State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Prairie Lakes Municipal Solid Waste Authority
(A Component Unit of Otter Tail County)
Fergus Falls, Minnesota

Year Ended December 31, 2020

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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Prairie Lakes Municipal Solid Waste Authority
(A Component Unit of Otter Tail County)
Fergus Falls, Minnesota

Year Ended December 31, 2020

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

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PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2020

	Position	County	Term Expires
Board of Directors			
Larry Knutson	Member	Becker	December 2020
Kevin Campbell	Chair	Clay	December 2020
Doug Huebsch	Vice Chair	Otter Tail	December 2020
John Lindquist	Member	Otter Tail	December 2020
Gary Kneisl	Member	Todd	December 2020
Bill Stearns	Member	Wadena	December 2020
Officer			
Chris McConn	Executive Director		Indefinite

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Prairie Lakes Municipal Solid Waste Authority, a component unit of Otter Tail County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Prairie Lakes Municipal Solid Waste Authority'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 an opinion 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 the Prairie Lakes Municipal Solid Waste Authority'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 the Prairie Lakes Municipal Solid Waste Authority's internal control. Accordingly, we express no such

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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 opinion.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Prairie Lakes Municipal Solid Waste Authority as of December 31, 2020, and the changes in its financial position and its cash flows 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 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 (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the Unites States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2021, on our consideration of the Prairie Lakes Municipal Solid Waste Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Prairie Lakes Municipal Solid Waste Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Prairie Lakes Municipal Solid Waste Authority's internal control over financial reporting and compliance.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

October 13, 2021

BASIC FINANCIAL STATEMENTS

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Assets		
Current assets		
Cash and cash equivalents	$	3,437,953
Accounts receivable		209,499
Due from other governments		46
Prepaid items		4,690
Total current assets	**$**	**3,652,188**
Noncurrent assets		
Capital assets		
Nondepreciable	$	25,489
Depreciable – net		28,054,742
Total noncurrent assets	**$**	**28,080,231**
Total Assets	**$**	**31,732,419**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**132,846**
Liabilities		
Current liabilities		
Accounts payable	$	94,653
Salaries payable		104,101
Advance from other government – current		1,325,000
Due to other governments		112,992
Due to primary government		273,949
Accrued interest payable		237
Loans payable – current		49,195
Compensated absences payable – current		90,637
Total current liabilities	**$**	**2,050,764**
Noncurrent liabilities		
Advance from other government	$	26,286,736
Loans payable – long-term		63,563
Compensated absences payable – long-term		316,043
Net pension liability		1,570,810
Total noncurrent liabilities	**$**	**28,237,152**
Total Liabilities	**$**	**30,287,916**

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

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Deferred Inflows of Resources		
Deferred pension inflows	**$**	**85,021**
Net Position		
Net investment in capital assets	$	5,042,473
Unrestricted		(3,550,145)
Total Net Position	**$**	**1,492,328**

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

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

EXHIBIT 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2020

Operating Revenues		
Charges for services	$	8,251,790
Miscellaneous		329,419
Total Operating Revenues	**$**	**8,581,209**
Operating Expenses		
Personal services	$	2,598,258
Professional services		82,725
Contracted services		464,048
Office		207,659
Chemicals and consumables		655,818
Utilities		1,075,154
Insurance		167,274
Repairs and maintenance		16,769
Transportation and disposal		550,901
Depreciation		1,759,512
Total Operating Expenses	**$**	**7,578,118**
Operating Income (Loss)	**$**	**1,003,091**
Nonoperating Revenues (Expenses)		
Intergovernmental		
State		
PERA contribution	$	4,192
Interest expense		(928,734)
Total Nonoperating Revenues (Expenses)	**$**	**(924,542)**
Change in net position	**$**	**78,549**
Net Position – January 1		**1,413,779**
Net Position – December 31	**$**	**1,492,328**

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

EXHIBIT 3

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2020

Cash Flows from Operating Activities		
Receipts from customers and users	$	8,536,715
Payments to employees		(2,624,569)
Payments to suppliers		(3,245,704)
Net cash provided by (used in) operating activities	**$**	**2,666,442**
Cash Flows from Noncapital Financing Activities		
Intergovernmental	**$**	**4,192**
Cash Flows from Capital and Related Financing Activities		
Advance from primary government	$	2,000,000
Principal paid on long-term debt		(1,285,000)
Principal paid on loan		(47,757)
Interest paid on long-term debt		(908,217)
Interest paid on loan		(4,222)
Purchase of capital assets		(107,709)
Net cash provided by (used in) capital and related financing activities	**$**	**(352,905)**
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**2,317,729**
Cash and Cash Equivalents – January 1		**1,120,224**
Cash and Cash Equivalents – December 31	**$**	**3,437,953**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**1,003,091**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	$	1,759,512
(Increase) decrease in accounts receivable		(44,448)
(Increase) decrease in prepaid items		24,623
(Increase) decrease in due from other governments		(46)
(Increase) decrease in deferred pension outflows		(9,245)
Increase (decrease) in accounts payable		(11,085)
Increase (decrease) in salaries payable		4,471
Increase (decrease) in compensated absences payable		16,028
Increase (decrease) in due to other governments		(14,271)
Increase (decrease) in deferred pension inflows		149,915
Increase (decrease) in net pension liability		(212,103)
Total adjustments	**$**	**1,663,351**
Net Cash Provided by (Used in) Operating Activities	**$**	**2,666,442**

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

1. Summary of Significant Accounting Policies

The Prairie Lakes Municipal Solid Waste Authority's (Prairie Lakes) financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for the year ended December 31, 2020. 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 Prairie Lakes are discussed below.

A. Financial Reporting Entity

Prairie Lakes is a joint enterprise operation of Becker, Clay, Otter Tail, Todd, and Wadena Counties (the Counties). Prairie Lakes was originally established by a Joint Powers Agreement dated May 4, 2010, pursuant to Minn. Stat. § 471.59, Joint Powers Act, and included the Counties of Becker, Otter Tail, Todd, and Wadena. The original Joint Powers Agreement was later amended, effective October 21, 2014, to include Clay County as a member.

Each of the Counties is authorized and obligated, pursuant to Minn. Stat. chs. 115A and 400, to provide for the management and disposal of solid waste in its respective county. It is the intention of the Counties to cooperate in a joint venture to operate and manage a waste management system within the Counties. This purpose, without limitation, shall include ownership and operation of the Perham Resource Recovery Facility. The facility is located in Perham, Minnesota, and the administrative office is located in Fergus Falls, Minnesota.

Prairie Lakes is governed by a six-member Board of Directors—one member appointed from Becker, Clay, Todd, and Wadena Counties and two from Otter Tail County. Receipts and disbursements are recorded in the Prairie Lakes Municipal Solid Waste Authority Fund by Otter Tail County. Contribution percentages for the Counties were set up in the Joint Powers Agreement as follows: Becker – 22 percent, Clay – 15 percent, Otter Tail – 39 percent, Todd – 14 percent, and Wadena – 10 percent.

Prairie Lakes is a component unit of Otter Tail County because it is fiscally dependent on Otter Tail County. Prairie Lakes' financial statements are discretely presented in the Otter Tail County financial statements.

1. Summary of Significant Accounting Policies (Continued)

B. Basic Financial Statements

The accounts of Prairie Lakes are organized as an enterprise fund. Operating revenues, such as charges for services, result from exchange transactions associated with providing services. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as interest income, grants, and member county contributions, result from nonexchange transactions or incidental activities. Operating expenses are all expenses incurred to provide services. Expenses not meeting this definition are reported as nonoperating expenses. Prairie Lakes' net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

C. Measurement Focus and Basis of Accounting

Prairie Lakes' 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.

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

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

1. Cash and Cash Equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash and pooled investments. Prairie Lakes' cash is pooled and invested with Otter Tail County and is treated as a cash equivalent because Prairie Lakes can deposit or effectively withdraw cash at any time without prior notice or penalty. Interest is credited to the Prairie Lakes Municipal Solid Waste Authority Fund. Otter Tail County obtains collateral to cover the deposits in excess of insurance coverage.

2. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

1. Summary of Significant Accounting Policies

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

3. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the financial statements. Prairie Lakes does not have a formal policy in place to define capital assets. Instead, it currently uses the capital asset listing developed by the City of Perham at the time of the sale of the facility from the City of Perham to the Counties. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of Prairie Lakes are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	20 - 40
Machinery, furniture, equipment, and vehicles	3 - 20

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation 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. The current portion consists of amounts earned in a one-year period. The noncurrent portion consists of the remaining amount of vacation and vested sick leave.

1. Summary of Significant Accounting Policies

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

5. Long-Term Obligations

Long-term liabilities consist of advances from Otter Tail County and a bank loan payable.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until then. Prairie Lakes has one item, deferred pension outflows, that qualifies for reporting in this category.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. Prairie Lakes has one item, deferred pension inflows, that qualifies for reporting in this category.

7. 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.

1. Summary of Significant Accounting Policies

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

      8. Equity Classifications

         Equity is classified as net position. Net investment in capital assets represents capital assets, net of accumulated depreciation, reduced by debt attributed to the acquisition, construction, or improvement of the assets. Unrestricted net position is net position that does not meet the definition of "restricted" or "net investment in capital assets."

   E. 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, 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.

2. Detailed Notes

   A. Assets

      1. Deposits

         Prairie Lakes' total cash and cash equivalents are reported as follows:

Cash and cash equivalents	$	3,437,953

Prairie Lakes is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. Prairie Lakes is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

2. Detailed Notes

A. Assets

1. Deposits (Continued)

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better or 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, Prairie Lakes' deposits may not be returned to it. Prairie Lakes does not have a deposit policy for custodial credit risk. Prairie Lakes pools its deposits with Otter Tail County. Otter Tail County, in a fiscal agent capacity, carries collateral to cover deposits in excess of FDIC coverage.

2. Receivables

Receivables as of December 31, 2020, are as follows:

Accounts	$	209,499
Due from other governments		46
Total Receivables	$	209,545

No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

2. Detailed Notes

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease/ Adjustments	Ending Balance
Capital assets not depreciated				
Land	$ 25,489	$ -	$ -	$ 25,489
Capital assets depreciated				
Buildings	$ 34,477,221	$ -	$ -	$ 34,477,221
Machinery, furniture, and equipment	3,401,367	107,709	(3,000)	3,506,076
Total capital assets depreciated	$ 37,878,588	$ 107,709	$ (3,000)	$ 37,983,297
Less: accumulated depreciation for				
Buildings	$ 6,863,816	$ 1,427,412	$ -	$ 8,291,228
Machinery, furniture, and equipment	1,305,227	332,100	-	1,637,327
Total accumulated depreciation	$ 8,169,043	$ 1,759,512	$ -	$ 9,928,555
Total capital assets depreciated, net	$ 29,709,545	$ (1,651,803)	$ (3,000)	$ 28,054,742
Capital Assets, Net	$ 29,735,034	$ (1,651,803)	$ (3,000)	$ 28,080,231

Depreciation expense for the year was $1,759,512.

B. Liabilities

1. Payables

Payables at December 31, 2020, were as follows:

Accounts	$ 94,653
Salaries	104,101
Advance from other government	1,325,000
Due to other governments	112,992
Due to primary government	273,949
Accrued interest	237
Loans	49,195
Compensated absences	90,637
Total Payables	$ 2,050,764

2. Detailed Notes

B. Liabilities (Continued)

2. Loan Payable

In 2019, Prairie Lakes entered into a loan agreement with United Community Bank for the financing of a 2019 front-end wheel loader. The total amount received by Prairie Lakes was $195,318. Repayment began in 2019.

The future minimum obligations as of December 31, 2020, were as follows:

Year Ending December 31	Future Minimum Obligations
2021	$ 51,979
2022	51,979
2023	12,995
Total future minimum loan payments	$ 116,953
Less: amount representing interest	(4,195)
Loan Payable Balance	$ 112,758

3. Advance from Primary Government

Prairie Lakes has entered into an advance arrangement with Otter Tail County. The County issued $10,475,000 in General Obligation Disposal System Revenue Bonds, $19,380,000 in General Obligation Waste Disposal Revenue Bonds, $1,065,000 in General Obligation Waste Disposal Revenue Bonds, and $2,000,000 in General Obligation Waste Disposal Revenue Bonds in order to finance the acquisition/expansion and improvements of the resource recovery facility. The proceeds from the sale of these bonds were recognized by Otter Tail County. Prairie Lakes' repayment of the advance for these bond issues to the County is essentially equal to the principal and interest on the bonds for the year. During 2019, Otter Tail County issued $6,365,000 in Taxable General Obligation Disposal Revenue Refunding Bonds that will refund the $10,475,000 General Obligation Disposal System Revenue Bonds, and resulted in Prairie Lakes increasing the principal

2. Detailed Notes

B. Liabilities

3. Advance from Primary Government (Continued)

payments owed to Otter Tail County by $150,000, but will result in a lower total future cash outlay, as the refunding bonds were issued with a lower interest rate than the refunded bonds. On December 31, 2015, Otter Tail County advanced funds to Prairie Lakes to zero out a negative pooled cash balance. The advance balance consists of the following at December 31, 2020:

Type of Indebtedness	Maturity	Installment Amounts	Interest Rate (%)	Original	Balance
Advance from primary government – 2011	2030	$405,000 - $755,000	3.00 - 5.00	$ 10,475,000	$ 480,000
Advance from primary government – 2013	2034	$630,000 - $1,970,000	2.00 - 3.75	19,380,000	15,345,000
Advance from primary government – 2015	-	Varies	0.25	2,788,620	2,536,736
Advance from primary government – 2018	2028	$85,000 - $125,000	3.00 - 4.00	1,065,000	885,000
Advance from primary government – 2019	2030	$650,000 - $805,000	1.85 - 2.45	6,365,000	6,365,000
Advance from primary government – 2020	2031	$170,000 - $215,000	1.15 - 2.00	2,000,000	2,000,000
Total Advance from Primary Government				$ 42,073,620	$ 27,611,736

Repayment of the advance from other government – 2015 will be through a combination of $1 per ton of waste received at the Prairie Lakes facility as well as 50 percent of any revenues above expenses at the end of each year, exclusive of the first $200,000 set aside as major capital expenses. Because of the variable repayment amounts, a final debt payment schedule is not available. The following payment schedule does not include the debt service applicable to this advance.

2. Detailed Notes

B. Liabilities

3. Advance from Primary Government (Continued)

The future minimum obligations as of December 31, 2020, were as follows:

Year Ending December 31	Future Minimum Obligations
2021	$ 2,274,923
2022	2,378,983
2023	2,400,805
2024	2,396,010
2025	2,391,296
2026 - 2030	10,900,625
2031 - 2034	8,402,921
Total future minimum advance payments	$ 31,145,563
Less: amount representing interest	(6,070,563)
Advance Balance	$ 25,075,000

4. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loan	$ 160,515	$ -	$ 47,757	$ 112,758	$ 49,195
Advance from primary government	27,006,736	2,000,000	1,395,000	27,611,736	1,325,000
Compensated absences	390,652	147,443	131,415	406,680	90,637
Long-Term Liabilities	$ 27,557,903	$ 2,147,443	$ 1,574,172	$ 28,131,174	$ 1,464,832

3. Defined Benefit Pension Plan

A. Plan Description

All full-time and certain part-time employees of the Prairie Lakes Municipal Solid Waste Authority 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 (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. The plan is established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code.

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

B. Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

3. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

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

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

C. Contributions

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

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020.

In 2020, Prairie Lakes was required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

Prairie Lakes' contributions for the General Employees Plan for the year ended December 31, 2020, were $143,185. The contributions are equal to the statutorily required contributions as set by state statute.

3. Defined Benefit Pension Plan (Continued)

D. Pension Costs

At December 31, 2020, Prairie Lakes reported a liability of $1,570,810 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Prairie Lakes' proportion of the net pension liability was based on Prairie Lakes' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, Prairie Lakes' proportion was 0.0262 percent. It was 0.0257 percent measured as of June 30, 2019. Prairie Lakes recognized pension expense of $75,968 for its proportionate share of the General Employees Plan's pension expense.

Prairie Lakes also recognized $4,192 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

Prairie Lakes' proportionate share of the net pension liability	$	1,570,810
State of Minnesota's proportionate share of the net pension liability associated with Prairie Lakes		48,424
Total	$	1,619,234

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

3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 14,064	$ 5,943
Changes in actuarial assumptions	-	58,066
Difference between projected and actual investment earnings	25,728	-
Changes in proportion	20,733	21,012
Contributions paid to PERA subsequent to the measurement date	72,321	-
Total	$ 132,846	$ 85,021

The $72,321 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, 2021. 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
2021	$ (94,656)
2022	(4,522)
2023	36,731
2024	37,951

E. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.25 percent per year
Active member payroll growth	3.00 percent per year
Investment rate of return	7.50 percent

3. Defined Benefit Pension Plan

E. Actuarial Assumptions (Continued)

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

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. equities	35.50%	5.10%
Broad international stock pool	17.50	5.30
Bond pool	20.00	0.75
Alternatives	25.00	5.90
Cash equivalents	2.00	0.00

F. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future

3. Defined Benefit Pension Plan

F. Discount Rate (Continued)

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 of current 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.

G. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub 2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

3. Defined Benefit Pension Plan

G. Changes in Actuarial Assumptions (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

H. Pension Liability Sensitivity

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

	Proportionate Share of the General Employees Plan	
	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 2,517,463
Current	7.50	1,570,810
1% Increase	8.50	789,897

3. Defined Benefit Pension Plan (Continued)

I. 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.

4. Risk Management

Prairie Lakes 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. Prairie Lakes has entered into a joint powers agreement with Minnesota entities 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. Prairie Lakes is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, Prairie Lakes carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2020 and 2021. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess Prairie Lakes in a method and amount to be determined by MCIT.

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

Prairie Lakes retains the risk for the deductible portion of the policies, which is considered immaterial to the financial statements. At December 31, 2020, there are no other claims liabilities reported in the financial statements based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements and the amount of the loss can be reasonably estimated.

5. Other Item

Operating Budgets

	Budget	Actual	Variance
Operating Revenues	$ 8,684,942	$ 8,581,209	$ (103,733)
Operating Expenses	5,627,056	7,578,118	(1,951,062)
Operating Income (Loss)	$ 3,057,886	$ 1,003,091	$ (2,054,795)
Nonoperating Revenues (Expenses)	(2,357,333)	(924,542)	1,432,791
Change in Net Position	$ 700,553	$ 78,549	$ (622,004)

REQUIRED SUPPLEMENTARY INFORMATION

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

EXHIBIT A-1

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

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 Prairie Lakes (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
2020	0.0262 %	$ 1,570,810	$ 48,424	$ 1,619,234	$ 1,870,488	83.98 %	79.06 %
2019	0.0257	1,420,895	44,165	1,465,060	1,821,174	78.02	80.23
2018	0.0264	1,464,564	47,924	1,512,488	1,773,732	82.57	79.53
2017	0.0265	1,691,743	21,307	1,713,050	1,709,997	98.93	75.90
2016	0.0258	2,094,832	27,321	2,122,153	1,598,933	131.01	68.91
2015	0.0249	1,290,446	N/A	1,290,446	1,463,189	88.19	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

PRAIRIE LAKES MUNICIPAL SOLID WASTE AUTHORITY
FERGUS FALLS, MINNESOTA

EXHIBIT A-2

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2020

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)
2020	$ 143,185	$ 143,185	$ -	$ 1,909,129	7.50 %
2019	137,770	137,770	-	1,836,933	7.50
2018	136,013	136,013	-	1,813,499	7.50
2017	130,673	130,673	-	1,742,306	7.50
2016	124,213	124,213	-	1,656,187	7.50
2015	115,685	115,685	-	1,542,467	7.50

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

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

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

General Employees Retirement Plan

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

General Employees Retirement Plan

2020 (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

2018

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

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

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

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

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

General Employees Retirement Plan

2018 (Continued)

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

- Contribution stabilizer provisions were repealed.

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

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

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

2017

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

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

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

General Employees Retirement Plan

2017 (Continued)

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

2016

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

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

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

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
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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

Board of Directors
Prairie Lakes Municipal Solid Waste Authority
Fergus Falls, 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 Prairie Lakes Municipal Solid Waste Authority (Prairie Lakes), a component unit of Otter Tail County, Minnesota, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Prairie Lakes' basic financial statements, and have issued our report thereon dated October 13, 2021.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Minnesota Legal Compliance

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting, compliance, and the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of Prairie Lakes' 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 Prairie Lakes' internal control over financial reporting and compliance. Accordingly, this communication is not suitable for any other purpose.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

October 13, 2021