State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Minnesota Prairie County Alliance
Mantorville, Minnesota

Year Ended December 31, 2019

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for Minnesota's local public pension funds; and

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

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

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Minnesota Prairie County Alliance
Mantorville, Minnesota

Year Ended December 31, 2019

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MINNESOTA PRAIRIE COUNTY ALIANCE
MANTORVILLE, MINNESOTA

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

ORGANIZATION
DECEMBER 31, 2019

		Member County
Board Members		
Member County Commissioners		
Member	Rick Gnemi	Steele
Member	Doug Christopherson	Waseca
Chair	Rodney Peterson	Dodge
Member	James Brady	Steele
Member	Brian Harguth	Waseca
Member	Tim Tjosaas	Dodge
Alternate Member	Jim Abbe	Steele
Alternate Member	DeAnne Malterer	Waseca
Alternate Member	Rhonda Toquam	Dodge
Executive Director	Jane Hardwick	
Management Team		
Income and Health Care Assistance Manager	Cathy Skogen	
Adult and Disability Social Services Manager	Tara Reich	
Child and Family Social Services Manager	Heather Johnson	
Finance Manager	Kevin Venenga	

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Minnesota Prairie County Alliance
Mantorville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Minnesota Prairie County Alliance (MNPrairie) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise MNPrairie's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MNPrairie'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 MNPrairie'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 General Fund, and the aggregate remaining fund information of MNPrairie as of December 31, 2019, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2019, MNPrairie adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MNPrairie's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2020, on our consideration of MNPrairie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MNPrairie's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MNPrairie's internal control over financial reporting and compliance.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 22, 2020

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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

Minnesota Prairie County Alliance's (MNPrairie) Management's Discussion and Analysis (MD&A) provides an overview of MNPrairie's financial activities for the fiscal year ended December 31, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with MNPrairie's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is ($1,715,058), of which $16,533 is the net investment in capital assets.

- MNPrairie's net position decreased by $467,255 for the year ended December 31, 2019.

- Overall fund level revenues totaled $26,613,777, while total expenditures were $26,022,557.

- For the year ended December 31, 2019, the unrestricted fund balance of the General Fund was $6,603,448, or 25 percent of the 2019 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. MNPrairie's basic financial statements consist of two statements that combine government-wide financial statements and governmental fund financial statements, fiduciary fund financial statements, and notes to the financial statements. The MD&A (this section), the budgetary comparison schedule, and certain information related to MNPrairie's net pension liability and other postemployment benefits (OPEB) liability are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

The first column of each of the first two statements presents governmental fund data. These columns focus on how money flows in and out and the balances left at year-end that are available for spending. They are 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. These columns provide a detailed short-term view of the operations and the basic services provided. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the programs. We reconcile the relationship (or differences) between governmental funds and governmental activities (reported in the third column) in the center column of each statement.

The third column in each of the first two statements presents the governmental activities' Statement of Net Position and the Statement of Activities, which provide information about the activities of MNPrairie as a whole and present a longer-term view of the finances. These columns include all assets and deferred outflows of resources, and liabilities and deferred inflows of resources using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information is provided as supplementary information regarding MNPrairie's intergovernmental revenues and federal award programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of financial position. MNPrairie's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $1,715,058 at the close of 2019.

Net Position

	2019	2018
Assets		
Current and other assets	$ 8,635,972	$ 8,172,187
Capital assets	202,572	108,956
Total Current Assets	$ 8,838,544	$ 8,281,143
Deferred Outflows of Resources	$ 1,313,736	$ 2,686,284
Liabilities		
Current liabilities	$ 2,188,063	$ 2,516,186
Noncurrent liabilities	8,345,060	7,818,301
Total Liabilities	$ 10,533,123	$ 10,334,487
Deferred Inflows of Resources	$ 1,334,215	$ 1,880,743
Net Position		
Net investment in capital assets	$ 16,533	$ 42,104
Unrestricted	(1,731,591)	(1,289,907)
Total Net Position	$ (1,715,058)	$ (1,247,803)

Governmental Activities

The following table summarizes the change in net position for 2019.

Changes in Net Position

	2019	2018
Revenues		
Intergovernmental	$ 25,304,508	$ 23,345,360
Charges for services	993,444	856,116
Investment earnings	72,177	72,040
Miscellaneous	378,619	-
Total Revenues	$ 26,748,748	$ 24,273,516
Expenses		
Human services	27,216,003	26,980,860
Change in Net Position	$ (467,255)	$ (2,707,344)
Net Position – January 1	(1,247,803)	1,459,541
Net Position – December 31	$ (1,715,058)	$ (1,247,803)

FINANCIAL ANALYSIS OF THE GENERAL FUND

As shown in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance on Exhibit 2, the amount that was received through intergovernmental revenue in 2019 was 95 percent of the total revenue received, or $25,175,601, which is MNPrairie's major source of revenue.

For 2020 and going forward, MNPrairie expects to continue to receive a large portion of intergovernmental revenue, as the services that we provide are funded either through federal and state revenue sources or with member county tax levies.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the original to final budget totals did not change. Actual revenues were greater than budgeted revenues by $706,817. Actual expenditures were greater than the budgeted expenditures by $115,597. Both variances were the result of an increase in services provided that were not originally anticipated when the budget was approved. These services qualified for intergovernmental reimbursements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

MNPrairie's depreciable capital assets (net of accumulated depreciation) at December 31, 2019, totaled $202,572. This investment in capital assets consists of vehicles and equipment owned and leased by MNPrairie. The total increase in MNPrairie's investment in capital assets, net of depreciation, for the current fiscal year was $93,616.

Long-Term Debt

At the end of fiscal year 2019, MNPrairie had no bonded debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

MNPrairie adopted the 2020 budget based on trends from recent years of operation, anticipated changes to administrative and program areas, and any changes from the 2019 Legislature that would impact our operations. This included factors such as:

- Stabilization of caseload for income and health care assistance after several years of significant growth
- Relatively stable child support caseload
- Reduction in staffing and correction to revenue projections for home and community-based waiver services
- Several years of increased out-of-home placements, including an increase in the number of children requiring residential mental health treatment
- Increased cost of adult mental health treatment
- Aging of the population, including people with disabilities and chronic medical needs
- Increased cost of new workspace

In addition, there are a number of demographic and economic externalities that can have a significant impact on our budget from year to year. Some of those factors are:

- State billing errors
- State or federal policy changes
- Aging of the population, including people with disabilities and chronic medical conditions

- Rate of lifetime asset acquisition to pay for long-term care supports
- Availability of affordable employer-based insurance
- Unemployment rate
- School attendance and graduation rates
- Rates of drug and alcohol use and ease of access to substance use disorder treatment
- Child abuse and neglect
- Mental health status and ease of access to mental health treatment
- Teen pregnancy rates
- Access to technology to improve client access to supports and/or increase agency efficiency

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of MNPrairie's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Jane Hardwick, Executive Director, 22 East 6th Street, Mantorville, Minnesota 55955.

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BASIC FINANCIAL STATEMENTS

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 1

**GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES – STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2019**

	General Fund	Adjustments	Governmental Activities
Assets and Deferred Outflows of Resources			
Assets			
Cash and pooled investments	$ 5,919,171	$ -	$ 5,919,171
Accounts receivable – net	219,295	-	219,295
Due from other governments	2,497,506	-	2,497,506
Capital assets			
Depreciable – net	-	202,572	202,572
Total Assets	**$ 8,635,972**	**$ 202,572**	**$ 8,838,544**
Deferred Outflows of Resources			
Deferred other postemployment benefits outflows	-	25,036	25,036
Deferred pension outflows	-	1,288,700	1,288,700
Total Deferred Outflows	**$ -**	**$ 1,313,736**	**$ 1,313,736**
Total Assets and Deferred Outflows of Resources	**$ 8,635,972**	**$ 1,516,308**	**$ 10,152,280**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Accounts payable	$ 884,438	$ -	$ 884,438
Salaries payable	302,281	-	302,281
Due to other governments	167,461	-	167,461
Compensated absences payable	-	790,879	790,879
Unearned revenue	82	-	82
Capital leases payable	-	42,922	42,922
Noncurrent liabilities			
Compensated absences payable	-	98,008	98,008
Capital leases payable	-	143,117	143,117
Other postemployment benefits liability	-	590,328	590,328
Net pension liability	-	7,513,607	7,513,607
Total Liabilities	**$ 1,354,262**	**$ 9,178,861**	**$ 10,533,123**
Deferred Inflows of Resources			
Unavailable revenue	$ 678,262	$ (678,262)	$ -
Deferred other postemployment benefits inflows	-	17,226	17,226
Deferred pension inflows	-	1,316,989	1,316,989
Total Deferred Inflows of Resources	**$ 678,262**	**$ 655,953**	**$ 1,334,215**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 1
(Continued)

GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES – STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2019

	General Fund	Adjustments	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Fund Balance/Net Position			
Fund Balance			
Unassigned	**$ 6,603,448**	**$ (6,603,448)**	
Net Position			
Net investment in capital assets		$ 16,533	$ 16,533
Unrestricted		(1,731,591)	(1,731,591)
Total Net Position		**$ (1,715,058)**	**$ (1,715,058)**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 8,635,972**	**$ 1,516,308**	**$ 10,152,280**

Reconciliation of the General Fund Balance to Net Position		
Fund Balance – General Fund		**$ 6,603,448**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.		202,572
Deferred outflows resulting from pension and other postemployment benefits liabilities are not available resources and, therefore, are not reported in the General Fund.		1,313,736
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.		
Compensated absences payable	$ (888,887)	
Capital leases payable	(186,039)	
Other postemployment benefits liability	(590,328)	
Net pension liability	(7,513,607)	(9,178,861)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the General Fund.		678,262
Deferred inflows resulting from pension and other postemployment benefits liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.		(1,334,215)
Net Position – Governmental Activities		**$ (1,715,058)**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 2

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 25,175,601	$ 128,907	$ 25,304,508
Charges for services	987,902	5,542	993,444
Investment earnings	72,177	-	72,177
Miscellaneous	378,097	522	378,619
Total Revenues	**$ 26,613,777**	**$ 134,971**	**$ 26,748,748**
Expenditures/Expenses			
Current			
Human services	$ 25,995,356	$ 1,217,664	$ 27,213,020
Debt service			
Principal	24,218	(24,218)	-
Interest	2,983	-	2,983
Total Expenditures/Expenses	**$ 26,022,557**	**$ 1,193,446**	**$ 27,216,003**
Excess of Revenues Over (Under) Expenditures	**$ 591,220**	**$ (1,058,475)**	**$ (467,255)**
Other Financing Sources (Uses)			
Capital lease purchase	143,404	(143,404)	-
Net Change in Fund Balance/Net Position	**$ 734,624**	**$ (1,201,879)**	**$ (467,255)**
Fund Balance/Net Position – January 1	**5,868,824**	**(7,116,627)**	**(1,247,803)**
Fund Balance/Net Position – December 31	**$ 6,603,448**	**$ (8,318,506)**	**$ (1,715,058)**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 2
(Continued)

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES – STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL FOR THE YEAR ENDED DECEMBER 31, 2019

Reconciliation of the Statement of General Fund Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities of Governmental Activities		
Net Change in Fund Balance		**$ 734,624**
The General Fund reports 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. In the Statement of Activities, only the gain or loss on the disposal of assets is reported; whereas, in the General Fund, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets	$ 143,404	
Net book value of assets disposed	(4,128)	
Current year depreciation	(45,660)	93,616
In the General Fund, 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 revenues is the increase or decrease in revenues deferred as unavailable.		
Unavailable revenue – December 31	$ 678,262	
Unavailable revenue – January 1	(543,173)	135,089
Issuing a long-term capital lease provides current financial resources to the General Fund, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.		
Capital lease purchase	$ (143,404)	
Principal payments on capital lease	24,218	(119,186)
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.		
Change in deferred pension outflows	$ (1,380,355)	
Change in compensated absences	(47,534)	
Change in other postemployment benefits liability	(41,795)	
Change in deferred other postemployment benefits outflows	7,807	
Change in deferred other postemployment benefits inflows	(17,226)	
Change in net pension liability	(396,049)	
Change in deferred pension inflows	563,754	(1,311,398)
Change in Net Position of Governmental Activities		**$ (467,255)**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 3

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 87,376	$ 818,742
Due from other governments	-	36,140
Accounts receivable	-	44,367
Total Assets	**$ 87,376**	**$ 899,249**
Liabilities		
Due to other governments	**$ -**	**$ 80,507**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 87,376**	**$ 818,742**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 4

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions from individuals	$ 719,973	$ 366,676
Interest earnings	-	10,712
Payments from state	-	533,271
Total Additions	**$ 719,973**	**$ 910,659**
Deductions		
Beneficiary payments to individuals	$ 710,933	$ -
Payments to state	-	366,676
Administrative expense	-	427
Payments to other entities	-	320,771
Total Deductions	**$ 710,933**	**$ 687,874**
Net Change in Net Position	**$ 9,040**	**$ 222,785**
Net Position – January 1, as previously reported	$ -	$ -
Net Position – Restatement (Note 1.E.)	78,336	595,957
Net Position – January 1, as restated	**$ 78,336**	**$ 595,957**
Net Position – December 31	**$ 87,376**	**$ 818,742**

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

1. Summary of Significant Accounting Policies

Minnesota Prairie County Alliance's (MNPrairie) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by MNPrairie are discussed below.

A. Financial Reporting Entity

MNPrairie was formed pursuant to Minn. Stat. § 471.59, by Dodge, Steele, and Waseca Counties. MNPrairie began official operations on January 1, 2015, and performs the human services function in the counties that are signatories to the joint powers agreement.

The purpose of MNPrairie is to improve outcomes of safety and wellness for residents by taking advantage of efficiencies that can be garnered from a larger organization; aligning and merging policies and processes; and applying technology to offer services of a consistent, high quality, with an emphasis on prevention and early intervention, continuous improvement, partnering, and accountability.

MNPrairie is governed by a Joint Powers Board made up of two County Commissioners from each of the participating counties who are chosen by their respective County Boards. Each participating county also designates one additional representative to serve as an alternate.

MNPrairie is an independent joint venture and not a component unit of any of the member counties.

Joint Ventures and Jointly-Governed Organization

MNPrairie participates in joint ventures described in Note 3.C. MNPrairie also participates in a jointly-governed organization, which is described in Note 3.D.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

Basic financial statements include information on MNPrairie's activities as a whole, except for fiduciary activities, and information on the General Fund. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of the exhibits starts with a column of information based on activities of the General Fund and reconciles it to a column that reports the "governmental activities" of MNPrairie as a whole.

The governmental activities columns are reported on the full accrual, economic resources basis, which recognizes all long-term assets and receivables, long-term debt and obligations, as well as any related deferred inflows and outflows of resources. MNPrairie's net position is reported in two parts: net investment in capital assets and unrestricted net position. The Statement of Activities demonstrates the degree to which the expenses of MNPrairie are offset by revenues.

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

Additionally, MNPrairie reports the following fiduciary fund types:

The Private-Purpose Trust Fund accounts for funds held in trust that MNPrairie acts on behalf of individuals as representative payee.

Custodial funds are safekeeping in nature. These funds account for activity that MNPrairie holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The governmental activities and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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. MNPrairie considers all revenues as available if collected within 60 days after the end of the current period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Charges for services and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is MNPrairie'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. Deposits and Investments

Investments are reported at their fair value at December 31, 2019, using a market approach. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and investments are credited to the General Fund. Pooled investment earnings for 2019 were $72,177.

MNPrairie invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

Accounts receivable is shown net of an allowance for uncollectible balances.

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 furniture, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by MNPrairie 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 (entry price) on the date of donation.

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.

Furniture, equipment, and vehicles of MNPrairie are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Furniture, equipment, and vehicles	5 - 10

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, sick leave, and paid time off balances. The liability has been calculated using the termination method. Amounts are accrued as they are earned by employees if it is probable that the employer will compensate the employee at termination. The sick leave amount is based on MNPrairie's past experience of making termination payments for sick leave adjusted for current factors. A liability for these amounts is reported in the General Fund only if it has matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The current portion is based on the compensatory balance at year-end and the average use of accrued paid time off and vacation balances of the current and prior year. The noncurrent portion consists of the remaining amount of vacation, sick leave, and paid time off balances. Compensated absences are liquidated by the General Fund.

1. Summary of Significant Accounting Policies

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

5. Long-Term Obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the statement of net position. The governmental fund financial statements report only liabilities expected to be financed with available, spendable financial resources. Acquisitions under capital leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

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. The pension liability is liquidated through the General Fund.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. MNPrairie reports deferred outflows of resources associated with pension plans and other postemployment benefits (OPEB). These outflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. MNPrairie has two types of deferred inflows. The General Fund reports unavailable revenue from grant monies and miscellaneous revenue receivable for amounts that are not considered available to liquidate liabilities in the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the General Fund Balance Sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amounts become available. MNPrairie also has deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

8. Unearned Revenue

The General Fund and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

9. Classification of Net Position

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

Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

1. Summary of Significant Accounting Policies

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

9. Classification of Net Position (Continued)

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 does not meet the definition of restricted or net investment in capital assets.

10. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which MNPrairie 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 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 for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or 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 Joint Powers 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.

Assigned – amounts MNPrairie 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 Joint Powers Board.

1. Summary of Significant Accounting Policies

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

10. Classification of Fund Balances (Continued)

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

MNPrairie applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, or 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.

11. Minimum Fund Balance

MNPrairie adopted a minimum fund balance policy for its General Fund to maintain a minimum unassigned fund balance equal to 35 percent of the General Fund's operating expenditures.

12. 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 certain 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.

E. Change in Accounting Principles

During the year ended December 31, 2019, MNPrairie adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private-Purpose Trust Fund that was not previously reported and including accruals and ending net position to custodial funds not previously required. Beginning net position has been restated to reflect this change.

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2019, as previously reported	$ -	$ -
Change in accounting principles	78,336	595,957
Net Position, January 1, 2019, as restated	$ 78,336	$ 595,957

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of MNPrairie's total cash and investments to the basic financial statements follows:

	Cash and Investments
Government-wide statement of net position	
Governmental activities	$ 5,919,171
Statement of fiduciary net position	
Social Welfare Private-Purpose Trust Fund	87,376
Custodial funds	818,742
Total	$ 6,825,289

a. Deposits

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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 not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, MNPrairie’s deposits may not be returned to it. MNPrairie’s policy states all deposits should be fully collateralized. As of December 31, 2019, none of MNPrairie’s deposits were exposed to custodial credit risk.

b. Investments

MNPrairie 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;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

(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) time deposits fully insured by the Federal Deposit Insurance Corporation or 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.

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. It is MNPrairie's policy to minimize its exposure to interest rate risk by investing in shorter-term investments to provide the cash flow and liquidity needed for operations.

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. It is MNPrairie's policy to invest only in securities that meet the ratings requirements set by state statute.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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. MNPrairie does not have a policy on custodial credit risk. As of December 31, 2019, $553,507 of MNPrairie's investments were exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by MNPrairie's investment in a single issuer. It is MNPrairie's policy to minimize concentration of credit risk by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimal.

At December 31, 2019, MNPrairie had the following deposits and investments.

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment – Issuer	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
Commercial paper					
U.S. Bank, National Association	P1	Moody's	>5%	<1 year	$ 553,507
Investment pools					
MAGIC Fund	N/R	N/A	N/A	N/A	6,083,698
Checking					188,084
Total Cash and Investments					$ 6,825,289

N/R – Not Rated
N/A – Not Applicable
>5% – Concentration is more than 5% of investments

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fair Value Measurements

MNPrairie invests in commercial paper for the benefit of liquid investments that can be readily re-invested. The commercial paper is quoted at a net asset value (NAV). The investments have a daily liquidity, and funds can be accessed at any time.

MAGIC is a local government investment pool which is quoted at a NAV. MNPrairie invests in this pool for the purpose of the joint investment of MNPrairie's money with those of counties to enhance the investment earnings accruing to each member.

The MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as MNPrairie has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its NAV not reasonably practical.

2. Receivables

Receivables of governmental activities as of December 31, 2019, including the applicable allowances for uncollectible accounts, were as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables
Accounts receivable	$ 1,840,739	$ (1,621,444)	$ 219,295
Due from other governments	2,497,506	-	2,497,506

Net receivables are expected to be collected within the subsequent year.

2. Detailed Notes on All Funds

   A. Assets (Continued)

      3. Capital Assets

         Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture, equipment, and vehicles	$ 184,851	$ 143,404	$ 20,642	$ 307,613
Less: accumulated depreciation for				
Furniture, equipment, and vehicles	75,895	45,660	16,514	105,041
Capital Assets, Net	$ 108,956	$ 97,744	$ 4,128	$ 202,572

         Depreciation expense of $45,660 was charged to the human services function/program for the year ended December 31, 2019.

   B. Liabilities

      1. Operating Leases

         MNPrairie entered into leases for office space with each participating county as follows:

         - Dodge County, for office space in the Dodge County Courthouse Annex in Mantorville, Minnesota. The lease began in 2015 and is renewed annually. The lease calls for quarterly payments of $42,879. Lease payments to Dodge County totaled $171,516 in 2019.

         - Steele County, for office space in the Steele County Administration Center in Owatonna, Minnesota. The lease began in 2015 and is renewed annually. The lease calls for quarterly payments of $41,394. Lease payments to Steele County totaled $165,576 in 2019.

2. Detailed Notes on All Funds

B. Liabilities

1. Operating Leases (Continued)

- Waseca County, for office space in the MNPrairie and Public Health Building in Waseca, Minnesota. The lease began in 2015 and is renewed biennially. The lease calls for monthly payments of $11,923. Lease payments to Waseca County totaled $143,076 in 2019.

2. Capital Leases

MNPrairie has entered into lease agreements as a lessee for financing copy machines, vehicles, and a server. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital lease payments are paid from the General Fund.

Capital leases consist of the following at December 31, 2019:

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2019
2017 copy machines	2022	Monthly	$ 191	$ 11,461	$ 5,349
2019 copy machines	2024	Monthly	760	37,114	33,019
2017 Ford Taurus	2022	Monthly	368	21,366	11,561
2018 Dodge Grand Caravan	2023	Monthly	287	17,227	11,198
2018 Dodge Grand Caravan	2023	Monthly	289	17,333	11,266
2018 Dodge Grand Caravan	2023	Monthly	275	16,515	10,735
2019 Subaru Crosstrek	2024	Monthly	319	19,163	18,205
2019 Subaru Crosstrek	2024	Monthly	319	19,163	18,205
2019 Dodge Grand Caravan	2024	Monthly	441	26,450	26,009
2019 Dell server	2024	Monthly	923	41,514	40,492
Total Capital Leases					$ 186,039

2. Detailed Notes on All Funds

B. Liabilities

2. Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

Year Ending December 31	Governmental Activities
2020	$ 50,072
2021	50,072
2022	47,072
2023	35,710
2024	22,866
Total minimum lease payments	$ 205,792
Less: amount representing interest	(19,753)
Present Value of Minimum Lease Payments	$ 186,039

3. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 841,353	$ 1,072,023	$ 1,024,489	$ 888,887	$ 790,879
Capital leases	66,853	143,404	24,218	186,039	42,922
Total	$ 908,206	$ 1,215,427	$ 1,048,707	$ 1,074,926	$ 833,801

2. Detailed Notes on All Funds (Continued)

C. Deferred Inflows of Resources – Unavailable Revenue

Deferred inflows of resources – unavailable revenue as of December 31, 2019, for the General Fund are as follows:

	Deferred Inflows of Resources
Unavailable revenue	
Intergovernmental	$ 474,606
Miscellaneous revenue	184,237
Charges for services	19,419
Total	$ 678,262

D. Other Postemployment Benefits (OPEB)

1. Plan Description and Funding Policy

MNPrairie provides health insurance benefits for eligible retired employees and their dependents as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis. As of January 1, 2018, there was one retiree receiving health benefits from MNPrairie's health plan. The implicit rate subsidy amount was determined by an actuarial study to be $25,036 for 2019. A separate, audited GAAP-basis postemployment plan report is not issued.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB 75. The OPEB plan does not issue a stand-alone financial report.

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

2. Total OPEB Liability

As of the January 1, 2018, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active plan participants	155
Total	157

MNPrairie’s total OPEB liability of $590,328 was determined by an actuarial valuation as of January 1, 2018, and was rolled forward to a measurement date of January 1, 2019. The OPEB liability is liquidated through the General Fund.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.50 percent, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2018	$ 548,533
Changes for the year	
Service cost	$ 59,344
Interest	19,778
Changes in assumptions	(20,098)
Benefit payments	(17,229)
Net change	$ 41,795
Balance at December 31, 2019	$ 590,328

4. OPEB Liability Sensitivity

The following presents the total OPEB liability of MNPrairie, calculated using the discount rate previously disclosed, as well as what MNPrairie's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	$ 641,201
Current	3.80	590,328
1% Increase	4.80	543,347

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of MNPrairie, calculated using the health care cost trend previously disclosed, as well as what MNPrairie's total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.25%	$ 518,857
Current	6.25% Decreasing to 5.25%	590,328
1% Increase	7.25% Decreasing to 6.25%	675,741

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, MNPrairie recognized OPEB expense of $76,250. MNPrairie reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ -	$ 17,226
Contributions made subsequent to the measurement date	25,036	-
Total	$ 25,036	$ 17,226

2. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

The $25,036 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. The amount reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31	OPEB Expense Amount
2020	$ (2,872)
2021	(2,872)
2022	(2,872)
2023	(2,872)
2024	(2,872)
Thereafter	(2,866)

6. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.

E. Pension Plan

Defined Benefit Pension Plan

1. Plan Description

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

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan

1. Plan Description (Continued)

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No MNPrairie employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase.

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

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019.

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan

3. Contributions (Continued)

In 2019, MNPrairie was required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

MNPrairie's contributions for the General Employees Plan for the year ended December 31, 2019, were $739,771. The contributions are equal to the statutorily required contributions as set by state statute.

4. Pension Costs

At December 31, 2019, MNPrairie reported a liability of $7,513,607 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MNPrairie's proportion of the net pension liability was based on MNPrairie's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, MNPrairie's proportion was 0.1359 percent. It was 0.1283 percent measured as of June 30, 2018. MNPrairie recognized pension expense of $1,969,907 for its proportionate share of the General Employees Plan's pension expense.

MNPrairie also recognized $17,486 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 Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually.

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan

4. Pension Costs (Continued)

MNPrairie's proportionate share of the net pension liability	$	7,513,607
State of Minnesota's proportionate share of the net pension liability associated with MNPrairie		233,490
Total	$	7,747,097

MNPrairie reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	200,953	$	-
Changes in actuarial assumptions		-		559,489
Difference between projected and actual investment earnings		-		757,500
Changes in proportion		714,408		-
Contributions paid to PERA subsequent to the measurement date		373,339		-
Total	$	1,288,700	$	1,316,989

The $373,339 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan

4. Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2020	$ 44,724
2021	(422,246)
2022	(36,213)
2023	12,107

5. Actuarial Assumptions

The total pension liability in the June 30, 2019, 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 for all plans were based on RP- 2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. Inflation and investment assumptions were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

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

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Changes in Actuarial Assumptions and Plan Provisions

The following change in actuarial assumptions occurred in 2019:

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

2. Detailed Notes on All Funds

E. Pension Plan

Defined Benefit Pension Plan (Continued)

8. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 12,351,965
Current	7.50	7,513,607
1% Increase	8.50	3,518,580

9. Pension Plan Fiduciary Net Position

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

3. Summary of Significant Contingencies and Other Items

A. Risk Management

MNPrairie 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. To manage these risks, MNPrairie has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT).

3. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. MNPrairie 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 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess MNPrairie in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

MNPrairie is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of MNPrairie's attorney, the resolution of these matters will not have a material adverse effect on the financial condition of MNPrairie.

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

C. Joint Ventures

Dodge County Family Services Collaborative

The Dodge County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Dodge County and approximately seven other human services-related agencies serving Dodge County residents. The governing board consists of seven members, of which four represent the legally required participants of a collaborative (a school district, the County, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child. Control of the Collaborative is vested in a Board of Directors. MNPrairie acts as fiscal agent for the Collaborative and reports the fiscal transactions of the Collaborative as a custodial fund.

The Collaborative is financed by state grants and appropriations from participating members. During the year, MNPrairie did not contribute to the Collaborative.

Steele County Children's Mental Health Collaborative

The Steele County Children's Mental Health Collaborative was established in 2009 under the authority of Minn. Stat. § 245.491. The governing board consists of five members, two members of the County Board of Commissioners and one school board member from each participating school district. The purpose of this Collaborative is to improve the mental health and educational outcomes of children in Steele County by creating an integrated service delivery system for children who have, or are at risk of having, emotional or behavioral problems and their families. MNPrairie acts as fiscal agent for the Steele County Children's Mental Health Collaborative and reports the fiscal transactions of the Collaborative as a custodial fund. During the year, MNPrairie did not contribute to the Collaborative.

3. Summary of Significant Contingencies and Other Items

   C. Joint Ventures (Continued)

   Waseca County Collaborative for Families

   The Waseca County Collaborative for Families was established in 2001 to improve the well-being of the children and families of Waseca County. The members include Waseca County; Independent School District Nos. 829, 2835, and 2168; and Waseca Medical Center-Mayo Health System. The governing board consists of five members, one from each participating entity. MNPrairie acts as fiscal agent for the Waseca County Collaborative for Families and reports the fiscal transactions of the Collaborative as a custodial fund. During the year, MNPrairie did not contribute to the Collaborative.

   D. Jointly-Governed Organization

   MNPrairie, in conjunction with other governmental entities and various private organizations, formed the jointly-governed organization as listed below:

   The Southeast Service Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, MNPrairie made payments of $250 to the Cooperative.

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REQUIRED SUPPLEMENTARY INFORMATION

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 24,456,863	$ 24,456,863	$ 25,175,601	$ 718,738
Charges for services	939,166	939,166	987,902	48,736
Investment earnings	20,000	20,000	72,177	52,177
Miscellaneous	490,931	490,931	378,097	(112,834)
Total Revenues	**$ 25,906,960**	**$ 25,906,960**	**$ 26,613,777**	**$ 706,817**
Expenditures				
Current				
Human services				
Income maintenance	$ 8,228,158	$ 8,228,158	$ 8,863,524	$ (635,366)
Social services	17,678,802	17,678,802	17,131,832	546,970
Total human services	**$ 25,906,960**	**$ 25,906,960**	**$ 25,995,356**	**$ (88,396)**
Debt service				
Principal	-	-	24,218	(24,218)
Interest	-	-	2,983	(2,983)
Total Expenditures	**$ 25,906,960**	**$ 25,906,960**	**$ 26,022,557**	**$ (115,597)**
Excess of Revenues Over (Under) Expenditures	**$ -**	**$ -**	**$ 591,220**	**$ 591,220**
Other Financing Sources (Uses)				
Capital lease purchase	-	-	143,404	143,404
Net Change in Fund Balance	**$ -**	**$ -**	**$ 734,624**	**$ 734,624**
Fund Balance – January 1	**5,868,824**	**5,868,824**	**5,868,824**	**-**
Fund Balance – December 31	**$ 5,868,824**	**$ 5,868,824**	**$ 6,603,448**	**$ 734,624**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-2

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 59,344	$ 62,183
Interest	19,778	17,807
Changes in assumptions	(20,098)	-
Benefit payments	(17,229)	(17,595)
Net change in total OPEB liability	**$ 41,795**	**$ 62,395**
Total OPEB Liability – Beginning	**548,533**	**486,138**
Total OPEB Liability – Ending	**$ 590,328**	**$ 548,533**
Covered-employee payroll	$ 9,035,648	$ 8,772,474
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.53%	6.25%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-3

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with MNPraire (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.1359 %	$ 7,513,607	$ 233,490	$ 7,747,097	$ 9,616,857	78.13 %	80.23 %
2018	0.1283	7,117,558	233,454	7,351,012	8,621,094	82.56	79.53
2017	0.1260	8,043,757	101,172	8,144,929	8,091,495	99.41	75.90
2016	0.1100	8,931,454	116,610	9,048,064	6,819,948	130.96	68.91
2015	0.0493	2,554,982	N/A	2,554,982	2,848,574	89.69	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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-4

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	$ 739,771	$ 739,771	$ -	$ 9,863,626	7.50 %
2018	687,421	687,421	-	9,165,613	7.50
2017	615,501	615,501	-	8,204,350	7.50
2016	551,584	551,584	-	7,354,449	7.50
2015	478,511	478,511	-	6,380,147	7.50

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

1. Budgetary Information

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

The appropriated budget is prepared by fund and department. The legal level of budgetary control (that is, 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 MNPrairie. There were no budget amendments during 2019.

2. Excess of Expenditures Over Budget

The General Fund has expenditures in excess of budget for the year ended December 31, 2019, as follows:

	Expenditures	Final Budget	Excess
General Fund	$ 26,022,557	$ 25,906,960	$ 115,597

3. Other Postemployment Benefits Funded Status

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following change in actuarial assumptions occurred in 2019:

- The discount rate used changed from 3.30 percent to 3.80 percent.

The following changes in actuarial assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

- The retirement and withdrawal tables were updated.

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

5. Defined Benefit Pension Plan – 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 General Employees Retirement Fund for fiscal year June 30:

2019

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

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

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

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

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

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

2018 (Continued)

- Contribution stabilizer provisions were repealed.

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

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

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

5. Defined Benefit Pension Plan – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2016

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

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.

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

SUPPLEMENTARY INFORMATION

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CUSTODIAL FUNDS

<u>Dodge County Family Services Collaborative</u> – to account for the collection and disbursement of funds for the Dodge County Family Services Collaborative.

<u>Steele County Children’s Mental Health Collaborative</u> – to account for the collection and disbursement of funds for the Steele County Children’s Mental Health Collaborative.

<u>Waseca County Collaborative for Families</u> – to account for the collection and disbursement of funds for the Waseca County Collaborative for Families.

<u>Estate Recoveries</u> – to account for the State of Minnesota’s share of estate recoveries associated with the Medical Assistance Program.

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT B-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2019

	Custodial Funds				
	Dodge County Family Services Collaborative	**Steele County Children's Mental Health Collaborative**	**Waseca County Collaborative for Families**	**Estate Recoveries**	**Total Custodial Funds**
Assets					
Cash and pooled investments	$ 403,432	$ 415,310	$ -	$ -	$ 818,742
Due from other governments	-	-	36,140	-	36,140
Accounts receivable	-	-	-	44,367	44,367
Total Assets	**$ 403,432**	**$ 415,310**	**$ 36,140**	**$ 44,367**	**$ 899,249**
Liabilities					
Due to other governments	**$ -**	**$ -**	**$ 36,140**	**$ 44,367**	**$ 80,507**
Net Position					
Restricted for individuals, organizations, and other governments	**$ 403,432**	**$ 415,310**	**$ -**	**$ -**	**$ 818,742**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Custodial Funds				
	Dodge County Family Services Collaborative	Steele County Children's Mental Health Collaborative	Waseca County Collaborative for Families	Estate Recoveries	Total Custodial Funds
Additions					
Contributions from individuals	$ -	$ -	$ -	$ 366,676	$ 366,676
Interest earnings	5,227	5,485	-	-	10,712
Payments from state	154,948	193,655	184,668	-	533,271
Total Additions	**$ 160,175**	**$ 199,140**	**$ 184,668**	**$ 366,676**	**$ 910,659**
Deductions					
Payments to state	$ -	$ -	$ -	$ 366,676	$ 366,676
Administrative expense	95	332	-	-	427
Payments to other entities	78,273	57,830	184,668	-	320,771
Total Deductions	**$ 78,368**	**$ 58,162**	**$ 184,668**	**$ 366,676**	**$ 687,874**
Net Change in Net Position	**$ 81,807**	**$ 140,978**	**$ -**	**$ -**	**$ 222,785**
Net Position – January 1, as previously reported	$ -	$ -	$ -	$ -	$ -
Net Position – Restatement (Note 1.E.)	321,625	274,332	-	-	595,957
Net Position – January 1, as restated	**$ 321,625**	**$ 274,332**	**$ -**	**$ -**	**$ 595,957**
Net Position – December 31	**$ 403,432**	**$ 415,310**	**$ -**	**$ -**	**$ 818,742**

OTHER SCHEDULES

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-1

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

Appropriations		
Local		
Local contributions	$	18,002
PERA aid		17,486
Contributions from counties		10,838,960
Total local appropriations	**$**	**10,874,448**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**2,836,606**
Grants		
State		
Minnesota Department of Human Services	**$**	**4,771,159**
Federal		
Department of		
Agriculture	$	706,608
Health and Human Services		5,986,780
Total federal	**$**	**6,693,388**
Total state and federal grants	**$**	**11,464,547**
Total Intergovernmental Revenue	**$**	**25,175,601**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-2

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

Federal Grantor Pass-Through Agency Program or Cluster Title	**Federal CFDA Number**	**Pass-Through Grant Numbers**	**Expenditures**
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	$ 661,902
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN127Q7503	44,287
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2520	419
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $706,608)			
Total U.S. Department of Agriculture			**$ 706,608**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	93.104	Not Provided	$ 53,595
Promoting Safe and Stable Families	93.556	G-1801MNFPSS	13,851
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1901MNTANF	950,921
Child Support Enforcement	93.563	1901MNCEST	1,251,649
Child Support Enforcement	93.563	1901MNCSES	290,993
(Total Child Support Enforcement 93.563 $1,542,642)			
Refugee and Entrant Assistance – State Administered Programs	93.566	1901MNRCMA	687
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	15,424
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	64,253
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	8,719
Foster Care – Title IV-E	93.658	1901MNFOST	637,679
Social Services Block Grant	93.667	G-1901MNSOSR	424,326
Child Abuse and Neglect State Grants	93.669	G-1901MNNCAN	1,748
Chafee Foster Care Independence Program	93.674	G-1901MNCILP	14,414
Children's Health Insurance Program	93.767	1905MN5021	518
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	2,914,675
Medical Assistance Program	93.778	1905MN5MAP	31,038
(Total Medical Assistance Program 93.778 $2,945,713)			
Total U.S. Department of Health and Human Services			**$ 6,674,490**
Total Federal Awards			**$ 7,381,098**

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

EXHIBIT C-2
(Continued)

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

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			$ 706,608
Total expenditures for TANF Cluster			950,921
Total expenditures for CCDF Cluster			64,253
Total expenditures for Medicaid Cluster			2,945,713

MNPrairie did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

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

1. Summary of Significant Accounting Policies

   A. Reporting Entity

      The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Minnesota Prairie County Alliance (MNPrairie). MNPrairie's reporting entity is defined in Note 1 to the financial statements.

   B. Basis of Presentation

      The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of MNPrairie under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of MNPrairie, it is not intended to and does not present the financial position or changes in net position of MNPrairie.

      Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

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

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 6,693,388
Grants received more than 60 days after year-end, unavailable in 2019	
Promoting Safe and Stable Families (CFDA No. 93.556)	257
Temporary Assistance for Needy Families (CFDA No. 93.558)	329,582
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)	5,071
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	771
Foster Care – Title IV-E (CFDA No. 93.658)	77,977
Chafee Foster Care Independence Program (CFDA No. 93.674)	8,671
Unavailable in 2018, recognized as revenue in 2019	
Promoting Safe and Stable Families (CFDA No. 93.556)	(4,578)
Temporary Assistance for Needy Families (CFDA No. 93.558)	(220,045)
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	(4,800)
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	(3,579)
Chafee Foster Care Independence Program (CFDA No. 93.674)	(4,877)
Collaborative Grants (receipted into a custodial fund)	
Foster Care – Title IV-E (CFDA No. 93.658)	167,827
Medical Assistance Program (CFDA No. 93.778)	335,433
Expenditures Per Schedule of Expenditures of Federal Awards	$ 7,381,098

Management and Compliance Section

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

Independent Auditor's Report

Joint Powers Board
Minnesota Prairie County Alliance
Mantorville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Minnesota Prairie County Alliance (MNPrairie) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise MNPrairie's basic financial statements, and have issued our report thereon dated June 22, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that MNPrairie failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as item 2019-003. 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 MNPrairie's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

MNPrairie's Response to Findings

MNPrairie's response to the legal compliance finding identified in our audit is described in the Corrective Action Plan. MNPrairie's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of MNPrairie's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MNPrairie's internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

June 22, 2020

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

Independent Auditor's Report

Joint Powers Board
Minnesota Prairie County Alliance
Mantorville, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Minnesota Prairie County Alliance's (MNPrairie) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of MNPrairie's major federal programs for the year ended December 31, 2019. MNPrairie's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for each of MNPrairie's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about MNPrairie's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of MNPrairie is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered MNPrairie's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of MNPrairie's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

MNPrairie's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. MNPrairie's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha */s/Greg Hierlinger*

JULIE BLAHA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 22, 2020

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

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

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Temporary Assistance for Needy Families Cluster	CFDA No. 93.558
Medicaid Cluster	CFDA No. 93.778

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

MNPrairie qualified as a low-risk auditee? **No**

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

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-001

Prior Year Finding Number: 2018-001

Repeated Finding Since: 2018

<u>Eligibility</u>

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by MNPrairie to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available to support participant eligibility in MAXIS. In other circumstances, information was not input correctly into MAXIS. The following instances were noted in the sample of 25 MAXIS case files tested:

- One instance in which there was no documentation to support the value of an asset entered in MAXIS.

- Two instances of asset information incorrectly input into MAXIS.

Questioned Costs: Not applicable. MNPrairie administers the program, but benefits to participants in this program are paid by the State of Minnesota.

Context: Pursuant to Minnesota statutes, MNPrairie performs any "intake function" needed for this program, while the state maintains MAXIS and METS, which support the eligibility determination process and actually pay the benefits to the participants.

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

Effect: The lack of updated information in MAXIS and documented verification of key eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible; no ineligible participants were noted during testing.

Cause: Program personnel entering case information into MAXIS did not ensure all required information was input in MAXIS correctly or that all required information was obtained and/or retained.

Recommendation: We recommend MNPrairie implement additional review procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input in MAXIS and maintained in case files, and that issues are followed up in a timely manner.

View of Responsible Official: Acknowledged

Finding Number: 2019-002

Prior Year Finding Number: N/A

Repeated Finding Since: N/A

<u>Payroll Allocation</u>

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1905MN5ADM, 2019; and Temporary Assistance for Needy Families Program (CFDA No. 93.558), Award No. 1901MNTANF, 2019

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. Code of Federal Regulations § 200.303 requires that the auditee establish and maintain effective internal control over federal awards to provide reasonable assurance that awards are managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award. For federal awards received through DHS, this would include providing reasonable assurance that program costs are reported to DHS accurately, in accordance with DHS' published reporting instructions.

Condition: A portion of payroll costs for office support staff was allocated between the Income Maintenance and Social Services programs based on an estimate of time spent rather than the number of employees being supported in each area, as required by DHS instructions.

Questioned Costs: None.

Context: Federal funds are received for a portion of administrative costs associated with MNPrairie's Income Maintenance programs (including the Temporary Assistance for Needy Families [TANF] and Medical Assistance Programs), which are reported to DHS through the Income Maintenance Quarterly Expense Report (DHS-2550). Federal funds are also received for a portion of administrative costs associated with MNPrairie's Social Services programs (including the Medical Assistance Program), which are reported to DHS through the Social Services Quarterly Fund Report (DHS-2556). Beginning in the second quarter of 2019, payroll costs for office support staff were allocated between the two reports at rates of 91 percent to Income Maintenance and 9 percent to Social Services, while the allocation based on employees in each area should have been 40 percent to Income Maintenance and 60 percent to Social Services.

Effect: During the year, approximately $230,000 in payroll costs were reported on the DHS-2550 that should have been reported on the DHS-2556. Because federal funding is allocated to different programs and at different rates for each report, it is likely that the federal funds received related to these costs were inaccurate given the approved allocation method. The estimated result of the incorrect payroll allocation was MNPrairie receiving more federal revenue by an estimated $8,126 in TANF funds and $58,423 in Medical Assistance Program funds.

Cause: Management indicated that they did not believe the rates calculated using the approved method accurately reflected the work being performed between the two areas. The allocation rates used for the last three quarters of 2019 were based on an estimate of the employees' time spent on each program.

Recommendation: We recommend that the DHS-2550 and DHS-2556 Reports be completed in accordance with DHS instructions. Any reports that have been submitted with costs allocated by an unapproved method should be corrected and resubmitted.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

Finding Number: 2019-003

Prior Year Finding Number: 2015-006

Repeated Finding Since: 2015

Investment Safekeeping

Criteria: Government entities are required by Minn. Stat. § 118A.06 (b) to obtain written acknowledgements identifying the securities by the names of the issuers, maturity dates, interest rates, CUSIP numbers, or other distinguishing marks from the financial institution holding their investments.

Condition: Investment documentation obtained by MNPrairie did not disclose items such as maturity dates, interest rates, CUSIP numbers, or other distinguishing marks.

Context: Identifying the commercial paper by names of the issuers, maturity dates, interest rates, CUSIP numbers, and other distinguishing marks assures MNPrairie is in compliance with investment requirements.

Effect: When MNPrairie does not receive sufficient documentation from the financial institution, the safekeeping of its investments is not in compliance with requirements of Minn. Stat. § 118A.06 (b).

Cause: MNPrairie indicated they have attempted to obtain the necessary information from the financial institution, but have been unsuccessful.

Recommendation: We recommend MNPrairie obtain the necessary written support from the financial institution to comply with Minn. Stat. § 118A.06 (b).

View of Responsible Official: Acknowledged

REPRESENTATION OF MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Cathy Skogen – Income and Healthcare Assistance Program Manager

Corrective Action Planned:

For the errors noted, we will review items with staff, work to improve case notes to clarify assets and correct case records where possible.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2019-002
Finding Title: Payroll Allocation
Program: Medical Assistance Program (CFDA No. 93.778) and Temporary Assistance for Needy Families (CFDA No. 93.558)

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga – Finance Manager

Corrective Action Planned:

MNPrairie will revise the costs reported on the 2019 second, third and fourth quarter reports impacted by the change in the office support labor allocation.

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Anticipated Completion Date:

May 5, 2020

Finding Number: 2019-003
Finding Title: Investment Safekeeping

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga – Finance Manager

Corrective Action Planned:

With MNPrairie's establishment of an account with the MAGIC fund, we anticipated that we would be able to place excess funds from US Bank in this investment account, which provides the necessary documentation for investment safekeeping and satisfies the necessary requirements to be in compliance with the Statute. However, in working with US Bank, we realized that changing our current use of the sweep account would have a negative financial impact on our operations in the form of additional fees. Therefore, we were not able to completely mitigate the exposure at year end. MNPrairie will continue to work with US Bank to solve this situation.

Anticipated Completion Date:

December 31, 2020

REPRESENTATION OF MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2015-006
Finding Title: Investment Safekeeping

Summary of Condition: Investment documentation obtained by MNPrairie did not disclose items such as maturity dates, interest rates, CUSIP numbers, or other distinguishing marks.

Summary of Corrective Action Previously Reported: With MNPrairie's establishment of an account with the MAGIC fund, we anticipated that we would be able to place excess funds from US Bank in this investment account, which provides the necessary documentation for investment safekeeping and satisfies the necessary requirements to be in compliance with the Statute. However, in working with US Bank, we realized that changing our current use of the sweep account would have a negative financial impact on our operations in the form of additional fees. Therefore, we were not able to completely mitigate the exposure at year end. MNPrairie will continue to work with US Bank to solve this situation.

Status: Not Corrected. MNPrairie continues to explore options to mitigate this deficiency with US Bank.

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

Finding Number: 2017-002
Finding Title: Uniform Guidance Written Procurement Policies and Procedures
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: MNPrairie's written procurement policies did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Summary of Corrective Action Previously Reported: The Procurement Policy will be reviewed and updated to incorporate necessary language and procedures will be established to ensure compliance with the procurement standards.

Status: Not Corrected. The Procurement Policy will be reviewed in 2020 and updated to incorporate necessary language to ensure compliance with the procurement standards.

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

Finding Number: 2017-003
Finding Title: Procurement, Suspension, and Debarment
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: Of the five procurement transactions tested for compliance with federal regulations, four instances were noted where the history of the procurement was not documented. Additionally, for one covered transaction, procedures were not performed to determine whether the vendor was suspended, debarred, or otherwise excluded from participation in federal assistance programs or activities.

Summary of Corrective Action Previously Reported: The Procurement Policy will be reviewed and updated to incorporate necessary language and procedures will be established to ensure compliance with the procurement standards.

Status: Partially Corrected. MNPrairie will be setting up the remaining step for procurement vendor eligibility confirmation.

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

Finding Number: 2018-001
Finding Title: Eligibility
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the case files reviewed for eligibility, not all documentation was available, updated, or input correctly in MAXIS to support participant eligibility.

Summary of Corrective Action Previously Reported: For the errors noted, we will review items with staff, work to improve case notes to clarify assets and correct case records where possible.

Status: Partially Corrected. The remaining items on the tested transactions will be reviewed and properly corrected.

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