STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

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, 2017

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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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

ORGANIZATION
DECEMBER 31, 2017

		Member County
Board Members		
Member County Commissioners		
Member	Rick Gnemi	Steele
Chair	Blair Nelson	Waseca
Member	Rodney Peterson	Dodge
Member	John Glynn	Steele
Member	Brian Harguth	Waseca
Member	Tim Tjosaas	Dodge
Alternate Member	Jim Abbe	Steele
Alternate Member	Richard Androli	Waseca
Alternate Member	Rhonda Toquam	Dodge
Executive Director	Jane Hardwick	
Management Team		
Income and Health Care Assistance Manager	Cathy Skogen	
Adult and Disability Social Services Manager	Charity Floen	
Child and Family Social Services Manager	Shari Kottke	
Finance Manager	Kevin Venenga	

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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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, 2017, 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, 2017, 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 June 27, 2018, on our consideration of MNPrairie's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of MNPrairie's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering MNPrairie's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

June 27, 2018

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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, 2017
(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, 2017. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with MNPrairie's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $1,781,167, of which $62,383 is the net investment in capital assets.

- MNPrairie's net position decreased by $3,549,454 for the year ended December 31, 2017.

- Overall fund level revenues totaled $21,676,247, while total expenditures were $23,090,597.

- For the year ended December 31, 2017, the unrestricted fund balance of the General Fund was $5,793,972, or 25 percent of the 2017 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 (OPEB) 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 $1,781,167 at the close of 2017.

Net Position

	2017	2016
Assets		
Current and other assets	$ 8,775,083	$ 9,824,625
Capital assets	92,299	44,945
Total Current Assets	$ 8,867,382	$ 9,869,570
Deferred Outflows of Resources		
Deferred pension outflows	$ 4,868,589	$ 7,042,836
Liabilities		
Current liabilities	$ 2,099,797	$ 1,642,389
Noncurrent liabilities	8,372,748	9,319,582
Total Liabilities	$ 10,472,545	$ 10,961,971
Deferred Inflows of Resources		
Deferred pension inflows	$ 1,482,259	$ 619,814
Net Position		
Net investment in capital assets	$ 62,383	$ 44,945
Unrestricted	1,718,784	5,285,676
Total Net Position	$ 1,781,167	$ 5,330,621

Governmental Activities

The following table summarizes the change in net position for 2017.

Changes in Net Position

	2017	2016
Revenues		
Intergovernmental	$ 20,991,363	$ 19,065,797
Charges for services	741,294	1,058,832
Investment earnings	17,354	11,470
Miscellaneous	113,243	371,989
Total Revenues	$ 21,863,254	$ 20,508,088
Expenses		
Human services	25,412,708	23,997,708
Change in Net Position Before Special Item	$ (3,549,454)	$ (3,489,620)
Special item - county contributions	-	1,432,491
Change in Net Position	$ (3,549,454)	$ (2,057,129)
Net Position - January 1	5,330,621	7,387,750
Net Position - December 31	$ 1,781,167	$ 5,330,621

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 2017 was 96 percent of the total revenue received, or $20,991,363, which is MNPrairie's major source of revenue.

For 2018 and going forward, MNPrairie expects to continue to receive a large portion of intergovernmental revenue, as the services that we provide are funded either through federal and state revenue sources or with member county tax levies.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the original to final budget totals did not change. Actual revenues were greater than budgeted revenues by $250,791. This was caused primarily by intergovernmental revenues exceeding expected levels. Actual expenditures were greater than the budgeted expenditures by $1,262,143. This variance was caused by expenses related to OPEB and pension liabilities recorded.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

MNPrairie's depreciable capital assets (net of accumulated depreciation) at December 31, 2017, totaled $92,299. This investment in capital assets consists of vehicles and equipment owned and leased by MNPrairie. The total increase in MNPrairie's investment in capital assets, net of depreciation, for the current fiscal year was $47,354.

Long-Term Debt

At the end of fiscal year 2017, MNPrairie had no bonded debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

MNPrairie adopted the 2018 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 July 1, 2018) on health care caseload.

- Impact of MNSure on child support caseload.

- Any vehicle replacement or other capital improvement plan.

- 2018 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, 2017

	General Fund	Adjustments	Governmental Activities
Assets and Deferred Outflows of Resources			
Assets			
Cash and pooled investments	$ 6,100,377	$ -	$ 6,100,377
Accounts receivable - net	809,145	-	809,145
Due from other governments	1,665,248	-	1,665,248
Prepaid items	200,313	-	200,313
Capital assets			
Depreciable - net	-	92,299	92,299
Total Assets	**$ 8,775,083**	**$ 92,299**	**$ 8,867,382**
Deferred Outflows of Resources			
Deferred pension outflows	-	4,868,589	4,868,589
Total Assets and Deferred Outflows of Resources	**$ 8,775,083**	**$ 4,960,888**	**$ 13,735,971**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Accounts payable	$ 541,447	$ -	$ 541,447
Salaries payable	163,796	-	163,796
Due to other governments	661,025	-	661,025
Compensated absences payable	-	615,162	615,162
Unearned revenue	111,890	-	111,890
Capital leases payable	-	6,477	6,477
Noncurrent liabilities			
Compensated absences payable	-	141,040	141,040
Capital leases payable	-	23,439	23,439
Other postemployment benefits obligations	-	164,512	164,512
Net pension liability	-	8,043,757	8,043,757
Total Liabilities	**$ 1,478,158**	**$ 8,994,387**	**$ 10,472,545**
Deferred Inflows of Resources			
Unavailable revenue	$ 1,302,640	$ (1,302,640)	$ -
Deferred pension inflows	-	1,482,259	1,482,259
Total Deferred Inflows of Resources	**$ 1,302,640**	**$ 179,619**	**$ 1,482,259**

EXHIBIT 1
(Continued)

GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2017

	General Fund	Adjustments	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Fund Balance/Net Position			
Fund Balance			
Nonspendable - prepaid items	$ 200,313	$ (200,313)	
Unassigned	5,793,972	(5,793,972)	
Total Fund Balance	**$ 5,994,285**	**$ (5,994,285)**	
Net Position			
Net investment in capital assets		$ 62,383	$ 62,383
Unrestricted		1,718,784	1,718,784
Total Net Position		**$ 1,781,167**	**$ 1,781,167**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 8,775,083**	**$ 4,960,888**	**$ 13,735,971**

Reconciliation of the General Fund Balance to Net Position		
Fund Balance - General Fund		**$ 5,994,285**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.		92,299
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the General Fund.		4,868,589
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund.		
Compensated absences payable	$ (756,202)	
Capital leases payable	(29,916)	
Other postemployment benefits obligations	(164,512)	
Net pension liability	(8,043,757)	(8,994,387)
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.		1,302,640
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the General Fund.		(1,482,259)
Net Position - Governmental Activities		**$ 1,781,167**

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, 2017

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 20,625,638	$ 365,725	$ 20,991,363
Charges for services	741,501	(207)	741,294
Investment earnings	17,354	-	17,354
Miscellaneous	291,754	(178,511)	113,243
Total Revenues	**$ 21,676,247**	**$ 187,007**	**$ 21,863,254**
Expenditures/Expenses			
Current			
Human services	$ 23,087,599	$ 2,325,022	$ 25,412,621
Debt service			
Principal	2,911	(2,911)	-
Interest	87	-	87
Total Expenditures/Expenses	**$ 23,090,597**	**$ 2,322,111**	**$ 25,412,708**
Excess of Revenues Over (Under) Expenditures	**$ (1,414,350)**	**$ (2,135,104)**	**$ (3,549,454)**
Other Financing Sources (Uses)			
Capital lease purchase	32,827	(32,827)	-
Net Change in Fund Balance/Net Position	**$ (1,381,523)**	**$ (2,167,931)**	**$ (3,549,454)**
Fund Balance/Net Position - January 1	**7,375,808**	**(2,045,187)**	**5,330,621**
Fund Balance/Net Position - December 31	**$ 5,994,285**	**$ (4,213,118)**	**$ 1,781,167**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 2
(Continued)

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL FOR THE YEAR ENDED DECEMBER 31, 2017

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		**$ (1,381,523)**
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.		47,354
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	$ 1,302,640	
Unavailable revenue - January 1	(1,118,555)	184,085
Issuing a long-term capital lease provides current financial resources to the General Fund, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position.		
Capital lease purchase	$ (32,827)	
Principal payments on capital lease	2,911	(29,916)
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	$ (2,174,247)	
Change in compensated absences	(144,188)	
Change in other postemployment benefits obligations	(76,271)	
Change in net pension liability	887,697	
Change in net deferred pension inflows	(862,445)	(2,369,454)
Change in Net Position of Governmental Activities		**$ (3,549,454)**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 3

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017

		Agency
Assets		
Cash and pooled investments	$	493,080
Liabilities		
Due to other governments	$	493,080

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, 2017. 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 joint ventures 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: net investment in capital assets and unrestricted net position. The Statement of Activities demonstrates the degree to which the expenses of MNPrairie are offset by revenues.

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.

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

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

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

1. Deposits and Investments

Investments are reported at their fair value at December 31, 2017, using a market approach. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and investments are credited to the General Fund. Pooled investment earnings for 2017 were $17,354.

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

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. Prepaid Items

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

4. Capital Assets

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

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

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

Assets	Years
Furniture, equipment, and vehicles	5 - 10

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, sick leave, and paid time off balances. The liability has been calculated using the termination method. Amounts are accrued as they are earned by employees if it is probable that the employer will

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

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

6. Long-Term Obligations

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

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. The pension liability is liquidated through the General Fund.

1. Summary of Significant Accounting Policies

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

8. 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 expected and actual pension plan economic experience, 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.

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 miscellaneous revenue receivable for amounts that are not considered available to liquidate liabilities in the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the General Fund Balance Sheet. 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 changes in actuarial assumptions, differences between expected and actual pension plan economic experience, and differences between projected and actual earnings on the pension plan investments, 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 (Continued)

      9. 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.

      10. Classification of Net Position

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

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

         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.

      11. 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.

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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.

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.

12. 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.

1. Summary of Significant Accounting Policies

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

13. Use of Estimates

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

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	$ 6,100,377
Statement of fiduciary net position	
Cash and pooled investments	493,080
Total Cash and Investments	$ 6,593,457

a. Deposits

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

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, MNPrairie's deposits may not be returned to it. MNPrairie's policy states all deposits should be fully collateralized. As of December 31, 2017, $39,487 of MNPrairie's deposits were exposed to custodial credit risk.

         b. Investments

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

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

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

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

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

Interest Rate Risk

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

Credit Risk

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. MNPrairie does not have a policy on custodial credit risk. As of December 31, 2017, $3,149,406 of MNPrairie's investments were exposed to custodial credit risk.

Concentration of Credit Risk

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

At December 31, 2017, MNPrairie had the following deposits and investments.

	Credit Risk		Concentration Risk	Interest Rate Risk	
Investment - Issuer	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
Commercial paper					
U.S. Bank, National Association	P1	Moody's	>5%	N/A	$ 3,149,406
Investment pools					
MAGIC Fund	N/R	N/A	>5%	N/A	3,004,432
Checking					439,619
Total Cash and Investments					$ 6,593,457

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

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Fair Value Measurements

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

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

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

2. Receivables

Receivables as of December 31, 2017, including the applicable allowances for uncollectible accounts, were as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables
Accounts receivable	$ 1,862,713	$ (1,053,568)	$ 809,145
Due from other governments	1,665,248	-	1,665,248

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, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Furniture, equipment, and vehicles	$ 68,028	$ 65,749	$ -	$ 133,777
Less: accumulated depreciation for				
Furniture, equipment, and vehicles	23,083	18,395	-	41,478
Capital Assets, Net	$ 44,945	$ 47,354	$ -	$ 92,299

Depreciation expense of $18,395 was charged to the human services function/program for the year ended December 31, 2017.

B. Liabilities

1. Operating Leases

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

- Dodge County, for office space in the Dodge County Courthouse Annex in Mantorville, Minnesota. The lease began in 2015 and is renewed annually. The lease calls for quarterly payments of $42,879. Lease payments to Dodge County totaled $168,183 in 2017.

- Steele County, for office space in the Steele County Administration Center in Owatonna, Minnesota. The lease began in 2015 and is renewed annually. The lease calls for quarterly payments of $40,189. Lease payments to Steele County totaled $160,755 in 2017.

2. Detailed Notes on All Funds

   B. Liabilities

      1. Operating Leases (Continued)

         - Waseca County, for office space in the MNPrairie and Public Health Building in Waseca, Minnesota. The lease began in 2015 and is renewed biennially. The lease calls for quarterly payments of $43,778. Lease payments to Waseca County totaled $175,112 in 2017.

      2. Capital Leases

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

Capital leases consist of the following at December 31, 2017:

Lease	Final Maturity	Installments	Payment Amount	Original Issue Amount	Outstanding Balance December 31, 2017
Copy machines	2022	Monthly	$ 375	$ 11,461	$ 9,933
Vehicle	2022	Monthly	368	22,050	19,983
Total Capital Leases					$ 29,916

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending December 31	Governmental Activities
2018	$ 6,702
2019	6,702
2020	6,702
2021	6,703
2022	3,704
Total minimum lease payments	$ 30,513
Less: amount representing interest	(597)
Present Value of Minimum Lease Payments	$ 29,916

2. Detailed Notes on All Funds

B. Liabilities (Continued)

3. Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ 612,014	$ 668,456	$ 524,268	$ 756,202	$ 615,162
Capital leases	-	32,827	2,911	29,916	6,477
Total	$ 612,014	$ 701,283	$ 527,179	$ 786,118	$ 621,639

C. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and unavailable revenue as of December 31, 2017, for the General Fund are as follows:

	Unearned Revenue	Unavailable Revenue
Intergovernmental	$ 109,070	$ 595,884
Miscellaneous revenue	2,820	706,756
Total	$ 111,890	$ 1,302,640

3. Pension Plan 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 Plan 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 or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

2. Benefits Provided

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

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

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 for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

3. Pension Plan 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 2017, General Employees Retirement Plan Coordinated Plan 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, 2017, were $615,501. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2017, MNPrairie reported a liability of $8,043,757 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of

3. Pension Plan and Other Postemployment Benefits

A. Defined Benefit Pension Plan

4. Pension Costs (Continued)

PERA's participating employers. At June 30, 2017, MNPrairie's proportion was 0.1260 percent. It was 0.1100 percent measured as of June 30, 2016. MNPrairie recognized pension expense of $2,767,418 for its proportionate share of the General Employees Retirement Plan's pension expense.

MNPrairie also recognized $2,922 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 required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

MNPrairie's proportionate share of the net pension liability	$ 8,043,757
State of Minnesota's proportionate share of the net pension liability associated with MNPrairie	101,172
Total	$ 8,144,929

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	$ 265,098	$ 398,897
Changes in actuarial assumptions	1,165,858	806,387
Difference between projected and actual investment earnings	-	276,975
Changes in proportion	3,126,201	-
Contributions paid to PERA subsequent to the measurement date	311,432	-
Total	$ 4,868,589	$ 1,482,259

3. Pension Plan and Other Postemployment Benefits

A. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The $311,432 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, 2018. 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
2018	$ 1,913,421
2019	1,377,392
2020	125,527
2021	(341,442)

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015.

3. Pension Plan 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 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

      6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. 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 Plan and Other Postemployment Benefits

A. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

8. Pension Liability Sensitivity

The following presents MNPrairie's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what MNPrairie's proportionate share of the net pension liability would be if it were calculated using a discount rate 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%	$ 12,476,465
Current	7.50	8,043,757
1% Increase	8.50	4,414,780

3. Pension Plan 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.

Funding Policy

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 $17,595 for 2017. The OPEB liability is liquidated by the General Fund.

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 Plan 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		3,088
Adjustment to ARC		(4,716)
Annual OPEB cost (expense)	$	93,866
Contributions made during the year		(17,595)
Increase in net OPEB obligation	$	76,271
Net OPEB Obligation - January 1		88,241
Net OPEB Obligation - December 31	$	164,512

MNPrairie's annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the years ended December 31, 2016, and 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2016	$ 95,494	$ 7,253	7.60%	$ 88,241
December 31, 2017	93,866	17,595	18.74	164,512

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 7.55 percent.

3. Pension Plan and Other Postemployment Benefits

B. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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.

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, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. Both rates included a 2.5 percent inflation assumption. The UAAL is being amortized over 30 years on a level dollar amount. The remaining amortization period at December 31, 2017, was 28 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.

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 2017 and 2018. 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 attorneys, 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 2017.

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 2017.

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 2017.

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 Service Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, MNPrairie made payments of $1,415 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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 20,372,742	$ 20,372,742	$ 20,625,638	$ 252,896
Charges for services	767,707	767,707	741,501	(26,206)
Investment earnings	6,800	6,800	17,354	10,554
Miscellaneous	278,207	278,207	291,754	13,547
Total Revenues	**$ 21,425,456**	**$ 21,425,456**	**$ 21,676,247**	**$ 250,791**
Expenditures				
Current				
Human services				
Income maintenance	$ 7,601,991	$ 7,601,991	$ 7,768,042	$ (166,051)
Social services	14,223,465	14,223,465	15,319,557	(1,096,092)
Total human services	**$ 21,825,456**	**$ 21,825,456**	**$ 23,087,599**	**$ (1,262,143)**
Debt service				
Principal	-	-	2,911	(2,911)
Interest	-	-	87	(87)
Total Expenditures	**$ 21,825,456**	**$ 21,825,456**	**$ 23,090,597**	**$ (1,265,141)**
Excess of Revenues Over (Under) Expenditures	**$ (400,000)**	**$ (400,000)**	**$ (1,414,350)**	**$ (1,014,350)**
Other Financing Sources (Uses)				
Capital lease purchase	-	-	32,827	32,827
Net Change in Fund Balance	**$ (400,000)**	**$ (400,000)**	**$ (1,381,523)**	**$ (981,523)**
Fund Balance - January 1	**7,375,808**	**7,375,808**	**7,375,808**	**-**
Fund Balance - December 31	**$ 6,975,808**	**$ 6,975,808**	**$ 5,994,285**	**$ (981,523)**

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, 2017

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	7.55%

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-3

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

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
2017	0.1260%	$ 8,043,757	$ 101,172	$ 8,144,929	$ 8,091,495	99.41%	75.90%
2016	0.1100	8,931,454	116,610	9,048,064	6,819,948	130.96	68.91
2015	0.0493	2,554,982	N/A	2,554,982	2,848,574	89.69	78.19

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-4

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017

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)
2017	$ 615,501	$ 615,501	$ -	$ 8,204,350	7.50%
2016	551,584	551,584	-	7,354,449	7.50
2015	478,511	478,511	-	6,380,147	7.50

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

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 2017.

2. Excess of Expenditures over Budget

The General Fund has expenditures in excess of budget for the year ended December 31, 2017, as follows:

	Expenditures	Final Budget	Excess
General Fund	$ 23,090,597	$ 21,825,456	$ 1,265,141

3. 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.

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

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

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016

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

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

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

SUPPLEMENTARY INFORMATION

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

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, 2017

	Balance January 1	Additions	Deductions	Balance December 31
DODGE COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ 246,257	$ 123,004	$ 89,467	$ 279,794
Liabilities				
Due to other governments	$ 246,257	$ 123,004	$ 89,467	$ 279,794
STEELE COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE				
Assets				
Cash and pooled investments	$ 163,656	$ 151,177	$ 101,547	$ 213,286
Liabilities				
Due to other governments	$ 163,656	$ 151,177	$ 101,547	$ 213,286
WASECA COUNTY COLLABORATIVE FOR FAMILIES				
Assets				
Cash and pooled investments	$ -	$ 126,464	$ 126,464	$ -
Liabilities				
Due to other governments	$ -	$ 126,464	$ 126,464	$ -
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 409,913	$ 400,645	$ 317,478	$ 493,080
Liabilities				
Due to other governments	$ 409,913	$ 400,645	$ 317,478	$ 493,080

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OTHER SCHEDULES

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EXHIBIT C-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

Appropriations	
Local	
Local contributions	$ 71,552
Contributions from counties	8,890,622
Total local appropriations	**$ 8,962,174**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 2,153,414**
Grants	
State	
Minnesota Department of Human Services	**$ 3,901,492**
Federal	
Department of	
Agriculture	$ 482,861
Health and Human Services	5,125,697
Total federal	**$ 5,608,558**
Total state and federal grants	**$ 9,510,050**
Total Intergovernmental Revenue	**$ 20,625,638**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	$ 531,877
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	59,928
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2520	331
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $592,136)			
Total U.S. Department of Agriculture			**$ 592,136**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	$ 62,504
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1601MNTANF	795,191
Child Support Enforcement	93.563	1704MNCSES	1,369,985
Refugee and Entrant Assistance - State-Administered Programs	93.566	1701MNRCMA	1,346
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCCDF	56,432
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	40,149
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	25,849
Foster Care - Title IV-E	93.658	1701MNFOST	535,583
Social Services Block Grant	93.667	G-1701MNSOSR	429,422
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	3,141
Children's Health Insurance Program	93.767	05-1705MN0301	687
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	2,475,693
Total U.S. Department of Health and Human Services			**$ 5,795,982**
Total Federal Awards			**$ 6,388,118**

Totals by Cluster

Total expenditures for SNAP Cluster	$ 592,136
Total expenditures for TANF Cluster	795,191
Total expenditures for CCDF Cluster	56,432
Total expenditures for Medicaid Cluster	2,475,693

MNPrairie did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

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, 2017. 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	$ 5,608,558
Grants received more than 60 days after year-end, unavailable in 2017	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	109,275
Promoting Safe and Stable Families (CFDA No. 93.556)	4,534
Temporary Assistance for Needy Families (CFDA No. 93.558)	261,661
Child Support Enforcement (CFDA No. 93.563)	130,904
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	4,842
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	3,554
Unavailable in 2016, recognized as revenue in 2017	
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)
Collaborative Grants (receipted into an agency fund)	
Foster Care - Title IV-E (CFDA No. 93.658)	147,191
Medical Assistance Program (CFDA No. 93.778)	284,258
Expenditures Per Schedule of Expenditures of Federal Awards	$ 6,388,118

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, 2017, and the related notes to the financial statements, which collectively comprise MNPrairie's basic financial statements, and have issued our report thereon dated June 27, 2018.

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.

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. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 to be a material weakness.

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 items 2015-006 and 2017-004. 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

June 27, 2018

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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, 2017. 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, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003. Our opinion on each major federal program is not modified with respect to these matters.

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

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 certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 and 2017-003, that we consider to be significant deficiencies.

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

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

June 27, 2018

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

Federal Awards

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

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

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

The major federal programs are:

Child Support Program	CFDA No. 93.563
Medicaid Cluster	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

ITEM ARISING THIS YEAR

Finding Number 2017-001

Audit Adjustment

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

Condition: During our audit, we identified a material adjustment that resulted in significant changes to MNPrairie's financial statements.

Context: The inability to make all necessary accrual adjustments or to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: An adjustment to increase deferred inflows of resources - unavailable revenue by $1,181,755 to account for intergovernmental and miscellaneous revenue that was not available in the measurement period was reviewed and approved by county staff and is reflected in the financial statements.

Cause: MNPrairie indicated this balance was miscalculated while completing the trial balance.

Recommendation: We recommend MNPrairie staff review their financial statement closing procedures in detail to ensure that all significant adjustments have been made appropriately that are considered necessary to fairly present MNPrairie's financial statements in accordance with generally accepted accounting principles.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding Number 2017-002

Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

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

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs entity-wide. Written policies that reflect the specific components of federal regulations improve controls to ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements could increase the risk of noncompliance with federal program requirements.

Cause: MNPrairie management did not realize their procurement policy was missing components of the Uniform Guidance.

Recommendation: We recommend MNPrairie implement and adhere to written procurement policies addressing the specific components of the Uniform Guidance requirements. MNPrairie should also implement procedures to provide assurance that staff are aware of changes to federal award requirements.

View of Responsible Official: Acknowledged

Finding Number 2017-003

Procurement, Suspension, and Debarment

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778); Award No. 1705MN5ADM, 2017

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement. These records will include, but are not necessarily limited to, the following: rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Non-federal entities must follow further federal guidance over verifying debarment, suspension, and exclusions as provided in Title 2 U.S. *Code of Federal Regulations* §§ 180.300, 200.213, and 200.318(h).

Condition: Of the five procurement transactions tested for compliance with federal regulations, four instances were noted where the history of the procurement was not documented, and for two of the procurements, there was no documentation of full and open competition. Additionally, there was no verification performed by MNPrairie to determine whether vendors were debarred, suspended, or whether other exclusions existed for the two covered transactions that were selected for testing.

Questioned Costs: None

Context: Five of 38 procurement transactions over $3,500 were tested for compliance with federal regulations, which includes 3 of the 12 purchases over $25,000.

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

Effect: MNPrairie is not in compliance with federal regulations.

Cause: MNPrairie management did not realize the procurement requirements applied to this type of activity.

Recommendation: We recommend MNPrairie document the history of procurement transactions including full and open competition in accordance with federal regulations. Additionally, MNPrairie should maintain documentation to verify vendors are not suspended, debarred, or otherwise excluded.

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 they were unaware the investments were not in 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

ITEM ARISING THIS YEAR

Finding Number 2017-004

Insufficient Collateral

Criteria: Government entities are required by Minn. Stat. § 118A.03, subd. 3, to obtain collateral to secure deposits to the extent funds on deposit exceed available federal deposit insurance at the close of the financial institution's banking day. The market value of the collateral should be at least ten percent more than the uninsured and unbonded amount on deposit, unless the collateral is an irrevocable letter of credit issued by Federal Home Loan Banks, which requires an amount at least equal to the amount on deposit.

Condition: At December 31, 2017, MNPrairie had deposits at U.S. Bank that were not adequately covered by collateral.

Context: Deposits in excess of collateral were $39,487 on December 31, 2017.

Effect: When there is insufficient collateral with a bank, MNPrairie may not have been able to recover, in the event of bank default, the portion of funds for which there was no collateral.

Cause: MNPrairie noted they are not monitoring deposits to verify they are properly collateralized.

Recommendation: We recommend MNPrairie establish procedures to monitor all deposits to determine there is adequate collateral pledged to secure deposits in accordance with Minn. Stat. § 118A.03.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2015-002 Accounting Policies and Procedures
2015-003 Eligibility Testing
2016-001 Bank Reconciliations

REPRESENTATION OF MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2017-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga - Finance Manager

Corrective Action Planned:

We will review our year end procedures that support the information related to generating the deferred revenue entries based on the suggestions from the Office of the State Auditor to ensure our entries are in alignment with audit guidelines.

Anticipated Completion Date:

December 31, 2018

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

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga - Finance Manager

Corrective Action Planned:

The Procurement Policy will be reviewed and updated to incorporate necessary language.

Anticipated Completion Date:

December 31, 2018

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22 6TH STREET EAST
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TDD 507.635.6200

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630 FLORENCE AVENUE
PO BOX 890
OWATONNA, MN 55060
507.431.5600 or 888-850-9419
TDD 507.635.6200

☐ WASECA SITE
299 JOHNSON AVENUE SW
SUITE 160
WASECA, MN 56093
507.837.6600 or 888-850-9419
TDD 507.635.6200

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

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga - Finance Manager

Corrective Action Planned:

The Procurement Policy will be reviewed and updated to incorporate necessary language.

Anticipated Completion Date:

December 31, 2018

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, 2018

Finding Number: 2017-004
Finding Title: Insufficient Collateral

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga - Finance Manager

Corrective Action Planned:

MNPrairie will work with the financial institution to make sure they have sufficient collateral coverage.

Anticipated Completion Date:

Ongoing

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REPRESENTATION OF MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

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: 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.

Status: Fully Corrected. Corrective action was taken.
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 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.

Summary of Corrective Action Previously Reported: 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.

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507.837.6600 or 888-850-9419
TDD 507.635.6200

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: 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.

Status: Not Corrected. With the adoption of our investment policy and the subsequent investment of excess funds with another entity, we believed we would be within the collateral threshold with the U.S. Bank sweep account at year end. We plan to continue to work with our auditors to ensure our balances are within coverage limits and will also anticipate working with U.S. Bank staff to address deficiencies in the documentation needed for our audit purposes.

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

Finding Number: 2016-001
Finding Title: Bank Reconciliations

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

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