STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

YEAR ENDED DECEMBER 31, 2016

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

Year Ended December 31, 2016

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MINNESOTA PRAIRIE COUNTY ALIANCE
MANTORVILLE, MINNESOTA

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MANTORVILLE, MINNESOTA

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Introductory Section

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

ORGANIZATION
DECEMBER 31, 2016

		Member County
Board Members		
Member County Commissioners		
Chair	Nina Huntington	Steele
Member	Blair Nelson	Waseca
Member	Rodney Peterson	Dodge
Member	John Glynn	Steele
Member	Richard Androli	Waseca
Member	Tim Tjosaas	Dodge
Alternate Member	James Ebeling	Steele
Alternate Member	James Peterson	Waseca
Alternate Member	Steven Gray	Dodge
Executive Director	Jane Hardwick	
Management Team		
Income and Health Care Assistance Manager	Cathy Skogen	
Adult and Disability Social Services Manager	Charity Floen	
Child and Family Social Services Manager	Shari Kottke	
Finance Program Manager	Kevin Venenga	

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Joint Powers Board
Minnesota Prairie County Alliance
Mantorville, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Minnesota Prairie County Alliance (MNPrairie) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise MNPrairie's basic financial statements, as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to MNPrairie's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MNPrairie's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the General Fund, and the aggregate remaining fund information of MNPrairie as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 18, 2017, on our consideration of MNPrairie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MNPrairie's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 18, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

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

Minnesota Prairie County Alliance's (MNPrairie) Management's Discussion and Analysis (MD&A) provides an overview of MNPrairie's financial activities for the fiscal year ended December 31, 2016. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with MNPrairie's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $5,330,621, of which $44,495 is the investment in capital assets.

- MNPrairie's net position decreased by $2,057,129 for the year ended December 31, 2016.

- Overall fund level revenues totaled $20,518,384, while total expenditures were $21,804,021.

- For the year ended December 31, 2016, the unrestricted fund balance of the General Fund was $7,375,808, or 34 percent of the 2016 expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of financial position. MNPrairie's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $5,330,621 at the close of 2016.

Net Position

	2016	2015
Assets		
Current and other assets	$ 9,824,625	$ 9,874,842
Capital assets	44,945	37,909
Total Current Assets	$ 9,869,570	$ 9,912,751
Deferred Outflows of Resources		
Deferred pension outflows	$ 7,042,836	$ 2,243,636
Liabilities		
Current liabilities	$ 1,642,389	$ 1,789,580
Noncurrent liabilities	9,319,582	2,850,243
Total Liabilities	$ 10,961,971	$ 4,639,823
Deferred Inflows of Resources		
Deferred pension inflows	$ 619,814	$ 128,814
Net Position		
Investment in capital assets	$ 44,945	$ 37,909
Unrestricted	5,285,676	7,349,841
Total Net Position	$ 5,330,621	$ 7,387,750

Governmental Activities

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

Changes in Net Position

	2016	2015
Revenues		
Intergovernmental	$ 19,065,797	$ 17,244,460
Charges for services	1,058,832	1,187,865
Investment earnings	11,470	4,523
Miscellaneous	371,989	766,964
Total Revenues	$ 20,508,088	$ 19,203,812
Expenses		
Human services	23,997,708	19,957,344
Change in Net Position Before Special Item	$ (3,489,620)	$ (753,532)
Special item - County contributions	1,432,491	8,141,282
Change in Net Position	$ (2,057,129)	$ 7,387,750
Net Position - January 1	7,387,750	-
Net Position - December 31	$ 5,330,621	$ 7,387,750

FINANCIAL ANALYSIS OF THE GENERAL FUND

As shown in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance on Exhibit 2, the amount that was received through intergovernmental revenue in 2016 was 92 percent of the total revenue received, or $18,870,316, which is MNPrairie's major source of revenue.

For 2017 and going forward, MNPrairie expects to continue to receive a large portion of intergovernmental revenue, as the services that we provide are funded either through federal and state revenue sources or with member county tax levy.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the original to final budget totals stayed the same. Actual revenues were less than budgeted revenues by $152,078. This was caused by a combination of intergovernmental and miscellaneous revenues not meeting expected levels, which were offset by charges for services revenues that exceeded revenue predictions. Actual expenditures were less than the budgeted expenditures by $191,120. This variance was related to less personnel expenditures in 2016 than budgeted, due to the delay in hiring new staff.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

MNPrairie's depreciable capital assets (net of accumulated depreciation) at December 31, 2016, totaled $44,945. This investment in capital assets consists of vehicles owned by MNPrairie. The total increase in MNPrairie's investment in capital assets, net of depreciation, for the current fiscal year was $7,036.

Long-Term Debt

At the end of fiscal year 2016, MNPrairie had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

MNPrairie adopted the 2017 budget based on its continuing effort to streamline the merger of the three member-county human services departments and refine the service areas created within MNPrairie. In addition, there are a number of economic factors that are out of our control that can have a significant impact on our budget from year to year. Some of those factors are:

- Health insurance cost increase of greater than ten percent.

- Increased caseload of child protection cases.

- Increased costs of out-of-home placements and related services for at-risk children and their families.

- Truancy and parent support outreach program.

- More robust state expectation of 24/7 child protection response as state policy refined.

- Increased volume of intakes for aging and disability services.

- Any further growth in demand for consumer support grants, home and community-based waiver services, and other services for people with disabilities that result from MNCHOICES (long-term-care assessments).

- Increased cost and volume of commitments for mental health, chemical dependency, and restoration to competency.

- Any potential impact of state Supreme Court decisions regarding civil commitment of sex offenders.

- Impact of MNsure periodic-data-matching (now delayed past October 1, 2016) on health care caseload.

- Impact of MNsure on child support caseload.

- Any vehicle replacement or other capital improvement plan.

- 2017 legislative changes.

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 1

GENERAL FUND BALANCE SHEET AND GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL DECEMBER 31, 2016

	General Fund	Adjustments	Governmental Activities
Assets and Deferred Outflows of Resources			
Assets			
Cash and pooled investments	$ 6,754,044	$ -	$ 6,754,044
Accounts receivable - net	1,204,772	-	1,204,772
Due from other governments	1,865,809	-	1,865,809
Capital assets			
Depreciable - net	-	44,945	44,945
Total Assets	**$ 9,824,625**	**$ 44,945**	**$ 9,869,570**
Deferred Outflows of Resources			
Deferred pension outflows	-	7,042,836	7,042,836
Total Assets and Deferred Outflows of Resources	**$ 9,824,625**	**$ 7,087,781**	**$ 16,912,406**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Accounts payable	$ 570,875	$ -	$ 570,875
Salaries payable	148,005	-	148,005
Compensated absences payable	-	312,127	312,127
Due to other governments	405,417	-	405,417
Unearned revenue	205,965	-	205,965
Noncurrent liabilities			
Compensated absences payable	-	299,887	299,887
Other postemployment benefits obligations	-	88,241	88,241
Net pension liability	-	8,931,454	8,931,454
Total Liabilities	**$ 1,330,262**	**$ 9,631,709**	**$ 10,961,971**
Deferred Inflows of Resources			
Unavailable revenue	$ 1,118,555	$ (1,118,555)	$ -
Deferred pension inflows	-	619,814	619,814
Total Deferred Inflows of Resources	**$ 1,118,555**	**$ (498,741)**	**$ 619,814**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 1
(Continued)

GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2016

	General Fund	Adjustments	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Fund Balance/Net Position			
Fund Balance			
Unassigned	**$ 7,375,808**	**$ (7,375,808)**	
Net Position			
Investment in capital assets		$ 44,945	$ 44,945
Unrestricted		5,285,676	5,285,676
Total Net Position		**$ 5,330,621**	**$ 5,330,621**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 9,824,625**	**$ 7,087,781**	**$ 16,912,406**

Reconciliation of the General Fund Balance to Net Position

Fund Balance - General Fund		**$ 7,375,808**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.		44,945
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the General Fund.		7,042,836
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.		
Compensated absences liability	$ (612,014)	
Other postemployment benefits obligations	(88,241)	
Net pension liability	(8,931,454)	(9,631,709)
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the General Fund.		1,118,555
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the General Fund.		(619,814)
Net Position - Governmental Activities		**$ 5,330,621**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 2

**GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
FOR THE YEAR ENDED DECEMBER 31, 2016**

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 18,870,316	$ 195,481	$ 19,065,797
Charges for services	1,269,853	(211,021)	1,058,832
Investment earnings	11,470	-	11,470
Miscellaneous	366,745	5,244	371,989
Total Revenues	**$ 20,518,384**	**$ (10,296)**	**$ 20,508,088**
Expenditures/Expenses			
Current			
Human services	21,804,021	2,193,687	23,997,708
Excess of Revenues Over (Under) Expenditures	**$ (1,285,637)**	**$ (2,203,983)**	**$ (3,489,620)**
Special Item			
Transfer of human services operations from participating counties	1,432,491	-	1,432,491
Net Change in Fund Balance/Net Position	**$ 146,854**	**$ (2,203,983)**	**$ (2,057,129)**
Fund Balance/Net Position - January 1	**7,228,954**	**158,796**	**7,387,750**
Fund Balance/Net Position - December 31	**$ 7,375,808**	**$ (2,045,187)**	**$ 5,330,621**

EXHIBIT 2
(Continued)

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL FOR THE YEAR ENDED DECEMBER 31, 2016

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

Net Change in Fund Balance		**$ 146,854**
The General Fund reports capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.		7,036
In the General Fund, under the modified accrual basis, receivables not available for expenditure are deferred. In the Statement of Activities, those revenues are recognized when earned. The adjustment to revenues is the increase or decrease in revenues deferred as unavailable.		
Unavailable revenue - December 31	$ 1,118,555	
Unavailable revenue - January 1	(1,163,621)	(45,066)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.		
Change in net deferred pension outflows	$ 4,799,200	
Change in compensated absences	(9,440)	
Change in other postemployment benefits obligations	(88,241)	
Change in net pension liability	(6,376,472)	
Change in net deferred pension inflows	(491,000)	(2,165,953)
Change in Net Position of Governmental Activities		**$ (2,057,129)**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 3

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2016

	Agency
Assets	
Cash and pooled investments	**$ 409,913**
Liabilities	
Due to other governments	**$ 409,913**

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

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1. Summary of Significant Accounting Policies

Minnesota Prairie County Alliance's (MNPrairie) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2016. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by MNPrairie are discussed below.

A. Financial Reporting Entity

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

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

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

MNPrairie is an independent joint venture and is not included in any of the member counties' reporting entities.

Joint Ventures and Jointly-Governed Organization

MNPrairie participates in some joint ventures, which are described in Note 4.C. MNPrairie also participates in a jointly-governed organization, which is described in Note 4.D.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

1. Government-Wide Statements

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

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

2. Fund Financial Statements

The fund financial statements provide information about the General Fund and the fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund are presented on the modified accrual basis and report current financial resources. MNPrairie has only one governmental fund--the General Fund--which accounts for all financial resources.

Additionally, MNPrairie reports the following fund type:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that MNPrairie holds for others in an agent capacity.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

When both restricted and unrestricted resources are available for use, it is MNPrairie's policy to use restricted resources first and then unrestricted resources as needed.

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

1. Deposits and Investments

MNPrairie's cash and pooled investments consist of cash on hand, checking accounts, and commercial paper. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and investments are credited to the General Fund. Investments are reported at their net asset value at December 31, 2016.

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables

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

3. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Assets	Years
Furniture, equipment, and vehicles	5 - 10

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, and sick leave 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. Compensated absences are accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in the General Fund only if it has matured, for example, as a result of employee resignations and retirements. The current portion is based on the estimated annual use of accrued balances.

1. Summary of Significant Accounting Policies

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

5. Unearned Revenue

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

6. Pension Plan

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

7. Deferred Outflows/Inflows of Resources

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

1. Summary of Significant Accounting Policies

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

7. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. MNPrairie has two items that qualify for reporting in this category. The General Fund reports unavailable revenue from grant monies and charges for services receivable for amounts that are not considered available to liquidate liabilities in the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the General Fund Balance Sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. MNPrairie also has deferred pension inflows. These inflows, consisting of differences between expected and actual pension plan economic experience, arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

8. Classification of Net Position

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

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

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

Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances (Continued)

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

10. Minimum Fund Balance

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

11. Use of Estimates

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

12. Special Item

Dodge, Steele, and Waseca Counties have transferred human service operations to form MNPrairie, effective January 1, 2015. In the approved agreement, the counties agreed to transfer the remaining operations in 2016 as follows:

Assets (cash)	$ 1,432,491
Fund balance/Net position	$ 1,432,491

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	6,754,044
Statement of fiduciary net position		
Cash and pooled investments		409,913
Total Cash and Investments	$	7,163,957

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, MNPrairie's deposits may not be returned to it. MNPrairie's policy states all deposits should be fully collateralized. As of December 31, 2016, MNPrairie's deposits were not exposed to custodial credit risk.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) time deposits fully insured by the Federal Deposit Insurance Corporation or bankers’ acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is MNPrairie's policy to minimize its exposure to interest rate risk by investing in short-term commercial paper investments. This account provides the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is MNPrairie's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. MNPrairie does not have a policy on custodial credit risk. As of December 31, 2016, $6,782,833 of MNPrairie's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

At December 31, 2016, MNPrairie had the following deposits and investments.

Investment - Issuer	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Commercial Paper					
U.S. Bank, National Association	P1	Moody's	100%	N/A	$ 6,782,833
Checking					381,124
Total Cash and Investments					$ 7,163,957

N/A - Not Applicable

Fair Value Measurements

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

2. Receivables

Receivables as of December 31, 2016, including the applicable allowances for uncollectible accounts, were as follows:

	Receivable	Less: Allowance for Uncollectible	Net Receivables
Accounts receivable	$ 2,703,215	$ (1,498,443)	$ 1,204,772
Due from other governments	1,865,809	-	1,865,809

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

2. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated Furniture, equipment, and vehicles	$ 47,386	$ 20,642	$ -	$ 68,028
Less: accumulated depreciation for Furniture, equipment, and vehicles	9,477	13,606	-	23,083
Capital Assets, Net	$ 37,909	$ 7,036	$ -	$ 44,945

Depreciation expense of $13,606 was charged to the human services function/program for the year ended December 31, 2016.

B. Liabilities

1. Operating Leases

MNPrairie has entered into lease agreements for office space with each of the member counties. For 2016, total costs for the leases were $488,618. Each lease is expected to be replaced by a similar lease at the end of the lease term. Future minimum lease payments for the current agreements are as follows:

Year Ending December 31	Dodge County Site	Steele County Site	Waseca County Site	Total
2017	$ 171,516	$ 160,755	$ 173,451	$ 505,722
2018	-	-	161,382	161,382
Total	$ 171,516	$ 160,755	$ 334,833	$ 667,104

2. Detailed Notes on All Funds

B. Liabilities (Continued)

2. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 602,574	$ 638,875	$ 629,435	$ 612,014	$ 312,127

Compensated absences liabilities, other postemployment benefits obligations, and net pension liabilities are liquidated by the General Fund.

C. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and unavailable revenue as of December 31, 2016, for the General Fund are as follows:

	Unearned Revenue	Unavailable Revenue
Intergovernmental	$ 203,265	$ 233,081
Charges for services	-	880,230
Miscellaneous revenue	2,700	5,244
Total	$ 205,965	$ 1,118,555

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan

1. Plan Description

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan

1. Plan Description (Continued)

The General Employees Retirement 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. Employees of MNPrairie are members of the Coordinated Plan.

2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated 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 is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for each year of service. Only Method 2 is used for members hired after June 30, 1989.

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. In 2016, General Employees Retirement Plan Coordinated members were required to contribute 6.50 percent of their annual covered salary, and employers were required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

MNPrairie’s contributions for the General Employees Retirement Plan for the year ended December 31, 2016, were $551,584. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2016, MNPrairie reported a liability of $8,931,454 for its proportionate share of the General Employees Retirement Plan’s net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. MNPrairie’s proportion of the net pension liability was based on MNPrairie’s contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2016, MNPrairie’s proportion was

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan

4. Pension Costs (Continued)

0.1100 percent. It was 0.0493 percent measured as of June 30, 2015. MNPrairie recognized pension expense of $2,654,626 for its proportionate share of the General Employees Retirement Plan's pension expense.

MNPrairie also recognized $34,770 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $6 million to the General Employees Retirement Plan each year, starting September 15, 2015, through September 15, 2031.

MNPrairie's proportionate share of the net pension liability	$ 8,931,454
State of Minnesota's proportionate share of the net pension liability associated with MNPrairie	116,610
Total	$ 9,048,064

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 619,814
Changes in actuarial assumptions	1,748,787	-
Difference between projected and actual investment earnings	1,471,880	-
Changes in proportion	3,517,275	-
Contributions paid to PERA subsequent to the measurement date	304,894	-
Total	$ 7,042,836	$ 619,814

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The $304,894 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2017	$ 2,110,512
2018	2,110,512
2019	1,574,484
2020	322,620

5. Actuarial Assumptions

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

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

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

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

6. Discount Rate

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

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2016:

General Employees Retirement Plan

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

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

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

8. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Retirement Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 12,685,312
Current	7.50	8,931,454
1% Increase	8.50	5,839,297

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plan (Continued)

9. Pension Plan Fiduciary Net Position

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

B. Other Postemployment Benefits (OPEB)

Plan Description

MNPrairie provides health insurance benefits for eligible retired employees and their spouses under a single-employer, self-insured plan. MNPrairie provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This postemployment benefit is funded on a pay-as-you-go basis. As of January 1, 2016, the date of the last valuation, there were no retirees receiving health benefits from MNPrairie's health plan. The implicit rate subsidy amount was determined by an actuarial study to be $7,253 for 2016.

Annual OPEB Cost and Net OPEB Obligation

MNPrairie's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of MNPrairie's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in MNPrairie's net OPEB obligation to the plan.

3. Pension Plans and Other Postemployment Benefits

B. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

ARC	$	95,494
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	$	95,494
Contributions made during the year		(7,253)
Increase in net OPEB obligation	$	88,241
Net OPEB Obligation - January 1		-
Net OPEB Obligation - December 31	$	88,241

MNPrairie's annual OPEB cost for December 31, 2016, was $95,494. The percentage of annual OPEB cost contributed to the plan was 7.6 percent, and the net OPEB obligation for 2016 was $88,241. Trend information for the previous two years is not available at this time based on the implementation date of the OPEB of January 1, 2016.

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was $532,672, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $532,672. The covered payroll (annual payroll of active employees covered by the plan) was $7,055,021, and the ratio of the UAAL to the covered payroll was 7.6 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Pension Plans and Other Postemployment Benefits

B. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2016, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is MNPrairie's implicit rate of return on the General Fund. The annual health care cost trend is initially 6.75 percent for Medicare, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. Both rates included a 2.75 percent inflation assumption. The UAAL is being amortized over 30 years on a level dollar amount. The remaining amortization period at December 31, 2016, was 29 years.

4. Summary of Significant Contingencies and Other Items

A. Risk Management

MNPrairie is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. To manage these risks, MNPrairie has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. MNPrairie is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions.

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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

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

B. Contingent Liabilities

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

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

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

C. Joint Ventures

Dodge County Family Services Collaborative

The Dodge County Family Services Collaborative was established in 1999 under the authority of Minn. Stat. §§ 471.59 and 124D.23. The governing board consists of seven members, of which four represent the legally required participants of a collaborative (a school district, the County, public health, and a community action agency). The purpose of the Collaborative is to provide a coordinated approach to support and nurture individuals and families through prevention and intervention so as to ensure success of every child. MNPrairie acts as fiscal agent for the Dodge County Family Services Collaborative and reports the fiscal transactions of the Collaborative as an agency fund. MNPrairie did not contribute to the Collaborative in 2016.

Steele County Children's Mental Health Collaborative

The Steele County Children's Mental Health Collaborative was established in 2009 under the authority of Minn. Stat. § 245.491. The governing board consists of five members, two members of the County Board of Commissioners and one school board member from each participating school district. The purpose of this Collaborative is to improve the mental health and educational outcomes of children in Steele County by creating an integrated service delivery system for children who have, or are at risk of having, emotional or behavioral problems and their families. MNPrairie acts as fiscal agent for the Steele County Children's Mental Health Collaborative and reports the fiscal transactions of the Collaborative as an agency fund. MNPrairie did not contribute to the Collaborative in 2016.

Waseca County Collaborative for Families

The Waseca County Collaborative for Families was established in 2001 to improve the well-being of the children and families of Waseca County. The members include Waseca County; Independent School District Nos. 829, 2835, and 2168; and Waseca Medical Center-Mayo Health System. The governing board consists of five members, one from each participating member. MNPrairie acts as fiscal agent for the Waseca County Collaborative for Families and reports the fiscal transactions of the Collaborative as an agency fund. MNPrairie did not contribute to the Collaborative in 2016.

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

D. Jointly-Governed Organization

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

The Southeast Services Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, MNPrairie made payments of $10,875 to the Cooperative.

REQUIRED SUPPLEMENTARY INFORMATION

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-1

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 19,004,494	$ 19,004,494	$ 18,870,316	$ (134,178)
Charges for services	1,059,168	1,059,168	1,269,853	210,685
Investment earnings	6,800	6,800	11,470	4,670
Miscellaneous	600,000	600,000	366,745	(233,255)
Total Revenues	**$ 20,670,462**	**$ 20,670,462**	**$ 20,518,384**	**$ (152,078)**
Expenditures				
Current				
Human services				
Income maintenance	$ 8,139,946	$ 8,139,946	$ 7,491,012	$ 648,934
Social services	13,855,195	13,855,195	14,313,009	(457,814)
Total Expenditures	**$ 21,995,141**	**$ 21,995,141**	**$ 21,804,021**	**$ 191,120**
Excess of Revenues Over (Under) Expenditures	**$ (1,324,679)**	**$ (1,324,679)**	**$ (1,285,637)**	**$ 39,042**
Special Item				
Transfer of human services operations from participating counties	-	-	1,432,491	1,432,491
Net Change in Fund Balance	**$ (1,324,679)**	**$ (1,324,679)**	**$ 146,854**	**$ 1,471,533**
Fund Balance - January 1	**7,228,954**	**7,228,954**	**7,228,954**	**-**
Fund Balance - December 31	**$ 5,904,275**	**$ 5,904,275**	**$ 7,375,808**	**$ 1,471,533**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-2

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2016	$ -	$ 532,672	$ 532,672	0.00%	$ 7,055,021	7.6%

See Note 3.B., Other Postemployment Benefits, for more information.

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-3

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

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 MNPrairie (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
2016	0.1100%	$ 8,931,454	$ 116,610	$ 9,048,064	$ 6,819,948	130.96%	68.91%
2015	0.0493	2,554,982	N/A	2,554,982	2,848,574	89.69	78.19

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-4

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2016	$ 551,584	$ 551,584	$ -	$ 7,354,449	7.50%
2015	478,511	478,511	-	6,380,147	7.50

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

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

1. Budgetary Information

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

   The appropriated budget is prepared by fund and department. The legal level of budgetary control (that is, the level at which expenditures may not legally exceed appropriations) is the fund level. The budgets may be amended or modified at any time by MNPrairie. There were no budget amendments during 2016.

2. Other Postemployment Benefits Funded Status

   See Note 3.B. in the notes to the financial statements for additional information regarding MNPrairie's other postemployment benefits. Future reports will provide additional trend analysis to meet the three-year funding status requirement as the information becomes available.

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

   The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association's General Employees Retirement Plan for the year ended June 30, 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.

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SUPPLEMENTARY INFORMATION

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AGENCY FUNDS

Dodge County Family Services Collaborative - to account for the collection and disbursement of funds for the Dodge County Family Services Collaborative.

Steele County Children's Mental Health Collaborative - to account for the collection and disbursement of funds for the Steele County Children's Mental Health Collaborative.

Waseca County Collaborative for Families - to account for the collection and disbursement of funds for the Waseca County Collaborative for Families.

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT B-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1	Additions	Deductions	Balance December 31
DODGE COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 224,067	$ 85,265	$ 63,075	$ 246,257
Liabilities				
Due to other governments	$ 224,067	$ 85,265	$ 63,075	$ 246,257
STEELE COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE				
Assets				
Cash and pooled investments	$ 186,519	$ 56,707	$ 79,570	$ 163,656
Liabilities				
Due to other governments	$ 186,519	$ 56,707	$ 79,570	$ 163,656
WASECA COUNTY COLLABORATIVE FOR FAMILIES				
Assets				
Cash and pooled investments	$ -	$ 109,599	$ 109,599	$ -
Liabilities				
Due to other governments	$ -	$ 109,599	$ 109,599	$ -
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 410,586	$ 251,571	$ 252,244	$ 409,913
Liabilities				
Due to other governments	$ 410,586	$ 251,571	$ 252,244	$ 409,913

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OTHER SCHEDULES

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-1

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

Local		
Contributions from counties	**$**	**7,973,742**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,677,434**
Grants		
State		
Minnesota Department of Human Services	**$**	**3,605,468**
Federal		
Department of		
Agriculture	$	596,631
Health and Human Services		5,017,041
Total federal	**$**	**5,613,672**
Total state and federal grants	**$**	**9,219,140**
Total Intergovernmental Revenue	**$**	**18,870,316**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN101S2514	**$ 596,631**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1501MNFPSS	$ 17,985
Temporary Assistance for Needy Families	93.558	1601MNTANF	767,183
Child Support Enforcement	93.563	1604MNCEST	1,440,400
Refugee and Entrant Assistance - State-Administered Programs	93.566	1601MNRCMA	690
Child Care and Development Block Grant	93.575	1601MNCCDF	53,753
Community-Based Child Abuse Prevention Grants	93.590	1402MNFRPG	34,477
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1501MNCWSS	9,762
Foster Care - Title IV-E	93.658	1601MNFOST	513,950
Social Services Block Grant	93.667	1601MNSOSR	414,665
Chafee Foster Care Independence Program	93.674	1501MNCILP	12,794
Medical Assistance Program	93.778	1605MN5ADM	2,122,710
Block Grants for Community Mental Health Services	93.958	SM010027-16	24,074
Total U.S. Department of Health and Human Services			**$ 5,412,443**
Total Federal Awards			**$ 6,009,074**

MNPrairie did not pass any federal awards through to subrecipients during the year ended December 31, 2016.

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of MNPrairie under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of MNPrairie, it is not intended to and does not present the financial position or changes in net position of MNPrairie.

3. Summary of Significant Accounting Policies

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. MNPrairie has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 5,613,672
Grants received more than 60 days after year-end, unavailable in 2016	
Promoting Safe and Stable Families (CFDA No. 93.556)	1,634
Temporary Assistance for Needy Families (CFDA No. 93.558)	152,568
Child Care and Development Block Grant (CFDA No. 93.575)	1,438
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	1,077
Foster Care - Title IV-E (CFDA No. 93.658)	173
Chafee Foster Care Independence Program (CFDA No. 93.674)	9,769
Unavailable in 2015, recognized as revenue in 2016	
Child Support Enforcement (CFDA No. 93.563)	(60,600)
Collaborative Grants (receipted into an agency fund)	
Foster Care - Title IV-E (CFDA No. 93.658)	76,556
Medical Assistance (CFDA No. 93.778)	212,787
Expenditures Per Schedule of Expenditures of Federal Awards	$ 6,009,074

Management and Compliance Section

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

Independent Auditor's Report

Joint Powers Board
Minnesota Prairie County Alliance
Mantorville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the General Fund, and the aggregate remaining fund information of Minnesota Prairie County Alliance (MNPrairie) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise MNPrairie's basic financial statements, and have issued our report thereon dated July 18, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2015-002 and 2016-001, that we consider to be significant deficiencies.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of MNPrairie's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness and tax increment financing because MNPrairie was not involved in any public indebtedness and did not administer any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that MNPrairie failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2015-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding MNPrairie's noncompliance with the above referenced provisions.

MNPrairie's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

July 18, 2017

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

Independent Auditor's Report

Joint Powers Board
Minnesota Prairie County Alliance
Mantorville, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Minnesota Prairie County Alliance's (MNPrairie) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of MNPrairie's major federal programs for the year ended December 31, 2016. MNPrairie's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

Opinion on Each Major Federal Program

In our opinion, MNPrairie complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003, that we consider to be a significant deficiency.

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

Purpose of This Report

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/Rebecca Otto *\/s/Greg Hierlinger*

REBECCA OTTO
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

July 18, 2017

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2016

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

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

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

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

The major federal programs are:

Temporary Assistance for Needy Families	CFDA No. 93.558
Medical Assistance Program	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-002

Accounting Policies and Procedures

Criteria: Management is responsible for establishing and implementing internal controls over the accounting cycles and the systems used for financial reporting.

Condition: Minnesota Prairie County Alliance (MNPrairie) does not have formal policies or procedures over compensated absences to address estimating the amount of reimbursable unused sick leave and determining the basis of the current portion of compensated absences.

Context: Written policies and procedures over significant financial operations help in providing consistency over time and guidance to new officials and staff.

Effect: MNPrairie's practices may not be followed as intended by management, and employees may not understand the purpose of internal controls.

Cause: Due to time constraints, MNPrairie did not formally adopt policies and procedures regarding compensated absences. They continue to work on updating their policies and procedures manual.

Recommendation: We recommend MNPrairie formalize the documentation of its policies and procedures related to compensated absences. These policies should be included in MNPrairie's accounting procedures manual and approved by the Board.

View of Responsible Official: Acknowledged

ITEM ARISING THIS YEAR

Finding Number 2016-001

Bank Reconciliations

Criteria: Internal controls in place over operations should be designed and implemented to provide reasonable assurance that errors and fraud are prevented or detected and corrected in a timely manner.

Condition: During our review of MNPrairie's internal controls over cash and investments, we noted that the bank reconciliation procedures do not include review of the completed reconciliations by an employee independent of preparation. In addition, bank reconciliations were not completed in a timely manner.

Context: Review of bank reconciliations is a standard internal control procedure that is performed to detect errors and irregularities in the reconciliations and verify that they have been completed in a timely manner.

Effect: There is greater risk that banking and accounting errors are not detected by MNPrairie in a timely manner as well as increased exposure to potential fraud.

Cause: MNPrairie indicated they are working on assigning staff the responsibility of reviewing the monthly bank reconciliations.

Recommendation: We recommend that bank reconciliations be completed in a timely manner and be reviewed and approved by an employee independent of preparation.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

<u>PREVIOUSLY REPORTED ITEM NOT RESOLVED</u>

Finding Number 2015-003

<u>Eligibility Testing</u>

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1605MN5ADM, 2016

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

Condition: The state maintains the computer system, MAXIS, which is used by MNPrairie to support the eligibility determination process. During our review of the Medical Assistance Program, for the 40 cases tested, we noted 2 instances where the current asset information was not entered into MAXIS, and 1 instance where eligibility was not redetermined within 12 months.

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

Context: The State of Minnesota contracts with MNPrairie to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the state maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to the participants.

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

Effect: The lack of documented verification of key eligibility determining factors increases the risk that clients will receive benefits when they are not eligible.

Cause: Program personnel entering case information into MAXIS did not ensure all required information maintained in the case file was input into MAXIS and that eligibility was redetermined within 12 months.

Recommendation: We recommend MNPrairie implement additional procedures to provide reasonable assurance that all documentation collected and maintained in case files, to support eligibility determinations, is properly input into MAXIS and eligibility is redetermined according to program requirements.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2015-006

Investment Safekeeping

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

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

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

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

Cause: MNPrairie indicated their priority was implementing an investment policy. They are working with the financial institution to verify compliance with statutes.

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

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2015-001 Audit Adjustments
2015-004 Allowable Costs/Cost Principles and Reporting (CFDA No. 93.558)
2015-005 Insufficient Collateral

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REPRESENTATION OF MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2015-002
Finding Title: Accounting Policies and Procedures

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga, Finance Program Manager

Corrective Action Planned:

A formal procedure will be implemented and added to MNPrairie Accounting Procedures that details the estimation procedures for documenting the current portion of employee compensated absences and the reimbursable unused sick leave at each year-end.

Anticipated Completion Date:

December 31, 2017

Finding Number: 2015-003
Finding Title: Eligibility Testing
Program: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Catherine Skogen, Income and Healthcare Assistance Program Manager

Corrective Action Planned:

The audit finding has been reviewed with staff as a learning opportunity. Supervisors revisited the mandatory verification requirements for Medical Assistance programs. MNPrairie staff will verify the necessary documentation is included in the case files. Eligibility staff plan to conduct random case file reviews on a monthly basis checking for file completeness and documenting the results of the files reviewed.

Anticipated Completion Date:

Ongoing

Finding Number: 2015-006
Finding Title: Investment Safekeeping

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga, Finance Program Manager

Corrective Action Planned:

With the completion of the first audit for 2015 occurring late in the calendar year of 2016, we were aware of the items needed to complete this action, however, we could not fully implement our new policy prior to the end of 2016. MNPrairie is working with the financial institution to make sure the investments are in compliance with required statutes.

Anticipated Completion Date:

December 31, 2017

Finding Number: 2016-001
Finding Title: Bank Reconciliations

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga, Finance Program Manager

Corrective Action Planned:

MNPrairie is aware of this finding and is in the process of establishing procedures to ensure the bank reconciliations are completed in a timely manner and are reviewed and approved by an employee independent of the preparation.

Anticipated Completion Date:

July 1, 2017

REPRESENTATION OF MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding Number: 2015-001
Finding Title: Audit Adjustments

Summary of Condition: During the 2015 audit, material adjustments were identified which resulted in significant changes to MNPrairie's financial statements.

Summary of Corrective Action Previously Reported: MNPrairie plans to review existing internal controls and adjust or implement policies as needed to address the items noted.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-002
Finding Title: Accounting Policies and Procedures

Summary of Condition: MNPrairie does not have formal policies or procedures over investments, and the current policies do not address the basis for determining the current portion of compensated absences.

Summary of Corrective Action Previously Reported: With the formation of MNPrairie, staff have been working on implementing many policies and procedures during 2015 and 2016. We will take appropriate steps to address the items questioned.

Status: Partially Corrected. MNPrairie adopted an investment policy effective January 1, 2016. Management is still working on implementing other policies and procedures.

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

Finding Number: 2015-003
Finding Title: Eligibility Testing
Program: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The state maintains the computer system, MAXIS, which is used by MNPrairie to support the eligibility determination process. During the review of the Medical Assistance Program, for the 40 cases tested, one instance was noted where the case file did not include adequate documentation to support the individual passed the asset requirements.

Summary of Corrective Action Previously Reported: The planned action is to request the necessary documentation needed for the case in question. After the documents are received, a determination will be made regarding additional steps that may be needed.

Status: Not Corrected. MNPrairie continues to address these issues with employees on both an individual and group basis. Please see corrective action plan for further information.

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

Finding Number: 2015-004
Finding Title: Allowable Costs/Cost Principles and Reporting
Program: Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558)

Summary of Condition: Upon review of the four quarterly "MFIP-Consolidated Fund Support Services Fiscal Reports" (DHS-2902), it was noted that employee compensation costs had been allocated to the direct program and administration expenditure categories. Costs for one employee were reported in the direct program expenditures category at 85 percent of an employee's total wages and benefits. Costs for the same employee were also reported in the administration expenditures category at 7.5 percent of the employee's direct program expenditures plus other miscellaneous costs. Documentation to support the allocation of these costs reported in the direct and administrative categories could not be provided.

Summary of Corrective Action Previously Reported: For the questioned costs for this program, we will be amending the open reports for the 3rd and 4th quarters of 2015. For the quarterly reports that are not open for amendment, we will contact DHS to discuss our options for correcting. For 2016, this program was changed and employee wages were no longer used for completing this program report.

Status: Fully Corrected. Corrective action was taken.

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

Finding Number: 2015-005
Finding Title: Insufficient Collateral

Summary of Condition: MNPrairie had deposits at U.S. Bank that were not adequately covered by Federal Deposit Insurance Corporation (FDIC) coverage on December 31, 2015.

Summary of Corrective Action Previously Reported: MNPrairie has a draft investment policy in process that is expected to be completed by the end of 2016.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2015-006
Finding Title: Investment Safekeeping

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

Summary of Corrective Action Previously Reported: MNPrairie has a draft investment policy in process that is expected to be completed by the end of 2016.

Status: Not Corrected. MNPrairie's priority was approving an investment policy in 2016. Due to time constraints, MNPrairie was not able to work with the financial institution on their investment account before year-end 2016. Please see corrective action plan for further information.

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