

# STATE OF MINNESOTA

## Office of the State Auditor



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

---

**SOUTHERN PRAIRIE COMMUNITY CARE**  
**MARSHALL, MINNESOTA**

**YEAR ENDED DECEMBER 31, 2016**

## **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 150 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 650 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.

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

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

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

**Year Ended December 31, 2016**



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

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		4
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	9
Statement of Activities	2	10
Fund Financial Statements		
General Fund		
Balance Sheet	3	11
Reconciliation of the General Fund Balance Sheet to the Statement of Net Position	4	12
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	13
Reconciliation of the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	6	14
Notes to the Financial Statements		15
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	A-1	39
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-2	40
Schedule of Contributions	A-3	41
Notes to the Required Supplementary Information		42
Supplementary Information		
Schedule of Intergovernmental Revenue	B-1	44

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

TABLE OF CONTENTS  
(Continued)

	<u>Exhibit</u>	<u>Page</u>
<b>Management and Compliance Section</b>		
Communication of Significant Deficiencies and/or Material Weaknesses in Internal Control over Financial Reporting and Other Matters		45
Independent Auditor's Report on Minnesota Legal Compliance		47
Schedule of Findings and Recommendations		48



This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

ORGANIZATION  
2016

<u>Name</u>	<u>Representing</u>	<u>Position</u>
<b>Board Members</b>		
Jeffrey Lopez	Chippewa County	Chair
Norm Holmen	Cottonwood County	
Rose Schultz	Jackson County	
Jim Butterfield	Kandiyohi County	
Joan Jagt	Lincoln County	
Rick Anderson	Lyon County	
Bob Moline	Murray County	
Don Linssen	Nobles County	
Priscilla Klabunde	Redwood County	
Sherri Thompson	Rock County	
Gary Hendrickx	Swift County	Vice Chair
John Berends	Yellow Medicine County	
<b>Management Team</b>		
Elizabeth Leroux-Cinqueonce		Executive Director
Rick Anderson		Treasurer

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

### INDEPENDENT AUDITOR'S REPORT

Governing Board  
Southern Prairie Community Care  
Marshall, Minnesota

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and the General Fund of Southern Prairie Community Care as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Southern Prairie Community Care'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. 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 Southern Prairie Community Care'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 Southern Prairie Community Care'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, the discretely presented component unit, and the General Fund of Southern Prairie Community Care as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, 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 Southern Prairie Community Care'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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Rebecca Otto*

REBECCA OTTO  
STATE AUDITOR

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR

November 28, 2017

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

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016  
(Unaudited)**

As management of Southern Prairie Community Care (SPCC), we offer the readers of SPCC's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2016. 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. All amounts, unless otherwise indicated, are expressed in whole dollars.

**FINANCIAL HIGHLIGHTS**

- Governmental activities' total net position is \$3,624,423, of which \$41,060 is the investment in capital assets.
- SPCC's net position increased by \$1,557,345 for the year ended December 31, 2016.
- Overall fund level revenues totaled \$7,306,735 and were \$1,850,131 more than expenditures.
- For the year ended December 31, 2016, the unrestricted fund balance of the General Fund was \$4,128,063, or 75.7 percent, of the total General Fund expenditures for the year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of three components: (1) government-wide financial statements, (2) fund 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. This report also contains other required supplementary information such as a budgetary comparison schedule for the General Fund and schedules of proportionate share of net pension liability and of contributions for the pension plan.

**Government-Wide Financial Statements**

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

The statement of net position presents information on all of SPCC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether SPCC's financial health is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 result in cash flows only in future fiscal periods.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. SPCC uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. SPCC reports one individual governmental fund--the General Fund.

The General Fund's focus is on how money flows in and out and the balances left at year-end that are available for spending. The General Fund is reported using an accounting method called modified accrual accounting. This method measures cash and all other financial assets that can be readily converted to cash. The General Fund provides a detailed short-term view of SPCC's operations and the basic services it provides. The General Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs.

Because the focus of the General Fund is narrower than that of the government-wide financial statements, it is useful to compare the information presented for the General Fund with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's short-term financing decisions. Both the General Fund balance sheet and the General Fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between the General Fund and governmental activities.

### **Notes to the Financial Statements**

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following Exhibit 6.

## Other Information

In addition to the basic financial statements and the required supplementary information, this report also presents supplementary information concerning SPCC's intergovernmental revenue.

## Net Position

Over time, net position serves as a useful indicator of financial position. Southern Prairie Community Care's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,624,423 at the close of 2016. The largest portion of SPCC's net position reflects current assets.

	Net Position	
	2016	2015
Assets		
Current and other assets	\$ 4,302,691	\$ 2,405,625
Capital assets	41,060	54,689
Total Assets	\$ 4,343,751	\$ 2,460,314
Deferred Outflows of Resources	\$ 799,836	\$ 289,364
Liabilities		
Long-term liabilities outstanding	\$ 1,256,597	\$ 507,886
Other liabilities	174,628	149,108
Total Liabilities	\$ 1,431,225	\$ 656,994
Deferred Inflows of Resources	\$ 87,939	\$ 25,606
Net Position		
Investment in capital assets	\$ 41,060	\$ 54,689
Unrestricted	3,583,363	2,012,389
Total Net Position	\$ 3,624,423	\$ 2,067,078

## Changes in Net Position

The following table summarizes the change in net position for 2016.

	2016	2015
Revenues		
Program revenues		
Charges for services	\$ 4,335,803	\$ 979,798
Operating grants and contributions	265,236	684,814
General revenues		
Contributions not restricted to specific programs	2,700,000	2,700,000
Investment earnings	10,315	1,234
Total Revenues	\$ 7,311,354	\$ 4,365,846
Expenses		
Health	5,754,009	4,052,973
Increase (Decrease) in Net Position	\$ 1,557,345	\$ 312,873
Net Position - January 1	2,067,078	1,754,205
Net Position - December 31	\$ 3,624,423	\$ 2,067,078

## FINANCIAL ANALYSIS OF THE GENERAL FUND

As shown in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance on Exhibit 5, the amount that was received through intergovernmental revenue in 2016 was 3.6 percent of the total revenue received, or \$265,236. The SPCC's major sources of revenue were contributions and charges for services, with \$2,700,000 and \$4,303,924, respectively, received in 2016.

SPCC has received several State of Minnesota SIM (State Innovation Model) grants and also contributions under a long-term agreement with a private (non-profit) entity as it transitions to a self-sustaining business model.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of 2016, the original revenue budget increased by \$1,373,780, and the expenditure budget increased by \$1,124,276. During 2016, SPCC received additional grant funding that was not included in the original budgets and, therefore, amended the original revenue and expenditure budgets.

Actual revenue exceeded budgeted amounts by a total of \$3,004,062; this was due to a combination of a delay in the E-Health Grant implementation, which reduced budgeted intergovernmental revenue, and the receipt of the performance settlement for 2015-2016, which had not been included in the 2016 charges for services budget.

Actual expenditures were greater than the budgeted expenditures by \$1,562,582 due to unbudgeted performance settlement payments to providers and counties and savings, as all phases of operations were evaluated and reduced as warranted.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Southern Prairie Community Care's depreciable capital assets (net of accumulated depreciation) at December 31, 2016, totaled \$41,060. This investment in capital assets is mainly vehicles owned by SPCC. The total decrease in the County's investment in capital assets, net of depreciation, for the current fiscal year was \$13,629. There were no capital assets acquired in 2016.

### **Long-Term Debt**

At the end of the fiscal year 2016, Southern Prairie Community Care had no outstanding debt.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Southern Prairie Community Care will adopt a 2017 budget based on continuing to implement the SIM grant awards and use the private contributions to expand the care coordination model to all 12 of its member counties.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Southern Prairie Community Care's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to William Muenchow, Executive Director, 607 West Main Street, P. O. Box 513, Marshall, Minnesota 56258.

This page was left blank intentionally.

## **BASIC FINANCIAL STATEMENTS**

This page was left blank intentionally.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT 1*

**STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

	<b>Primary Government Governmental Activities</b>	<b>Southern Prairie Center for Community Health Improvement Component Unit</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 2,146,586	\$ 301,418
Investments	2,119,032	-
Due from other governments	37,073	-
Capital assets		
Depreciable assets - net	41,060	-
<b>Total Assets</b>	<b>\$ 4,343,751</b>	<b>\$ 301,418</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	<b>\$ 799,836</b>	\$ -
<b><u>Liabilities</u></b>		
Accounts payable	\$ 108,178	\$ 2,007
Due to other governments	66,450	-
Long-term liabilities		
Due within one year	7,115	-
Due in more than one year	64,034	-
Net pension liability	1,185,448	-
<b>Total Liabilities</b>	<b>\$ 1,431,225</b>	<b>\$ 2,007</b>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred pension inflows	<b>\$ 87,939</b>	\$ -
<b><u>Net Position</u></b>		
Investment in capital assets	\$ 41,060	\$ -
Restricted for health	-	36,625
Unrestricted	3,583,363	262,786
<b>Total Net Position</b>	<b>\$ 3,624,423</b>	<b>\$ 299,411</b>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT 2*

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>	
<b>Expenses</b>	<b>Fees, Charges, and Other</b>	<b>Operating Grants and Contributions</b>	<b>Primary Government Governmental Activities</b>	<b>Southern Prairie Center for Community Health Improvement Component Unit</b>	
<b><u>Functions/Programs</u></b>					
<b>Primary Government Governmental activities</b>					
Health	\$ 5,754,009	\$ 4,335,803	\$ 265,236	\$ (1,152,970)	
<b>Component Unit</b>					
Southern Prairie Center for Community Health Improvement	\$ 15,589	\$ -	\$ 50,000		\$ 34,411
 <b>General Revenues</b>					
Contributions not restricted to specific programs			\$ 2,700,000	\$ 250,000	
Investment earnings			10,315	-	
<b>Total general revenues</b>			<b>\$ 2,710,315</b>	<b>\$ 250,000</b>	
<b>Change in net position</b>			<b>\$ 1,557,345</b>	<b>\$ 284,411</b>	
<b>Net Position - January 1</b>			<b>2,067,078</b>	<b>15,000</b>	
<b>Net Position - December 31</b>			<b>\$ 3,624,423</b>	<b>\$ 299,411</b>	

**FUND FINANCIAL STATEMENTS**

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT 3*

**BALANCE SHEET  
GENERAL FUND  
DECEMBER 31, 2016**

**Assets**

Cash and cash equivalents	\$ 2,146,586
Investments	2,119,032
Due from other governments	<u>37,073</u>
<b>Total Assets</b>	<b><u><u>\$ 4,302,691</u></u></b>

**Liabilities and Fund Balances**

<b>Liabilities</b>	
Accounts payable	\$ 108,178
Due to other governments	<u>66,450</u>
<b>Total Liabilities</b>	<b>\$ 174,628</b>
<b>Fund Balances</b>	
Unassigned	<u>4,128,063</u>
<b>Total Liabilities and Fund Balances</b>	<b><u><u>\$ 4,302,691</u></u></b>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

***EXHIBIT 4***

**RECONCILIATION OF THE GENERAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016**

<b>Fund Balance - General Fund (Exhibit 3)</b>		<b>\$</b>	<b>4,128,063</b>
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.			41,060
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the General Fund.			799,836
Long-term liabilities, including compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported in the General Fund.			
Compensated absences payable	\$	(71,149)	
Net pension liability		<u>(1,185,448)</u>	(1,256,597)
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the General Fund.			<u>(87,939)</u>
<b>Net Position of Governmental Activities (Exhibit 1)</b>			<b><u>\$ 3,624,423</u></b>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT 5*

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Revenues</b>	
Intergovernmental	\$ 265,236
Contributions	2,700,000
Charges for services	4,303,924
Investment earnings	10,315
Miscellaneous	<u>27,260</u>
<b>Total Revenues</b>	<b>\$ 7,306,735</b>
<b>Expenditures</b>	
<b>Current</b>	
<b>Public Health</b>	
Health	<u>5,456,604</u>
<b>Net Change in Fund Balance</b>	<b>\$ 1,850,131</b>
<b>Fund Balance - January 1</b>	<u>2,277,932</u>
<b>Fund Balance - December 31</b>	<u><u>\$ 4,128,063</u></u>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT 6*

**RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016**

<b>Net Change in Fund Balance - General Fund (Exhibit 5)</b>	<b>\$ 1,850,131</b>
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>The General Fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	<p>(13,629)</p>
<p>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 General Fund.</p>	
<p>Change in net deferred pension outflows</p>	<p>\$ 510,472</p>
<p>Change in compensated absences payable</p>	<p>(49,734)</p>
<p>Change in net pension liability</p>	<p>(677,562)</p>
<p>Change in net deferred pension inflows</p>	<p>(62,333)</p>
	<hr/>
<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b><u>\$ 1,557,345</u></b>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2016

---

---

1. Summary of Significant Accounting Policies

Southern Prairie Community Care financial statements are prepared with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. 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 Southern Prairie Community Care are discussed below.

A. Financial Reporting Entity

Southern Prairie Health Purchasing Alliance (subsequently renamed Southern Prairie Community Care) was established in 2013 by 12 counties (Member Counties) pursuant to the powers granted by Minn. Stat. § 471.59.

The purpose of the joint powers entity is to plan, form, operate, and govern a rural care delivery system to improve health and quality of life of the citizens of Member Counties who participate in government health care programs through improved coordination, management, and delivery of health care and social services through partnerships between Member Counties and local providers.

Southern Prairie Community Care is governed by a 12-member Governing Board consisting of one individual from each Member County selected by the County Board of that county.

Des Moines Valley Health and Human Services serves as fiscal agent and reports the transactions of Southern Prairie Community Care as an agency fund on its financial statements.

Discretely Presented Component Unit

While part of the reporting entity, discretely presented component units are presented in a separate column in the government-wide financial statements to emphasize that they are legally separate from Southern Prairie Community Care. Southern Prairie Community Care has one discretely presented component unit.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

Discretely Presented Component Unit (Continued)

<u>Component Unit</u>	<u>Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
Southern Prairie Center for Community Health Improvement	Southern Prairie Community Care is financially accountable to and can impose its will on Southern Prairie Center for Community Health Improvement.	Separate financial statements are prepared and audited by the State of Minnesota Office of the State Auditor.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Southern Prairie Community Care’s governmental activities.

In the government-wide statement of net position, the governmental activities are 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 position is reported in three parts: (1) investment in capital assets, (2) restricted, and (3) unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of each function of Southern Prairie Community Care’s activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, 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 or capital 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 (the balance sheet and statement of revenues, expenditures, and changes in fund balance) display information about Southern Prairie Community Care’s General Fund.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

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 full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Southern Prairie Community Care 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 Southern Prairie Community Care's policy to use restricted resources first and then unrestricted resources as needed.

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

1. Cash, Cash Equivalents, and Investments

Southern Prairie Community Care's available cash balances are invested in accordance with Minnesota statutes. Cash and cash equivalents are held by Des Moines Valley Health and Human Services. Investments are reported at their fair value at December 31, 2016, based on market prices.

2. Receivables

Southern Prairie Community Care did not have any receivables not expected to be collected within the year. No allowance for uncollectible accounts have been included because such amounts are not expected to be material.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

3. Capital Assets

Capital assets, which include machinery, furniture, and equipment, are reported in the government-wide financial statements. Capital assets are defined by Southern Prairie Community Care as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

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.

Capital assets of Southern Prairie Community Care are depreciated using the straight-line method. Machinery, furniture, and equipment are being depreciated over three to ten years.

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using accrual balances at year-end multiplied by employee wage rate. Accruals must be used or forfeited by the employee anniversary dates in the following calendar year. The current portion of compensated absences is ten percent of the year-end balance. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the General Fund only if they have matured, for example, as a result of employee resignations and retirements.

5. Long-Term Liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column on the Statement of Net Position.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

6. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, Southern Prairie Community Care has one item, deferred pension outflows, that qualifies for reporting in this category. This outflow arises only under the full accrual basis of accounting and consists of pension plan contributions paid subsequent to the measurement date, the difference between projected and actual earnings on pension plan investments, changes in actuarial assumptions, and also pension plan changes in proportionate share and, accordingly, is reported only in the statement of net position.

In addition to liabilities, the statement of net 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. Currently, Southern Prairie Community Care has one item, deferred pension inflows, that qualifies for reporting in this category. This inflow arises only under the full accrual basis of accounting and consists of the differences between expected and actual pension plan economic experience and, accordingly, is reported only in the statement of net position.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

8. Classification of Net Position

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

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

Restricted net position - the amount of net position 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 position - the amount of net position that is not included in the investment in capital assets or restricted components.

9. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Southern Prairie Community Care is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are 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.

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 (resolution) of the Southern Prairie Community Care 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 (resolution) it employed to previously commit those amounts.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

---

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances (Continued)

Assigned - amounts Southern Prairie Community Care intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Southern Prairie Community Care Board.

Unassigned - the residual classification for the General Fund; it includes all spendable amounts not contained in the other fund balance classifications.

Southern Prairie Community Care 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.

10. Use of Estimates

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

11. Integrated Health Partnerships Program Savings Revenue

An actuary is used by Southern Prairie Community Care to calculate the savings of the Integrated Health Partnerships Program. Revenue received is based on the prior year savings, after analysis and study of an actuary hired by Southern Prairie Community Care, and reported to the Minnesota Department of Human Services.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

2. Detailed Notes

A. Assets

1. Deposits and Investments

a. Deposits

Cash transactions are administered by the Des Moines Valley Health and Human Services' Director of Business Management who is, according to Minn. Stat. §§ 118A.02, authorized to deposit cash in financial institutions designated by the Southern Prairie Community Care Board.

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

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, Southern Prairie Community Care's deposits may not be returned. Southern Prairie Community Care's policy is to obtain collateral or bond for all uninsured amounts on deposit, necessary documentation to show compliance with state law, and a perfected security interest under federal law. As of December 31, 2016, Southern Prairie Community Care had deposits of \$74,457 that were exposed to custodial credit risk.

b. Investments

Southern Prairie Community Care may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

2. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Fair Value of Investments

Southern Prairie Community Care measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

2. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments

Fair Value of Investments (Continued)

At December 31, 2016, Southern Prairie Community Care had the following recurring fair value measurements.

	December 31, 2016	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
Negotiable certificates of deposit	\$ 2,118,000	\$ -	\$ 2,118,000	\$ -
Investments measured at the net asset value (NAV)				
Money Market Mutual Funds	\$ 1,032			

Debt securities classified in Level 2 are valued using matrix pricing based on the securities' relationship to benchmark quoted prices.

The money market mutual fund is valued at the net asset value per share. Southern Prairie Community Care invests in this money market account for short-term holdings. Shares are available to be redeemed upon proper notice without restriction or limitation.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

2. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. Southern Prairie Community Care minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations and to avoid the need to sell securities in the open market prior to maturity.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Southern Prairie Community Care only invests in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. Southern Prairie Community Care's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available. Securities purchased that exceed available SIPC coverage shall be transferred to Southern Prairie Community Care's custodian. As of December 31, 2016, Southern Prairie Community Care's investments were not exposed to custodial credit risk.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

2. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by Southern Prairie Community Care's investment in a single issuer. It is Southern Prairie Community Care's policy to diversify the investment portfolio to minimize the risk of potential loss from any one type of security or issuer.

The following table presents Southern Prairie Community Care's deposit and investment balances at December 31, 2016, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Negotiable certificates of deposit					
Discover Bank	N/A	N/A	>5%	01/20/2017	\$ 247,000
Bank of India	N/A	N/A	>5%	02/08/2017	248,000
Comenity Capital Bank	N/A	N/A	>5%	02/14/2017	248,000
Comenity Bank	N/A	N/A	>5%	02/16/2017	200,000
Mizrahi Tefahot Bank	N/A	N/A	>5%	02/24/2017	248,000
Wells Fargo Bank	N/A	N/A	>5%	02/27/2017	248,000
City National Bank	N/A	N/A	>5%	03/02/2017	186,000
Safra National Bank	N/A	N/A	>5%	10/12/2017	245,000
Synovus Bank	N/A	N/A	>5%	10/20/2017	248,000
Total negotiable certificates of deposit					\$ 2,118,000
Mutual funds					1,032
Total investments					\$ 2,119,032
Checking					1,648,862
Certificates of deposit					497,724
Total Cash and Investments					\$ 4,265,618

N/A - Not Applicable

>5% - Concentration is more than 5% of investments

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

2. Detailed Notes

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the year ended December 31, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets depreciated				
Machinery, furniture, and equipment	\$ 68,146	\$ -	\$ -	\$ 68,146
Less: accumulated depreciation for				
Machinery, furniture, and equipment	<u>13,457</u>	<u>13,629</u>	<u>-</u>	<u>27,086</u>
Total Capital Assets, Net	<u>\$ 54,689</u>	<u>\$ (13,629)</u>	<u>\$ -</u>	<u>\$ 41,060</u>

Depreciation expense of \$13,629 was charged to the health function/program for the year ended December 31, 2016.

B. Liabilities and Deferred Inflows of Resources

1. Operating Leases

Southern Prairie Community Care has entered into operating leases for office space at Kandiyohi County effective through December 31, 2017, and Appleton Area Health Services effective through March 31, 2017. The future minimum lease payments as of December 31, 2016, were as follows:

<u>Year Ended December 31</u>	<u>Amount</u>
2017	<u>\$ 2,866</u>

2. Compensated Absences

Changes in compensated absences for the year ended December 31, 2016, were:

<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>\$ 21,415</u>	<u>\$ 72,682</u>	<u>\$ 22,948</u>	<u>\$ 71,149</u>	<u>\$ 7,115</u>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan

1. Plan Description

All full-time and certain part-time employees of Southern Prairie Community Care are covered by a defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a 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 remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under 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. Only Method 2 is used for members hired after June 30, 1989.

For General Employees Retirement Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members and Coordinated members, were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2016.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan

3. Contributions (Continued)

In 2016, Southern Prairie Community Care was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The employee and employer contribution rates did not change from the previous year.

Southern Prairie Community Care's contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were \$69,604. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2016, Southern Prairie Community Care reported a liability of \$1,185,448 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Southern Prairie Community Care's proportion of the net pension liability was based on Southern Prairie Community Care's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, Southern Prairie Community Care's proportion was 0.0146 percent. It was 0.0098 percent measured as of June 30, 2015. Southern Prairie Community Care recognized pension expense of \$303,646 for its proportionate share of the General Employees Retirement Plan's pension expense.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan

4. Pension Costs (Continued)

Southern Prairie Community Care also recognized \$4,619 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

Southern Prairie Community Care's proportionate share of the net pension liability	\$ 1,185,448
State of Minnesota's proportionate share of the net pension liability associated with Southern Prairie Community Care	15,492
Total	\$ 1,200,940

Southern Prairie Community Care reported its proportionate share of the General Employees Retirement Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 87,939
Changes in actuarial assumptions	232,112	-
Difference between projected and actual investment earnings	207,341	-
Changes in proportion	325,147	-
Contributions paid to PERA subsequent to the measurement date	35,236	-
Total	\$ 799,836	\$ 87,939

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The \$35,236 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2017	\$ 231,531
2018	231,531
2019	170,779
2020	42,820

5. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants in the General Employees Retirement Plan were based on RP-2014 tables. The cost of living benefit increases for retirees is assumed to be 1.0 percent.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Plan was for the period 2008 through 2015.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

---

3. Pension Plans

A. Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2016, a reduction of the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

8. Pension Liability Sensitivity

The following presents Southern Prairie Community Care’s proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what Southern Prairie Community Care’s proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 1,683,687
Current	7.50	1,185,448
1% Increase	8.50	775,034

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

3. Pension Plans

A. Defined Benefit Pension Plan (Continued)

9. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

4. Risk Management

Southern Prairie Community Care 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. Southern Prairie Community Care has entered into a joint powers agreement with certain Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). Southern Prairie Community Care is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2016 and 2017. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Southern Prairie Community Care in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and Southern Prairie Community Care 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 Southern Prairie Community Care in a method and amount to be determined by MCIT.

Southern Prairie Community Care has not significantly reduced insurance coverage in the past year and has not had settlements in excess of insurance coverage in the past year.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

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

B. Claims and Litigation

Southern Prairie Community Care, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigation. Southern Prairie Community Care's attorney estimates that the potential claims against the entity resulting from litigation not covered by insurance would not materially affect the financial statements of Southern Prairie Community Care.

6. Southern Prairie Center for Community Health Improvement Component Unit Disclosures

A. Summary of Significant Accounting Policies

In addition to those identified in Note 1, Southern Prairie Community Care's discretely presented component unit has the following significant accounting policies.

Financial Reporting Entity

Southern Prairie Center for Community Health Improvement is a nonstock, nonprofit corporation organized pursuant to the provisions of the Minnesota Nonprofit Corporation Act.

Southern Prairie Center for Community Health Improvement was formed to engage and partner with community stakeholders, including the providers, payers, government services, community services, and consumers in the Southern Prairie Community Care region, through data collection and collaboration on health improvement strategies and implementation for the Southern Prairie Community Care counties and their residents.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

6. Southern Prairie Center for Community Health Improvement Component Unit Disclosures

A. Summary of Significant Accounting Policies

Financial Reporting Entity (Continued)

The Southern Prairie Center for Community Health Improvement Board of Directors consists of not less than 11 or more than 17 members. The Board of Directors consists of up to 11 members who are health care providers in the region, up to 3 members who are appointed by the 12 counties in the region, and up to 3 members who are private consumers residing in the region.

Des Moines Valley Health and Human Services serves as fiscal agent and reports the transactions of Southern Prairie Center for Community Health Improvement as an agency fund on its financial statements.

Southern Prairie Center for Community Health Improvement is a discretely presented component unit of Southern Prairie Community Care and, therefore, is included in Southern Prairie Community Care's financial statements because Southern Prairie Community Care is financially accountable to and able to impose its will on Southern Prairie Center for Community Health Improvement.

Basic Financial Statements

Southern Prairie Center for Community Health Improvement does prepare separate financial statements. Southern Prairie Center for Community Care presents its one fund as a governmental fund.

B. Assets

Deposits

Cash transactions are administered by the Des Moines Valley Health and Human Services' Director of Business Management who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the Southern Prairie Center for Community Health Improvement Board.

Minnesota Statute § 118A.03 requires that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

---

6. Southern Prairie Center for Community Health Improvement Component Unit Disclosures

B. Assets

Deposits (Continued)

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

Custodial credit risk for deposits is the risk that, in the event of a bank failure, Southern Prairie Center for Community Health Improvement’s deposits may not be returned. Southern Prairie Center for Community Health Improvement’s policy is to obtain collateral or bond for all uninsured amounts on deposit, necessary documentation to show compliance with state law, and a perfected security interest under federal law.

As of December 31, 2016, Southern Prairie Center for Community Health Improvement’s deposits were not entirely covered by federal depository insurance or by pledged collateral. As of December 31, 2016, Southern Prairie Center for Community Health Improvement’s deposits were undercollateralized by \$51,427.

**REQUIRED SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT A-1*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental	\$ 188,893	\$ 1,562,673	\$ 265,236	\$ (1,297,437)
Contributions	2,700,000	2,700,000	2,700,000	-
Charges for services	-	-	4,303,924	4,303,924
Investment earnings	-	-	10,315	10,315
Miscellaneous	40,000	40,000	27,260	(12,740)
<b>Total Revenues</b>	<b>\$ 2,928,893</b>	<b>\$ 4,302,673</b>	<b>\$ 7,306,735</b>	<b>\$ 3,004,062</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Public health</b>				
Health	2,769,746	3,894,022	5,456,604	(1,562,582)
<b>Net Change in Fund Balance</b>	<b>\$ 159,147</b>	<b>\$ 408,651</b>	<b>\$ 1,850,131</b>	<b>\$ 1,441,480</b>
<b>Fund Balance - January 1</b>	<b>2,277,932</b>	<b>2,277,932</b>	<b>2,277,932</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,437,079</b>	<b>\$ 2,686,583</b>	<b>\$ 4,128,063</b>	<b>\$ 1,441,480</b>

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

*EXHIBIT A-2*

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2016**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability (Asset)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>State's Proportionate Share of the Net Pension Liability Associated with Southern Prairie Community Care (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)</b>	<b>Covered Payroll (c)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
2016	0.0146%	\$ 1,185,448	\$ 15,492	\$ 1,200,940	\$ 903,857	131.15%	68.91%
2015	0.0098	507,886	N/A	507,886	568,172	89.39	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The measurement date for each year is June 30.  
N/A - Not Applicable

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

**EXHIBIT A-3**

**SCHEDULE OF CONTRIBUTIONS  
PERA GENERAL EMPLOYEES RETIREMENT PLAN  
DECEMBER 31, 2016**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2016	\$ 69,604	\$ 69,604	\$ -	\$ 928,042	7.50%
2015	54,728	54,728	-	729,698	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available. Southern Prairie Community Care's year-end is December 31.

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. All annual appropriations lapse at year-end.

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. The budgets may be amended or modified at any time by the Southern Prairie Community Care Board.

During the year, the Board amended the revenue and expenditure budgets.

2. Excess of Expenditures Over Budget

The General Fund had expenditures in excess of final budget for the year ended December 31, 2016:

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
General Fund	\$ 5,456,604	\$ 3,894,022	\$ 1,562,582

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30, 2016:

General Employees Retirement Plan

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

---

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

General Employees Retirement Plan (Continued)

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**SUPPLEMENTARY INFORMATION**

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

***EXHIBIT B-1***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**Payments**

**Local**

Local contributions

\$ 1,566

**Federal**

Department of Health and Human Services

263,670

**Total Intergovernmental Revenue**

\$ 265,236

This page was left blank intentionally.



This page was left blank intentionally.



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA

## OFFICE OF THE STATE AUDITOR

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

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

### **COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS**

Governing Board  
Southern Prairie Community Care  
Marshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the discretely presented component unit, and the General Fund of Southern Prairie Community Care as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Southern Prairie Community Care's basic financial statements, and have issued our report thereon dated November 28, 2017.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of Southern Prairie Community Care's basic financial statements, we considered Southern Prairie Community Care's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Southern Prairie Community Care's internal control. Accordingly, we do not express an opinion on the effectiveness of Southern Prairie Community Care's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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, such that there is a reasonable possibility that a material misstatement of Southern Prairie Community Care's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency listed in the Schedule of Findings and Recommendations as item 2014-001 to be a material weakness.

### **Other Matters**

Southern Prairie Community Care's written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit Southern Prairie Community Care's response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Governing Board, management, and others within Southern Prairie Community Care, 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

November 28, 2017

*/s/Greg Hierlinger*

GREG HIERLINGER, CPA  
DEPUTY STATE AUDITOR



REBECCA OTTO  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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

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

## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Governing Board  
Southern Prairie Community Care  
Marshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities, the discretely presented component unit, and the General Fund of Southern Prairie Community Care as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise Southern Prairie Community Care's basic financial statements and have issued our report thereon dated November 28, 2017.

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness and tax increment financing because these categories did not apply to Southern Prairie Community Care.

In connection with our audit, nothing came to our attention that caused us to believe that Southern Prairie Community Care failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. 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 Southern Prairie Community Care's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of the Governing Board and management of Southern Prairie Community Care and the State Auditor, 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 28, 2017

Page 47

This page was left blank intentionally.

**SOUTHERN PRAIRIE COMMUNITY CARE  
MARSHALL, MINNESOTA**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**I. INTERNAL CONTROL OVER FINANCIAL REPORTING**

**PREVIOUSLY REPORTED ITEM NOT RESOLVED**

Finding Number 2014-001

**Audit Adjustment**

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

**Condition:** A material adjustment was identified by auditors that resulted in significant changes to Southern Prairie Community Care's financial statements.

**Context:** The inability to detect material misstatements in the financial statements increased the likelihood that the financial statements would not be fairly presented. This adjustment was identified during the audit process; however, independent external auditors cannot be considered part of Southern Prairie Community Care's internal control.

**Effect:** An adjustment was made to the governmental activities to increase net pension liability by \$483,527, to increase related deferred pension inflows by \$1,185,448, and to decrease related deferred pension outflows by \$1,037,356.

**Cause:** Procedures were not in place to consider the full extent of all entries needed for calculating net pension liability and the related deferred inflows and outflows of resources.

**Recommendation:** We recommend that Southern Prairie Community Care review their financial statement closing procedures, trial balances, and journal entries in detail to ensure that significant adjustments have been made that are considered necessary to fairly present Southern Prairie Community Care's financial statements in accordance with generally accepted accounting principles.

Client's Response:

*For the 2017 audit and in the future, Kristina Meulebroek, the Southern Prairie's Business and Administrative Manager, will be preparing the financial statements.*

**II. PREVIOUSLY REPORTED ITEMS RESOLVED**

2014-002 Accounting Policies and Procedures Manual

2014-003 Insufficient Collateral