one year	-	33,763	33,763
Total Liabilities	\$ 419,609	\$ 33,763	\$ 453,372
<u>Fund Balance/Net Assets</u>			
Fund Balance			
Reserved for encumbrances	\$ 532	\$ (532)	
Reserved for prepaid items	5,316	(5,316)	
Unreserved			
Undesignated	141,085	(141,085)	
Total Fund Balance	\$ 146,933	\$ (146,933)	
Total Liabilities and Fund Balance	\$ 566,542		
Net Assets			
Unrestricted		\$ 113,170	\$ 113,170
Reconciliation of the General Fund Balance to Net Assets			
Fund Balance - General Fund			\$ 146,933
Long-term liabilities are not due and payable in the current period and; therefore, are not reported in the governmental funds.			
Compensated absences			(33,763)
Net Assets - Governmental Activities			\$ 113,170

**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, 2005**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	\$ 3,286,432	\$ -	\$ 3,286,432
Expenditures/Expenses			
Current			
Administration	\$ 185,886	\$ 1,906	\$ 187,792
Human services	367,888	-	367,888
Health	2,706,577	-	2,706,577
Total Expenditures/Expenses	\$ 3,260,351	\$ 1,906	\$ 3,262,257
Net Change in Fund Balance/Net Assets	\$ 26,081	\$ (1,906)	\$ 24,175
Fund Balance/Net Assets - January 1	120,852	-	88,995
Fund Balance/Net Assets - December 31	\$ 146,933	\$ (1,906)	\$ 113,170

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		\$	26,081
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.			
Changes in compensated absences during 2005			
Payable - January 1	\$ 31,857		
Payable - December 31	(33,763)		(1,906)
Net Change in Net Assets of Governmental Activities		\$	24,175

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

EXHIBIT 3

**BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental				
Federal grants				
Women, infants, and children (WIC)	\$ 554,657	\$ 554,657	\$ 660,896	\$ 106,239
Maternal and child health	423,952	423,952	423,677	(275)
Centers for disease control and prevention - bioterrorism	321,314	321,314	360,814	39,500
Temporary assistance for needy families (TANF)	199,733	199,733	199,733	-
Immunization grants	3,000	3,000	2,600	(400)
State indoor radon grant (SIRG)	20,708	20,708	13,799	(6,909)
State grants				
Local public health grant	1,180,335	1,180,335	1,173,660	(6,675)
Eliminating health disparities	1,175	1,175	1,175	-
Child and teen checkup program	262,850	271,707	183,846	(87,861)
Fetal alcohol syndrome	80,000	80,000	79,996	(4)
Minnesota Department of Health - obesity preventic	9,500	9,500	1,182	(8,318)
State shared				
State PERA aid	1,012	1,012	1,012	-
Reimbursement for services				
Human services	263,169	272,026	184,042	(87,984)
Total Revenues	\$ 3,321,405	\$ 3,339,119	\$ 3,286,432	\$ (52,687)
Expenditures				
Current				
Administration				
Salaries	\$ 106,343	\$ 106,343	\$ 106,160	\$ 183
Health insurance	23,941	23,941	25,557	(1,616)
PERA	5,906	5,906	5,871	35
FICA	8,156	8,156	7,697	459
Unemployment/workers' compensation	947	947	833	114
Telephone	2,800	2,800	2,580	220
Postage	1,000	1,000	720	280
Printing and publishing	4,200	4,200	1,980	2,220
Registrations and subscriptions	2,100	2,100	705	1,395
Professional services	12,945	12,945	11,901	1,044
Employee - travel	4,050	4,050	3,294	756
Building and facility	6,506	6,506	6,773	(267)
Insurance	285	285	30	255
Bonds	280	280	-	280
Board member fees - travel	4,075	4,075	1,927	2,148
Office equipment	2,937	2,937	2,013	924
Accounting	5,500	5,500	5,500	-
Office supplies	1,200	1,200	1,537	(337)
Other	-	-	808	(808)

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

**EXHIBIT 3
(Continued)**

**BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Women, infants, and children (WIC)				
Carlton	136,158	136,158	140,130	(3,972)
Cook	18,008	18,008	17,669	339
Lake	29,914	29,914	28,285	1,629
St. Louis	478,448	478,448	454,683	23,765
Aitkin CHB	10,245	10,245	13,453	(3,208)
Maternal and child health				
Carlton	39,891	39,891	39,891	-
Cook	5,571	5,571	5,571	-
Lake	10,598	10,598	10,598	-
St. Louis	317,970	317,970	317,970	-
Local public health grant				
Carlton	137,072	137,072	137,073	(1)
Cook	23,174	23,174	23,175	(1)
Lake	50,826	50,826	50,826	-
St. Louis	808,367	808,367	808,367	-
Eliminating health disparities				
St. Louis	1,175	1,175	1,175	-
Centers for disease control and prevention - bioterrorism				
Carlton	39,722	39,722	39,956	(234)
Cook	18,356	18,356	24,255	(5,899)
Lake	18,356	18,356	21,541	(3,185)
St. Louis	244,880	244,880	275,061	(30,181)
Temporary assistance for needy families (TANF)				
Carlton	17,896	17,896	17,896	-
Cook	1,338	1,338	1,338	-
Lake	3,935	3,935	3,935	-
St. Louis	176,564	176,564	176,564	-
Child and teen checkup program				
Carlton	61,425	72,029	51,304	20,725
Cook	7,950	15,059	3,975	11,084
Lake	24,050	24,050	12,674	11,376
St. Louis	432,275	432,275	299,739	132,536
CTC pilot project	319	319	196	123
Fetal alcohol syndrome				
St. Louis	80,000	80,000	79,996	4
Immunization grants				
Carlton	800	800	800	-
Cook	400	400	400	-
Lake	400	400	-	400
St. Louis	1,400	1,400	1,400	-

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

**EXHIBIT 3
(Continued)**

**BUDGETARY COMPARISON
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Minnesota Department of Health - Obesity Prevention				
Obesity prevention program	9,500	9,500	1,182	8,318
State indoor radon grant (SIRG)				
Carlton	3,758	4,136	4,137	(1)
Cook	2,760	3,278	1,769	1,509
Lake	2,656	2,401	2,310	91
St. Louis	7,334	7,334	5,171	2,163
Total Expenditures	\$ 3,416,662	\$ 3,435,016	\$ 3,260,351	\$ 174,665
Excess of Revenues Over (Under) Expenditures	\$ (95,257)	\$ (95,897)	\$ 26,081	\$ 121,978
Fund Balance - January 1	120,852	120,852	120,852	-
Fund Balance - December 31	\$ 25,595	\$ 24,955	\$ 146,933	\$ 121,978

This page was left blank intentionally.

**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, 2005

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) as of and for the year ended December 31, 2005. 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.

A. Financial Reporting Entity

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

The 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 or County Health Advisory Committee.
- Of the members appointed by member County Boards of Commissioners, at least one member shall be a County Commissioner.

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.

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

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 Statement of Activities demonstrates the degree to which the expenses of the Board are offset by revenues.

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

C. Measurement Focus and Basis of Accounting

The governmental activities are reported using economic resources measurement focus and the accrual basis of accounting. Revenue 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 as available if collected within 180 days after the end of the current period. Charges for services and interest are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are

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

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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 and then unrestricted resources as 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.

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

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Compensated Absences (Continued)

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 25 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 \$12,885 at December 31, 2005, is available to employees in the event of illness-related absences and is not paid to them at termination.

The Board's personnel policy allows 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 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 and reservations for prepaid items in the amount of \$5,316 for the year ended at December 31, 2005.

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

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

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Use of Estimates (Continued)

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 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 Board, which comprises representatives from the member counties.

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

The appropriated budgets are prepared by each Board 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, 2005, expenditures were under budget by \$174,665; revenue exceeded expectations by \$52,687.

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

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

1. Summary of Significant Accounting Policies

E. Budgetary Information (Continued)

fund balance 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, 2005.

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.

2. Receivables

Receivables as of December 31, 2005, were:

	Governmental Activities	Not Expected to be Collected Within the Year
Accounts	\$ 521	\$ -
Due from other governments	206,976	-
Total Receivables	\$ 207,497	\$ -

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

2. Detailed Notes (Continued)

B. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	Governmental Activities
Accounts	\$ 6,372
Salaries	2,309
Due to other governments	385,267
Total Payables	\$ 393,948

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 \$5,931 for the year ended December 31, 2005. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2006	\$ 8,138
2007	8,580
2008	8,580
2009	2,860
Total	\$ 28,158

3. Deferred Compensation

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

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

2. Detailed Notes

B. Liabilities (Continued)

4. Long-Term Liabilities

Changes in compensated absences payable for 2005 were:

January 1	\$ 31,857
Net increase	<u>1,906</u>
December 31	<u>\$ 33,763</u>

No amount is expected to be paid out in 2006.

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 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 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.

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

3. Employee Retirement Systems and Pension Plans

A. Plan Description (Continued)

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.

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 internet at www.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.

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

3. Employee Retirement Systems and Pension Plans (Continued)

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, 2005, 2004, and 2003, were \$5,865, \$5,542, and \$4,938, respectively, equal to the contractually required contributions for each year as set by state statute.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

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

Schedule 1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>General Fund</u>
Shared Revenue	
State	
PERA rate reimbursement	\$ <u>1,012</u>
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ <u>183,846</u>
Grants	
State	
Minnesota Department of	
Health	\$ 1,256,209
Human Services	<u>183,846</u>
Total State	<u>\$ 1,440,055</u>
Federal	
Department of	
Agriculture	\$ 660,896
Health and Human Services	986,824
Environmental Protection Agency	<u>13,799</u>
Total Federal	<u>\$ 1,661,519</u>
Total State and Federal Grants	<u>\$ 3,101,574</u>
Total Intergovernmental Revenue	<u><u>\$ 3,286,432</u></u>

This page was left blank intentionally.

This page was left blank intentionally.

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

Schedule 2

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses an unqualified opinion on the basic financial statements of the Carlton, Cook, Lake, and St. Louis Community Health Board.
- B. A reportable condition in internal control was disclosed by the audit of financial statements of the Carlton, Cook, Lake, and St. Louis Community Health Board and is reported in the "Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*." The reportable condition is not a material weakness.
- C. No instances of noncompliance material to the financial statements of the Carlton, Cook, Lake, and St. Louis Community Health Board were disclosed during the audit.
- D. No matters involving internal control over compliance relating to the audit of the major federal award program were reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award program for the Carlton, Cook, Lake, and St. Louis Community Health Board expresses an unqualified opinion.
- F. No findings were disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
- G. The major program is:
 - Women, Infants, and Children (WIC) CFDA #10.557
- H. The threshold for distinguishing between Types A and B programs was \$300,000.
- I. The Carlton, Cook, Lake, and St. Louis Community Health Board was determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

96-1 Segregation of Duties

The limited number of office personnel within the Carlton, Cook, Lake, and St. Louis Community Health Board prevents the segregation of the 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 recommend 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

This page was left blank intentionally.



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

PATRICIA ANDERSON
STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

**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**

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

We have audited the financial statements of the governmental activities and the General Fund of the Carlton, Cook, Lake, and St. Louis Community Health Board as of and for the year ended December 31, 2005, and have issued our report thereon dated July 14, 2006. 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, Land 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, 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 14, 2006



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

PATRICIA ANDERSON
STATE AUDITOR

**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, 2005. Carlton, Cook, Lake, and St. Louis Community Health Board's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. 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 County'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, 2005.

Internal Control Over Compliance

The management of 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 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, 2005, and have issued our report thereon dated July 14, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Carlton, Cook, Lake, and St. Louis Community Health Board's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the 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 14, 2006

This page was left blank intentionally.

**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, 2005**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Health Supplemental Food Program for Women, Infants, and Children	10.557		\$ 660,896	\$ 654,220
U.S. Environmental Protection Agency				
Passed Through Minnesota Department of Health State Indoor Radon Grant (SIRG)	66.032	H12-A70603	\$ 13,799	\$ 13,387
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Immunization Grants	93.268	H12-AS9134	\$ 2,600	\$ 2,600
Centers for Disease Control and Prevention - Bioterrorism	93.283	H12-A37374	360,814	360,814
Temporary Assistance for Needy Families (TANF)	93.558		199,733	199,733
Maternal and Child Health Services Block Grant	93.994		423,677	374,030
Total U.S. Department of Health and Human Services			\$ 986,824	\$ 937,177
Total Federal Awards			\$ 1,661,519	\$ 1,604,784

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 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, in which grant revenues do not always equal grant expenditures.
3. Unlisted pass-through grant numbers were not assigned by the pass-through agency.