# State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

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# Southern Prairie Community Care
# Marshall, Minnesota

Year Ended December 31, 2020

# Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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# Southern Prairie Community Care
# Marshall, Minnesota

Year Ended December 31, 2020

Office of the State Auditor

**Audit Practice Division**
**Office of the State Auditor**
**State of Minnesota**

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, MINNESOTA**

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# Introductory Section

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, MINNESOTA**

ORGANIZATION
2020

| Name | Representing | Position |
|---|---|---|
| Board Members | | |
| Jeffrey Lopez | Chippewa County | |
| Norm Holmen | Cottonwood County | Chair |
| Cathy Hohenstein | Jackson County | |
| Corky Berg | Kandiyohi County | |
| Mic VanDeVere | Lincoln County | |
| Rick Anderson | Lyon County | |
| James Jens | Murray County | |
| Don Linssen | Nobles County | |
| Bob Van Hee | Redwood County | |
| Greg Burger | Rock County | |
| Gary Hendrickx | Swift County | Vice Chair |
| John Berends | Yellow Medicine County | |

# Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

## INDEPENDENT AUDITOR'S REPORT

Governing Board
Southern Prairie Community Care
Marshall, Minnesota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Southern Prairie Community Care as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Southern Prairie Community Care'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. 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 Southern Prairie Community Care'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 Southern Prairie Community Care'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.



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***Opinions***
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Southern Prairie Community Care as of December 31, 2020, and the respective changes in financial position thereof and the budgetary comparison of the General Fund 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 Southern Prairie Community Care's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*/s/Julie Blaha*

JULIE BLAHA
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 30, 2021

# MANAGEMENT'S DISCUSSION AND ANALYSIS

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, MINNESOTA**

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(Unaudited)

As management of Southern Prairie Community Care (SPCC), we offer the readers of SPCC's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended December 31, 2020. 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 financial statements. All amounts, unless otherwise indicated, are expressed in whole dollars.

## FINANCIAL HIGHLIGHTS

- Governmental activities' total net position is $3,078,315.
- SPCC's net position decreased by $189,071 for the year ended December 31, 2020.
- Overall fund level revenues totaled $739,891 and were $371,602 less than expenditures.
- For the year ended December 31, 2020, the unassigned fund balance of the General Fund was $3,883,739 or 349.4 percent, of the total General Fund expenditures for the year.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to the basic financial statements. Southern Prairie Community Care's basic financial statements consist of statements that combine government-wide financial statements and fund financial statements, budgetary comparison statements, and notes to the financial statements. The MD&A (this section) is required to accompany the basic financial statements and, therefore, is included as required supplementary information. This report also contains other required supplementary information such as schedules of proportionate share of net pension liability and of contributions for the pension plan.

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 Southern Prairie Community Care as a whole and present a longer-term view of the finances. These columns include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Over time, increases or decreases in net position are one indicator of whether its financial health is improving or deteriorating.

### Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found following Exhibit 3.

### Other Information

In addition to the basic financial statements and the required supplementary information, this report also presents supplementary information concerning SPCC's intergovernmental revenue.

### Net Position

Over time, net position serves as a useful indicator of financial position. Southern Prairie Community Care's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3,078,315 at the close of 2020. The largest portion of SPCC's net position reflects current assets.

**Net Position**

| | 2020 | 2019 |
|---|---|---|
| Assets | | |
| Current and other assets | $ 3,891,177 | $ 4,261,986 |
| Deferred Outflows of Resources | $ 41,156 | $ 131,470 |
| Liabilities | | |
| Long-term liabilities outstanding | $ 215,836 | $ 762,971 |
| Other liabilities | 7,438 | 6,645 |
| Total Liabilities | $ 223,274 | $ 769,616 |
| Deferred Inflows of Resources | $ 630,744 | $ 356,454 |
| Net Position | | |
| Unrestricted | $ 3,078,315 | $ 3,267,386 |

## Changes in Net Position

The following table summarizes the change in net position for 2020.

**Changes in Net Position**

| | 2020 | 2019 |
|---|---|---|
| Revenues | | |
| Program revenues | | |
| Fees, charges, and other | $ 531,256 | $ 2,171,167 |
| Operating grants and contributions | 201,883 | 835,870 |
| General revenues | | |
| Investment earnings | 6,752 | 113,793 |
| Total Revenues | $ 739,891 | $ 3,120,830 |
| Expenses | | |
| Health | 928,962 | 3,292,058 |
| Increase (Decrease) in Net Position | $ (189,071) | $ (171,228) |
| Net Position – January 1 | 3,267,386 | 3,438,614 |
| Net Position – December 31 | $ 3,078,315 | $ 3,267,386 |

## 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 2020 was 27.3 percent of the total revenue received, or $201,883. The SPCC's major sources of revenue were intergovernmental revenue and charges for services, with $201,883 and $504,462, respectively, received in 2020.

## GENERAL FUND BUDGETARY HIGHLIGHTS

During the course of 2020, there were no amendments to the budget.

Actual revenue exceeded budgeted amounts by a total of $689,891 this was due to unbudgeted intergovernmental revenues and the unanticipated receipts of the performance settlements in charges for services as operations continued in 2020.

Actual expenditures exceeded budgeted amounts by a total of $1,036,493 due to underbudgeted salaries and benefits, contracted services, and health information exchange subscriptions as operations continued throughout the year instead of operations phasing out earlier in the year, as planned during the budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2020, Southern Prairie Community Care had no capital assets.

### Long-Term Debt

At the end of fiscal year 2020, Southern Prairie Community Care had no outstanding debt.

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the annual 2021 meeting, Southern Prairie Community Care set its revenue and expenditure budget.

## REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Southern Prairie Community Care's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to SPCC Fiscal Agent, E.J. Moberg, Lyon County Auditor/Treasurer, 607 West Main Street, Marshall, Minnesota 56258.

# BASIC FINANCIAL STATEMENTS

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, MINNESOTA**

***EXHIBIT 1***

**GENERAL FUND BALANCE SHEET AND**
**GOVERNMENTAL ACTIVITIES – STATEMENT OF NET POSITION**
**WITH ADJUSTMENTS TO CONVERT MODIFIED TO FULL ACCRUAL**
**DECEMBER 31, 2020**

| | General Fund | Adjustments | Governmental Activities |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | $ 590,741 | $ - | $ 590,741 |
| Investments | 3,300,436 | - | 3,300,436 |
| **Total Assets** | **$ 3,891,177** | **$ -** | **$ 3,891,177** |
| **Deferred Outflows of Resources** | | | |
| Deferred pension outflows | - | 41,156 | 41,156 |
| **Total Assets and Deferred Outflows of Resources** | **$ 3,891,177** | **$ 41,156** | **$ 3,932,333** |
| **Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position** | | | |
| **Liabilities** | | | |
| Due to other governments | $ 7,438 | - | $ 7,438 |
| Long-term liabilities | | | |
| Net pension liability | - | 215,836 | 215,836 |
| **Total Liabilities** | **$ 7,438** | **$ 215,836** | **$ 223,274** |
| **Deferred Inflows of Resources** | | | |
| Deferred pension inflows | **$ -** | **$ 630,744** | **$ 630,744** |
| **Fund Balance** | | | |
| Unassigned | **$ 3,883,739** | **$ (3,883,739)** | |
| **Net Position** | | | |
| Unrestricted | | **$ 3,078,315** | **$ 3,078,315** |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position** | **$ 3,891,177** | **$ 41,156** | **$ 3,932,333** |

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

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, 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, 2020**

| | | |
|---|---|---|
| **Reconciliation of the General Fund Balance to Net Position** | | |
| **Fund Balance – General Fund** | **$** | **3,883,739** |
| Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the General Fund. | | 41,156 |
| Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the General Fund. | | (630,744) |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund. | | |
| Net pension liability | | (215,836) |
| **Net Position – Governmental Activities** | **$** | **3,078,315** |

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, 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, 2020**

| | General Fund | Adjustments | Governmental Activities |
|---|---|---|---|
| **Revenues** | | | |
| Intergovernmental | $ 201,883 | $ - | $ 201,883 |
| Charges for services | 504,462 | - | 504,462 |
| Investment earnings | 6,752 | - | 6,752 |
| Miscellaneous | 26,794 | - | 26,794 |
| **Total Revenues** | **$ 739,891** | **$ -** | **$ 739,891** |
| **Expenditures/Expenses** | | | |
| **Current** | | | |
| **Public health** | | | |
| Health | 1,111,493 | (182,531) | 928,962 |
| **Excess of Revenues Over (Under) Expenditures** | **$ (371,602)** | **$ 182,531** | **$ (189,071)** |
| **Fund Balance/Net Position – January 1** | **4,255,341** | **(987,955)** | **3,267,386** |
| **Fund Balance/Net Position – December 31** | **$ 3,883,739** | **$ (805,424)** | **$ 3,078,315** |

**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** | | **$ (371,602)** |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund. | | |
| Change in deferred pension outflows | $ (90,314) | |
| Change in net pension liability | 547,135 | |
| Change in deferred pension inflows | (274,290) | 182,531 |
| **Change in Net Position of Governmental Activities** | | **$ (189,071)** |

## SOUTHERN PRAIRIE COMMUNITY CARE
## MARSHALL, MINNESOTA

***EXHIBIT 3***

### BUDGETARY COMPARISON STATEMENT
### GENERAL FUND
### FOR THE YEAR ENDED DECEMBER 31, 2020

| | Budgeted Amounts | | Actual | Variance with |
|---|---|---|---|---|
| | Original | Final | Amounts | Final Budget |
| **Revenues** | | | | |
| Intergovernmental | $ - | $ - | $ 201,883 | $ 201,883 |
| Charges for services | - | - | 504,462 | 504,462 |
| Investment earnings | 50,000 | 50,000 | 6,752 | (43,248) |
| Miscellaneous | - | - | 26,794 | 26,794 |
| **Total Revenues** | **$ 50,000** | **$ 50,000** | **$ 739,891** | **$ 689,891** |
| **Expenditures** | | | | |
| **Current** | | | | |
| **Public health** | | | | |
| Health | 75,000 | 75,000 | 1,111,493 | (1,036,493) |
| **Net Change in Fund Balance** | **$ (25,000)** | **$ (25,000)** | **$ (371,602)** | **$ (346,602)** |
| **Fund Balance – January 1** | **4,255,341** | **4,255,341** | **4,255,341** | **-** |
| **Fund Balance – December 31** | **$ 4,230,341** | **$ 4,230,341** | **$ 3,883,739** | **$ (346,602)** |

1. Summary of Significant Accounting Policies

Southern Prairie Community Care's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by Southern Prairie Community Care are discussed below.

A. Financial Reporting Entity

Southern Prairie Health Purchasing Alliance (subsequently renamed Southern Prairie Community Care) was established in 2013 by 12 counties (Member Counties) pursuant to the powers granted by Minn. Stat. § 471.59.

The purpose of the joint powers entity is to plan, form, operate, and govern a rural care delivery system to improve health and quality of life of the citizens of Member Counties who participate in government health care programs through improved coordination, management, and delivery of health care and social services through partnerships between Member Counties and local providers.

Southern Prairie Community Care is governed by a 12-member Governing Board consisting of one individual from each Member County selected by the County Board of that county.

Lyon County serves as fiscal agent and reports the transactions of Southern Prairie Community Care as a fiduciary fund on its financial statements.

B. Basic Financial Statements

Basic financial statements include information on Southern Prairie Community Care's activities as a whole and information on the individual fund of Southern Prairie Community Care. These separate presentations are reported in different columns on Exhibits 1 and 2. Each of these exhibits 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 Southern Prairie Community Care as a whole.

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

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

When both restricted and unrestricted resources are available for use, it is Southern Prairie Community Care'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. Cash, Cash Equivalents, and Investments

Southern Prairie Community Care's available cash balances are invested in accordance with Minnesota statutes. Cash and cash equivalents are held by Lyon County. Investments are reported at their fair value at December 31, 2020, based on market prices.

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

1. Summary of Significant Accounting Policies

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

      2. Receivables

         Southern Prairie Community Care did not have any receivables not expected to be collected within the year. No allowance for uncollectible accounts has been included because such amounts are not expected to be material.

      3. Long-Term Liabilities

         In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column on the Statement of Net Position.

      4. Pension Plan

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

      5. 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. Southern Prairie Community Care reports deferred outflows of resources under the full accrual basis of accounting associated with a defined benefit pension plan and, accordingly, is reported only on the statement of net position.

1. Summary of Significant Accounting Policies

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

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Southern Prairie Community Care reports deferred inflows of resources associated with a defined benefit pension plan. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

6. 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.

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 is not included in the investment in capital assets or restricted components.

7. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Southern Prairie Community Care is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

1. Summary of Significant Accounting Policies

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

7. 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 in which constraints have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is 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 Southern Prairie Community Care 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 Southern Prairie Community Care 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 Southern Prairie Community Care Board.

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

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

1. Summary of Significant Accounting Policies

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

8. Use of Estimates

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

9. Integrated Health Partnerships Program Savings Revenue

An actuary is used by Southern Prairie Community Care to calculate the savings of the Integrated Health Partnerships Program. Revenue received is based on the prior year savings, after analysis and study of an actuary hired by Southern Prairie Community Care, and reported to the Minnesota Department of Human Services.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures over Budget

The General Fund current year expenditures exceeded the final budget:

| Expenditures | Final Budget | Excess |
|---|---|---|
| $ 1,111,493 | $ 75,000 | $ 1,036,493 |

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of Southern Prairie Community Care's total cash and cash equivalents to the basic financial statements follows:

| | |
|---|---|
| Checking | $ 100,000 |
| Sweep | 490,741 |
| MAGIC Term | 3,002,026 |
| MAGIC Portfolio | 298,410 |
| Total Deposits and Investments | $ 3,891,177 |

a. Deposits

Cash transactions are administered by the Lyon County Auditor/Treasurer who is, according to Minn. Stat. §§ 118A.02 and 118A.04, authorized to deposit cash in financial institutions designated by the Southern Prairie Community Care Board.

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 that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of a bank failure, Southern Prairie Community Care's deposits may not be returned. Southern Prairie Community Care's policy is to obtain collateral or bond for all uninsured amounts on deposit, necessary documentation to show compliance with state law, and a perfected security interest under federal law. As of December 31, 2020, Southern Prairie Community Care's deposits were not exposed to custodial credit risk.

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

b. Investments

Southern Prairie Community Care 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.

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. Southern Prairie Community Care minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments

Interest Rate Risk (Continued)

portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations and to avoid the need to sell securities in the open market prior to maturity.

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. Southern Prairie Community Care only invests in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. Southern Prairie Community Care's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage is available. Securities purchased that exceed available SIPC coverage shall be transferred to Southern Prairie Community Care's custodian. As of December 31, 2020, Southern Prairie Community Care's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by Southern Prairie Community Care's investment in a single issuer. It is Southern Prairie Community Care's policy to diversify the investment portfolio to minimize the risk of potential loss from any one type of security or issuer.

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

MAGIC is a local government investment pool which is quoted at a NAV. Southern Prairie Community Care invests in this pool for the purpose of the joint investment of Southern Prairie Community Care's money with those of counties to enhance the investment earnings accruing to each member. The MAGIC Fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

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

B. Defined Benefit Pension Plan

1. Plan Description

Previous full-time and certain part-time employees of Southern Prairie Community Care were covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, 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.

3. Detailed Notes

B. Defined Benefit Pension Plan

1. Plan Description (Continued)

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

2. Benefits Provided

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

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

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.

3. Detailed Notes

B. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

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

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65.

For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2020. Employers were required to contribute 7.50 percent of annual covered salary. The employee and employer rates did not change from the previous year.

Southern Prairie Community Care made no contributions for the General Employees Plan for the year ended December 31, 2020.

3. Detailed Notes

B. Defined Benefit Pension Plan (Continued)

4. Pension Costs

At December 31, 2020, Southern Prairie Community Care reported a liability of $215,836 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Southern Prairie Community Care's proportion of the net pension liability was based on the Southern Prairie Community Care's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, Southern Prairie Community Care's proportion was 0.0036 percent. It was 0.0138 percent measured as of June 30, 2019. Southern Prairie Community Care recognized pension expense of ($173,843) for its proportionate share of the General Employees Plan's pension expense.

Southern Prairie Community Care also recognized $578 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

| | | |
|---|---|---|
| Southern Prairie Community Care's proportionate share of the net pension liability | $ | 215,836 |
| State of Minnesota's proportionate share of the net pension liability associated with the Southern Prairie Community Care | | 6,636 |
| Total | $ | 222,472 |

3. Detailed Notes

B. Defined Benefit Pension Plan

4. Pension Costs (Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 7,640 | $ 817 |
| Changes in actuarial assumptions | - | 23,702 |
| Difference between projected and actual investment earnings | - | 61,227 |
| Changes in proportion | 33,516 | 544,998 |
| Total | $ 41,156 | $ 630,744 |

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended December 31 | Pension Expense Amount |
|---|---|
| 2021 | $ (240,239) |
| 2022 | (218,593) |
| 2023 | (135,971) |
| 2024 | 5,215 |

3. Detailed Notes

B. Defined Benefit Pension Plan (Continued)

5. Actuarial Assumptions

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

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

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

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

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

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

3. Detailed Notes

B. Defined Benefit Pension Plan (Continued)

6. Discount Rate

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

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2020:

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.

- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.

- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

3. Detailed Notes

B. Defined Benefit Pension Plan

7. Changes in Actuarial Assumptions and Plan Provisions (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

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

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

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

3. Detailed Notes

B. Defined Benefit Pension Plan (Continued)

8. Pension Liability Sensitivity

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

| | Proportionate Share of the General Employees Plan | |
|---|---|---|
| | Discount Rate | Net Pension Liability |
| 1% Decrease | 6.50% | $ 345,911 |
| Current | 7.50 | 215,836 |
| 1% Increase | 8.50 | 108,535 |

9. Pension Plan Fiduciary Net Position

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

10. Future Expectations

As Southern Prairie Community Care no longer has employees it is expected that the pension liability will be reduced to zero at a future date.

4. Risk Management

Southern Prairie Community Care is exposed to various risks of loss related to torts; errors or omissions; or natural disasters. To manage these risks, Southern Prairie Community Care has entered into a joint powers agreement with certain Minnesota counties to form the Minnesota

4. Risk Management (Continued)

Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. Southern Prairie Community Care is a member of both the MCIT Workers' Compensation Division.

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

There was a significant reduction in Southern Prairie Community Care's insurance coverage from the prior year. See Note 5.C for more information about terminating the joint powers agreement. Southern Prairie Community Care has not had settlements in excess of insurance coverage in the past three fiscal years.

5. Summary of Significant Contingencies and Other Items

A. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Minnesota. 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 Southern Prairie Community Care expects such amounts, if any, to be immaterial.

B. Claims and Litigation

Southern Prairie Community Care, in connection with the normal conduct of its affairs, is involved in various claims, judgements, and litigation. Southern Prairie Community Care's attorney estimates that the potential claims against the entity resulting from litigation not covered by insurance would not materially affect the financial statements of Southern Prairie Community Care.

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

C. Subsequent Events

On June 11, 2018, the Southern Prairie Community Care Board voted to earmark $3 million of available fund balance for the participating counties that vote to join into PrimeWest Health. The funding will likely be distributed toward the end of 2022.

In 2019, the Southern Prairie Community Care Board explored terminating the joint powers agreement and continues to consider possible dissolution. The Board approved termination of all staff prior to December 31, 2019, and plans for minimal activity until operations cease. The Board currently anticipates termination to be December 31, 2022.

# REQUIRED SUPPLEMENTARY INFORMATION

SOUTHERN PRAIRIE COMMUNITY CARE
MARSHALL, MINNESOTA

*EXHIBIT A-1*

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

| Measurement Date | Employer's Proportion of the Net Pension Liability (Asset) | Employer's Proportionate Share of the Net Pension Liability (Asset) (a) | State's Proportionate Share of the Net Pension Liability Associated with Southern Prairie Community Care (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b) | Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|
| 2020 | 0.0036 % | $ 215,836 | $ 6,636 | $ 222,472 | $ 255,321 | 84.54 % | 79.06 % |
| 2019 | 0.0138 | 762,971 | 23,666 | 786,637 | 978,336 | 77.99 | 80.23 |
| 2018 | 0.0182 | 1,009,661 | 32,948 | 1,042,609 | 1,220,394 | 82.73 | 79.53 |
| 2017 | 0.0161 | 1,027,813 | 12,928 | 1,040,741 | 1,037,487 | 99.07 | 75.90 |
| 2016 | 0.0146 | 1,185,448 | 15,492 | 1,200,940 | 903,857 | 131.15 | 68.91 |
| 2015 | 0.0098 | 507,886 | N/A | 507,886 | 568,172 | 89.39 | 78.19 |

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

**SOUTHERN PRAIRIE COMMUNITY CARE**
**MARSHALL, MINNESOTA**

***EXHIBIT A-2***

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

| Year Ending | Statutorily Required Contributions (a) | Actual Contributions in Relation to Statutorily Required Contributions (b) | Contribution (Deficiency) Excess (b - a) | Covered Payroll (c) | Actual Contributions as a Percentage of Covered Payroll (b/c) |
|---|---|---|---|---|---|
| 2020 | $ - | $ - | $ - | $ - | - % |
| 2019 | 53,199 | 53,199 | - | 709,319 | 7.50 |
| 2018 | 83,299 | 83,299 | - | 1,110,652 | 7.50 |
| 2017 | 89,080 | 89,080 | - | 1,187,733 | 7.50 |
| 2016 | 69,604 | 69,604 | - | 928,042 | 7.50 |
| 2015 | 54,728 | 54,728 | - | 729,698 | 7.50 |

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

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

1. Budgetary Information

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

The appropriated budget is prepared by fund, function, and department. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level. The budgets may be amended or modified at any time by the Southern Prairie Community Care Board.

During the year, the Board did not amend the budget.

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

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

General Employees Retirement Plan

2020

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

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

General Employees Retirement Plan

2020 (Continued)

- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

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

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

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

2019

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

2. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2. Defined Benefit Pension Plans – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

2017

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

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

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

2016

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

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

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

**SUPPLEMENTARY INFORMATION**

## SOUTHERN PRAIRIE COMMUNITY CARE
## MARSHALL, MINNESOTA

***EXHIBIT B-1***

### SCHEDULE OF INTERGOVERNMENTAL REVENUE
### FOR THE YEAR ENDED DECEMBER 31, 2020

| | | |
|---|---|---|
| **Shared Revenues** | | |
| **State** | | |
| PERA state aid | $ | 578 |
| | | |
| **Reimbursement for services** | | |
| **State** | | |
| Minnesota Department of Human Services | | 201,305 |
| | | |
| **Total Intergovernmental Revenue** | **$** | **201,883** |

# Management and Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

**INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE**

Governing Board
Southern Prairie Community Care
Marshall, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the governmental activities and General Fund of Southern Prairie Community Care as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise Southern Prairie Community Care's basic financial statements and have issued our report thereon dated November 30, 2021.

In connection with our audit, nothing came to our attention that caused us to believe that Southern Prairie Community Care failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions, sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding Southern Prairie Community Care's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the Governing Board and management of Southern Prairie Community Care and the State Auditor, and is not intended to be, and should not be, used by anyone other than those specified parties.

*/s/Julie Blaha*

JULIE BLAHA
STATE AUDITOR

*/s/Dianne Syverson*

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

November 30, 2021



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