

# State of Minnesota



**Office of the State Auditor**

Julie Blaha  
State Auditor

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**Southwest Health and Human Services  
Marshall, Minnesota**

Year Ended December 31, 2023

# Southwest Health and Human Services Marshall, Minnesota

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## **Introductory Section**

# Southwest Health and Human Services Marshall, Minnesota

## Organization 2023

Health and Human Services Governing Board	County	Appointment Expires
Chair		
Greg Burger	Rock	December 31, 2023
Vice-Chair		
Dennis Welgraven	Murray	December 31, 2023
Members		
Mic VanDeVere	Lincoln	December 31, 2023
Steve Hauswedell	Lincoln	December 31, 2023
Todd Draper	Lyon	December 31, 2023
Rick Anderson	Lyon	December 31, 2023
Jackie Meier	Murray	December 31, 2023
Doug Nagel	Pipestone	December 31, 2023
Dan Wildermuth	Pipestone	December 31, 2023
Jim Salfer	Redwood	December 31, 2023
Rick Wakefield	Redwood	December 31, 2023
Sherri Thompson	Rock	December 31, 2023
<hr/> Human Services Board		
Chair		
Rick Anderson	Lyon	December 31, 2023
Vice-Chair		
Mic VanDeVere	Lincoln	December 31, 2023
Members		
Joan Jagt	Lincoln	December 31, 2023
Steve Hauswedell	Lincoln	December 31, 2023
Todd Draper	Lyon	December 31, 2023
Lois Schmidt	Lyon	December 31, 2023
Jackie Meier	Murray	December 31, 2023
Dennis Welgraven	Murray	December 31, 2023
Jeane Anderson	Murray	December 31, 2023
Les Nath	Pipestone	December 31, 2023
Dan Wildermuth	Pipestone	December 31, 2023
Doug Nagel	Pipestone	December 31, 2023
Jim Salfer	Redwood	December 31, 2023
Rick Wakefield	Redwood	December 31, 2023
Maydra Maas	Redwood	December 31, 2023
Sherri Thompson	Rock	December 31, 2023
Greg Burger	Rock	December 31, 2023

# Southwest Health and Human Services Marshall, Minnesota

## Organization 2023 (Continued)

Community Health Board	County	Appointment Expires
Chair		
Rick Wakefield	Redwood	December 31, 2023
Vice-Chair		
Dan Wildermuth	Pipestone	December 31, 2023
Members		
Mic VanDeVere	Lincoln	December 31, 2023
Steve Hauswedell	Lincoln	December 31, 2023
Todd Draper	Lyon	December 31, 2023
Rick Anderson	Lyon	December 31, 2023
Dennis Welgraven	Murray	December 31, 2023
Doug Nagel	Pipestone	December 31, 2023
Jim Salfer	Redwood	December 31, 2023
Greg Burger	Rock	December 31, 2023
Director		
Beth Wilms		Indefinite
Deputy Director		
Nancy Walker		Indefinite
Director of Business Management		
Lisa DeBoer		Indefinite
Attorney		
William J. Toulouse		Indefinite

## **Financial Section**

**Independent Auditor's Report**

Members of the Joint Health and Human Service Board  
Southwest Health and Human Services  
Marshall, Minnesota

**Report on the Audit of the Financial Statements*****Opinions***

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Health and Human Services as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Health and Human Services' basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Southwest Health and Human Services as of December 31, 2023, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health and Human Services, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 1 to the financial statements, in 2023, the Health and Human Services adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

***Responsibilities of Management 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, and for 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.



In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health and Human Services' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit 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 the Health and Human Services' internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health and Human Services' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and Health Services Special Revenue Fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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 Southwest Health and Human Services' basic financial statements. The combining fiduciary fund financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 as identified above 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 August 21, 2024, on our consideration of Southwest Health and Human Services' 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 Southwest Health and Human Services' 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 Southwest Health and Human Services' internal control over financial reporting and compliance.

*/s/Julie Blaha*

Julie Blaha  
State Auditor

August 21, 2024

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

## **Management's Discussion and Analysis**

# **Southwest Health and Human Services Marshall, Minnesota**

## **Management's Discussion and Analysis December 31, 2023 (Unaudited)**

Southwest Health and Human Services' Management's Discussion and Analysis (MD&A) provides an overview of the Health and Human Services' financial activities for the fiscal year ended December 31, 2023. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Health and Human Services' basic financial statements that follow this section.

### **Financial Reporting Entity**

Southwest Health and Human Services (SWHHS) was formed under the authority of Minn. Stat. ch. 145A and Minn. Stat. § 471.59 by terminating the joint powers agreements for Lincoln, Lyon, & Murray Human Services (LLMHS) and Lincoln, Lyon, Murray, and Pipestone Public Health Services (LLMPPHS). Dissolution of LLMHS and LLMPPHS was effective December 31, 2010, although the agreement stated that both LLMHS and LLMPPHS continued to exist after dissolution as long as necessary to conclude the affairs of the agencies.

SWHHS began official operations on January 1, 2011, and performs health and human services functions formerly performed by the two previous joint ventures. SWHHS is governed by a Joint Health and Human Services Board, made up of one Commissioner (or alternate) from each county serving on the Community Health Board and one Commissioner (or alternate) from each county serving on the Human Services Board. The Human Services Board is made up of two County Commissioners from each of the participating counties, who are chosen by their respective County Boards, and one lay person from each participating county. The Community Health Board is made up of one County Commissioner and one alternate from each member county, unless such county shall have a population in excess of twice that of any other member county, in which case, it shall have two Commissioners and two alternates. Local financing for the first year of operations was based on the 2010 contribution amounts of LLMHS and LLMPPHS. In 2023, the local financing for human services was based on consideration of: (1) population based on the most recent national census, (2) tax capacity, and (3) the most recent three-year average Social Service Expenditure and Grant Reconciliation Report, each factor to be weighted equally. Public health financing for 2023 was based on \$12.00 per capita.

### **Financial Highlights**

- Governmental activities' total net position is \$3,400,046, of which \$706,995 represents the net investment in capital assets (Exhibit 1). In 2023, governmental activities' total net position increased by \$1,659,407.
- Local financing for the Health and Human Services in 2023 was \$13,541,573, which comprised 43.0 percent of the total intergovernmental revenue.
- Total federal and state grants comprised 35.0 percent of the total intergovernmental revenue.

### **Overview of the Financial Statements**

This MD&A is intended to serve as an introduction to the basic financial statements. Southwest Health and Human Services' basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. The MD&A (this section), certain budgetary information, a schedule of changes in total other postemployment benefits (OPEB) liability and related ratios, and schedules of

proportionate share of net pension liability and of contributions for the pension plan are required to accompany the basic financial statements and, therefore, are included as required supplementary information. Other information is provided as supplementary information regarding Southwest Health and Human Services' intergovernmental revenue and federal award programs.

### **Government-Wide Financial Statements**

There are two government-wide financial statements. The statement of net position and the statement of activities provide information about the activities of the Health and Human Services as a whole and present a longer-term view of the Health and Human Services' finances. The statement of net position includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the full 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 the Health and Human Services' net position are one indicator of whether its financial health is improving or deteriorating.

The government-wide financial statements are Exhibits 1 and 2 of this report.

The governmental funds financial statements focus on how money flows in and out and the balances left at year-end available for spending. These statements provide a detailed short-term view of the Health and Human Services' general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health and Human Services' programs. We reconcile the relationship (or differences) between governmental funds and governmental activities.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

A proprietary fund is maintained by Southwest Health and Human Services. Internal service funds are an accounting device used to accumulate and allocate costs internally among Southwest Health and Human Services' various functions. Southwest Health and Human Services uses the Internal Service Fund to account for its self-insurance. The service benefits the governmental functions and has been allocated to the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements are Exhibits 7 through 9 of this report.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Health and Human Services. Fiduciary funds are not reflected in the government-wide statements because the resources of these funds are not available to support the Health and Human Services' own programs or activities. The Health and Human Services is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

All fiduciary activities are reported in a separate Statement of Fiduciary Net Position on Exhibit 10 and Statement of Changes in Fiduciary Net Position on Exhibit 11. The Custodial Funds Combining Statements are shown on Exhibits B-1 and B-2.

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

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 22 through 45 of this report.

## Other Information

Other information is provided as supplementary information regarding Southwest Health and Human Services' intergovernmental revenue and federal awards programs.

## Government-Wide Financial Analysis

### Governmental Activities

Over time, net position serves as a useful indicator of the Health and Human Services' financial position. The Health and Human Services' assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,400,046. The Health and Human Services' net investment in capital assets is \$706,995 of total net position. It should be noted that these assets are not available for future spending. Comparative data with 2022 is presented.

Governmental Net Position			
	2023		2022
Assets			
Current assets	\$	18,426,081	\$ 15,773,050
Capital assets, net of depreciation and amortization		2,808,568	2,644,189
Total Assets	\$	21,234,649	\$ 18,417,239
Deferred Outflows of Resources			
Deferred OPEB outflows	\$	100,263	\$ 127,058
Deferred pension outflows		2,579,073	3,793,406
Total Deferred Outflows of Resources	\$	2,679,336	\$ 3,920,464
Liabilities			
Long-term liabilities	\$	13,635,889	\$ 17,264,633
Other liabilities		3,257,556	2,531,773
Total Liabilities	\$	16,893,445	\$ 19,796,406
Deferred Inflows of Resources			
Deferred OPEB inflows	\$	426,483	\$ 457,621
Deferred pension inflows		3,194,011	343,037
Total Deferred Inflows of Resources	\$	3,620,494	\$ 800,658
Net Position			
Net investment in capital assets	\$	706,995	\$ 496,329
Restricted		772,006	396,671
Unrestricted		1,921,045	847,639
Total Net Position	\$	3,400,046	\$ 1,740,639

The Health and Human Services' activities increased net position by \$1,659,407. Key elements in this increase in net position are as follows for 2023, with comparative data for 2022.

<b>Changes in Net Position</b>			
	2023		2022
Revenues			
Intergovernmental	\$	31,390,901	\$ 29,593,374
Fees, charges, fines and other		3,368,432	3,227,023
Investment earnings		420,621	87,604
Miscellaneous		14,715	44,275
Total Revenues	\$	35,194,669	\$ 32,952,276
Expenses			
Human services	\$	29,458,161	\$ 27,813,248
Health services		4,039,729	3,610,259
Interest		37,372	19,251
Total Expenses	\$	33,535,262	\$ 31,442,758
Change in Net Position	\$	1,659,407	\$ 1,509,518
Net Position – January 1		1,740,639	231,121
Net Position – December 31	\$	3,400,046	\$ 1,740,639

## **Financial Statement Analysis of the Governmental Funds**

### **Governmental Funds**

The focus of the Health and Human Services' governmental funds is to provide information on short-term inflows, outflows, and the balances left at year-end that are available for spending. Such information is useful in assessing the Health and Human Services' financing requirements.

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$13,804,620, an increase of \$1,478,537 in comparison with the prior year. The combined ending fund balances include \$772,006 of restricted fund balance, \$4,194,964 of assigned fund balance, and \$8,837,650 of unassigned fund balance. The assigned and unassigned fund balance of \$13,032,614 is available for spending at the agency's discretion.

The General Fund is the operating fund for the human services portion of the agency. At the end of the current fiscal year, it had restricted fund balance of \$230,591 and unassigned fund balance of \$8,837,650. The General Fund's unassigned fund balance represents 29.45 percent of total General Fund expenditures. During 2023, the ending fund balance increased by \$1,184,981. This is primarily due to receiving additional funding, continued efforts related to organizational cost-savings measures, strong oversight of time reporting related to earned revenues, and budgeting appropriately for known agency expenditures.

The Health Services Special Revenue Fund had a restricted fund balance of \$541,415 and an assigned fund balance of \$4,194,964. The ending balance increased by \$293,556 during 2023, primarily due to difficulty filling budgeted open public health nurse positions and the organizational cost savings measures.

### **General Fund Budgetary Highlights**

Over the course of the year, the original to final budget totals stayed the same. Actual revenue was more than budgeted revenue by \$1,820,611. Charges for services revenues were less than the budget by \$196,499 due to a reduction in client activity that was not anticipated or budgeted. Intergovernmental revenues exceeded the budget by \$1,634,329 due to receiving additional funding and differences in timing of revenues received

compared to budgeted amounts. Investment earnings were more than the budget by \$345,774 due to higher market interest rates. Expenditures were \$857,166 more than budget due to increased client care and program activity and unbudgeted debt service payments.

## Capital Assets and Debt Administration

### Capital Assets

The Health and Human Services' investment in capital assets for its governmental activities for the year ended December 31, 2023, is \$2,808,568 (net of accumulated depreciation and amortization). This investment in capital assets includes equipment, leased equipment, leased buildings, and software subscriptions.

The following table shows capital assets, net of depreciation and amortization, at December 31, 2023.

<b>Capital Assets at Year End</b> <b>(Net of Accumulated Depreciation and Amortization)</b>			
	2023	2022	
Equipment	\$ 369,894	\$ 393,918	
Leased equipment	427,781	547,449	
Leased buildings	1,700,262	1,702,822	
Software subscriptions	310,631	-	
Total	<u>\$ 2,808,568</u>	<u>\$ 2,644,189</u>	

### Long-Term Liabilities

At year-end, the Health and Human Services had no outstanding bonded debt. The Health and Human Services has outstanding leases payable of \$2,101,573 and compensated absences of \$1,105,362 at December 31, 2023.

### Economic Factors and Next Year's Budgets and Rates

Southwest Health and Human Services planned a balanced budget for 2023. The levy for Human Services was approved at a six percent increase for the General Fund. There was also a change in the levy for the Health Services Special Revenue Fund that was approved with a decrease in per capita to \$12.00 for all counties.

### Requests for Information

This financial report is designed to provide a general overview of Southwest Health and Human Services' financial statements. Additional questions or further explanation of this report can be obtained by writing to Lisa DeBoer, Director of Business Management of Southwest Health and Human Services, 607 West Main Street, Suite 200, Marshall, Minnesota 56258, or by calling 507-283-5070.



## **Basic Financial Statements**

## **Government-Wide Financial Statements**

**Southwest Health and Human Services  
Marshall, Minnesota**

***Exhibit 1***

**Statement of Net Position  
Governmental Activities  
December 31, 2023**

**Assets**

Cash and pooled investments	\$ 14,308,347
Receivables – net	4,117,734
Capital assets	
Depreciable or amortizable – net of accumulated depreciation and amortization	2,808,568

<b>Total Assets</b>	<b>\$ 21,234,649</b>
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**Deferred Outflows of Resources**

Deferred other postemployment benefits outflows	\$ 100,263
Deferred pension outflows	2,579,073

<b>Total Deferred Outflows of Resources</b>	<b>\$ 2,679,336</b>
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**Liabilities**

Accounts payable and other current liabilities	\$ 2,916,174
Unearned revenue	341,382
Long-term liabilities	
Due within one year	847,866
Due in more than one year	2,359,069
Other postemployment benefits liability	1,001,031
Net pension liability	9,427,923

<b>Total Liabilities</b>	<b>\$ 16,893,445</b>
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**Deferred Inflows of Resources**

Deferred other postemployment benefits inflows	\$ 426,483
Deferred pension inflows	3,194,011

<b>Total Deferred Inflows of Resources</b>	<b>\$ 3,620,494</b>
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**Net Position**

Net investment in capital assets	\$ 706,995
Restricted for	
Opioid remediation activities	541,415
Human services	230,591
Unrestricted	1,921,045

<b>Total Net Position</b>	<b>\$ 3,400,046</b>
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**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit 2**

**Statement of Activities  
For the Year Ended December 31, 2023**

	Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>				
<b>Governmental activities</b>				
Human services	\$ 29,458,161	\$ 2,810,222	\$ 15,083,963	\$ (11,563,976)
Health services	4,039,729	558,210	2,589,076	(892,443)
Interest	37,372	-	-	(37,372)
<b>Total Governmental Activities</b>	<b>\$ 33,535,262</b>	<b>\$ 3,368,432</b>	<b>\$ 17,673,039</b>	<b>\$ (12,493,791)</b>
<b>General Revenues</b>				
Grants and contributions not restricted to specific programs				\$ 13,717,862
Unrestricted investment earnings				420,621
Miscellaneous				14,715
<b>Total general revenues</b>				<b>\$ 14,153,198</b>
<b>Change in net position</b>				<b>\$ 1,659,407</b>
<b>Net Position – Beginning</b>				<b>1,740,639</b>
<b>Net Position – Ending</b>				<b>\$ 3,400,046</b>

## **Fund Financial Statements**

## **Governmental Funds**

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit 3**

**Balance Sheet  
Governmental Funds  
December 31, 2023**

	<u>General</u>	<u>Health Services</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 8,525,785	\$ 4,511,398	\$ 13,037,183
Accounts receivable – net	708,602	22,638	731,240
Accrued interest receivable	42,096	8,622	50,718
Advance to other governments	111,139	-	111,139
Due from other governments	2,846,979	377,475	3,224,454
<b>Total Assets</b>	<b><u>\$ 12,234,601</u></b>	<b><u>\$ 4,920,133</u></b>	<b><u>\$ 17,154,734</u></b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ 925,370	\$ 45,600	\$ 970,970
Salaries payable	609,492	127,861	737,353
Due to other funds	113,773	-	113,773
Due to other governments	603,361	3,258	606,619
Unearned revenue	341,382	-	341,382
<b>Total Liabilities</b>	<b><u>\$ 2,593,378</u></b>	<b><u>\$ 176,719</u></b>	<b><u>\$ 2,770,097</u></b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue	<u>\$ 572,982</u>	<u>\$ 7,035</u>	<u>\$ 580,017</u>
<b>Fund Balances</b>			
Restricted for			
Opioid remediation activities	\$ -	\$ 541,415	\$ 541,415
Medical assistance eligibility renewal	230,591	-	230,591
Assigned for			
Health services	-	4,194,964	4,194,964
Unassigned	8,837,650	-	8,837,650
<b>Total Fund Balances</b>	<b><u>\$ 9,068,241</u></b>	<b><u>\$ 4,736,379</u></b>	<b><u>\$ 13,804,620</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b><u>\$ 12,234,601</u></b>	<b><u>\$ 4,920,133</u></b>	<b><u>\$ 17,154,734</u></b>

# Southwest Health and Human Services Marshall, Minnesota

**Exhibit 4**

## Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities December 31, 2023

<b>Fund balance – total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>13,804,620</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		2,808,568
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Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		100,263
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Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,579,073
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An internal service fund is used to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		783,888
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds.		580,017
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Leases payable	\$	(2,101,573)	
Compensated absences		(1,105,362)	
Other postemployment benefits liability		(1,001,031)	
Net pension liability		(9,427,923)	(13,635,889)

Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in governmental funds.		(426,483)
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Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in governmental funds.		(3,194,011)
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<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b>3,400,046</b>
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**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit 5**

**Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2023**

	<u>General</u>	<u>Health Services</u>	<u>Total</u>
<b>Revenues</b>			
Intergovernmental	\$ 27,931,730	\$ 3,580,638	\$ 31,512,368
Settlements	-	161,008	161,008
Charges for services	2,217,501	575,627	2,793,128
Investment earnings	350,374	70,247	420,621
Miscellaneous	467,367	4,291	471,658
<b>Total Revenues</b>	<b>\$ 30,966,972</b>	<b>\$ 4,391,811</b>	<b>\$ 35,358,783</b>
<b>Expenditures</b>			
<b>Current</b>			
Human services	\$ 29,422,055	\$ -	\$ 29,422,055
Health	-	4,024,532	4,024,532
<b>Debt service</b>			
Principal	550,453	112,744	663,197
Interest	31,019	6,353	37,372
<b>Total Expenditures</b>	<b>\$ 30,003,527</b>	<b>\$ 4,143,629</b>	<b>\$ 34,147,156</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 963,445</b>	<b>\$ 248,182</b>	<b>\$ 1,211,627</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out	\$ (290,500)	\$ (59,500)	\$ (350,000)
Leases issued	512,036	104,874	616,910
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 221,536</b>	<b>\$ 45,374</b>	<b>\$ 266,910</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,184,981</b>	<b>\$ 293,556</b>	<b>\$ 1,478,537</b>
<b>Fund Balance – January 1</b>	<b>7,883,260</b>	<b>4,442,823</b>	<b>12,326,083</b>
<b>Fund Balance – December 31</b>	<b>\$ 9,068,241</b>	<b>\$ 4,736,379</b>	<b>\$ 13,804,620</b>

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit 6**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of Governmental Funds to the  
Government-Wide Statement of Activities—Governmental Activities  
For the Year Ended December 31, 2023**

<b>Net change in fund balance – total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>1,478,537</b>
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Amounts reported for governmental activities in the statement of activities are different because:

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

Unavailable revenue – December 31	\$ 580,017	
Unavailable revenue – January 1	(454,729)	125,288

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation and amortization expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed.

Expenditures for general capital assets	\$ 1,147,806	
Net book value of assets disposed	(603)	
Current year depreciation and amortization	(982,824)	164,379

Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligations are reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal payments on leases	\$ 663,197	
Leases issued	(616,910)	46,287

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in deferred other postemployment benefits outflows	\$ (26,795)	
Change in deferred pension outflows	(1,214,333)	
Change in compensated absences	(160,166)	
Change in other postemployment benefits liability	102,492	
Change in net pension liability	3,640,131	
Change in deferred other postemployment benefits inflows	31,138	
Change in deferred pension inflows	(2,850,974)	(478,507)

An internal service fund is used to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.

<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b>1,659,407</b>
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## **Proprietary Fund**

**Southwest Health and Human Services  
Marshall, Minnesota**

***Exhibit 7***

**Statement of Net Position  
Proprietary Fund  
December 31, 2023**

	<u>Governmental Activities Internal Service Fund</u>
<b><u>Assets</u></b>	
Current assets	
Cash and cash equivalents	\$ 1,271,164
Accounts receivable	<u>183</u>
<b>Total Assets</b>	<b><u>\$ 1,271,347</u></b>
<b><u>Liabilities</u></b>	
Current liabilities	
Claims payable	<b><u>\$ 487,459</u></b>
<b><u>Net Position</u></b>	
Unrestricted	<b><u>\$ 783,888</u></b>

**Southwest Health and Human Services  
Marshall, Minnesota**

***Exhibit 8***

**Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Fund  
For the Year Ended December 31, 2023**

	<u>Governmental Activities Internal Service Fund</u>
<b>Operating Revenues</b>	
Charges for services	\$ 2,899,977
<b>Operating Expenses</b>	
Cost of services	<u>2,926,554</u>
<b>Operating Income (Loss)</b>	<b>\$ (26,577)</b>
<b>Nonoperating Revenues</b>	
Transfers In	<u>(350,000)</u>
<b>Change in Net Position</b>	<b>\$ 323,423</b>
<b>Net Position – January 1</b>	<u>460,465</u>
<b>Net Position – December 31</b>	<b><u>\$ 783,888</u></b>

**Southwest Health and Human Services  
Marshall, Minnesota**

***Exhibit 9***

**Statement of Cash Flows  
Proprietary Fund  
For the Year Ended December 31, 2023**

	<b>Governmental Activities Internal Service Fund</b>
<b>Cash Flows from Operating Activities</b>	
Receipts from internal services provided	\$ 3,455,026
Payments to suppliers	<u>(3,157,285)</u>
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 297,741</b>
<b>Cash Flows from Noncapital Financing Activities</b>	
Transfers from General Fund	<u>350,000</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 647,741</b>
<b>Cash and Cash Equivalents at January 1</b>	<b><u>623,423</u></b>
<b>Cash and Cash Equivalents at December 31</b>	<b><u>\$ 1,271,164</u></b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>	
Operating income (loss)	<u>\$ (26,577)</u>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>	
(Increase) decrease in accounts receivable	\$ (105,783)
Increase (decrease) in claims payable	<u>430,101</u>
<b>Total adjustments</b>	<b><u>\$ 324,318</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 297,741</u></b>

## **Fiduciary Funds**

**Southwest Health and Human Services  
Marshall, Minnesota**

***Exhibit 10***

**Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2023**

	<u>RSDI/SSI Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 3,000	\$ 301,322
Accounts receivable	-	100
Due from other funds	<u>-</u>	<u>113,773</u>
<b>Total Assets</b>	<b><u>\$ 3,000</u></b>	<b><u>\$ 415,195</u></b>
<b><u>Liabilities</u></b>		
Due to others	\$ 3,000	\$ 12,000
Due to other governments	<u>-</u>	<u>39,209</u>
<b>Total Liabilities</b>	<b><u>\$ 3,000</u></b>	<b><u>\$ 51,209</u></b>
<b><u>Net Position</u></b>		
Restricted for individuals, organizations, and other governments	<b><u>\$ -</u></b>	<b><u>\$ 363,986</u></b>



**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit 11**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2023**

	<b>RSDI/SSI Private-Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b><u>Additions</u></b>		
Contributions from individuals	\$ 57,170	\$ 786,752
Interest earnings	-	14
Payments from the state	-	258,159
Fees collected for the state	-	116,662
Payments from other entities	-	1,250
<b>Total Additions</b>	<b>\$ 57,170</b>	<b>\$ 1,162,837</b>
<b><u>Deductions</u></b>		
Administrative expense	\$ 57,170	\$ 5,397
Payments to the state	-	903,414
Payments to other individuals/entities	-	285,169
<b>Total Deductions</b>	<b>\$ 57,170</b>	<b>\$ 1,193,980</b>
<b>Change in Net Position</b>	<b>\$ -</b>	<b>\$ (31,143)</b>
<b>Net Position – January 1</b>	<b>-</b>	<b>395,129</b>
<b>Net Position – December 31</b>	<b>\$ -</b>	<b>\$ 363,986</b>

# **Southwest Health and Human Services Marshall, Minnesota**

## **Notes to the Financial Statements As of and for the Year Ended December 31, 2023**

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### **Note 1 – Summary of Significant Accounting Policies**

Southwest Health and Human Services' 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, 2023. 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 Southwest Health and Human Services are discussed below.

#### **Financial Reporting Entity**

Southwest Health and Human Services was formed pursuant to Minn. Stat. § 471.59, by Lincoln, Lyon, Murray, and Pipestone Counties. Political subdivisions are required by Minn. Stat. ch. 145A to undertake the responsibilities of the Minnesota Local Public Health Act. Minnesota Statute chapter 393 and other applicable state statutes and rules require counties, through the creation of a local social services agency, to undertake responsibilities related to the provision of health and human services. Southwest Health and Human Services began official operations on January 1, 2011, and performs health and human services in the counties that are signatories to the joint powers agreement (JPA). In 2012 and after, local financing will be provided based on consideration of: (1) population based on the most recent national census, (2) tax capacity, and (3) the most recent three-year average Social Service Expenditure and Grant Reconciliation Report, each factor to be weighted equally. As of January 1, 2012, Rock County Human Services and Rock County Public Health joined the JPA of Southwest Health and Human Services. As of January 1, 2013, Pipestone County Family Services, Redwood County Human Services, and Redwood County Public Health joined the JPA of Southwest Health and Human Services.

Southwest Health and Human Services is governed by a Joint Health and Human Services Board, made up of one County Commissioner (or alternate) from each county serving on the Community Health Board and one County Commissioner (or alternate) from each county serving on the Human Services Board. The Human Services Board is made up of two County Commissioners from each of the participating counties, who are chosen by their respective County Boards, and one lay person from each participating county.

The Community Health Board is made up of one County Commissioner and one alternate from each member county, unless such county shall have a population in excess of twice that of any other member county, in which case, it shall have two Commissioners and two alternates.

Southwest Health and Human Services is an independent joint venture and is not included in any of the member counties' reporting entities.

#### **Joint Ventures and Jointly-Governed Organizations**

Southwest Health and Human Services participates in joint ventures and jointly-governed organizations which are described in Note 4.

# Southwest Health and Human Services

## Marshall, Minnesota

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### Basic Financial Information

#### Government-Wide Statements

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

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Health and Human Services' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The Health and Human Services first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the Health and Human Services' governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues are presented as general revenues. The Health and Human Services does not allocate interest expenses to functions within the financial statements.

#### Fund Financial Statements

The fund financial statements provide information about the Health and Human Services' funds, including its fiduciary funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The Health and Human Services reports all of its governmental funds as major funds.

The Health and Human Services reports the following major governmental funds:

- The General Fund is the Health and Human Services' primary operating fund. It accounts for all financial resources of the Health and Human Services, except those accounted for in another fund. Southwest Health and Human Services has chosen to use the General Fund to account for human service programs and information technology. Financing comes primarily from contributions of participating counties and intergovernmental revenue provided by the state and federal governments.
- The Health Services Special Revenue Fund accounts for restricted revenues from the federal and state government, as well as committed contributions from participating counties for community health programs.

Additionally, the Health and Human Services reports the following fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.

# Southwest Health and Human Services

## Marshall, Minnesota

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- The RSDI/SSI Private-Purpose Trust Fund accounts for funds held in trust that Southwest Health and Human Services is holding on behalf of individuals receiving Retirement, Survivors, and Disability Insurance (RSDI) or Supplement Security Income (SSI).
- Custodial funds account for monies held in a fiduciary capacity for local collaboratives' and a special district's collections and disbursements that use Southwest Health and Human Services as a depository.

### Measurement Focus and Basis of Accounting

The government-wide and proprietary 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.

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. Southwest Health and Human Services 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 considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases and software subscriptions are reported as other financing sources.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

When both restricted and unrestricted resources are available for use, it is Southwest Health and Human Services' policy to use restricted resources first and then unrestricted resources as needed.

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

#### Cash and Cash Equivalents

Southwest Health and Human Services has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, the resources available to the Internal Service Fund are considered to be cash equivalents, since the fund can deposit or effectively withdraw cash at any time without notice or penalty.

#### Deposits and Investments

Under the direction of the Investment Committee and the Board, the cash balances of substantially all funds are invested by the Lyon County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Investment earnings for 2023 were \$420,621.

## Southwest Health and Human Services Marshall, Minnesota

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Southwest Health and Human Services 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 (NAV) per share provided by the pool.

### Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in the General Fund to indicate that they are not available for appropriation and are not expendable available financial resources.

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

### Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

### Capital Assets

Capital assets, which include office furniture, equipment, automotive equipment, and right-to-use assets acquired under leasing and software subscription arrangements, are reported by the Health and Human Services in the government-wide financial statements. Capital assets are defined by the Health and Human Services as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. 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.

Office furniture and equipment are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying assets' estimated useful life or lease term:

#### **Estimated Useful Lives of Capital Assets**

<u>Assets</u>	<u>Years</u>
Equipment	3-10
Right-to-use equipment and software subscriptions	3-10
Right-to-use buildings	2-5

# **Southwest Health and Human Services**

## **Marshall, Minnesota**

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### **Compensated Absences**

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, sick leave, and comp time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of an amount based on a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time. For the governmental activities, compensated absences are liquidated by the General Fund and the Health Services Special Revenue Fund.

### **Long-Term Obligations**

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

### **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 of Minnesota (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 net pension liability is liquidated through the General Fund and Health Services Special Revenue Fund.

### **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 assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. The Health and Human Services reports deferred outflows of resources only under the full accrual basis of accounting associated with defined benefit pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from grant monies receivable for amounts that are not considered available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental fund balance sheet. Unavailable revenue is deferred and recognized as an inflow of resources in the period that the amount becomes

## Southwest Health and Human Services Marshall, Minnesota

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available. The Health and Human Services also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are only reported in the statement of net position.

### Unearned Revenue

Proprietary funds, governmental funds, and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

### Classification of Net Position

Net position in the government-wide and proprietary fund 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 amortization, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.
- 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.

### Classification of Fund Balances

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

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

## Southwest Health and Human Services Marshall, Minnesota

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- Assigned – amounts the Health and Human Services intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board or an individual who has been delegated that authority by Board resolution.
- Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

### Minimum Fund Balance

Southwest Health and Human Services adopted a minimum fund balance policy for its General Fund to maintain a minimum unassigned fund balance equal to 35 to 50 percent of the General Fund's operating expenditures. At December 31, 2023, unassigned fund balance in the General Fund was below the minimum fund balance levels.

### 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.

### Change in Accounting Principles

During the year ended December 31, 2023, Southwest Health and Human Services adopted new accounting guidance by implementing the provisions of GASB No. 96, *Subscription-Based Information Technology Arrangements*.



# Southwest Health and Human Services

## Marshall, Minnesota

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### Note 2 – Detailed Notes

#### Assets and Deferred Outflows of Resources

##### Deposits and Investments

Reconciliation of the Health and Human Services' total cash and cash equivalents to the basic financial statements follows:

**Reconciliation of the Health and Human Services' Total Cash  
and Investments to the Basic Financial Statements as of  
December 31, 2023**

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 14,308,347
Statement of fiduciary net position	
Cash and pooled investments	304,322
Total Cash and Investments	<u>\$ 14,612,669</u>
Deposits	
Checking	\$ 3,525,186
Savings	581,662
MAGIC Portfolio	10,505,821
Total Deposits and Investments	<u>\$ 14,612,669</u>

##### Deposits

Southwest Health and Human Services is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Southwest Health and Human Services 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.

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, the Health and Human Services' deposits may not be returned to it. The Health and Human Services has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2023, Southwest Health and Human Services' deposits were not exposed to custodial credit risk.

# Southwest Health and Human Services

## Marshall, Minnesota

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### [Investments](#)

Southwest Health and Human Services 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;
- (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, the National Credit Union Administration, or bankers’ acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries rated in the highest quality category by two nationally recognized rating agencies and maturing 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. Southwest Health and Human Services minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

### [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 the Health and Human Services’ policy to invest only in securities that meet the ratings requirements set by state statute.

### [Custodial Credit Risk](#)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The Health and Human Services has adopted a policy for custodial credit risk that permits brokers to hold investments only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available.

# Southwest Health and Human Services Marshall, Minnesota

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## Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the Health and Human Services' investment in a single issuer. It is Southwest Health and Human Services' policy to diversify the investment portfolio so that the impact of potential losses from one type of security will be minimized.

MAGIC is a local government investment pool which is quoted at a NAV. The Health and Human Services invests in this pool for the purpose of the joint investment with other of counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio.

MAGIC Portfolio is valued using amortized cost. Shares of 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 the Health and Human Services has a sufficient number of shares to meet the redemption request. The MAGIC 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.

## Receivables

### Governmental Activities Receivables as of December 31, 2023

	Receivables	Less: Allowance for Uncollectible Accounts	Net Receivables
Accounts receivable	\$ 4,788,917	\$ (4,057,494)	\$ 731,423
Interest	50,718	-	50,718
Advance to other governments	111,139	-	111,139
Due from other governments	3,224,454	-	3,224,454
<b>Total Governmental Activities</b>	<b>\$ 8,175,228</b>	<b>\$ (4,057,494)</b>	<b>\$ 4,117,734</b>

Net receivables, excluding the advance to other governments, are expected to be collected in the subsequent year.

Chippewa County is the designated fiscal host for southwest Minnesota's region of Minnesota Family Investment Program/Divisionary Work Program (MFIP/DWP) Partnership. This is a 14-county partnership created to administer MFIP/DWP funds. Southwest Health and Human Services advanced \$111,139 to Chippewa County for cash flow purposes. The funds will be returned when the partnership is dissolved.

# Southwest Health and Human Services Marshall, Minnesota

## Capital Assets

### Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated and amortized				
Equipment	\$ 1,256,056	\$ 125,725	\$ 48,232	\$ 1,333,549
Leased equipment	709,711	68,662	-	778,373
Leased buildings	2,151,684	626,108	-	2,777,792
Software subscriptions	-	327,311	-	327,311
Total capital assets amortized	\$ 4,117,451	\$ 1,147,806	\$ 48,232	\$ 5,217,025
Less: accumulated depreciation and amortization for				
Equipment	\$ 862,138	\$ 149,146	\$ 47,629	\$ 963,655
Leased equipment	162,262	188,330	-	350,592
Leased buildings	448,862	628,668	-	1,077,530
Software subscriptions	-	16,680	-	16,680
Total accumulated amortization	\$ 1,473,262	\$ 982,824	\$ 47,629	\$ 2,408,457
Total Capital Assets, Net	\$ 2,644,189	\$ 164,982	\$ 603	\$ 2,808,568

### Depreciation and Amortization Expense Charged to Functions/Programs

Human services	\$ 816,862
Health services	165,962
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 982,824</u>

## Interfund Receivables and Payables

### Due To/From Other Funds

#### Interfund Balances as of December 31, 2023

Receivable Fund	Payable Fund	Amount
LCTS Lyon Murray Collaborative Custodial Fund	General Fund	\$ 32,685
LCTS Rock-Pipestone Collaborative Custodial Fund	General Fund	13,125
LCTS Redwood Collaborative Custodial Fund	General Fund	28,754
State Revenue Custodial Fund	General Fund	39,209
Total Due To/From Other Funds		<u>\$ 113,773</u>

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

# Southwest Health and Human Services Marshall, Minnesota

## Interfund Transfers

### Interfund Transfers for the Year Ended December 31, 2023

Transfer from General Fund to Self-Insurance Proprietary Fund	\$ 290,500	Transfer funding for self-insurance fund shortage
Transfer from Health Services Special Revenue Fund to Self-Insurance Proprietary Fund	59,500	Transfer funding for self-insurance fund shortage
Total Interfund Transfers	<u>\$ 350,000</u>	

## Liabilities and Deferred Inflows of Resources

### Payables

#### Governmental Activities Payables as of December 31, 2023

Accounts payable	\$ 970,970
Claims payable	487,459
Salaries payable	737,353
Due to other funds	113,773
Due to other governments	<u>606,619</u>
Total Payables	<u>\$ 2,916,174</u>

### Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of state grants, federal grants, intergovernmental reimbursements, charges for services, and miscellaneous revenue not collected soon enough after year-end to pay liabilities of the current period.

#### Deferred Inflows of Resources by Fund as of December 31, 2023

	Intergovernmental	Other	Total
Major governmental funds			
General	\$ 252,104	\$ 320,878	\$ 572,982
Health Services	7,035	-	7,035
Total	<u>\$ 259,139</u>	<u>\$ 320,878</u>	<u>\$ 580,017</u>

### Leases

Southwest Health and Human Services entered into lease agreements as lessee for financing the acquisition of office space, vehicles, copiers, and postage machines. Leases are five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are split between the General Fund and the Health Services Special Revenue Fund.

## Southwest Health and Human Services Marshall, Minnesota

### Future Minimum Lease Obligations and Present Value of Minimum Lease Payments as of December 31, 2023

Year Ending December 31	Principal	Interest
2024	\$ 694,663	\$ 27,863
2025	677,248	16,613
2026	559,302	8,435
2027	166,498	2,304
2028	3,862	17
Total Governmental Activities Lease Payments	\$ 2,101,573	\$ 55,232

### Changes in Long-Term Liabilities

#### Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 945,196	\$ 1,279,971	\$ 1,119,805	\$ 1,105,362	\$ 153,203
Leases	2,147,860	616,910	663,197	2,101,573	694,663
Total	\$ 3,093,056	\$ 1,896,881	\$ 1,783,002	\$ 3,206,935	\$ 847,866

### Other Postemployment Benefits (OPEB)

#### Plan Description

Southwest Health and Human Services administers an other postemployment benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

#### Funding Policy

Employees who were employed by Lincoln, Lyon, and Murray Human Services (LLMHS) and were employed by that agency prior to August 22, 2005, worked continuously for LLMHS through December 31, 2010, with no break in service, were hired by Southwest Health and Human Services as of January 1, 2011, with no break in service, and are employed on a full-time basis, are entitled to receive four percent of the cost of single premium per year of service toward the employee's health and dental single insurance premium, including years of service at LLMHS. Payments will be discontinued when the retiree becomes eligible for Medicare or if the retiree obtains employment where single health insurance is available at no cost to the employee. The amount shall not exceed the total amount paid by the Health and Human Services on behalf of their employees. For 2023, this amount was \$592,592, or \$612 per month based on participant plan type.

The Health and Human Services also provides health insurance benefits for eligible retired employees and their dependents. The Health and Human Services provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retiring employees who were hired prior to August 22, 2005, and who worked for the agency of Lincoln, Lyon, and Murray Human Services for at least 15 years (full-time equivalency) and who are receiving a disability benefit or PERA annuity, or who have met age and service requirements necessary to receive a PERA annuity, shall be entitled to receive four percent per year of service toward the employee's health and dental insurance

## Southwest Health and Human Services Marshall, Minnesota

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premium. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate “subsidy.”

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

### Employees Covered by the OPEB Benefit Terms As of the January 1, 2022, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	9
Active plan participants	<u>250</u>
Total	<u><u>259</u></u>

### Total OPEB Liability

The Health and Human Services’ total OPEB liability of \$1,001,031 was measured as of January 1, 2022, and was rolled forward to a measurement date of January 1, 2023. OPEB liability is liquidated through the General Fund and Health Services Fund.

The total OPEB liability in the fiscal year-end December 31, 2023, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

### OPEB Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.25 percent as of January 1, 2023, grading to 5.00 percent over five years and then to 4.00 percent over the next 48 years. The employer contribution toward monthly premiums is not expected to increase.

The salary scales used to value GASB 75 liabilities are similar to the table used to value pension liabilities for PERA. The rates are based on the four-year experience study for the PERA General Employees Plan completed in 2019, with a review of the inflation assumption.

The discount rate is the 20-year municipal bond yield. The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of January 1, 2023.

Mortality rates are based on Society of Actuaries Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as consistency with the other economic assumptions.

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. PERA bases its assumptions on periodic experience studies.

# Southwest Health and Human Services Marshall, Minnesota

## Changes in the Total OPEB Liability

### Changes in the Total OPEB Liability For the Year Ended December 31, 2023

Total OPEB liability, balance at December 31, 2022	\$ 1,103,523
Changes for the year	
Service cost	\$ 41,392
Interest	22,182
Assumption changes	(94,054)
Benefit payments	(72,012)
Net change	\$ (102,492)
Balance at December 31, 2023	\$ 1,001,031

## OPEB Liability Sensitivity

The following presents the total OPEB liability of the Health and Human Services, calculated using the discount rate previously disclosed, as well as what the Health and Human Services' 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:

### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	3.00%	\$ 1,056,149
Current	4.00%	1,001,031
1% Increase	5.00%	947,842

The following presents the total OPEB liability of the Health and Human Services, calculated using the health care cost trend previously disclosed, as well as what the Health and Human Services' 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.

### Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2023

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 3.00%	\$ 933,863
Current	6.25% Decreasing to 4.00%	1,001,031
1% Increase	7.25% Decreasing to 5.00%	1,078,566



# Southwest Health and Human Services

## Marshall, Minnesota

### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2023, the Health and Human Services recognized OPEB expense of \$49,587.

#### Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	\$ -	\$ 257,426
Changes in actuarial assumptions	43,013	169,057
Contributions made subsequent to the measurement date	57,250	-
Total	<u>\$ 100,263</u>	<u>\$ 426,483</u>

The \$57,250 reported as deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement will be recognized as a reduction of the OPEB liability for the year ended December 31, 2024. The amount reported as deferred inflows of resources related to OPEB will be recognized in expense as follows:

#### Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB as of December 31, 2023

Year Ended December 31	OPEB Expense Amount
2024	\$ (113,159)
2025	(113,159)
2026	(106,746)
2027	(34,736)
2028	(15,670)

### Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2023:

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

### Pension Plan

#### Defined Benefit Pension Plan

#### Plan Description

All full-time and certain part-time employees of Southwest Health and Human Services 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,

## **Southwest Health and Human Services Marshall, Minnesota**

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multiple-employer retirement plan. This plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three years of credited service. No Southwest Health and Human Services employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

### 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.

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 a 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. 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.

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. In the General Employees Plan, 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.

### 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

## Southwest Health and Human Services Marshall, Minnesota

established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2023. The employer was required to contribute 7.50 percent of annual covered salary in 2023. The employee and employer rates did not change from 2022.

The Health and Human Services' contributions for the General Employees Plan for the year ended December 31, 2023, were \$999,844. The contributions are equal to the statutorily required contributions as set by state statute.

### Pension Costs

At December 31, 2023, the Health and Human Services reported a liability of \$9,427,923 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health and Human Services' proportion of the net pension liability was based on the Health and Human Services' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the Health and Human Services' proportion was 0.1686 percent. It was 0.1650 percent measured as of June 30, 2022. The Health and Human Services recognized pension expense of \$1,139,350 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The Health and Human Services recognized an additional \$1,168 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

### **Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2023**

The Health and Human Services' proportionate share of the net pension liability	\$ 9,427,923
State of Minnesota's proportionate share of the net pension liability associated with the Health and Human Services	<u>259,824</u>
Total	<u><u>\$ 9,687,747</u></u>

The Health and Human Services 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 and Deferred Inflows of Resources As of December 31, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 308,029	\$ 65,294
Changes in actuarial assumptions	1,532,772	2,584,114
Difference between projected and actual investment earnings	-	448,517
Changes in proportion	231,827	96,086
Contributions paid to PERA subsequent to the measurement date	506,445	-
Total	<u><u>\$ 2,579,073</u></u>	<u><u>\$ 3,194,011</u></u>

## Southwest Health and Human Services Marshall, Minnesota

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The \$506,445 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Schedule of Amortization of  
Deferred Outflows and Inflows of Resources  
As of December 31, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 243,606
2025	(1,426,081)
2026	265,616
2027	(204,524)

### Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

**Actuarial Assumptions for the Year Ended June 30, 2023**

Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan.

Actuarial assumptions used in the June 30, 2023, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. A review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

## Southwest Health and Human Services Marshall, Minnesota

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### Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equities	33.50%	5.10%
International equities	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

#### [Discount Rate](#)

The discount rate used to measure the total pension liability was 7.00 percent in 2023. This was an increase from the 6.50 percent used in 2022. 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.

#### [Changes in Actuarial Assumptions and Plan Provisions](#)

The following changes in actuarial assumptions occurred in 2023:

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

#### [Pension Liability Sensitivity](#)

The following presents the Health and Human Services' proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the Health and Human Services' 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.

# Southwest Health and Human Services

## Marshall, Minnesota

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### Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2023

Discount Rate	Net Pension Liability
6.00%	\$ 16,678,753
7.00%	9,427,923
8.00%	3,463,840

#### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org).

### Note 3 – Risk Management

Southwest Health and Human Services is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; or natural disasters for which the Health and Human Services carries commercial insurance. To manage these risks, the Health and Human Services has entered into a joint powers agreement with Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The Health and Human Services is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For all other risk, other than pertaining to health insurance, the Health and Human Services carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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 2023 and 2024. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Health and Human Services in a method and amount to be determined by MCIT.

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

On October 15, 2013, Southwest Health and Human Services entered into a joint powers agreement with four counties (Lyon, Murray, Redwood, and Swift) to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2014. Benton County joined as of January 1, 2018, and Chippewa County joined as of January 1, 2020. Premiums will be withheld from employees and transferred into an internal service fund. Claims will be managed and paid by a third party, and the Health and Human Services will be billed weekly, in aggregate, for claims incurred.

The Health and Human Services established a limited risk management program for health coverage in 2014. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves,

## Southwest Health and Human Services Marshall, Minnesota

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and administrative costs of the program. The Health and Human Services retained risk up to a \$60,000 stop-loss per person insured (employee and eligible dependent) per year with an aggregate stop loss of 125 percent of the estimated monthly covered benefits. Liabilities of the Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The December 31, 2023, liability is determined based on detailed reports received by the Health and Human Services from the third-party administrator for claims incurred, adjusted, and paid through February 29, 2024.

### Changes in Claims Liabilities For the Years Ended December 21, 2022, and 2023

	2022	2023
Unpaid claims, January 1	\$ 283,418	\$ 492,562
Incurred claims	4,154,553	3,124,583
Claims payments	(3,945,409)	(3,129,686)
Unpaid Claims, December 31	\$ 492,562	\$ 487,459

## Note 4 – Summary of Significant Contingencies and Other Items

### 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 Southwest Health and Human Services expects such amounts, if any, to be immaterial.

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

### Joint Ventures

#### Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock counties; and Des Moines Valley Health and Human Services (DVHHS) representing Cottonwood and Jackson Counties. The Board is headquartered in Windom, Minnesota, where DVHHS acts as fiscal agent.

The Board takes actions and enters into agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

## **Southwest Health and Human Services Marshall, Minnesota**

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A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56101.

### **PrimeWest Health**

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. In 2023, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Nobles, Redwood, Swift, and Yellow Medicine Counties were added to PrimeWest Health. Southwest Health and Human Services represents Lincoln, Lyon, Redwood and Pipestone Counties in PrimeWest. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county represented.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Southwest Health and Human Services did not make any contributions to PrimeWest Health in 2023.

Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

### **Supporting Hands Nurse Family Partnership**

The Supporting Hands Nurse Family Partnership was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Kandiyohi, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Rock, Sibley, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties in this agreement. Horizon Public Health represents Douglas, Grant, Pope, Stevens, and Traverse Counties in this agreement. Countryside Public Health represents Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties in this agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county-based nurse family partnership program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2023,



## **Southwest Health and Human Services Marshall, Minnesota**

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Southwest Health and Human Services made \$75,551 in contributions to the Partnership.

Renville County acts as fiscal agent for the Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from Renville County at Renville County Public Health, Renville County Government Services Center, 105 South 5th Street, Suite 1194, Olivia, Minnesota 56277.

### **Jointly-Governed Organizations**

#### **Lyon Murray Families Project Collaborative**

The Lyon Murray Families Project Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. The current members are Southwest Health and Human Services, Western Mental Health, Western Community Action, Marshall Public Schools, Murray County Central Schools, and Russell-Tyler-Ruthton Public Schools. The governing board is composed of eight members. Southwest Health and Human Services acts as fiscal agent for the Lyon Murray Families Project Collaborative and reports the fiscal transactions of the Collaborative as a custodial fund in the financial statements. During the year, Southwest Health and Human Services made payments of \$121,609 to the Collaborative.

#### **Rock-Pipestone Family Services Collaborative**

The Rock-Pipestone Family Services Collaborative was established December 9, 2004, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The purpose of the Collaborative is to provide an interagency approach to providing child and family services. The management of the Rock-Pipestone Family Services Collaborative is vested in a governing board composed of 16 members. Each member appoints its representative for a one-year term. No single member party retains control over the operations or has oversight responsibility for the Collaborative. Southwest Health and Human Services acts as fiscal agent for the Rock-Pipestone Family Services Collaborative and reports the fiscal transactions of the Collaborative as a custodial fund in the financial statements. During the year, Southwest Health and Human Services made payments of \$41,710 to the Collaborative.

#### **Redwood Family Service Collaborative**

The Redwood Family Service Collaborative was established to create opportunities to enhance family strengths and support through service coordination and access to informal communication. This was transferred to Southwest Health and Human Services on January 1, 2013, when Redwood County joined Southwest Health and Human Services. Southwest Health and Human Services, in an agent capacity, reports the cash transactions of the Collaborative as a custodial fund in its financial statements. Southwest Health and Human Services has no operational or financial control over the Collaborative. During the year, Southwest Health and Human Services made payments of \$94,840 to the Collaborative.

## **Required Supplementary Information**

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit A-1**

**Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 26,297,401	\$ 26,297,401	\$ 27,931,730	\$ 1,634,329
Charges for services	2,414,000	2,414,000	2,217,501	(196,499)
Investment earnings	4,600	4,600	350,374	345,774
Miscellaneous	430,360	430,360	467,367	37,007
<b>Total Revenues</b>	<b>\$ 29,146,361</b>	<b>\$ 29,146,361</b>	<b>\$ 30,966,972</b>	<b>\$ 1,820,611</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Administrative	\$ 89,449	\$ 89,449	\$ 888,769	\$ (799,320)
Income maintenance	8,412,133	8,412,133	8,667,259	(255,126)
Social services	20,304,194	20,304,194	19,334,410	969,784
Information systems	340,585	340,585	272,421	68,164
Local collaborative time study	-	-	259,196	(259,196)
<b>Total human services</b>	<b>\$ 29,146,361</b>	<b>\$ 29,146,361</b>	<b>\$ 29,422,055</b>	<b>\$ (275,694)</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 550,453	\$ (550,453)
Interest	-	-	31,019	(31,019)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 581,472</b>	<b>\$ (581,472)</b>
<b>Total Expenditures</b>	<b>\$ 29,146,361</b>	<b>\$ 29,146,361</b>	<b>\$ 30,003,527</b>	<b>\$ (857,166)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 963,445</b>	<b>\$ 963,445</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (290,500)	\$ (290,500)
Leases issued	-	-	512,036	512,036
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 221,536</b>	<b>\$ 221,536</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,184,981</b>	<b>\$ 1,184,981</b>
<b>Fund Balance – January 1</b>	<b>7,883,260</b>	<b>7,883,260</b>	<b>7,883,260</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 7,883,260</b>	<b>\$ 7,883,260</b>	<b>\$ 9,068,241</b>	<b>\$ 1,184,981</b>

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit A-2**

**Budgetary Comparison Schedule  
Health Services Special Revenue Fund  
For the Year Ended December 31, 2023**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Intergovernmental	\$ 3,406,543	\$ 3,406,543	\$ 3,580,638	\$ 174,095
Settlements	-	-	161,008	161,008
Charges for services	694,650	694,650	575,627	(119,023)
Investment earnings	1,100	1,100	70,247	69,147
Miscellaneous	5,950	5,950	4,291	(1,659)
<b>Total Revenues</b>	<b>\$ 4,108,243</b>	<b>\$ 4,108,243</b>	<b>\$ 4,391,811</b>	<b>\$ 283,568</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Administration	\$ 788,984	\$ 788,984	\$ 1,188,941	\$ (399,957)
Nursing service	2,394,583	2,394,583	1,943,461	451,122
Health education	597,722	597,722	547,798	49,924
Environmental health	326,954	326,954	328,055	(1,101)
Opioid education	-	-	16,277	(16,277)
<b>Total health</b>	<b>\$ 4,108,243</b>	<b>\$ 4,108,243</b>	<b>\$ 4,024,532</b>	<b>\$ 83,711</b>
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 112,744	\$ (112,744)
Interest	-	-	6,353	(6,353)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 119,097</b>	<b>\$ (119,097)</b>
<b>Total Expenditures</b>	<b>\$ 4,108,243</b>	<b>\$ 4,108,243</b>	<b>\$ 4,143,629</b>	<b>\$ (35,386)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 248,182</b>	<b>\$ 248,182</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ -	\$ -	\$ (59,500)	\$ (59,500)
Leases issued	-	-	104,874	104,874
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 45,374</b>	<b>\$ 45,374</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 293,556</b>	<b>\$ 293,556</b>
<b>Fund Balance – January 1</b>	<b>4,442,823</b>	<b>4,442,823</b>	<b>4,442,823</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 4,442,823</b>	<b>\$ 4,442,823</b>	<b>\$ 4,736,379</b>	<b>\$ 293,556</b>

**Southwest Health and Human Services  
Marshall, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios  
Other Postemployment Benefits  
December 31, 2023**

	<u>2023</u>	<u>2022</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 41,392	\$ 56,871
Interest	22,182	25,359
Differences between expected and actual experience	-	(39,051)
Changes of assumption or other inputs	(94,054)	(116,785)
Benefit payments	<u>(72,012)</u>	<u>(67,610)</u>
<b>Net change in total OPEB liability</b>	<b>\$ (102,492)</b>	<b>\$ (141,216)</b>
<b>Total OPEB Liability – Beginning</b>	<b><u>1,103,523</u></b>	<b><u>1,244,739</u></b>
<b>Total OPEB Liability – Ending</b>	<b><u>\$ 1,001,031</u></b>	<b><u>\$ 1,103,523</u></b>
 Covered-employee payroll	 \$ 14,215,924	 \$ 13,801,868
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.04%	8.00%

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

<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
\$ 66,423	\$ 55,172	\$ 70,021	\$ 74,242
34,363	61,617	53,975	52,825
-	(539,916)	-	-
48,388	35,847	(44,892)	-
(45,538)	(75,206)	(81,563)	(94,311)
<b>\$ 103,636</b>	<b>\$ (462,486)</b>	<b>\$ (2,459)</b>	<b>\$ 32,756</b>
<b>1,141,103</b>	<b>1,603,589</b>	<b>1,606,048</b>	<b>1,573,292</b>
<b>\$ 1,244,739</b>	<b>\$ 1,141,103</b>	<b>\$ 1,603,589</b>	<b>\$ 1,606,048</b>
\$ 12,710,414	\$ 12,340,208	\$ 13,542,353	\$ 13,147,916
9.79%	9.25%	11.84%	12.22%

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit A-4**

**Schedule of Proportionate Share of Net Pension Liability  
PERA General Employees Retirement Plan  
December 31, 2023**

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 Southwest Health and Human Services (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
2023	0.1686 %	\$ 9,427,923	\$ 259,824	\$ 9,687,747	\$ 13,408,171	70.31 %	83.10 %
2022	0.1650	13,068,054	383,032	13,451,086	12,356,509	105.76	76.67
2021	0.1695	7,238,409	221,076	7,459,485	12,201,405	59.32	87.00
2020	0.1683	10,090,354	311,169	10,401,523	12,003,684	84.06	79.06
2019	0.1684	9,310,459	289,321	9,599,780	11,925,419	78.07	80.23
2018	0.1853	10,279,684	337,230	10,616,914	12,455,109	82.53	79.53
2017	0.1864	11,899,653	149,646	12,049,299	12,009,718	99.08	75.90
2016	0.1760	14,290,327	186,638	14,476,965	10,922,481	130.83	68.91
2015	0.1693	8,774,005	N/A	8,774,005	9,947,597	88.20	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

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit A-5**

**Schedule of Contributions  
PERA General Employees Retirement Plan  
December 31, 2023**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
2023	\$ 999,844	\$ 999,844	\$ -	\$ 13,331,919	7.50 %
2022	942,944	942,944	-	12,572,550	7.50
2021	921,384	921,384	-	12,285,053	7.50
2020	946,816	946,816	-	12,624,148	7.50
2019	887,200	887,200	-	11,837,855	7.49
2018	910,272	910,272	-	12,135,946	7.50
2017	938,273	938,273	-	12,510,976	7.50
2016	826,463	826,463	-	11,019,480	7.50
2015	752,452	752,452	-	10,032,653	7.50

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.  
The Health and Human Services' year-end is December 31.



# Southwest Health and Human Services Marshall, Minnesota

## Notes to the Required Supplementary Information For the Year Ended December 31, 2023

### Note 1 – General Budget Policies

The Southwest Health and Human Services' Governing Board adopts estimated revenue and expenditure budgets for the General Fund and the Health Services Special Revenue Fund. The Southwest Health and Human Services' department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the Health and Human Services' Governing Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

The budgets may be amended or modified at any time by the Health and Human Services' Governing Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in the required supplementary information for the General Fund and the Health Services Special Revenue Fund.

### Note 2 – Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

### Note 3 – Excess of Expenditures Over Budget

The following individual major funds had expenditures in excess of budget for the year ended December 31, 2023:

#### Comparison of Expenditures to Final Budget

	Expenditures	Final Budget	Excess
General Fund	\$ 30,003,527	\$ 29,146,361	\$ 857,166
Health Services Special Revenue Fund	4,143,629	4,108,243	35,386

### Note 4 – Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred:

#### 2023

- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

#### 2022

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted

## **Southwest Health and Human Services Marshall, Minnesota**

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Mortality tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.

- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

### 2021

- The discount rate was changed from 2.90 percent to 2.00 percent.

### 2020

- The discount rate was changed from 3.80 percent to 2.90 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from RP-2014 White Collar Mortality tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service.

### 2019

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

### 2018

- The years of service required to be eligible for a benefit was increased from three years to five years.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2014 White Collar Mortality tables with MP-2015 Generational Improvement Scale to the RP-2014 White Collar Mortality tables with MP-2017 Generational Improvement Scale.
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50 percent to 3.30 percent.
- The actuarial cost method used changed from the Projected Unit Credit with Linear Proration to Decrement to the Entry Age, level percent of pay.

## Southwest Health and Human Services Marshall, Minnesota

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### Note 5 – Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

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

#### 2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

#### 2022

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

#### 2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

#### 2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

## **Southwest Health and Human Services Marshall, Minnesota**

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- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

### 2019

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

### 2018

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

## Southwest Health and Human Services Marshall, Minnesota

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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.

### 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**

# **Southwest Health and Human Services Marshall, Minnesota**

## **Fiduciary Funds**

## **Custodial Funds**

LCTS Lyon Murray Collaborative Custodial Fund – to account for the collection and disbursement of funds for the Lyon Murray Families Project Collaborative.

LCTS Rock-Pipestone Collaborative Custodial Fund – to account for the collection and disbursement of funds for the Rock-Pipestone Family Services Collaborative.

LCTS Redwood Collaborative Custodial Fund – to account for the collection and disbursement of funds for the Redwood Family Service Collaborative.

Local Advisory Council Custodial Fund – to account for the collection and disbursement of funds for the Local Advisory Council.

State Revenue Custodial Fund – to account for the state's share of collections and their payment to the state.

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit B-1**

**Combining Statement of Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
December 31, 2023**

	<u>LCTS Lyon Murray Collaborative</u>	<u>LCTS Rock-Pipestone Collaborative</u>	<u>LCTS Redwood Collaborative</u>	<u>Local Advisory Council</u>	<u>State Revenue</u>	<u>Total Custodial Funds</u>
<b><u>Assets</u></b>						
Cash and pooled investments	\$ 175,720	\$ 46,145	\$ 78,859	\$ 598	\$ -	\$ 301,322
Accounts receivable	100	-	-	-	-	100
Due from other funds	32,685	13,125	28,754	-	39,209	113,773
<b>Total Assets</b>	<b>\$ 208,505</b>	<b>\$ 59,270</b>	<b>\$ 107,613</b>	<b>\$ 598</b>	<b>\$ 39,209</b>	<b>\$ 415,195</b>
<b><u>Liabilities</u></b>						
Due to others	\$ 12,000	\$ -	\$ -	\$ -	\$ -	\$ 12,000
Due to other governments	-	-	-	-	39,209	39,209
<b>Total Liabilities</b>	<b>\$ 12,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 39,209</b>	<b>\$ 51,209</b>
<b><u>Net Position</u></b>						
Restricted for individuals, organizations, and other governments	<u>\$ 196,505</u>	<u>\$ 59,270</u>	<u>\$ 107,613</u>	<u>\$ 598</u>	<u>\$ -</u>	<u>\$ 363,986</u>



**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit B-2**

**Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
For the Year Ended December 31, 2023**

	<u>LCTS Lyon Murray Collaborative</u>	<u>LCTS Rock-Pipestone Collaborative</u>	<u>LCTS Redwood Collaborative</u>	<u>Local Advisory Council</u>	<u>State Revenue</u>	<u>Total Custodial Funds</u>
<b>Additions</b>						
Contributions from individuals	\$ -	\$ -	\$ -	\$ -	\$ 786,752	\$ 786,752
Interest earnings	-	14	-	-	-	14
Payments from the state	121,609	41,710	94,840	-	-	258,159
Fees collected for the state	-	-	-	-	116,662	116,662
Payments from other entities	600	650	-	-	-	1,250
<b>Total Additions</b>	<b>\$ 122,209</b>	<b>\$ 42,374</b>	<b>\$ 94,840</b>	<b>\$ -</b>	<b>\$ 903,414</b>	<b>\$ 1,162,837</b>
<b>Deductions</b>						
Administrative expense	\$ -	\$ 2,897	\$ 2,500	\$ -	\$ -	\$ 5,397
Payments to the state	-	-	-	-	903,414	903,414
Payments to other individuals/ entities	155,089	40,000	90,000	80	-	285,169
<b>Total Deductions</b>	<b>\$ 155,089</b>	<b>\$ 42,897</b>	<b>\$ 92,500</b>	<b>\$ 80</b>	<b>\$ 903,414</b>	<b>\$ 1,193,980</b>
<b>Change in Net Position</b>	<b>\$ (32,880)</b>	<b>\$ (523)</b>	<b>\$ 2,340</b>	<b>\$ (80)</b>	<b>\$ -</b>	<b>\$ (31,143)</b>
<b>Net Position – January 1</b>	<b>229,385</b>	<b>59,793</b>	<b>105,273</b>	<b>678</b>	<b>-</b>	<b>395,129</b>
<b>Net Position – December 31</b>	<b>\$ 196,505</b>	<b>\$ 59,270</b>	<b>\$ 107,613</b>	<b>\$ 598</b>	<b>\$ -</b>	<b>\$ 363,986</b>

## **Other Schedules**

**Southwest Health and Human Services  
Marshall, Minnesota**

***Exhibit C-1***

**Schedule of Intergovernmental Revenue  
For the Year Ended December 31, 2023**

**Appropriations and Shared Revenues**

**State**

PERA state aid	\$ 313,754
Medical assistance renewal aid	509,698

**Local**

Out-of-home placement aid	121,508
Contributions from counties	13,541,573

<b>Total appropriations and shared revenues</b>	<b>\$ 14,486,533</b>
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**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$ 5,387,488
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**Local**

Des Moines Valley Health and Human Services	193,649
Countryside Public Health	13,602
Counties	69,088
Southern Prairie Community Care	288,766

<b>Total reimbursement for services</b>	<b>\$ 5,952,593</b>
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**Payments**

**Local**

PrimeWest	\$ 19,065
Minneota Fire Department	200
LCTS Lyon Murray Collaborative	9,836

<b>Total payments</b>	<b>\$ 29,101</b>
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**Grants**

**State**

Minnesota Department of Health	\$ 884,963
Human Services	3,711,064
Public Safety	24,983

<b>Total state</b>	<b>\$ 4,621,010</b>
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**Federal**

Department of Agriculture	\$ 1,243,977
Transportation	8,236
Education	12,342
Health and Human Services	5,158,576

<b>Total federal</b>	<b>\$ 6,423,131</b>
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<b>Total state and federal grants</b>	<b>\$ 11,044,141</b>
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<b>Total Intergovernmental Revenue</b>	<b>\$ 31,512,368</b>
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**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit C-2**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Agriculture</b>			
Passed Through Minnesota Department of Health Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	222MN004W1003	\$ 561,911
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2514	681,893
Passed Through Minnesota Department of Agriculture WIC Farmers' Market Nutrition Program (FMNP)	10.572	Not Provided	173
<b>Total U.S. Department of Agriculture</b>			<b>\$ 1,243,977</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety	20.600	69A37521300004020MN0	<b>\$ 8,236</b>
<b>U.S. Department of Education</b>			
Passed Through Minnesota Department of Health Special Education – Grants for Infants and Families	84.181	B04MC32551	<b>\$ 12,117</b>
<b>U.S. Department of Health and Human Services</b>			
Direct Drug-Free Communities Support Program Grants	93.276		\$ 180,335
Passed Through the National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	Not Provided	967
Passed Through Minnesota Department of Health Public Health Emergency Preparedness	93.069	NU90TP922026	85,303
Early Hearing Detection and Intervention	93.251	H61MC00035	1,050
Immunization Cooperative Agreements	93.268	6 NH23IP000737-05-02	5,525
COVID-19 – Immunization Cooperative Agreements (Total Immunization Cooperative Agreements 93.268 \$6,006)	93.268	6 NH23IP000737-05-02	481
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Not Provided	42,563
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	NU90TP922188	17,658
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	NH75OT000032	9,921
State Physical Activity and Nutrition (SPAN)	93.439	NU58DP006500	2,351
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$214,998)	93.558	NGA 1801MNTANF	91,519
CDC's Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	22,355
Maternal and Child Health Services Block Grant to the States	93.994	B04MC32551	103,928

**Southwest Health and Human Services  
Marshall, Minnesota**

**Exhibit C-2**  
**(Continued)**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
<b>U.S. Department of Health and Human Services (Continued)</b>			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2201MNFPS	142,790
Temporary Assistance for Needy Families	93.558	2301MNTANF	123,479
(Total Temporary Assistance for Needy Families 93.558 \$214,998)			
Child Support Enforcement	93.563	2301MNCES	219,079
Child Support Enforcement	93.563	2301MNCSES	801,387
(Total Child Support Enforcement 93.563 \$1,020,466)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2301MNRMA	2,179
CCDF Cluster			
Child Care and Development Block Grant	93.575	2301MNCDF	16,426
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	13,760
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	14,044
Foster Care – Title IV-E	93.658	2301MNFOS	346,039
Social Services Block Grant	93.667	2301MNSOSR	530,958
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	2301MNCILP	26,113
COVID-19 – Elder Abuse Prevention Interventions Program	93.747	2101MNAFC6	4,112
Children's Health Insurance Program	93.767	2305MNS021	2,715
Medicaid Cluster			
Medical Assistance Program	93.778	2305MNSADM	2,288,009
Medical Assistance Program	93.778	2305MNSMAP	35,133
(Total Medical Assistance Program 93.778 \$2,323,142)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	B08TI083504	15,133
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 5,145,312</b>
<b>Total Federal Awards</b>			<b>\$ 6,409,642</b>

The Health and Human Services did not pass any federal awards through to subrecipients during the year ended December 31, 2023.

**Totals by Cluster**

Total expenditures for SNAP Cluster	\$ 681,893
Total expenditures for Highway Safety Cluster	8,236
Total expenditures for CCDF Cluster	16,426
Total expenditures for Medicaid Cluster	2,323,142

# **Southwest Health and Human Services Marshall, Minnesota**

## **Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2023**

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### **Note 1 – Summary of Significant Accounting Policies**

#### **Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Southwest Health and Human Services. The Health and Human Services' reporting entity is defined in Note 1 to the financial statements.

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Southwest Health and Human Services under programs of the federal government for the year ended December 31, 2023. 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 of Expenditures of Federal Awards presents only a selected portion of the operations of Southwest Health and Human Services, it is not intended to and does not present the financial position, changes in net position, or cash flows of Southwest Health and Human Services.

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.

### **Note 2 – De Minimis Cost Rate**

Southwest Health and Human Services has elected to not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Southwest Health and Human Services  
Marshall, Minnesota**

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**Note 3 – Reconciliation to Schedule of Intergovernmental Revenue**

<b>Reconciliation to Schedule of Intergovernmental Revenue</b>	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 6,423,131
Grants received more than 60 days after year-end, considered unavailable revenue in 2023	
Promoting Safe and Stable Families (AL No. 93.556)	2,214
Public Health Emergency Response: Cooperative Agreement for Emergency Response:	
Public Health Crisis Response (AL No. 93.354)	7,035
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	2,204
Unavailable revenue in 2022, recognized as revenue in 2023	
Special Education – Grants for Infants and Families (AL No. 84.181)	(225)
Early Hearing Detection and Intervention (AL No. 93.251)	(300)
Promoting Safe and Stable Families (AL No. 93.556)	(2,755)
Community-Based Child Abuse Prevention Grants (AL No. 93.590)	(3,946)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(4,911)
John H. Chafee Foster Care Program for Successful Transition to Adulthood (AL No. 93.674)	(12,805)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 6,409,642</u>

## **Management and Compliance Section**





**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

Members of the Joint Health and Human Services Board  
Southwest Health and Human Services  
Marshall, 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, each major fund, and the aggregate remaining fund information of Southwest Health and Human Services as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Health and Human Services' basic financial statements, and have issued our report thereon dated August 21, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Southwest Health and Human Services' internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Health and Human Services' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Health and Human Services' 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 a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-001, that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Southwest Health and Human Services' 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 financial statements. 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 Southwest Health and Human Services failed to comply with the provisions of the contracting – bid laws, depositories of public funds and public investments, conflicts of interest, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Health and Human Services' noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

### **Southwest Health and Human Services' Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on Southwest Health and Human Services' response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The Health and Human Services' 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 and 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 the Health and Human Services' 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 the Health and Human Services' internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha

Julie Blaha  
State Auditor

August 21, 2024

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor



## **Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

### Independent Auditor's Report

Members of the Joint Health and Human Services Board  
Southwest Health and Human Services  
Marshall, Minnesota

### **Report on Compliance for Each Major Federal Program**

#### ***Qualified Opinions***

We have audited Southwest Health and Human Services' compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Southwest Health and Human Services' major federal programs for the year ended December 31, 2023. Southwest Health and Human Services' major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Qualified Opinion on Child Support Enforcement***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, Southwest Health and Human Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Child Support Enforcement for the year ended December 31, 2023.

#### ***Qualified Opinion on Medicaid Cluster***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions section of our report, Southwest Health and Human Services complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medicaid Cluster for the year ended December 31, 2023.

#### ***Basis for Qualified Opinions***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Southwest Health and Human Services and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Southwest Health and Human Services' compliance with the compliance requirements referred to above.

### ***Matter Giving Rise to Qualified Opinion on Child Support Enforcement***

As described in the accompanying Schedule of Findings and Questioned Costs, Southwest Health and Human Services did not comply with requirements regarding Assistance Listing No. 93.563 Child Support Enforcement as described in finding number 2023-002 for Activities Allowed or Unallowed and Allowable Costs/Costs Principles.

Compliance with such requirements is necessary, in our opinion, for Southwest Health and Human Services to comply with the requirements applicable to that program.

### ***Matters Giving Rise to Qualified Opinion on Medicaid Cluster***

As described in the accompanying Schedule of Findings and Questioned Costs, Southwest Health and Human Services did not comply with requirements regarding Assistance Listing No. 93.778 Medicaid Cluster as described in finding numbers 2023-003 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting and 2023-004 and 2023-005 for Eligibility.

Compliance with such requirements is necessary, in our opinion, for Southwest Health and Human Services to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Southwest Health and Human Services' federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Southwest Health and Human Services' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Southwest Health and Human Services' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Southwest Health and Human Services' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of Southwest Health Services' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 Southwest Health and Human Services' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

*Government Auditing Standards* requires the auditor to perform limited procedures on Southwest Health and Human Services' response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Southwest Health and Human Services' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 a 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 a 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 attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002 through 2023-005 to be material weaknesses.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Southwest Health and Human Services' response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Southwest Health and Human Services' response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

*/s/Julie Blaha*

Julie Blaha  
State Auditor

August 21, 2024

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

# Southwest Health and Human Services Marshall, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

### Section 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 generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

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

#### Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for major federal programs: **Qualified**

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

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
93.563	Child Support Enforcement
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

Southwest Health and Human Services qualified as a low-risk auditee? **No**

### Section II – Financial Statement Findings

#### 2023-001      **Audit Adjustment**

Prior Year Finding Number: 2022-001

Year of Finding Origination: 2021

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

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

## Southwest Health and Human Services Marshall, Minnesota

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reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** A material audit adjustment was identified that resulted in a significant change to the Health and Human Services' financial statements.

**Context:** The inability to make all necessary accrual adjustments or to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. The adjustment was found in the audit; however, independent external auditors cannot be considered part of the Health and Human Services' internal control.

**Effect:** The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: decreased accounts receivable by \$8,858,780, allowance for uncollectible accounts by \$8,344,580, and deferred inflows of resources – unavailable revenue by \$514,200 in the General Fund to correct a reversing entry.

**Cause:** The Health and Human Services did not properly reverse an entry when financial statement information was prepared.

**Recommendation:** We recommend the Health and Human Services' review the financial statement closing procedures, trial balances, and journal entries in detail to ensure the Health and Human Services' financial statements are fairly presented in accordance with generally accepted accounting principles.

**View of Responsible Official:** Acknowledge

### Section III – Federal Award Findings and Questioned Costs

#### **2023-002      Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Prior Year Finding Number:** 2022-003

**Year of Finding Origination:** 2022

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of Health and Human Services

**Program:** 93.563 Child Support Enforcement

**Award Number and Year:** 2301MNCEST and 2301MNCSES, 2023

**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.

Administrative program costs for Child Support Enforcement are submitted to the Minnesota Department of Human Services (DHS) through the DHS Income Maintenance DHS-2550 report on a quarterly basis. DHS provides reporting instructions, including information regarding eligible and ineligible costs.

## Southwest Health and Human Services Marshall, Minnesota

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**Condition:** The following exceptions were noted in a sample of 40 expenditures tested:

- One claim related to employee appreciation and another claim for meals at an all-staff meeting were included in the DHS-2550 report as eligible expenditures but were not eligible for federal reimbursement.
- Portions of four claims that were not direct expenditures were incorrectly allocated to Child Support Enforcement.
- For three timesheets tested, the payroll costs were incorrectly allocated among programs based on individual job duties rather than the full-time equivalent (FTE) allocation method described by DHS.

**Questioned Costs:** Questioned costs identified were less than \$25,000.

**Context:** DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the Health and Human Services are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

**Effect:** Errors in the identification and reporting of costs on the quarterly reports can impair DHS' ability to provide required oversight over federal programs and result in the Health and Human Services receiving either more or less federal funds than justified based on the actual underlying activity.

**Cause:** The Health and Human Services' controls over the identification of allowable activities and costs, preparation of the quarterly reports, and maintenance of payroll allocations in the accounting system were not sufficient to identify these errors.

**Recommendation:** We recommend the Health and Human Services implement controls to ensure activities allowed and allowable costs are appropriately identified and reported to DHS in accordance with federal program guidance and DHS instructions. We also recommend reports submitted with unallowable activities or costs or costs allocated incorrectly are corrected and resubmitted.

**View of Responsible Official:** Acknowledge

**2023-003      Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting**

**Prior Year Finding Number:** 2022-003

**Year of Finding Origination:** 2022

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of Health and Human Services

**Program:** 93.778 Medical Assistance Program

**Award Number and Year:** 2305MN5ADM and 2305MN5MAP, 2023

**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



## Southwest Health and Human Services Marshall, Minnesota

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the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Administrative program costs for the Medical Assistance Program are submitted to DHS through the DHS Income Maintenance (DHS-2550) report, the Social Service Fund Report (DHS-2556), and the Local Collaborative Time Study Cost Schedule Report (DHS-3220) on a quarterly basis. DHS provides reporting instructions, including information regarding eligible and ineligible costs.

**Condition:** The following exceptions were noted in the sample of 40 expenditures tested for activities allowed or unallowed and allowable costs/cost principles, which resulted in the overstatement or understatement of expenditures reported:

- One claim related to employee appreciation and another claim for meals at an all-staff meeting were included in the DHS-2550 and DHS-2556 reports as eligible expenditures but were not eligible for federal reimbursement.
- Three claims were incorrectly allocated in the DHS-2550 report, which resulted in an understatement of Income Maintenance Administrative Overhead expense.
- One claim included costs eligible for reimbursement, but the Health and Human Services did not include the costs in the DHS-2550 or DHS-2556 reports.
- For two timesheets tested, the payroll costs were incorrectly allocated among programs based on individual job duties rather than the FTE allocation method described by DHS.

In addition, the following exceptions were noted in the DHS reports tested for reporting:

- The second and fourth quarter DHS-2550 reports were submitted with expenditures reported in incorrect reporting sections, incorrect categories of expenditures (including those that distinguish between eligible and not eligible expenditures), and payroll expenditures that should have been reported in the subsequent quarterly report.
- The second and fourth quarter DHS-2556 reports were submitted with overstated revenues due to an ineligible investment revenue, expenditures reported in the incorrect category of expenditures, and expenditures that should have been reported in the previous quarterly report.
- The fourth quarter DHS-3220 report excluded direct charges that were eligible expenditures.

**Questioned Costs:** Questioned costs identified were less than \$25,000.

**Context:** DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the Health and Human Services are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

## Southwest Health and Human Services Marshall, Minnesota

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**Effect:** Errors in the identification and reporting of costs on the quarterly reports can impair DHS' ability to provide required oversight over federal programs and result in the Health and Human Services receiving either more or less federal funds than justified based on the actual underlying activity.

**Cause:** The Health and Human Services' controls over the identification of allowable activities and costs, preparation and review of the quarterly reports, and maintenance of payroll allocations in the accounting system were not sufficient to identify these errors.

**Recommendation:** We recommend the Health and Human Services implement controls to ensure activities allowed and allowable costs are appropriately identified and accurately reported to DHS in accordance with federal program guidance and DHS instructions. We also recommend reports submitted with unallowable activities or costs, costs allocated incorrectly, or activity reported incorrectly are corrected and resubmitted.

**View of Responsible Official:** Acknowledge

**2023-004      Eligibility – MAXIS**

**Prior Year Finding Number:** 2022-002

**Repeat Finding Since:** 2011

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of Health and Human Services

**Program:** 93.778 Medical Assistance Program

**Award Number and Year:** 2305MN5ADM; 2023

**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:** DHS maintains the computer system, MAXIS, which is used by the Health and Human Services to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 case files tested:

- Four case files included amounts for client accounts (assets) that were not properly updated and/or supported for the most recent application/certification prior to being automatically renewed during the COVID-19 pandemic.
- Four case files did not include support for the income listed in MAXIS.
- One case file did not meet the application requirements such as requesting and obtaining the case file information from the previous agency.

## Southwest Health and Human Services Marshall, Minnesota

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- One case file did not meet the necessary application requirements for residency as no application or case file information could be provided.

**Questioned Costs:** Not applicable. The Health and Human Services administers the program, but the State of Minnesota pays benefits to program participants.

**Context:** The State of Minnesota and the Health and Human Services split the eligibility determination process. The Health and Human Services performs the “intake function” (meeting with the social services client to determine income and categorical eligibility), while the state maintains the MAXIS system, which supports the eligibility determination process and actually pays the benefits to participants.

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

**Effect:** The improper input or updating of information into MAXIS and the lack of verification or follow-up of eligibility-determining factors increases the risk that program participants will receive benefits when they are not eligible.

**Cause:** Program personnel entering case file information into MAXIS did not ensure all required information was input or updated correctly, supported, or retained.

**Recommendation:** We recommend Southwest Health and Human Services implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and issues are followed up in a timely manner. In addition, Southwest Health and Human Services should consider providing further training for program personnel.

**View of Responsible Official:** Acknowledge

**2023-005**      **Eligibility – METS**

**Prior Year Finding Number:** 2022-002

**Repeat Finding Since:** 2022

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of Health and Human Services

**Program:** 93.778 Medical Assistance Program

**Award Number and Year:** 2305MN5ADM; 2023

**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:** DHS maintains the computer system, METS, which is used by the Health and Human Services to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available, updated, or input

## Southwest Health and Human Services Marshall, Minnesota

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correctly to support participant eligibility. In the sample of 40 case files tested, four instances were noted where the category of each case file was originally classified as auto newborn. The case files were not subsequently updated to the correct category and, therefore, not verified by either METS or manually by the Health and Human Services for both social security number or citizenship.

**Questioned Costs:** Not applicable. The Health and Human Services administers the program, but the State of Minnesota pays benefits to program participants.

**Context:** The Health and Human Services performs any “intake function” needed for this program, while the state maintains METS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

**Effect:** The improper input or updating of information into METS and the lack of verification or follow-up of eligibility-determining factors increases the risk that program participants will receive benefits when they are not eligible.

**Cause:** The METS verification process was incomplete; the system did not indicate verification for social security number and citizenship was required.

**Recommendation:** We recommend Southwest Health and Human Services implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input, updated, or verified in METS and issues are followed up in a timely manner. In addition, Southwest Health and Human Services should consider providing further training for program personnel.

**View of Responsible Official:** Acknowledge



## Offices Located in:

Redwood Falls, MN • 507-637-4041  
Ivanhoe, MN • 507-694-1452    Slayton, MN • 507-836-6144  
Pipestone, MN • 507-825-6720    Luverne, MN • 507-283-5070  
Marshall, MN • Human Services 507-537-6747 • Health Services 507-537-6713

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### **Representation of Southwest Health and Human Services Marshall, Minnesota**

Corrective Action Plan  
For the Year Ended December 31, 2023

**Finding Number: 2023-001**

**Finding Title: Audit Adjustment**

Name of Contact Person Responsible for Corrective Action:

Lisa DeBoer – Director of Business Management

Jenny Severson – Fiscal Officer

Tiffany Bailey – Fiscal Officer

Corrective Action Planned:

- Review and create a list of prior year journal entries to be reversed at the start of the next year to ensure all entries are recorded for the current year.
- Use all updated work papers to ensure appropriate documentation for all journal entries.
- Print the appropriate financial statements before and after recording journal entries to ensure appropriate reporting is occurring.
- After completing journal entries Fiscal Officer will review for accuracy and duplication.
- Ensure that only current year activity is included as receivables by verifying accrual codes and dates.

Anticipated Completion Date:

October 31, 2024

**Finding Number: 2023-002**

**Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles**

**Program: 93.563 Child Support Enforcement**

Name of Contact Person Responsible for Corrective Action:

Lisa DeBoer – Director of Business Management

Jenny Severson – Fiscal Officer

Tiffany Bailey – Fiscal Officer

Corrective Action Planned:

The planned corrective action is to review report instructions regularly, accurately identify appropriate eligible revenue and expenditures for each report and review for accuracy by implementing secondary review of the data that is being reported. The FTE payroll splits have been implemented in the current year.

Anticipated Completion Date:

October 31, 2024

**Finding Number: 2023-003**

**Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles, and Reporting**

**Program: 93.778 Medical Assistance Program**

Name of Contact Person Responsible for Corrective Action:

Lisa DeBoer – Director of Business Management

Jenny Severson – Fiscal Officer

Tiffany Bailey – Fiscal Officer

Corrective Action Planned:

The planned corrective action is to review report instructions regularly, accurately identify appropriate eligible revenue and expenditures for each report and review for accuracy by implementing secondary review of the data that is being reported. The FTE payroll splits have been implemented in the current year.

Anticipated Completion Date:

October 31, 2024

**Finding Number: 2023-004**

**Finding Title: Eligibility – MAXIS**

**Program: 93.778 Medical Assistance Program**

Name of Contact Person Responsible for Corrective Action:

Kathryn Herding – Eligibility Supervisor

Corey Remiger – Eligibility Supervisor

Ashley VanOverbeke- Eligibility Supervisor

Corrective Action Planned:

The planned corrective action is to continue reminding and reviewing with staff on a regular basis and at unit meetings the need to utilize checklists with all applications and renewals so all required documentation is on file, verify income and asset requirements, and complete case transfers correctly. Supervisors and/or Lead Workers will also complete case reviews for accuracy.

Anticipated Completion Date:

October 31, 2024

**Finding Number: 2023-005**

**Finding Title: Eligibility – METS**

**Program: 93.778 Medical Assistance Program**

Name of Contact Person Responsible for Corrective Action:

Kathryn Herding – Eligibility Supervisor

Corey Remiger – Eligibility Supervisor

Ashley VanOverbeke- Eligibility Supervisor

Corrective Action Planned:

The planned corrective action is to continue reminding and reviewing with staff on a regular basis and at unit meetings the need to utilize checklists with all applications and renewals so all required documentation is on file, verify income and asset requirements, and complete case transfers correctly. Supervisors and/or Lead Workers will also complete case reviews for accuracy.

Anticipated Completion Date:

October 31, 2024



## Offices Located in:

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Pipestone, MN • 507-825-6720    Luverne, MN • 507-283-5070  
Marshall, MN • Human Services 507-537-6747 • Health Services 507-537-6713

## Representation of Southwest Health and Human Services Marshall, Minnesota

### Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2023

**Finding Number: 2022-001**

**Year of Finding Origination: 2021**

**Finding Title: Audit Adjustments**

**Summary of Condition:** Material audit adjustments were identified that resulted in significant changes to the Health and Human Services' financial statements.

**Summary of Corrective Action Previously Reported:**

- Review and create a list of prior year journal entries to be reversed at the start of the next year to ensure all entries are recorded for the current year.
- Use all updated work papers to ensure appropriate documentation for all journal entries.
- Print the appropriate financial statements before and after recording journal entries to ensure appropriate reporting is occurring.
- After completing journal entries Fiscal Officer will review for accuracy and duplication.
- Ensure that only current year activity is included as receivables by verifying accrual codes and dates.

**Status:** Not Corrected.

Due to staff expanding knowledge of audit activities, corrective action plan was not completely implemented. The planned corrective action is to make sure all required journal entries are reversed, use the correct updated work papers that are provided, verify the financial statements before and after doing journal entries, implement dual review of journal entries for accuracy, and verify only current year activity is included as receivables by reviewing accrual codes and journal entries for current year dates.

**Finding Number: 2022-002**

**Year of Finding Origination: 2011**

**Finding Title: Eligibility**

**Program: 93.778 Medical Assistance Program**

**Summary of Condition:** The Minnesota Department of Human Services (DHS) maintains the computer systems, MAXIS and METS, which are used by the Health and Human Services to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 80 case files tested:

- Eight MAXIS case files included amounts for various client accounts (assets) that were not properly updated and/or substantiated for the most recent application/certification prior to being automatically renewed during the COVID-19 pandemic.
- Six MAXIS case files did not have the support for the income listed in MAXIS.



- Five MAXIS case files did not meet the application requirements, such as obtaining the required signature, obtaining the Authorized Representative (AREP) form for signatures of representatives of the applicant, or requesting and obtaining the case file information from the previous agency.
- Two METS case files did not have the support for the income listed in METS.
- Two METS case files attested to zero income on the application, but the income was not verified to an external source.
- Two METS case files included social security numbers, but the process was incomplete, and therefore, not verified.

**Summary of Corrective Action Previously Reported:**

- Review and remind staff to utilize checklist with all applications and renewals to ensure all documentation was obtained and/or retained in the file.
- Discuss all verification of asset requirements and the importance of supporting documentation.
- Discuss all income verification requirements and the importance of supporting documentation.
- Discuss case transfer process to ensure all verifications and documentation is obtained and included in case files and in MAXIS.
- Discuss findings at unit meetings.

**Status:** Not Corrected.

Due to a staff shortage and large amount of staff turnover, corrective action plan was not completely implemented. The planned corrective action is to continue reminding and reviewing with staff on a regular basis and at unit meetings the need to utilize checklists with all applications and renewals so all required documentation is on file, verify income and asset requirements, and complete case transfers correctly. Supervisors and/or Lead Workers will also complete case reviews for accuracy.

**Finding Number:** 2022-003

**Year of Finding Origination:** 2022

**Finding Title:** Activities Allowed or Unallowed and Allowable Costs/Cost Principles, and Reporting

**Program:** 93.563 Child Support Enforcement

**93.778 Medical Assistance Program**

**Summary of Condition:** During testing of the sample of reports and while performing reconciliations to the general ledger, the following issues were investigated and found to be deficient:

- Southwest Health and Human Services split payroll that is reported in the quarterly reports for social services and income maintenance based on individual job duties rather than the Full Time Equivalent (FTE) as indicated by the DHS report instructions. In addition, payments made to Lyon County for the cost allocation plan funds and a payment to a local transportation company were included in the quarterly reports and should not have been.
- Eligible payroll expenditures were excluded from the Income Maintenance DHS-2550 reports for quarter 2 in the amount of \$22,704 and for quarter 4 in the amount of \$3,848.
- Investment income was improperly included on the Social Services DHS-2556 report for quarter 1 in the amount of \$690 and for quarter 3 in the amount of \$5,832 with the miscellaneous revenue.
- Allocated expenditures of \$7,002 and direct charges of \$255 reported in quarter 1 of the Local Collaborative Time Study (LCTS) Public Health Web-based Cost Schedule DHS-3220.3 report were reported again in the quarter 2 report.

**Summary of Corrective Action Previously Reported:**

- Payroll allocations will be reviewed prior to the start of the calendar year and any required updates will be implemented.
- Instructions for completing the report will be reviewed quarterly along with eligible revenues and expenditures.

- Upon completion of each respective report, the County Program Specialist and/or Fiscal Officer will send the report to the other County Program Specialist and/or Fiscal Officer or the Director of Business Management for a secondary review before submission.

**Status:** Not Corrected.

Due to changes in DHS report instructions and review of reports, corrective action plan was not completely implemented. The planned corrective action is to accurately report appropriate revenue and expenditures for each report and review for accuracy by implementing secondary review of the data that is being reported. The FTE payroll splits have been implemented in the current year.