STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

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 700 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, 2015

Audit Practice Division
Office of the State Auditor
State of Minnesota

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MINNESOTA PRAIRIE COUNTY ALIANCE
MANTORVILLE, MINNESOTA

TABLE OF CONTENTS

	Exhibit	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		5
Basic Financial Statements		
Governmental Funds		
General Fund Balance Sheet and Governmental Activities - Statement of Net Position	1	10
General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and Governmental Activities - Statement of Activities	2	12
Fiduciary Funds		
Statement of Fiduciary Net Position	3	14
Notes to the Financial Statements		15
Required Supplementary Information		
Budgetary Comparison Schedule - General Fund	A-1	37
PERA General Employees Retirement Fund		
Schedule of Proportionate Share of Net Pension Liability	A-2	38
Schedule of Contributions	A-3	38
Notes to the Required Supplementary Information		39
Supplementary Information		
Agency Funds		40
Combining Statement of Changes in Assets and Liabilities	B-1	41
Other Schedules		
Schedule of Intergovernmental Revenue	C-1	42
Schedule of Expenditures of Federal Awards	C-2	43
Notes to the Schedule of Expenditures of Federal Awards		44

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

TABLE OF CONTENTS
(Continued)

	Exhibit	Page
Management and Compliance Section		
Schedule of Findings and Questioned Costs		45
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*		53
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		56

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

ORGANIZATION
DECEMBER 31, 2015

		Member County	Term Expires
Elected			
Commissioners			
Chair	Nina Huntington	Steele	January 2016
Board Member	Blair Nelson	Waseca	January 2016
Board Member	Rodney Peterson	Dodge	January 2016
Board Member	John Glynn	Steele	January 2016
Board Member	James Peterson	Waseca	January 2016
Board Member	Tim Tjosaas	Dodge	January 2016
Alternate Board Member	James Ebeling	Steele	January 2016
Alternate Board Member	James Peterson	Waseca	January 2016
Alternate Board Member	Steven Gray	Dodge	January 2016
Appointed			
Executive Director	Jane Hardwick		Indefinite
Income and Healthcare Maintenance Manager	Charity Floen		Indefinite
Adult and Disability Social Services Manager	Cathy Skogen		Indefinite
Child and Family Services Manager	Shari Kottke		Indefinite
Finance Program Manager	Kevin Venenga		Indefinite

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Financial Section

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
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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 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County Alliance'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 the County Alliance's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County Alliance'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 Minnesota Prairie County Alliance as of December 31, 2015, 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 Minnesota Prairie County Alliance's basic financial statements. The supplementary information section 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 September 19, 2016, on our consideration of Minnesota Prairie County Alliance's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Minnesota Prairie County Alliance'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 the Minnesota Prairie County Alliance'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

September 19, 2016

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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, 2015
(Unaudited)

Minnesota Prairie County Alliance's Management's Discussion and Analysis (MD&A) provides an overview of the County Alliance's financial activities for the fiscal year ended December 31, 2015. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County Alliance's financial statements (beginning with Exhibit 1).

FINANCIAL HIGHLIGHTS

In 2015, the assets and deferred outflows of resources of Minnesota Prairie County Alliance exceeded its liabilities and deferred inflows of resources by $7,387,750, of which $37,909 is the investment in capital assets (Exhibit 1), leaving unrestricted net position of $7,349,841.

Minnesota Prairie County Alliance's first year of operations was 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is intended to serve as an introduction to the basic financial statements. Minnesota Prairie County Alliance'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 the County's net pension liability are required to accompany the basic financial statements and, therefore, are included as required supplementary information.

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

The third column in each of the first two statements presents the governmental activities' Statement of Net Position and the Statement of Activities, which provide information about the activities of Minnesota Prairie County Alliance as a whole and present a longer-term view of the finances. These columns include all assets and liabilities 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 Minnesota Prairie County Alliance's intergovernmental revenues and federal award programs.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of financial position. Minnesota Prairie County Alliance's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $7,387,750 at the close of 2015. The largest portion of the County Alliance's net position reflects current assets. Comparative information will be provided in future years.

Net Position

Assets		
Current and other assets	$	9,874,842
Capital assets		37,909
Total Current Assets	$	9,912,751
Deferred Outflows of Resources		
Deferred pension outflows	$	2,243,636
Liabilities		
Current liabilities	$	1,789,580
Noncurrent liabilities		2,850,243
Total Liabilities	$	4,639,823
Deferred Inflows of Resources		
Deferred pension inflows	$	128,814
Net Position		
Investment in capital assets	$	37,909
Unrestricted		7,349,841
Total Net Position	$	7,387,750

Governmental Activities

Minnesota Prairie County Alliance's activities increased net position during 2015 by $7,387,750. Comparative information will be provided in future years.

Changes in Net Position

Revenues		
Intergovernmental	$	17,244,460
Charges for services		1,187,865
Investment earnings		4,523
Miscellaneous		766,964
Total Revenues	$	19,203,812
Expenses		
Human services		19,957,344
Change in Net Position Before Special Item	$	(753,532)
Special item - County contributions		8,141,282
Change in Net Position	$	7,387,750
Net Position - January 1		-
Net Position - December 31	$	7,387,750

FINANCIAL ANALYSIS OF THE GENERAL FUND

As shown in the General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance on Exhibit 2, the amount that was received through intergovernmental revenue in 2015 was 90.9 percent of the total revenue received, or $17,172,090, which is the County Alliance's major source of revenue.

For 2016 and going forward, the County Alliance expects to continue to receive a large portion of intergovernmental revenue, as the services that we provide are funded either through federal and state revenue sources or with member county tax levy.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the original to final budget totals stayed the same. Actual revenues were less than budgeted revenues by $1,550,522. The area that contributed to the variance in revenue was intergovernmental. In 2015, the administrative revenue for Child Support and Medical Assistance grants was less than expected due to adjustments made by the Department of Human Services. Actual expenditures were less than the budgeted expenditures by $2,171,584. This variance was related to less personnel expenditures in 2015 than budgeted, due to the delay in hiring new staff.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Minnesota Prairie County Alliance's depreciable capital assets (net of accumulated depreciation) at December 31, 2015, totaled $37,909. This investment in capital assets is two vehicles owned by the County Alliance.

Long-Term Debt

At the end of the fiscal year 2015, Minnesota Prairie County Alliance had no outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Minnesota Prairie County Alliance adopted the 2016 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 the County Alliance. 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 10%.

- Any changes to South Country Health Alliance's (SCHA) status as a health plan for Prepaid Medical Assistance Program (PMAP) and MinnesotaCare enrollees for all the member counties. To assume otherwise places many components regarding staffing and funding in flux. In the event that SCHA does not continue in its current robust fashion, additional action will be required.

- New state requirements (referred to as Northstar Care for Children) related to foster care rates and licensure of relatives caring for children in out-of-home placements may result in loss of Foster Care (IV-E) revenue for placements that take longer than six months to license. We are looking at ways to redesign our licensing processes to reduce from an average of 11 months to 6 months or fewer.

- Any changes to the number of civilly committed sex offenders or their treatment costs that may occur as a result of a state court decision or member county attorney action.

- Potential impact on child support caseloads as a result of MNsure's impact on Medical Assistance caseloads. We are awaiting state implementation of a systems interface between MNsure and the state child support system (PRISM).

- Further growth in any of Minnesota Prairie County Alliance's caseloads. All analysis that was done in development of this budget is based on current caseloads.

- Increased number of children in out-of-home placement, including larger sibling groups, are considered in the budget, but will require use of human services fund balance for 2016 - enabling time for further study of trends (versus limited-period spikes) in costs.

- 2016 legislative session changes.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Minnesota Prairie County Alliance'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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GOVERNMENTAL FUNDS

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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, 2015

	General Fund	Adjustments	Governmental Activities
Assets and Deferred Outflows of Resources			
Assets			
Cash	$ 7,213,714	$ -	$ 7,213,714
Accounts receivable	1,234,280	-	1,234,280
Due from other governments	1,426,848	-	1,426,848
Capital assets			
Depreciable - net	-	37,909	37,909
Total Assets	**$ 9,874,842**	**$ 37,909**	**$ 9,912,751**
Deferred Outflows of Resources			
Deferred pension outflows	-	2,243,636	2,243,636
Total Assets and Deferred Outflows of Resources	**$ 9,874,842**	**$ 2,281,545**	**$ 12,156,387**
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position			
Liabilities			
Current liabilities			
Accounts payable	$ 590,265	$ -	$ 590,265
Salaries payable	117,137	-	117,137
Compensated absences payable	-	307,313	307,313
Due to other governments	437,451	-	437,451
Unearned revenue	337,414	-	337,414
Noncurrent liabilities			
Compensated absences payable	-	295,261	295,261
Net pension liability	-	2,554,982	2,554,982
Total Liabilities	**$ 1,482,267**	**$ 3,157,556**	**$ 4,639,823**
Deferred Inflows of Resources			
Unavailable revenue	$ 1,163,621	$ (1,163,621)	$ -
Deferred pension inflows	-	128,814	128,814
Total Deferred Inflows of Resources	**$ 1,163,621**	**$ (1,034,807)**	**$ 128,814**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 1
(Continued)

GENERAL FUND BALANCE SHEET AND
GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION
WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL
DECEMBER 31, 2015

	General Fund	Adjustments	Governmental Activities
Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)			
Fund Balance/Net Position			
Fund Balance			
Unassigned	**$ 7,228,954**	**$ (7,228,954)**	
Net Position			
Invested in capital assets		$ 37,909	$ 37,909
Unrestricted		7,349,841	7,349,841
Total Net Position		**$ 7,387,750**	**$ 7,387,750**
Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position	**$ 9,874,842**	**$ 2,281,545**	**$ 12,156,387**

Reconciliation of the General Fund Balance to Net Position		
Fund Balance - General Fund		**$ 7,228,954**
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.		37,909
Deferred outflows resulting from pension obligations are not available resources and, therefore, are not reported in the General Fund.		2,243,636
Long-term liabilities, including compensated absences and the net pension liability, are not due and payable in the current period and, therefore, are not reported in the General Fund.		
Compensated absences liability	(602,574)	
Net pension liability	(2,554,982)	(3,157,556)
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.		1,163,621
Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the General Fund.		(128,814)
Net Position - Governmental Activities		**$ 7,387,750**

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, 2015

	General Fund	Adjustments	Governmental Activities
Revenues			
Intergovernmental	$ 17,172,090	$ 72,370	$ 17,244,460
Charges for services	947,771	240,094	1,187,865
Investment earnings	4,523	-	4,523
Miscellaneous	766,964	-	766,964
Total Revenues	**$ 18,891,348**	**$ 312,464**	**$ 19,203,812**
Expenditures/Expenses			
Current			
Human services	19,570,286	387,058	19,957,344
Excess of Revenues Over (Under) Expenditures	**$ (678,938)**	**$ (74,594)**	**$ (753,532)**
Special Item			
Transfer of human services operations from participating counties	7,907,892	233,390	8,141,282
Net Change in Fund Balance/Net Position	**$ 7,228,954**	**$ 158,796**	**$ 7,387,750**
Fund Balance/Net Position - January 1	-	-	-
Fund Balance/Net Position - December 31	**$ 7,228,954**	**$ 158,796**	**$ 7,387,750**

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

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 2
(Continued)

GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL FOR THE YEAR ENDED DECEMBER 31, 2015

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			**$**	**7,228,954**
The General Fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.				37,909
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 - transferred from participating counties (Note 1.D.12.)	$	851,157		
Unavailable revenue - net change in current year		312,464		1,163,621
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.				
Compensated absences payable - transferred from participating counties (Note 1.D.12.)	$	(617,767)		
Compensated absences payable - net change in current year		15,193		(602,574)
Change in net deferred pension outflows	$	2,243,636		
Change in net pension obligation		(2,554,982)		
Change in net deferred pension outflows		(128,814)		(440,160)
Change in Net Position of Governmental Activities			**$**	**7,387,750**

FIDUCIARY FUNDS

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT 3

STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2015

	Agency
Assets	
Cash and pooled investments	$ 410,586
Liabilities	
Due to other governments	$ 410,586

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 financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2015. 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 the County Alliance are discussed below.

A. Financial Reporting Entity

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

The purpose of the County Alliance 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.

Minnesota Prairie County Alliance 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 will also designate one additional representative to serve as an alternate.

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

Joint Ventures and Jointly-Governed Organization

The County Alliance participates in some joint ventures which are described in Note 4.C. The County Alliance 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 the County Alliance's activities as a whole and information on the individual fund (the General Fund) of the County Alliance. 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 the County Alliance 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. The County Alliance's net position is reported in two parts: investment in capital assets and unrestricted net position. The Statement of Activities demonstrates the degree to which the expenses of the County Alliance 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. The County Alliance has only one governmental fund--the General Fund--which accounts for all financial resources.

         Additionally, the County Alliance 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 the County Alliance 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 accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Minnesota Prairie County Alliance considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt 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 the County Alliance'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

The County Alliance cash consists of cash on hand, checking accounts, and commercial paper. Investments are reported at their fair value at December 31, 2015, based on market prices.

2. Receivables and Payables

The financial statements for the County Alliance contain no allowance for uncollectible accounts. Uncollectible receivables are recognized as bad debts at the time information becomes available that indicates the particular receivable is uncollectible. These amounts are not considered to be material in relation to the financial position or operations of the fund.

1. Summary of Significant Accounting Policies

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

3. Capital Assets

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

Machinery, furniture, and equipment, of the County Alliance are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Machinery, furniture, and equipment	3 - 20

4. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation, compensatory, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in the General Fund only if it has matured, for example, as a result of employee resignations and retirements. The current portion is based on the estimated annual use of accrued balances.

1. Summary of Significant Accounting Policies

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

5. Unearned Revenue

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

6. Pension Plan

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

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County Alliance has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date and also the differences between projected and actual earnings on the pension plan investments 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. Currently, the County Alliance has two items that qualify for reporting in this category. The General Fund reports unavailable revenue from grant

1. Summary of Significant Accounting Policies

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

      7. Deferred Outflows/Inflows of Resources (Continued)

monies and charges for services receivable for amounts that are not considered available to liquidate liabilities in the current period. Unavailable revenue arises only under a modified accrual basis of accounting and, accordingly, is reported only in the General Fund Balance Sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County Alliance also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

      8. Classification of Net Position

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

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

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

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

      9. Classification of Fund Balances

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

1. Summary of Significant Accounting Policies

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

9. Classification of Fund Balances (Continued)

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

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

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

Assigned - amounts the County Alliance 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.

Minnesota Prairie County Alliance 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.

1. Summary of Significant Accounting Policies

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

10. Minimum Fund Balance

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

11. Use of Estimates

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

12. Special Item

Dodge, Steele, and Waseca Counties have transferred human service operations to form Minnesota Prairie County Alliance, effective January 1, 2015. In the approved agreement, the counties agreed to transfer operations as follows:

Assets (cash and receivables)	$ 8,695,476
Liabilities (payables)	(787,584)
Fund balance	$ 7,907,892
Long-term compensated absences liability	(617,767)
Unavailable revenue	851,157
Net Position	$ 8,141,282

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	7,213,714
Statement of fiduciary net position		
Cash and pooled investments		410,586
Total Cash and Investments	$	7,624,300

a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County Alliance's deposits may not be returned to it. The County Alliance does not have a deposit policy for custodial credit risk. As of December 31, 2015, $352,940 of the County Alliance's deposits were exposed to custodial credit risk.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

b. Investments

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

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

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

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

(4) bankers' acceptances of United States banks;

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

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

2. Detailed Notes on All Funds

   A. Assets

      1. Deposits and Investments

         b. Investments (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County Alliance minimizes its exposure to interest rate risk by investing in short-term commercial paper investments. This account provides the cash flow and liquidity needed for operations. The County Alliance does not have a policy regarding investment maturity limits.

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. The County Alliance does not have a policy regarding investment credit risk.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County Alliance does not have a policy on custodial credit risk. As of December 31, 2015, $7,378,023 of the County Alliance's investments were exposed to custodial credit risk.

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. The County Alliance does not have a policy on concentration of credit risk.

At December 31, 2015, the County Alliance had the following deposits and investments.

Investment - Issuer	Credit Risk: Credit Rating	Credit Risk: Rating Agency	Concentration Risk: Over 5 Percent of Portfolio	Interest Rate Risk: Maturity Date	Carrying (Fair) Value
Commercial Paper U.S. Bank, National Association	P1	Moody's	100%	N/A	$ 7,378,023
Checking					246,277
Total Cash and Investments					$ 7,624,300

N/A - Not Applicable

2. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated Machinery, furniture, and equipment	$ -	$ 47,386	$ -	$ 47,386
Less: accumulated depreciation for Machinery, furniture, and equipment	-	9,477	-	9,477
Governmental Activities Capital Assets, Net	$ -	$ 37,909	$ -	$ 37,909

2. Detailed Notes on All Funds

A. Assets

2. Capital Assets (Continued)

Depreciation expense of $9,477 was charged to the human services function/program for the year ended December 31, 2015.

B. Liabilities

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	$ -	$ 1,323,311	$ 720,737	$ 602,574	$ 307,313

Compensated absences liabilities and net pension liabilities are liquidated by the General Fund.

C. Unearned Revenue/Deferred Inflows of Resources

Unearned revenue and unavailable revenue as of December 31, 2015, for the General Fund are as follows:

	Unearned Revenue	Unavailable Revenue
Intergovernmental	$ 334,714	$ 72,370
Charges for services	-	1,091,251
Miscellaneous revenue	2,700	-
Total	$ 337,414	$ 1,163,621

3. Defined Benefit Pension Plan

A. Plan Description

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

General Employees Retirement Fund members belong to either 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.

B. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. 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 Fund Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity

3. Defined Benefit Pension Plan

B. Benefits Provided (Continued)

accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. 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 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service.

For General Employees Retirement Fund 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.

C. 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. Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015.

In 2015, the County Alliance was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50

The Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014.

The County Alliance's contributions for the General Employees Retirement Fund for the year ended December 31, 2015, were $478,511. The contributions are equal to the contractually required contributions as set by state statute.

3. Defined Benefit Pension Plan (Continued)

D. Pension Costs

At December 31, 2015, the County Alliance reported a liability of $2,554,982 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County Alliance's proportion of the net pension liability was based on the County Alliance's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County Alliance's proportion was 0.0493 percent. The County Alliance recognized pension expense of $919,540 for its proportionate share of the General Employees Retirement Fund's pension expense.

The County Alliance reported its proportionate share of the General Employees Retirement Fund'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	$ -	$ 128,814
Difference between projected and actual investment earnings	241,868	-
Changes in proportion	1,736,900	-
Contributions paid to PERA subsequent to the measurement date	264,868	-
Total	$ 2,243,636	$ 128,814

The $264,868 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Defined Benefit Pension Plan

D. Pension Costs (Continued)

Year Ended December 31	Pension Expense Amount
2016	$ 596,496
2017	596,496
2018	596,496
2019	60,466

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. The cost of living benefit increases for retirees was assumed to be 1.0 percent effective every January 1 through 2035, and 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

3. Defined Benefit Pension Plan

E. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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, each of the pension plan's fiduciary net position 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. Defined Benefit Pension Plan (Continued)

G. Pension Liability Sensitivity

The following presents the County Alliance's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County Alliance'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:

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	$ 4,017,340	$ 2,554,982	$ 1,347,299

H. Pension Plan Fiduciary Net Position

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

4. Summary of Significant Contingencies and Other Items

A. Risk Management

Minnesota Prairie County Alliance 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, the County Alliance 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. The County Alliance 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

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $490,000 per claim in 2015 and $500,000 in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County Alliance in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County Alliance 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 the County Alliance 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 Minnesota Prairie County Alliance expects such amounts, if any, to be immaterial.

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

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Dodge County Family Services Collaborative (Continued)

individuals and families through prevention and intervention so as to ensure success of every child. Minnesota Prairie County Alliance acts as fiscal agent for the Dodge County Family Services Collaborative and reports the fiscal transactions of the Collaborative as an agency fund. The County Alliance did not contribute to the Collaborative in 2015.

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. Minnesota Prairie County Alliance 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. The County Alliance did not contribute to the Collaborative in 2015.

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. Minnesota Prairie County Alliance acts as fiscal agent for the Waseca County Collaborative for Families and reports the fiscal transactions of the Collaborative as an agency fund. The County Alliance did not contribute to the Collaborative in 2015.

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

D. Jointly-Governed Organization

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

The Southeast Services Cooperative delivers numerous services to support administrative and instructional functions to its members and to improve learning opportunities. During the year, the County Alliance made payments of $75 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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 18,889,597	$ 18,889,597	$ 17,172,090	$ (1,717,507)
Charges for services	1,151,815	1,151,815	947,771	(204,044)
Investment earnings	-	-	4,523	4,523
Miscellaneous	400,458	400,458	766,964	366,506
Total Revenues	**$ 20,441,870**	**$ 20,441,870**	**$ 18,891,348**	**$ (1,550,522)**
Expenditures				
Current				
Human services				
Income maintenance	$ 7,748,545	$ 7,748,545	$ 6,831,331	$ 917,214
Social services	13,993,325	13,993,325	12,738,955	1,254,370
Total Expenditures	**$ 21,741,870**	**$ 21,741,870**	**$ 19,570,286**	**$ 2,171,584**
Excess of Revenues Over (Under) Expenditures	**$ (1,300,000)**	**$ (1,300,000)**	**$ (678,938)**	**$ 621,062**
Special Item				
Transfer of human services operations from participating counties	-	-	7,907,892	7,907,892
Net Change in Fund Balance	**$ (1,300,000)**	**$ (1,300,000)**	**$ 7,228,954**	**$ 8,528,954**
Fund Balance - January 1	-	-	-	-
Fund Balance - December 31	**$ (1,300,000)**	**$ (1,300,000)**	**$ 7,228,954**	**$ 8,528,954**

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 PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	0.0493%	$ 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.

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT A-3

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015

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)
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.
The Minnesota Prairie County Alliance's year-end is December 31.

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Budgetary Information

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

The appropriated budget is prepared by fund, function, 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 the Minnesota Prairie County Alliance. There were no budget amendments during 2015.

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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, 2015

	Balance January 1	Additions	Deductions	Balance December 31
DODGE COUNTY FAMILY SERVICES COLLABORATIVE				
Assets				
Cash and pooled investments	$ -	$ 292,680	$ 68,613	$ 224,067
Liabilities				
Due to other governments	$ -	$ 292,680	$ 68,613	$ 224,067
STEELE COUNTY CHILDREN'S MENTAL HEALTH COLLABORATIVE				
Assets				
Cash and pooled investments	$ -	$ 247,033	$ 60,514	$ 186,519
Liabilities				
Due to other governments	$ -	$ 247,033	$ 60,514	$ 186,519
WASECA COUNTY COLLABORATIVE FOR FAMILIES				
Assets				
Cash and pooled investments	$ -	$ 81,134	$ 81,134	$ -
Liabilities				
Due to other governments	$ -	$ 81,134	$ 81,134	$ -
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ -	$ 620,847	$ 210,261	$ 410,586
Liabilities				
Due to other governments	$ -	$ 620,847	$ 210,261	$ 410,586

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OTHER SCHEDULES

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015

Local		
Contributions from counties	**$**	**7,735,934**
Reimbursement for Services		
State		
Minnesota Department of Human Services	**$**	**1,237,603**
Grants		
State		
Minnesota Department of Human Services	**$**	**3,665,486**
Federal		
Department of		
Agriculture	$	422,516
Health and Human Services		4,110,551
Total federal	**$**	**4,533,067**
Total state and federal grants	**$**	**8,198,553**
Total Intergovernmental Revenue	**$**	**17,172,090**

MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

EXHIBIT C-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	15152MN101S2514	**$ 422,516**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1501MNFPSS	$ 16,574
Temporary Assistance for Needy Families	93.558	1502MNTANF	771,271
Child Support Enforcement	93.563	1604MNCEST	1,090,040
Refugee and Entrant Assistance - State Administered Programs	93.566	1501MNRCMA	263
Child Care and Development Block Grant	93.575	G1501MNCCDF	57,838
Community-Based Child Abuse Prevention Grants	93.590	1402MNFRPG	17,101
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1501MNCWSS	8,988
Foster Care - Title IV-E	93.658	1501MNFOST	331,298
Social Services Block Grant	93.667	1501MNSOSR	414,213
Chafee Foster Care Independence Program	93.674	1501MNCILP	12,656
Children's Health Insurance Program	93.767	1405MN5021	120
Medical Assistance Program	93.778	1505MN5ADM	1,643,460
Total U.S. Department of Health and Human Services			**$ 4,363,822**
Total Federal Awards			**$ 4,786,338**

The County Alliance did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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, 2015

1. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Minnesota Prairie County Alliance. The County Alliance'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 Minnesota Prairie County Alliance under programs of the federal government for the year ended December 31, 2015. 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 Minnesota Prairie County Alliance, it is not intended to and does not present the financial position or changes in net position of Minnesota Prairie County Alliance.

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, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Minnesota Prairie County Alliance has elected to not 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	$ 4,533,067
Grants received more than 60 days after year-end, unavailable in 2015	
Child Support Enforcement (CFDA No. 93.563)	60,600
Collaborative Grants (receipted into an agency fund)	
Foster Care - Title IV-E (CFDA No. 93.658)	54,045
Medical Assistance (CFDA No. 93.778)	138,626
Expenditures Per Schedule of Expenditures of Federal Awards	$ 4,786,338

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Management and Compliance Section

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MINNESOTA PRAIRIE COUNTY ALLIANCE
MANTORVILLE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

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? **Yes**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified for Child Support Enforcement (CFDA No. 93.563) and Medical Assistance Program (CFDA No. 93.778) and qualified for Temporary Assistance for Needy Families (CFDA No. 93.558)**

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

The major federal programs are:

Temporary Assistance for Needy Families	CFDA No. 93.558
Child Support Enforcement	CFDA No. 93.563
Medical Assistance Program	CFDA No. 93.778

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

Minnesota Prairie County Alliance qualified as a low-risk auditee? **No**

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

INTERNAL CONTROL

ITEMS ARISING THIS YEAR

Finding 2015-001

Audit Adjustments

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 over financial reporting such that there is a reasonable possibility that a material misstatement of the County Alliance's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: During our audit, we identified material adjustments which resulted in significant changes to the County Alliance's financial statements.

Context: The inability to detect significant misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustments were necessary to be recorded for December 31, 2015:

- Reclassifications in the General Fund were required to record the transfer of human service operations from Dodge County, Steele County, and Waseca County to the County Alliance. Initial cash contributions; county-related 2014 revenue; county-related 2014 expenditures; and a contribution from the counties of $6,507,363, $839,173, $787,584, and $959,106, respectively, were reclassified to special item - transfer of operations.

- Minnesota Department of Human Services state grant revenue of $799,902 was reclassified in the General Fund. This adjustment corrected the revenue classification of reimbursement for services, federal grants, charges for services, and miscellaneous revenue that were originally included as state grant revenue.

- An adjustment of $1,091,251 was made to the General Fund to record the unavailable revenue for miscellaneous collections not received in the first 60 days of 2016.

- Adjustments to governmental activities of $1,849,954 were made to increase deferred pension outflows and decrease deferred pension inflows to properly account for deferred outflows/inflows related to the PERA liabilities.

Cause: The County Alliance is a newly formed entity and staff did not fully understand all the necessary journal entries for financial statement presentation.

Recommendation: We recommend the County Alliance review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements.

Client's Response:

MNPrairie agrees with the findings and plans to review existing internal controls and adjust or implement policies as needed to address the items noted.

Finding 2015-002

Accounting Policies and Procedures

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

Condition: Minnesota Prairie County Alliance does not have formal policies or procedures over investments, and the current policies to not address the basis for determining the current portion of compensated absences.

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

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

Cause: The County Alliance has developed many policies and procedure relating to other transactions cycles. There were some accounting cycles, relating to financial statement presentation, that were overlooked when preparing the policy and procedure manual.

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

Client's Response:

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

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEMS ARISING THIS YEAR

Finding 2015-003

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1505MN5ADM, 2015

Pass-Through Agency: Minnesota Department of Human Services

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

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

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

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

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

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

Cause: Program personnel entering case information into MAXIS did not ensure all required information input into MAXIS was maintained in the case file.

Recommendation: We recommend the County Alliance implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations is properly maintained in case files.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Cathy Skogen, Income and Healthcare Assistance Program Manager

Corrective Action Planned:

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

Anticipated Completion Date:

We have requested that the documentation be returned to MNPrairie by September 30, 2016.

Finding 2015-004

Allowable Costs/Cost Principles and Reporting

Program: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (TANF) (CFDA No. 93.558), Award No. 1502MNTANF, 2015

Pass-Through Agency: Minnesota Department of Human Services

Criteria: OMB Circular A-133 § .300(b) and Title 2 U.S. *Code of Federal Regulations* § 200.303, as applicable, require that an entity receiving a federal award must establish and maintain effective internal control over the federal award to provide reasonable assurance that it is managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

OMB Circular A-87, Attachment B, paragraph 8 and Title 2 U.S. *Code of Federal Regulations* § 200.430, as applicable, indicate that employee compensation costs are allowable under federal awards to the extent that certain requirements are met, including but not limited to, the determination of such costs based on adequate supporting documentation. In cases where employees work on multiple activities or costs objectives, allocation of their compensation by the entity directly to a federal award must be supported by personnel activity reports or other documentation that accurately reflects the work performed.

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

Questioned Costs: $59,452

Context: The DHS-2902 reports, submitted to the Minnesota Department of Human Services (DHS) quarterly, provide the financial data necessary to reimburse local agencies for expenditures related to Minnesota Family Investment Program (MFIP). Reimbursements from DHS are comprised mostly of Federal TANF program pass-through funds. Amounts reported in the direct program and administration expenditures categories on the DHS-2902 reports are reimbursed from Federal TANF funds at 100 percent.

The sample size was based on guidance from Chapter 21 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: In 2015, the County Alliance reported $59,452 in costs that were not sufficiently supported.

Cause: Management indicated that since 2015 is the first year of operation for the County Alliance, reports and controls in place over the preparation and review of the DHS-2902 reports were not adequate to identify the insufficiently supported costs as noncompliance with federal requirement.

Recommendation: We recommend that internal control over the preparation of the DHS-2902 reports should be sufficient to identify any unallowable costs. When employee compensation costs are allocated to a federal award, the allocations should be based on supporting documentation that meets the federal award requirements detailed in Title 2 U.S. *Code of Federal Regulations* § 200.430.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Kevin Venenga, Finance Program Manager

Corrective Action Planned:

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

Anticipated Completion Date:

MNPrairie plans to complete this in conjunction with the preparation of the 3rd quarter report which will be approximately October 15, 2016.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

ITEMS ARISING THIS YEAR

Finding 2015-005

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: The County Alliance had deposits at U.S. Bank that were not adequately covered by Federal Deposit Insurance Corporation (FDIC) coverage on December 31, 2015.

Context: Deposits in excess of the FDIC were $352,940 on December 31, 2015.

Effect: When the County Alliance has insufficient collateral with a bank, they may not receive all deposits in the event of bank default.

Cause: The County Alliance indicated they were unaware of the collateral requirements.

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

Client's Response:

MNPrairie has a draft investment policy in process that is expected to be completed by the end of 2016.

Finding 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 Minnesota Prairie County Alliance did not disclose items such as maturity dates, interest rates, CUSIP numbers, or other distinguishing marks.

Context: This is the first year of operation, and the County Alliance was not aware that the amounts in the sweep account were considered an investment.

Effect: When the County Alliance 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: The County Alliance indicated they were unaware of the investment safekeeping requirements.

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

Client's Response:

MNPrairie has a draft investment policy in process that is expected to be completed by the end of 2016.

STATE OF MINNESOTA
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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 as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County Alliance's basic financial statements, and have issued our report thereon dated September 19, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Minnesota Prairie County Alliance'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 the County Alliance's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County Alliance'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 and an item that we consider to be a significant deficiency.

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 the County Alliance's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2015-001 to be a material weakness.

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 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Minnesota Prairie County Alliance'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 Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains six categories of compliance to be tested in connection with the audit of the County Alliance's financial statements: contracting and bidding, deposits and investments, conflicts of interest, 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 tax increment financing because the County Alliance has no tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Minnesota Prairie County Alliance failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, except as described in the Schedule of Findings and Questioned Costs as items 2015-005 and 2015-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County Alliance's noncompliance with the above referenced provisions.

Minnesota Prairie County Alliance's Response to Findings

Minnesota Prairie County Alliance's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County Alliance'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 Other Political Subdivisions* and the results of that testing, and not to provide an opinion on the effectiveness of the County Alliance'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 the County Alliance'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

September 19, 2016

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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 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 the County Alliance's major federal programs for the year ended December 31, 2015. Minnesota Prairie County Alliance'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 Minnesota Prairie County Alliance'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 Minnesota Prairie County Alliance'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 the County Alliance's compliance with those requirements.

Basis for Qualified Opinion on Temporary Assistance for Needy Families (CFDA No. 93.558)
As described in the accompanying Schedule of Findings and Questioned Costs, Minnesota Prairie County Alliance did not comply with requirements regarding CFDA No. 93.558 Temporary Assistance for Needy Families as described in finding 2015-004 for Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for the County Alliance to comply with the requirements applicable to that program.

Qualified Opinion on Temporary Assistance for Needy Families (CFDA No. 93.558)
In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Minnesota Prairie County Alliance complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on CFDA No. 93.558 Temporary Assistance for Needy Families for the year ended December 31, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs
In our opinion, Minnesota Prairie County Alliance 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 other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

Management of Minnesota Prairie County Alliance 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 the County Alliance'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 the County Alliance's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-004 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2015-003 to be a significant deficiency.

Minnesota Prairie County Alliance's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs as Corrective Action Plans. Minnesota Prairie County Alliance'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

September 19, 2016