

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Partnership4Health Community Health Board
Breckenridge, Minnesota**

Year Ended December 31, 2019

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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Partnership4Health Community Health Board Breckenridge, Minnesota

Year Ended December 31, 2019



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

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

**ORGANIZATION
DECEMBER 31, 2019**

<u>Community Health Board</u>	<u>Position</u>	<u>Entity</u>
Commissioner Representatives		
Neal Folstad	Member	Wilkin County
Don Skarie	Chair	Becker County
Frank Gross	Vice Chair	Clay County
Doug Huebsch	Member	Otter Tail County
Community Representative		
Bill Adams	Member	Otter Tail County
CHS Administrator/Wilkin County Public Health Director Deb Jacobs		
Clay County Public Health Director Kathy McKay		
Clay County Public Health Financial Manager Mari Palm		

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Community Health Board
Partnership4Health Community Health Board
Breckenridge, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Partnership4Health Community Health Board (Partnership4Health), Breckenridge, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Partnership4Health's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Partnership4Health's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Partnership4Health's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Partnership4Health Community Health Board as of December 31, 2019, and the respective changes in financial position thereof and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Event

As discussed in Note 5 to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic, resulting in significant COVID funding to Partnership4Health. As a result, Partnership4Health received grant revenue to assist member counties in reducing the effects of COVID-19. Partnership4Health will provide the funds to the member counties, increasing total expenditures for Partnership4Health during 2020. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Partnership4Health's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 13, 2020, on our consideration of Partnership4Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Partnership4Health's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partnership4Health's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Partnership4Health's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 13, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

**MANAGEMENT’S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(Unaudited)**

INTRODUCTION

Partnership4Health Community Health Board’s (Partnership4Health) Management’s Discussion and Analysis (MD&A) provides an overview of Partnership4Health’s financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the financial statements.

Partnership4Health is a joint powers governmental operation of Becker, Clay, Otter Tail, and Wilkin Counties, created with the intention to establish and maintain an integrated and cooperative system of community health services under local administration and within a system of state guidelines and standards, for the mutual benefit of the joint participants. Partnership4Health serves as the conduit to distribute grants received by other governments to the public health programs of the counties within the joint powers’ entity.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Partnership4Health’s basic financial statements consist of two statements that combine government-wide financial statements and fund financial statements, a budgetary comparison statement, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information.

State revenues increased in 2019, primarily due to the addition of the Evidence Based Home Visits funding source as well as increases in funding for Statewide Health Improvement Program and Child and Teen Checkup Outreach funding sources. There were slight changes in grant funding for the Temporary Assistance for Needy Families Home Visiting Grant; Family Planning Special Projects; Public Health Emergency Preparedness; and Maternal, Infant, and Early Childhood Home Visiting.

BUDGETARY HIGHLIGHTS

Partnership4Health’s Board did not make any budgetary amendments/revisions in 2019, though we did note that a few grant programs generated more revenue than anticipated at the time budgets were prepared and presented to the Board for adoption.

Actual revenues were more than budgeted revenues by \$325,372; expenditures were also higher than budgeted. Factors contributing to grant changes and variations of grant revenues are the funding cycles that span more than one calendar year.

Partnership4Health budgets only grants that are known to be funded at the time the budget is developed. Revenues came in higher than expected (budgeted) due to variations in grant allocations during the budget cycle.

FINANCIAL ANALYSIS

	Net Position			Percent Change (%)
	2019	2018	Increase (Decrease)	
Assets				
Current and other assets	\$ 918,433	\$ 711,152	\$ 207,281	29.15
Liabilities				
Current liabilities	918,433	711,152	207,281	29.15
Net Position				
Unrestricted	\$ -	\$ -	\$ -	

	Changes in Net Position			Percent Change (%)
	2019	2018	Increase (Decrease)	
Revenues				
Intergovernmental				
Reimbursement for services	\$ 591,584	\$ 524,604	\$ 66,980	12.77
State	1,493,499	1,187,218	306,281	25.80
Federal	1,384,374	1,946,282	(561,908)	(28.87)
Local	149,109	163,929	(14,820)	9.04
Total Revenues	\$ 3,618,566	\$ 3,822,033	\$ (203,467)	(5.32)
Expenditures				
Intergovernmental				
Intergovernmental payments	3,618,566	3,822,033	(203,467)	(5.32)
Change in Net Position	\$ -	\$ -	\$ -	

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

Partnership4Health Community Health Board will continue to utilize a member county (Clay) as our fiscal agent. The funding for Partnership4Health will include dollars from state, federal, and local grants. The year-to-year uncertainty of these funds, particularly the state and federal grant dollars, creates planning challenges. Partnership4Health will continue to focus on efficiency and effectiveness in service delivery to provide for meeting the needs of the population served within the allocated resources. Coronavirus (COVID-19) may have substantial impact on the funding and expenses related to a variety of funding sources. COVID-19 expenses are not expected to be fully funded in 2020. In addition, staff from member counties is being pulled to work on COVID, causing the hours in their regular work or grant areas to decrease. Therefore, some funding sources for areas other than COVID may not be fully spent in the grant year.

CONTACTING PARTNERSHIP4HEALTH'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Partnership4Health's finances and to show Partnership4Health's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Partnership4Health CHS Administrator, Deb Jacobs, c/o Wilkin County Public Health, PO Box 120, Breckenridge, Minnesota 56520; phone 218-643-7122 or email djacobs@co.wilkin.mn.us

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BASIC FINANCIAL STATEMENTS

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	General Fund	Reconciliation	Governmental Activities
<u>Assets</u>			
Cash and cash equivalents	\$ 122,602	\$ -	\$ 122,602
Account receivable	25,000	-	25,000
Due from other governments	770,831	-	770,831
Total Assets	\$ 918,433	\$ -	\$ 918,433
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position</u>			
Liabilities			
Due to other governments	\$ 839,877	\$ 78,556	\$ 918,433
Deferred Inflows of Resources			
Unavailable revenue	78,556	(78,556)	-
Fund Balance/Net Position	-	-	-
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	\$ 918,433	\$ -	\$ 918,433

**Reconciliation of the General Fund Balance Sheet to the
Statement of Net Position**

Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental fund.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

EXHIBIT 2

**GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General Fund	Reconciliation	Governmental Activities
Revenues			
Intergovernmental			
Reimbursement for services	\$ 591,584	\$ -	\$ 591,584
State	1,467,400	26,099	1,493,499
Federal	1,336,121	48,253	1,384,374
Local	149,109	-	149,109
Total Revenues	\$ 3,544,214	\$ 74,352	\$ 3,618,566
Expenditures			
Intergovernmental			
Intergovernmental payments	3,544,214	74,352	3,618,566
Net Change in Fund Balance/Net Position	\$ -	\$ -	\$ -
Fund Balance/Net Position – January 1	-	-	-
Fund Balance/Net Position – December 31	\$ -	\$ -	\$ -

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

In the fund, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized along with an equal amount of expenses when earned. The adjustment to revenues between the General Fund and the statement of activities is the change in unavailable revenue.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

EXHIBIT 3

**BUDGETARY COMPARISON STATEMENT
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental				
Reimbursement for services	\$ 568,081	\$ 568,081	\$ 591,584	\$ 23,503
State	1,275,936	1,275,936	1,467,400	191,464
Federal	1,195,834	1,195,834	1,336,121	140,287
Local	178,991	178,991	149,109	(29,882)
Total Revenues	\$ 3,218,842	\$ 3,218,842	\$ 3,544,214	\$ 325,372
Expenditures				
Intergovernmental				
Local Public Health Agency	\$ 733,154	\$ 733,154	\$ 734,154	\$ (1,000)
Public Health Emergency Preparedness	134,010	134,010	106,830	27,180
Immunization Cooperative Agreements	-	-	9,750	(9,750)
Child and Teen Checkup outreach - CTC	568,081	568,081	591,585	(23,504)
Maternal and Child Health	142,920	142,920	176,842	(33,922)
Temporary Assistance for Needy Families	228,090	228,090	215,797	12,293
Special Supplemental Nutrition Program for Women, Infants, and Children	645,814	645,814	815,851	(170,037)
Statewide Health Improvement Grant	393,531	393,531	460,315	(66,784)
Community Wellness Grant	-	-	1,678	(1,678)
Eliminating Health Disparities Initiative	-	-	108,007	(108,007)
Evidence Based Home Visiting	-	-	157,069	(157,069)
Family Planning Special Projects	-	-	5,270	(5,270)
Health Information Exchange Grant - HIE	45,000	45,000	-	45,000
Early Hearing Detection and Intervention Programs	146,670	146,670	6,850	139,820
Refugee Health	2,581	2,581	2,581	-
ClearWay Minnesota	178,991	178,991	149,109	29,882
Food and Drug Administration Research	-	-	2,526	(2,526)
Total Expenditures	\$ 3,218,842	\$ 3,218,842	\$ 3,544,214	\$ (325,372)
Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
Fund Balance – January 1	-	-	-	-
Fund Balance – December 31	\$ -	\$ -	\$ -	\$ -

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

1. Summary of Significant Accounting Policies

Partnership4Health Community Health Board's (Partnership4Health) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2019. 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 Partnership4Health are discussed below.

A. Financial Reporting Entity

Partnership4Health was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Otter Tail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. Partnership4Health became operational as of January 1, 2015. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Boards and the Auditor of the other counties participating in the agreement, and the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area 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.

Control is vested in Partnership4Health's Board, which consists of five members comprising four County Commissioners and one community member. Members of the Board serve an annual term, with no term limit.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health and Wilkin County Public Health.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Partnership4Health is a joint venture independent of the counties that formed it. Each county has an ongoing responsibility to provide funding for the operating costs of the Board. The funding is allocated in accordance with the actual expenses incurred by representatives of the respective counties on the Board. In addition, administrative operating costs are allocated proportionately, with total subsidy funds available to each member county.

B. Basic Financial Statements

The basic financial statements display information about Partnership4Health'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 exhibit 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 Partnership4Health as a whole.

The governmental activities' statement of net position column is reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Partnership4Health's net position is reported as unrestricted net position. The statement of activities demonstrates the degree to which the expenses of Partnership4Health are offset by revenues.

Partnership4Health reports one governmental fund. The General Fund is Partnership4Health's primary operating fund and accounts for all financial resources of the organization.

C. Measurement Focus and Basis of Accounting

The governmental activities financial statement columns 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.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

The governmental fund financial statement columns (the General Fund) 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. Partnership4Health considers all revenues to be available if collected within 60 days after the end of the current period. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, which are recognized as expenditures to the extent that they have matured. When both restricted and unrestricted resources are available for use, it is Partnership4Health's policy to use restricted resources first and then unrestricted resources as needed.

D. Budgetary Information

Partnership4Health adopts an annual budget for the General Fund on a basis consistent with generally accepted accounting principles. The legal level of control (the level at which expenditures may not legally exceed appropriations) is the activity level.

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

1. Assets

Due From/To Other Governments

Amounts represent receivables and payables related to grants from federal, state, and local governments for program administration.

2. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report 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. No deferred outflows of resources affect the governmental funds or governmental activities financial statements in the current year.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

2. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Partnership4Health has only one type of item which arises only under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the General Fund balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The General Fund expenditures of \$3,544,214 exceeded the final budget of \$3,218,842 by \$325,372.

3. Detailed Notes

A. Assets

Cash Deposits

As of December 31, 2019, Partnership4Health had \$122,602 on deposit with Clay County. Cash transactions are administered by the Clay County Auditor/Treasurer, who is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to deposit cash in financial institutions designated by the County Board. All funds of Clay County are pooled.

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. Minnesota statutes require that all county deposits be covered by insurance, surety bond, or collateral.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

Receivables

Receivables as of December 31, 2019, are as follows:

Accounts receivable	\$ 25,000
Due from other governments	<u>770,831</u>
Total General Fund	<u>\$ 795,831</u>

Partnership4Health had no receivables scheduled to be collected beyond one year.

B. Deferred Inflows of Resources

Deferred inflows of resources consists of state and federal grant receivables that are not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2019, are summarized below:

	<u>General Fund</u>
Deferred inflows of resources	
Unavailable revenue	<u>\$ 78,556</u>

4. Summary of Significant Contingencies and Other Items

A. Claims and Litigation

The attorney for Partnership4Health estimates that potential claims against Partnership4Health resulting from litigation would not materially affect the financial statements.

B. Risk Management

Partnership4Health is exposed to various risks of loss related to torts and errors and omissions or natural disasters. To cover these risks, Partnership4Health is a member of the Minnesota Counties Intergovernmental Trust (MCIT), a public entity risk pool. Partnership4Health retains the risk for the deductible portions of its insurance policies. The amounts of these deductibles are considered immaterial to the financial statements.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

5. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, Partnership4Health received grant revenue to assist member counties in reducing the effects of COVID-19. Partnership4Health will provide the funds to the member counties, increasing total expenditures for Partnership4Health during 2020.

SUPPLEMENTARY INFORMATION

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Reimbursement for Services

State

Minnesota Department of Human Services \$ 591,584

Grants

Local

ClearWay Minnesota \$ 149,109

State

Minnesota Department of Health \$ 1,467,400

Federal

Department of
Agriculture \$ 815,851
Education 4,616
Health and Human Services 515,654

Total federal \$ 1,336,121

Total local, state, and federal grants \$ 2,952,630

Total Intergovernmental Revenue \$ 3,544,214

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

EXHIBIT A-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program 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	\$ 817,224	\$ 817,224
U.S. Department of Education				
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	87630	\$ 2,592	\$ 2,592
Special Education – Grants for Infants and Families (Total Special Education – Grants for Infants and Families 84.181 \$6,640)	84.181	B04MC32551	<u>4,048</u>	<u>4,048</u>
Total U.S. Department of Education			\$ 6,640	\$ 6,640
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	127897	\$ 135,439	\$ 135,439
Early Hearing Detection and Intervention	93.251	H61MC00035	975	975
Immunization Cooperative Agreements	93.268	147088	9,750	9,750
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6NUR3DD000842-05-01	825	825
State Physical Activity and Nutrition (SPAN)	93.439	157384	2,232	2,232
TANF Cluster				
Temporary Assistance for Needy Families	93.558	127394	109,615	109,615
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$216,451)	93.558	1801MNTANF	106,243	106,243
Maternal and Child Health Services Block Grant to the States	93.994	86860	175,956	175,956
Maternal and Child Health Services Block Grant to the States (Total Maternal and Child Health Services Block Grant to the States \$191,891)	93.994	167316	15,935	15,935
Passed Through Association of Food and Drug Officials Food and Drug Administration Research	93.103	G-SP-1810-06350	1,020	1,020
Food and Drug Administration Research (Total Food and Drug Administration Research 93.103 \$2,947)	93.103	G-T-1810-06519	1,927	1,927

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

*EXHIBIT A-2
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Mahube-Otwa Community Action Partnership, Inc.				
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$216,451)	93.558	Not provided	\$ 593	\$ 593
Total U.S. Department of Health and Human Services			\$ 560,510	\$ 560,510
Total Federal Awards			\$ 1,384,374	\$ 1,384,374
Totals by Cluster				
Total expenditures for TANF Cluster			\$ 216,451	

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

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 Partnership4Health Community Health Board (Partnership4Health). Partnership4Health's 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 Partnership4Health under programs of the federal government for the year ended December 31, 2019. 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 Partnership4Health, it is not intended to and does not present the financial position, changes in net position, or cash flows of Partnership4Health.

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

Partnership4Health has elected to not use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,336,121
Grants received more than 60 days after year-end, deferred in 2019	
Special Supplemental Nutrition Program for Women, Infants, and Children	1,373
Special Education – Grants for Infants and Families	2,024
Public Health Emergency Preparedness	28,607
Food and Drug Administration Research	2,947
Early Hearing Detection and Intervention Information System (EHDI-IS)	
Surveillance Program	225
State Physical Activity and Nutrition	2,232
Maternal and Child Health Services Block Grant to the States	15,049
Grants deferred in 2018, recognized as revenue in 2019	
State and Local Public Health Actions to Prevent Obesity, Diabetes, and Stroke (PPHF)	(1,678)
Food and Drug Administration Research	(2,526)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,384,374</u>

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Community Health Board
Partnership4Health Community Health Board
Breckenridge, 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 Partnership4Health Community Health Board (Partnership4Health), Breckenridge, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise Partnership4Health's basic financial statements, and have issued our report thereon dated July 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Partnership4Health's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Partnership4Health's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Partnership4Health's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of Partnership4Health's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Partnership4Health's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that Partnership4Health failed to comply with the provisions of the deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections 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. 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 Partnership4Health's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

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 Partnership4Health's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Partnership4Health's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 13, 2020



JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

Independent Auditor's Report

Community Health Board
Partnership4Health Community Health Board
Breckenridge, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Partnership4Health Community Health Board's (Partnership4Health) 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 each of Partnership4Health's major federal programs for the year ended December 31, 2019. Partnership4Health's major federal programs are 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 each of Partnership4Health's major federal programs 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 Partnership4Health's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Partnership4Health's compliance.

Opinion on Each Major Federal Program

In our opinion, Partnership4Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

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 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

Partnership4Health's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. Partnership4Health's 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 Partnership4Health 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 Partnership4Health's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 Partnership4Health's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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 2019-001, that we consider to be a significant deficiency.

Partnership4Health's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. Partnership4Health's 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

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 13, 2020

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**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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? **None reported**

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

Federal Awards

Internal control over major programs:

- 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 programs are:

TANF Cluster	
Temporary Assistance for Needy Families	CFDA No. 93.558
Maternal and Child Health Services Block Grant to the States	CFDA No. 93.994

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

Partnership4Health Community Health Board qualified as a low-risk auditee? **Yes**

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Subrecipient Monitoring

Program: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558), Award Nos.127394 and 1801MNTANF, 2019

Pass-Through Agency: Minnesota Department of Health

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.331 (f) provides that the pass-through entity must verify that every subrecipient is audited when it is expected that the subrecipient's federal awards expended during the fiscal year equaled or exceeded the threshold set forth in § 200.501.

Condition: For two of Partnership4Health's four subrecipients, all whose federal awards expended during the fiscal year exceeded the threshold, Partnership4Health did not retain documentation that it verified audits were performed.

Questioned Costs: N/A

Context: Partnership4Health does have certain procedures in place for monitoring the expenditures of its subrecipients, including obtaining and reviewing supporting documentation for the amounts reported by each subrecipient to ensure the funds are being used correctly.

Effect: Partnership4Health is not in compliance with federal regulations.

**PARTNERSHIP4HEALTH COMMUNITY HEALTH BOARD
BRECKENRIDGE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Cause: Partnership4Health did not follow its subrecipient monitoring procedure of requesting a copy of each member county's annual audit report, and regular processes did not identify the missing reports.

Recommendation: We recommend Partnership4Health develop additional subrecipient monitoring procedures to comply with Title 2 U.S. *Code of Federal Regulations* § 200.331 (f).

View of Responsible Official: Acknowledge

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Partnership4Health CHB
PO Box 127
Breckenridge, MN 56520

**REPRESENTATION OF PARTNERSHIP4HEALTH CHB
BRECKENRIDGE, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2019-001

Finding Title: Subrecipient Monitoring

Program: Temporary Assistance for Needy Families (CFDA #93.558)

Name of Contact Person Responsible for Corrective Action:

Carmen Barth

Corrective Action Planned:

Request counties of the CHB to add Carmen Barth and Deb Jacobs to the audit report email distribution list. A review of the audit report will be completed to ensure compliance with federal programs. The Federal Audit Clearinghouse website may be used as an alternative option to ensure the CHB is obtaining the necessary county audit reports.

Anticipated Completion Date:

June 27, 2020