

# STATE OF MINNESOTA

## Office of the State Auditor



**Rebecca Otto**  
**State Auditor**

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**BROWN-NICOLLET COMMUNITY**  
**HEALTH SERVICES**  
**ST. PETER, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2011**

## **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 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

**Pension** - monitors investment, financial, and actuarial reporting for approximately 730 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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**BROWN-NICOLLET COMMUNITY  
HEALTH SERVICES  
ST. PETER, MINNESOTA**

**Year Ended December 31, 2011**



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

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**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

**ORGANIZATION  
2011**

<u>Office</u>	<u>Name</u>
Board Members	
Brown County Commissioners	
Member	James Berg
Member	Scott Windschitl
Treasurer	Andrew Lochner
Chairman	Dennis Potter
Member	Richard Seeboth
Nicollet County Commissioners	
Vice-Chair	Bruce Beatty
Member	Dave Haack
Member	Marie Dranttel
Member	Jack Kolars
Secretary	James Stenson
Fiscal Administrator	Bridgette Kennedy
Management Team	
Co-Director	Karen Swenson Environmental Director
Co-Director	Karen Moritz Brown County Nursing Director
Co-Director	Mary Hildebrandt Nicollet County Nursing Director

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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### INDEPENDENT AUDITOR'S REPORT

Health Services Board  
Brown-Nicollet Community Health Services

We have audited the accompanying financial statements of the governmental activities and each major fund of Brown-Nicollet Community Health Services as of and for the year ended December 31, 2011, which collectively comprise the Health Services' basic financial statements as listed in the table of contents. These financial statements are the responsibility of Brown-Nicollet Community Health Services' 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. 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 respective financial position of the governmental activities and each major fund of Brown-Nicollet Community Health Services as of December 31, 2011, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and Water Quality Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1.D.6. to the financial statements, for 2011, Brown-Nicollet Community Health Services adopted Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

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 GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In accordance with auditing standards generally accepted in the United States of America, we have applied certain limited procedures to the required supplementary information, 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.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

November 27, 2012

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2011  
(Unaudited)**

Brown-Nicollet Community Health Services' Management's Discussion and Analysis (MD&A) provides an overview of the Health Services' financial activities for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here.

**FINANCIAL HIGHLIGHTS**

- On December 31, 2011, our total assets were \$962,167, and our total liabilities were \$210,167. We showed net assets of \$752,000, of which \$337,663 is invested in capital assets.
- Our income is mainly state and federal grants, fees from our licensing program, and rental income.
- We have no debt or obligations to citizens or creditors.
- Long-term liabilities are for compensated absences.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This MD&A is intended to serve as an introduction to the basic financial statements. The financial statements comprise three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) 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.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Health Services' finances in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Health Services' assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Health Services is improving or deteriorating.

The Statement of Activities presents information showing how the Health Services' net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Health Services that are principally supported by fees and grants. The activities of the Health Services include environmental health and public health. There are no business-type activities within the Health Services.

### **Fund Financial Statements**

These statements provide detailed information about the individual funds of Brown-Nicollet Community Health Services--not the Health Services as a whole. The Health Services reports two funds--the General Fund and the Water Quality Special Revenue Fund--both of which are considered governmental funds.

The focus of governmental fund presentation is how money flows into and out of the funds and balances left at year-end that are available for spending. Governmental funds use the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The fund statements provide a detailed short-term view of the Health Services' operations and the basic services it provides. Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Services' programs. We describe the relationship (or differences) between the funds and governmental activities in reconciliations on Exhibits 4 and 6.

### **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 can be found directly after Exhibit 8.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

### **Governmental Activities**

Net assets may, over time, be a useful indicator of the government's financial position. In the case of the Health Services, assets exceeded liabilities by \$752,000.

**Table 1  
Governmental Net Assets**

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 624,504	\$ 738,624
Capital assets	<u>337,663</u>	<u>354,608</u>
Total Assets	\$ 962,167	\$ 1,093,232
Current liabilities	\$ 171,992	\$ 333,672
Long-term liabilities	<u>38,175</u>	<u>42,973</u>
Total Liabilities	\$ 210,167	\$ 376,645
Net Assets		
Invested in capital assets	\$ 337,663	\$ 354,608
Restricted for health	3,207	6,079
Unrestricted	<u>411,130</u>	<u>355,900</u>
Total Net Assets	<u>\$ 752,000</u>	<u>\$ 716,587</u>

The Health Services' net assets increased by \$35,413, or five percent, from \$716,587 to \$752,000.

Current assets and current liabilities decreased from the prior year. The decreases are due to the use of cash that was advanced from other governments in the previous year and there being less grant funds on hand due to other local governments. Capital assets decreased slightly due to the depreciation expense incurred. The Health Services' long-term liabilities, which consist of compensated absences, remained relatively unchanged from the prior year.

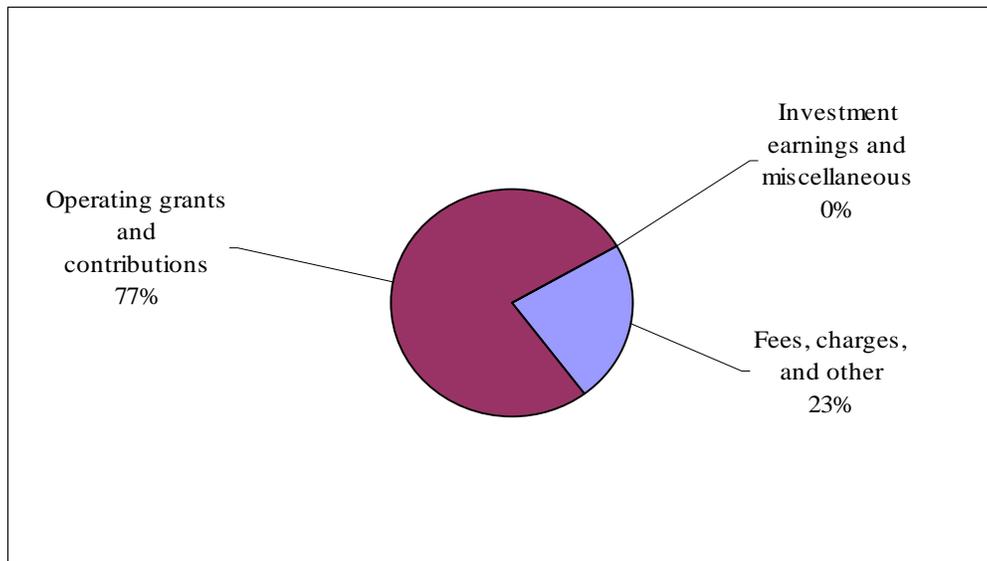
**Table 2  
Changes in Net Assets**

	<u>2011</u>	<u>2010</u>
Revenues		
Program revenues		
Fees, charges, and other	\$ 280,595	\$ 238,060
Operating grants and contributions	957,892	1,360,946
General revenues		
Investment earnings	-	4,210
Miscellaneous	<u>4,624</u>	<u>50,992</u>
Total Revenues	<u>\$ 1,243,111</u>	<u>\$ 1,654,208</u>

	<u>2011</u>	<u>2010</u>
Expenses		
Program expenses		
General government	\$ 49,571	\$ 61,310
Health	<u>1,158,127</u>	<u>1,538,973</u>
Total Expenses	<u>\$ 1,207,698</u>	<u>\$ 1,600,283</u>
Increase (Decrease) in Net Assets	\$ 35,413	\$ 53,925
Net Assets - January 1	<u>716,587</u>	<u>662,662</u>
Net Assets - December 31	<u><u>\$ 752,000</u></u>	<u><u>\$ 716,587</u></u>

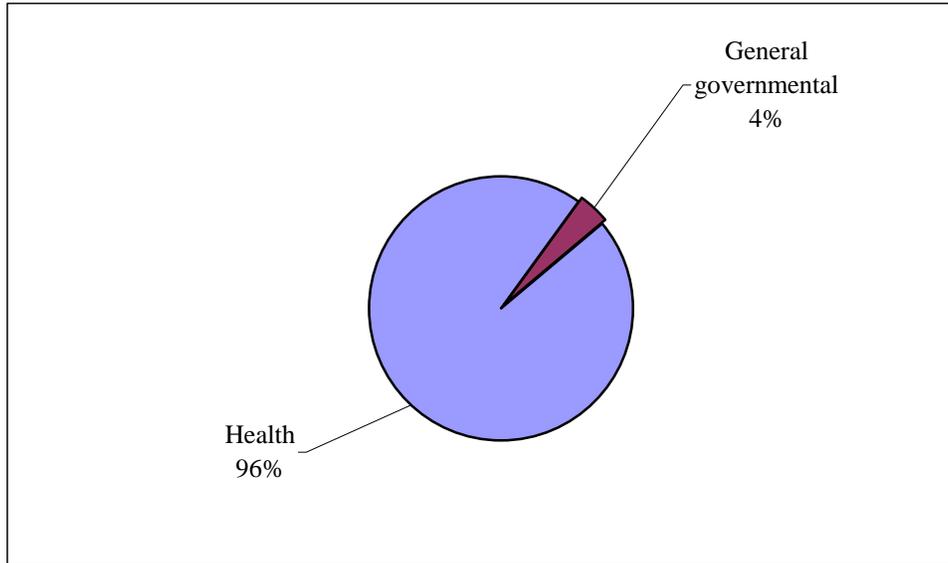
Our largest revenues were from licenses and permits and intergovernmental sources. The total decrease in revenue of \$411,097 is due in most part to the completion of water quality grants and the completion of the Statewide Health Implementation Plan (SHIP) grant.

#### 2011 Revenues



Expenses decreased \$392,585 due to the completion of the water quality and SHIP grants. Additionally, intergovernmental expenditures decreased due to changes in various pass-through grants.

### 2011 Expenses



### FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

The Health Services uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Health Services' governmental funds is to provide information on balances of expendable resources. Such information is useful in assessing the Health Services' financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year or to be carried into the next year's budgets.

Brown-Nicollet Community Health Services provides services to Brown and Nicollet Counties in south central Minnesota. The majority of the funding is provided through state and federal grants. Reimbursement for services is a minor funding source. The Health Services also contracts environmental health program services to Cottonwood and Watonwan Counties in south central Minnesota.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The SHIP budget was revised in 2011 to reflect changes in expected grant revenues and expenditures. SHIP expenditures were significantly below budget because of reimbursements from other local governments for project costs which were not considered in the revised budget. Otherwise, both revenues and expenditures were relatively close to budgeted amounts.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Our capital assets decreased by \$16,945 as a result of removal of some equipment and depreciation expense.

**Table 3**  
**Capital Assets**  
**(Net of Depreciation)**

	<u>2011</u>	<u>2010</u>
Capital Assets		
Land	\$ 41,063	\$ 41,063
Building	<u>296,600</u>	<u>313,545</u>
Capital Assets, Net	<u>\$ 337,663</u>	<u>\$ 354,608</u>

### Debt Administration

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

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Health Services' Board is both state and federal budget-responsive. The Board operates as the applicant agency for the two 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 will fluctuate according to state and federal actions and population changes.

Funding from license fees and fees for service will remain relatively consistent, as there was no change in fees for 2012.

The 2012 budgets will show no income for any water quality projects; in 2010, the Brown-Nicollet-Cottonwood Water Quality Board dissolved due to lack of funding. All grants were completed; some funds were carried over to cover unemployment, insurance, audit expenses, and basic expenses for the next four years. At the end of 2014, any fund balance remaining in the Water Quality Fund will be dispersed between Brown, Nicollet, and Cottonwood Counties.

## **REQUESTS FOR INFORMATION**

This annual financial report is designed to provide a general overview of the Health Services' finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to our office, Brown-Nicollet Community Health Services, 322 South Minnesota Avenue, St. Peter, Minnesota 56082.

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 531,835
Accounts receivable - net	3,199
Due from other governments	89,470
Capital assets	
Non-depreciable	41,063
Depreciable assets - net	296,600
	\$ <b>962,167</b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 1,384
Salaries payable	4,201
Due to other governments	61,675
Unearned revenue	104,732
Long-term liabilities	
Due within one year	17,546
Due in more than one year	20,629
	\$ <b>210,167</b>
<b><u>Net Assets</u></b>	
Invested in capital assets	\$ 337,663
Restricted for health	3,207
Unrestricted	411,130
	\$ <b>752,000</b>

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Fees, Charges, and Other</u>	<u>Operating Grants and Contributions</u>	
<b><u>Functions/Programs</u></b>				
<b>Primary government</b>				
<b>Governmental activities</b>				
General government	\$ 49,571	\$ 46,971	\$ 10,666	\$ 8,066
Health	<u>1,158,127</u>	<u>233,624</u>	<u>947,226</u>	<u>22,723</u>
<b>Total Primary Government</b>	<b><u><u>\$ 1,207,698</u></u></b>	<b><u><u>\$ 280,595</u></u></b>	<b><u><u>\$ 957,892</u></u></b>	<b><u><u>\$ 30,789</u></u></b>
<b>General Revenues</b>				
Miscellaneous				<u>4,624</u>
<b>Change in net assets</b>				<b>\$ 35,413</b>
<b>Net Assets - January 1</b>				<u><b>716,587</b></u>
<b>Net Assets - December 31</b>				<b><u><u>\$ 752,000</u></u></b>

**FUND FINANCIAL STATEMENTS**

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**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011**

	<u>General</u>	<u>Water Quality</u>	<u>Total Governmental Funds</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 490,643	\$ 41,192	\$ 531,835
Accounts receivable	3,199	-	3,199
Due from other governments	89,470	-	89,470
<b>Total Assets</b>	<b><u>\$ 583,312</u></b>	<b><u>\$ 41,192</u></b>	<b><u>\$ 624,504</u></b>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 1,384	\$ -	\$ 1,384
Salaries payable	4,201	-	4,201
Due to other governments	61,675	-	61,675
Deferred revenue - unavailable	13,609	-	13,609
Deferred revenue - unearned	104,732	-	104,732
<b>Total Liabilities</b>	<b><u>\$ 185,601</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 185,601</u></b>
<b>Fund Balances</b>			
Restricted for			
Donations - children's water festival	\$ -	\$ 3,207	\$ 3,207
Assigned to water quality			
Water quality	-	37,985	37,985
Unassigned	397,711	-	397,711
<b>Total Fund Balances</b>	<b><u>\$ 397,711</u></b>	<b><u>\$ 41,192</u></b>	<b><u>\$ 438,903</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 583,312</u></b>	<b><u>\$ 41,192</u></b>	<b><u>\$ 624,504</u></b>

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 4*

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
DECEMBER 31, 2011**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$ 438,903</b>
Amounts reported for governmental activities in the statement of net assets are different because:	
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	13,609
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	337,663
Compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental fund.	<u>(38,175)</u>
<b>Net Assets of Governmental Activities (Exhibit 1)</b>	<b><u><u>\$ 752,000</u></u></b>

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<b>General</b>	<b>Water Quality</b>	<b>Total Governmental Funds</b>
<b>Revenues</b>			
Licenses and permits	\$ 217,319	\$ -	\$ 217,319
Intergovernmental	939,389	2,394	941,783
Charges for services	16,305	-	16,305
Gifts and contributions	-	2,500	2,500
Miscellaneous	51,595	-	51,595
	<b>\$ 1,224,608</b>	<b>\$ 4,894</b>	<b>\$ 1,229,502</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 32,626	\$ -	\$ 32,626
Health	481,991	13,664	495,655
<b>Intergovernmental</b>	667,270	-	667,270
	<b>\$ 1,181,887</b>	<b>\$ 13,664</b>	<b>\$ 1,195,551</b>
<b>Net Change in Fund Balance</b>	<b>\$ 42,721</b>	<b>\$ (8,770)</b>	<b>\$ 33,951</b>
<b>Fund Balance - January 1</b>	<b>354,990</b>	<b>49,962</b>	<b>404,952</b>
<b>Fund Balance - December 31</b>	<b>\$ 397,711</b>	<b>\$ 41,192</b>	<b>\$ 438,903</b>

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ 33,951**

Amounts reported for governmental activities in the statement of activities are different because:

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

Deferred revenue - December 31	\$ 13,609	
Deferred revenue - January 1	-	13,609

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Current year depreciation		(16,945)
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Change in compensated absences		4,798
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**Change in Net Assets of Governmental Activities (Exhibit 2) \$ 35,413**

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Licenses and permits	\$ 220,207	\$ 220,207	\$ 217,319	\$ (2,888)
Intergovernmental	965,336	927,025	939,389	12,364
Charges for services	13,100	13,100	16,305	3,205
Investment earnings	2,800	2,800	-	(2,800)
Miscellaneous	46,967	46,967	51,595	4,628
<b>Total Revenues</b>	<b>\$ 1,248,410</b>	<b>\$ 1,210,099</b>	<b>\$ 1,224,608</b>	<b>\$ 14,509</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Administration	\$ 24,412	\$ 24,412	\$ 23,650	\$ 762
Elixir Building	16,920	16,920	8,976	7,944
<b>Total general government</b>	<b>\$ 41,332</b>	<b>\$ 41,332</b>	<b>\$ 32,626</b>	<b>\$ 8,706</b>
<b>Health</b>				
Environmental health	\$ 292,621	\$ 292,621	\$ 256,276	\$ 36,345
Family planning	82,731	82,731	48,731	34,000
Statewide health implementation plan	161,000	257,821	176,984	80,837
<b>Total health</b>	<b>\$ 536,352</b>	<b>\$ 633,173</b>	<b>\$ 481,991</b>	<b>\$ 151,182</b>
<b>Intergovernmental</b>				
Brown County contract payments	\$ 311,697	\$ 311,697	\$ 345,702	\$ (34,005)
Nicollet County contract payments	343,564	343,564	321,568	21,996
<b>Total intergovernmental</b>	<b>\$ 655,261</b>	<b>\$ 655,261</b>	<b>\$ 667,270</b>	<b>\$ (12,009)</b>
<b>Total Expenditures</b>	<b>\$ 1,232,945</b>	<b>\$ 1,329,766</b>	<b>\$ 1,181,887</b>	<b>\$ 147,879</b>
<b>Net Change in Fund Balance</b>	<b>\$ 15,465</b>	<b>\$ (119,667)</b>	<b>\$ 42,721</b>	<b>\$ 162,388</b>
<b>Fund Balance - January 1</b>	<b>354,990</b>	<b>354,990</b>	<b>354,990</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 370,455</b>	<b>\$ 235,323</b>	<b>\$ 397,711</b>	<b>\$ 162,388</b>

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

*EXHIBIT 8*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
WATER QUALITY SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ -	\$ -	\$ 2,394	\$ 2,394
Gifts and contributions	2,000	2,000	2,500	500
<b>Total Revenues</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 4,894</b>	<b>\$ 2,894</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Water quality	\$ 24,900	\$ 24,900	\$ 5,915	\$ 18,985
Fish and wildlife	2,394	2,394	2,394	-
Children's water festival	3,800	3,800	5,355	(1,555)
<b>Total Expenditures</b>	<b>\$ 31,094</b>	<b>\$ 31,094</b>	<b>\$ 13,664</b>	<b>\$ 17,430</b>
<b>Net Change in Fund Balance</b>	<b>\$ (29,094)</b>	<b>\$ (29,094)</b>	<b>\$ (8,770)</b>	<b>\$ 20,324</b>
<b>Fund Balance - January 1</b>	<b>49,962</b>	<b>49,962</b>	<b>49,962</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 20,868</b>	<b>\$ 20,868</b>	<b>\$ 41,192</b>	<b>\$ 20,324</b>

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2011

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1. Summary of Significant Accounting Policies

Brown-Nicollet Community Health Services' financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2011. 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 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 Brown-Nicollet Community Health Services are discussed below.

A. Financial Reporting Entity

Brown, Nicollet, Sibley Human Service Board was established pursuant to Minn. Stat. §§ 402.01-402.10. The pilot study program was started in April 1974. Brown, Nicollet, and Sibley Counties entered into a joint powers agreement (Minn. Stat. § 471.59) effective July 1, 1975. Sibley County was granted permission to withdraw from the Human Service Board effective July 1, 1976.

On January 1, 1991, the Human Service Board was legally reorganized into Brown-Nicollet Community Health Services. The organization functions as a community health service organization. As required by accounting principles generally accepted in the United States of America, these financial statements present Brown-Nicollet Community Health Services (primary government) and its component unit for which the Health Services is financially accountable. The Health Services is governed by the ten County Commissioners of Brown and Nicollet Counties. Management consists of an administrator, an environmental health director, and the nursing directors from Brown and Nicollet Counties.

Nicollet County reports the financial activities of Brown-Nicollet Community Health Services and its component unit in an agency fund on its annual financial statements. The Health Services follows the accounting and personnel policies of Nicollet County.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Blended Component Unit

Brown-Nicollet Community Health Services has one blended component unit. The blended component unit is a legally separate organization so intertwined with the Health Services that it is, in substance, the same as the Health Services and, therefore, is reported as if it were part of the Health Services.

<u>Component Unit</u>	<u>Included in the Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Brown-Nicollet-Cottonwood Water Quality Board	There is close financial integration between the two entities. Its exclusion would render the financial statements incomplete.	Separate financial statements are not prepared.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the Health Services. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities.

In the government-wide statement of net assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of each function of Brown-Nicollet Community Health Services' activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, licenses, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational requirements of a particular function or activity. Revenues not classified as program revenues are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the Health Services' funds. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements.

The Health Services reports the following major funds:

The General Fund is the Health Services' primary operating fund. It accounts for all financial resources of the government, except those of the Water Quality Board.

The Water Quality Special Revenue Fund is used to account for the financial resources of the Brown-Nicollet-Cottonwood Water Quality Board (WQB), which is considered a blended component unit of Brown-Nicollet Community Health Services. Due to decreases in funding at the state and federal level and the uncertainty of future funding, the WQB was dissolved effective December 31, 2010. From January 1, 2011, through December 31, 2014, legitimate WQB claims and receipts are being processed by Brown-Nicollet Community Health Services. At December 31, 2014, all valid WQB claims and remaining property or funds will be distributed equally between member counties. These remaining WQB assets and liabilities are estimated to be insignificant to Brown-Nicollet Community Health Services.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Brown-Nicollet Community Health Services considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash

Cash is on deposit with Nicollet County.

2. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by Brown-Nicollet Community Health Services as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of Brown-Nicollet Community Health Services are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Machinery and equipment	5

3. Compensated Absences

It is Brown-Nicollet Community Health Services' policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Unused vacation, compensatory time, and vested sick leave are paid to employees upon termination. Unvested sick leave is available to employees in the event of illness-related absences and is not paid to employees upon termination. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net assets reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of all vacation, compensatory time, and 25 percent of total vested sick leave. The noncurrent portion consists of 75 percent of total vested sick leave.

4. Deferred Revenue

Governmental funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

5. Classification of Net Assets

Net assets in the government-wide financial statements are classified in the following categories:

Invested in capital assets, net of related debt - the amount of net assets representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

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

Unrestricted net assets - the amount of net assets that do not meet the definition of restricted or invested in capital assets, net of related debt.

6. Classification of Fund Balances

Beginning in 2011, Brown-Nicollet Community Health Services implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The standard's objectives are to enhance the usefulness of fund balance information included in the financial report through clearer fund balance classifications that can be consistently applied and to clarify existing governmental fund type definitions.

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

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

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Classification of Fund Balances (Continued)

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

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

Assigned - amounts the Health Services intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Health Services Board.

Unassigned - the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

The Health Services applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

7. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Data

Brown-Nicollet Community Health Services adopts an annual budget on a basis consistent with generally accepted accounting principles. This budget is approved by the Brown-Nicollet Community Health Services' Board. Comparisons of estimated revenues and expenditures are presented in the financial statements.

3. Detailed Notes

A. Assets

1. Deposits and Investments

Cash transactions are administered by the Nicollet County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the County Board. The types of investments available to the County are authorized by Minn. Stat. §§ 118A.04 and 118A.05. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

2. Receivables

Brown-Nicollet Community Health Services did not have any receivables not expected to be collected within the year.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets not depreciated				
Land	\$ 41,063	\$ -	\$ -	\$ 41,063
Capital assets depreciated				
Buildings and improvements	\$ 677,792	\$ -	\$ -	\$ 677,792
Machinery, furniture, and equipment	6,220	-	6,220	-
Total capital assets depreciated	\$ 684,012	\$ -	\$ 6,220	\$ 677,792
Less: accumulated depreciation for				
Buildings and improvements	\$ 364,247	\$ 16,945	\$ -	\$ 381,192
Machinery, furniture, and equipment	6,220	-	6,220	-
Total accumulated depreciation	\$ 370,467	\$ 16,945	\$ 6,220	\$ 381,192
Total capital assets depreciated, net	\$ 313,545	\$ (16,945)	\$ -	\$ 296,600
Total Capital Assets, Net	<u>\$ 354,608</u>	<u>\$ (16,945)</u>	<u>\$ -</u>	<u>\$ 337,663</u>

Depreciation expense of \$16,945 was charged to the general government function/program for the year ended December 31, 2011.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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3. Detailed Notes (Continued)

B. Liabilities

1. Operating Leases

Brown-Nicollet Community Health Services has entered into an operating lease for its current office space effective through December 31, 2015. The lease is expected to continue or be replaced with a similar lease. Total lease payments for the year ended December 31, 2011, were \$13,200. The future minimum lease payments are as follows:

Year Ending December 31	Amount
2012	\$ 12,000
2013	12,000
2014	12,000
2015	12,000
Total Lease	\$ 48,000

2. Long-Term Liabilities

Changes in compensated absences payable for 2011 were:

January 1	\$ 42,973
Net decrease	(4,798)
December 31	\$ 38,175
Due within one year	(17,546)
Long-Term Portion	\$ 20,629

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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4. Intergovernmental Revenue

Brown-Nicollet Community Health Services received the following state and federal grants for the year ended December 31, 2011, which are shown as intergovernmental revenue in Exhibit 5.

State revenue	
Minnesota Department of Health	\$ 416,902
Minnesota Department of Human Services	49,354
	_____
Total state revenue	\$ 466,256
	_____
Federal revenue	
Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 231,733
Partners for Fish and Wildlife	2,394
Public Health Emergency Preparedness	54,847
Universal Newborn Hearing Screening	1,850
Immunization Grants	2,250
Strengthening Public Health Infrastructure for Improved Health Outcomes	4,500
Temporary Assistance for Needy Families	65,606
Medical Assistance Program	49,353
Maternal and Child Health Services Block Grant to the States	62,994
	_____
Total federal revenue	\$ 475,527
	_____
Total Intergovernmental Revenue	\$ 941,783
	_____

5. Risk Management

Brown-Nicollet Community Health Services is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Health Services has entered into a joint powers agreement with certain Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The Health Services is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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5. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$450,000 per claim in 2011 and \$460,000 per claim in 2012. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Health Services in a method and amount to be determined by MCIT.

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

The Brown-Nicollet Community Health Services Board has not reduced insurance coverage in the past year and has not had settlements in excess of insurance coverage in any of the past three years.

6. Pension Plans

A. Plan Description

All full-time and certain part-time employees of Brown-Nicollet Community Health Services are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General 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.

General 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.

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 (five years for those first eligible for membership after June 30, 2010). Defined retirement benefits are based on a member's average yearly salary for the five highest-paid consecutive years of allowable service, age, and years of credit at termination of service.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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6. Pension Plans

A. Plan Description (Continued)

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 General Employees Retirement Fund members whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for members hired prior to July 1, 1989, and is the age for unreduced Social Security benefits capped at age 66 for Coordinated Plan members hired on or after July 1, 1989. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the General Employees Retirement Fund. That report may be obtained on the internet at [www.mnpera.org](http://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.

B. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The Health Services makes annual contributions to the pension plans equal to the amount required by state statutes. General Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.25 percent, respectively, of their annual covered salary.

**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

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6. Pension Plans

B. Funding Policy (Continued)

The Health Services is required to contribute the following percentages of annual covered payroll in 2011:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.25

The Health Services' contributions for the years ending December 31, 2011, 2010, and 2009, were \$13,026, \$15,687, and \$14,816, respectively, equal to the contractually required contributions for each year as set by state statute.



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**BROWN-NICOLLET COMMUNITY HEALTH SERVICES  
ST. PETER, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2011**

**INTERNAL CONTROL**

**PREVIOUSLY REPORTED ITEMS RESOLVED**

**Preparation of Financial Statements (06-1)**

The Health Services needed to broaden its participation in the preparation of its financial statements and not rely so extensively on its external auditors for financial reporting.

**Resolution**

The Health Services provides a general ledger, accruals, and the supporting schedules necessary for preparing fund level and government-wide financial statements. The Health Services has improved its understanding and preparation of underlying accounting data used in the preparation of the financial statements.

**Audit Adjustments (06-2)**

Management and employees, in the normal course of performing their assigned functions, were not able to prevent, or detect and correct, misstatement of the financial statements on a timely basis.

**Resolution**

There were no material or significant audit adjustments required in our audit of the Health Services' financial statements.

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REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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## REPORT ON MINNESOTA LEGAL COMPLIANCE

Health Services Board  
Brown-Nicollet Community Health Services

We have audited the financial statements of the governmental activities and each major fund of Brown-Nicollet Community Health Services as of and for the year ended December 31, 2011, which collectively comprise the Health Services' basic financial statements. 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 Political Subdivisions*, 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 Political Subdivisions* 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 public indebtedness because Brown-Nicollet Community Health Services has no public debt.

The results of our tests indicate that for the items tested, Brown-Nicollet Community Health Services complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the Health Services Board, management, and others within Brown-Nicollet Community Health Services and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO  
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 27, 2012