

**SOUTHWEST PRAIRIE TECHNICAL
SERVICE AREA**

AUDITED FINANCIAL REPORT

**FOR THE YEAR ENDED
JUNE 30, 2021**

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA

TABLE OF CONTENTS

JUNE 30, 2021

	Page
Schedule of Board Members and Officials	1
Independent Auditor's Report	2-3
Managements' Discussion and Analysis	4-8
<u>Basic Financial Statements:</u>	
Statement of Net Position and Governmental Fund Balance Sheet	9
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	10
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	12
Notes to the Financial Statements	13-22
<u>Required Supplementary Information:</u>	
Budgetary Comparison Schedule – General Fund	23
Notes to Required Supplementary Information	24
Schedule of Entity's Proportionate Share of Net Pension Liability	25
Schedule of Contributions	26
<u>Additional Reports:</u>	
Independent Auditor's Report on Compliance and on Internal Controls Over Financial Reporting Based on an Audit of Financial Statements Performed In Accordance with Government Auditing Standards	27-28
Schedule of Findings and Responses	29
Independent Auditor's Report on Legal Compliance	30

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA

SCHEDULE OF BOARD MEMBERS AND OFFICIALS

JUNE 30, 2021

Allen Deutz	Chairman
Tom Muller	Vice Chairman
Paul Posthuma	Secretary\Treasurer
Daniel Christenson	Member
Eugene Cragoe	Member
Mike Croatt	Member
Dennis Danberkow	Member
Jim Knips	Member
Cal Spronk	Member
Brian Timm	Member
Jerry Nelson	Member
Kay Gross	Host Manager
Shelly Lewis	Financial Coordinator

DANIELLE L. BERG, LTD.

Certified Public Accountant

Danielle Berg, CPA

PO Box 262
Slayton, MN 56172

432 Legion Field Road
Marshall, MN 56258

(507) 836-8505
Fax(507) 836-8506

Pamela Jacobson
Kristel Nelson

Wendy Forsberg
Sabrina Vosberg

(507) 532-9674
Fax(507)532-9676

INDEPENDENT AUDITOR'S REPORT

Southwest Prairie Technical Service Area
2740 22nd Street Suite 3
Slayton, MN 56172

We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Southwest Prairie Technical Service Area, as of and for the year ended June 30, 2021, which collectively comprise the Southwest Prairie Technical Service Area'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 Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Minnesota Legal Compliance Audit Guide for Local Governments, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statute 6.65. 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 entity'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 entity'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 and the major fund, the general fund, of the Southwest Prairie Technical Service Area, as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows 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, budgetary comparison information, and pension schedules on pages 4-8, 23-24, and 25-26 be presented to supplement the basic financial statements. Such information, although not a 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Prairie Technical Service Area's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 29, 2021, on our consideration of the Southwest Prairie Technical Service Area's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of the 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* and should be considered in assessing the results of our audit.


Danielle L. Berg, Ltd.
Certified Public Accountant

December 29, 2021

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021**

This section of the annual financial report of the Southwest Prairie Technical Service Area presents the Management Discussion and Analysis. The discussion and analysis provide an overview of the Organization's financial activities for the fiscal year ended June 30, 2021. 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 Organization's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The Organization's net position decreased due primarily to depreciation expense recorded.
- The negative unrestricted net position is due to the potential liability from the pension fund.
- The fund financial statements show a decrease of (\$13,445) resulting in an unrestricted fund balance of (\$5,717).

• USING THIS ANNUAL REPORT

This annual report consists of four main topics: 1) Management's Discussion and Analysis (MD&A); 2) Financial Statements; 3) Reconciliation Statements; and 4) Notes to the Financial Statement. Since SWCDs are single-purpose special purpose governments they are generally able to combine the government-wide and fund financial statements into single presentations. Southwest Prairie Technical Service Area has elected to present in this format. These topics are further explained as follows:

- Management's Discussion and Analysis (MD&A-this section). This section relates mostly to the changes in the Organization's finances and explains the Governmental Wide-Financial Statements in detail. The MD&A is on pages 4-8;
- Financial Statements – pages 9-12:
 - The Governmental Wide-Financial Statement includes a series of financial statements that provide information about the activities of the Southwest Prairie Technical Service Area as a whole and present a longer-term view of the Organization's finances. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending; and
 - The Fund Financial Statements also report the Southwest Prairie Technical Service Area's operations in more detail than the government-wide statements by providing information about the Organization's most significant funds. Fund financial statements also report the Organization's operations.
- Reconciliation Statements – pages 10 and 12:
 - Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities explains the differences in the two statements. The Statement of Activities under the "Adjustments" column shows the differences in the two statements; and
 - Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net position explains the differences in these two statements. The Statement of Net position under the "Adjustments" column shows the differences in the two statements.
- Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements, which can be found on pages 13-22.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Statement of Net Position and Statement of Activities

Our analysis of the Southwest Prairie Technical Service Area begins with the Statement of Net Position and the Statement of Activities of which can be found on pages 9 and 11 of this report. One of the most important questions asked about the Organization's finances is, "Is the Southwest Prairie Technical Service Area as a whole better or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Organization as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using 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.

These two statements report the Organization's Net Position and changes in them. You can think of the Organization's Net Position - the difference between assets and liabilities - as one way to measure the Organization's financial health, or financial position. Over time, increases or decreases in the Organization's Net Position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors to assess the overall health of the Organization.

In the Statement of Net Position and the Statement of Activities, the Organization presents Governmental activities. All of the Organization's basic services are reported here. Appropriations from the county and state also finance activities.

FUND FINANCIAL STATEMENTS

The Southwest Prairie Technical Service Area presents only a general fund, which is a governmental fund. All of the Organization's basic services are reported in the general fund, which focuses on how money flows into and out of those funds and the balances left at year-end that are available for spending. The fund 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. The general fund statements provide a detailed short-term view of the Organization's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Organization's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Activities and the Statement of Net Position) and governmental funds through the Reconciliation's of these statements, which are on pages 10 and 12 (after the Fund Financial Statements). The basic governmental financial reports can be found on pages 9 and 11 of this report.

Notes to the Financial Statement

The Notes to the Financial Statement provides information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes provide information such as: 1) Summary of significant accounting policies; 2) Stewardship, compliance and accountability; 3) Deposits and Investments; 4) Changes in General Fixed Assets; 5) Unearned Revenue; 6) Compensated Absences Payable; 7) Risk Management; 8) Pension Plan; and 9) Operating Leases. The Notes to the Financial Statement are on pages 13-22.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

Statement of Net Position

The Southwest Prairie Technical Service Area's net position increased from one year ago. Our analysis below focuses on the net position (Table 1) of the Organization's governmental activities.

Table 1 Statement of Net Position	Governmental Activities	
	June 30, 2021	June 30, 2020
Current Assets	\$ 1,052,811	\$ 862,178
Capital Assets Net of Depreciation	99,293	109,687
Total Assets	1,152,104	971,865
Deferred Outflows of Resources	48,575	27,857
Total Assets and Deferred Outflows of Resources	\$ 1,200,679	\$ 999,722
Current and Other Liabilities	1,274,364	1,063,390
Deferred Inflows of Resources	31,492	31,492
Net Position:		
Invested in Capital Assets	99,293	109,687
Unrestricted	(204,470)	(204,847)
Total Net Assets	(105,177)	(95,160)
Total Liabilities, Deferred Inflows and Net Position	\$ 1,200,679	\$ 999,722

The Southwest Prairie Technical Service Area had more expenses than revenues in 2021. Under the Net Position, restricted, assigned or committed funds are designated for certain programs specified by the State and/or the Organization. Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – which was (\$204,847) in 2019-2020 and (\$204,470) in 2020-2021, an increase of \$377.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

STATEMENT OF ACTIVITIES

Table 2 reflects changes in Governmental activities of the Southwest Prairie Technical Service Area.

Table 2	Change in Net Assets	Governmental Activities	
		<u>June 30, 2021</u>	<u>June 30, 2020</u>
	Federal	\$ 141,689	\$ 105,142
	State	249,421	171,340
	County	250,284	319,580
	Interest Earnings	1,176	9,32
	Other	1,091	2,401
	Total Revenues	<u>\$ 643,661</u>	<u>\$ 606,792</u>
	Expenses		
	Personal Services	\$ 337,650	\$ 342,033
	Project Expenses	192,483	129,269
	Depreciation	43,519	39,787
	Other Services & Charges	61,732	70,960
	Supplies	18,294	41,788
	Total Expenses	<u>\$ 653,678</u>	<u>\$ 623,837</u>

Revenues increased from the State of Minnesota and decreased from the Counties in the fiscal year 2020-2021. Federal grants were also received. Expenses were higher due to an increase in depreciation and project expenses that was only partially offset by an decrease in payroll and supplies.

THE SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA'S FUNDS

As the Organization completed the year, under the general fund column as presented in the Statement of Net Position on page 9, reported a combined fund balance of \$61,343 (includes Committed and Unrestricted Fund Balances). This amount plus the capital assets net of accumulated depreciation \$99,293 plus deferred outflows of \$48,575 and minus the Compensated Absences (\$67,060), minus net pension liability of (\$215,836) minus deferred inflows of (\$31,492) gives a total of (\$105,177) under the column for the Statement of Net Position. This amount was less than last year's total of (\$95,160).

GENERAL FUND BUDGETARY HIGHLIGHTS

Revenues were slightly lower than expected while expenditures were significantly higher than expected resulting in a negative variance of (\$155,935) for the fiscal year as the district was able to complete a number of projects successfully.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021**

CAPITAL ASSETS

The Southwest Prairie Technical Service Area uses a threshold of \$5,000.00 for its asset capitalization policy. At the end of 2021, the Organization had \$357,917.

invested in a broad range of capital assets, including Equipment and Machinery (see Table 3).

Table 3 Capital Assets at Year-end
(Net of Depreciation)

Assets	Governmental Activities	
	June 30, 2021	June 30, 2020
Equipment/Machinery	\$ 357,917	\$ 370,257
Buildings	<u>-</u>	<u>-</u>
Total Assets	<u>357,917</u>	<u>370,257</u>
Net of Depreciation	<u>\$ 99,293</u>	<u>\$ 109,687</u>

LONG-TERM LIABILITIES

Long-term liability obligations include accrued vacation pay for which employees are paid upon termination from the Southwest Prairie Technical Service Area by retirement, illness or death. Detailed information about the Organization's long-term liabilities is presented in the Notes to the Financial Statement under Section I. Summary of Significant Accounting Policies- G.2.a. Vacation and Sick Leave on page 17; and under II.C. Compensated Absences Payable on pages 17.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Southwest Prairie Technical Service Area's elected officials considered many factors when setting the fiscal-year 2020-2021 budget. Some of the economic factors taken into account for the fiscal year 2021-2022 budget include: State funding and the County allocation. Expense factors include building expenses, employee salary increases and engineer services.

CONTACTING THE ORGANIZATION'S FINANCIAL MANAGEMENT

This financial report designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Southwest Prairie Technical Service Area's finances and to show the Organization's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Southwest Prairie Technical Service Area, 2740 22nd St., Slayton, MN 56172 or call 507-836-6990, Ext. 3.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2021

	<u>General Fund</u>	<u>Adjustments See Reconciliation</u>	<u>Statement of Net Position</u>
Assets:			
Cash and Investments	\$ 1,033,391		\$ 1,033,391
Accounts Receivable	19,420		19,420
Capital Assets, Net of Accum. Depreciation		99,293	99,293
Total Assets	<u>1,052,811</u>	<u>99,293</u>	<u>1,152,104</u>
Deferred Outflows of Resources:			
Differences Between Projected & Actual Earnings	-	48,575	48,575
Total Deferred Outflows of Resources	<u>-</u>	<u>48,575</u>	<u>48,575</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,052,811</u>	<u>\$ 147,868</u>	<u>\$ 1,200,679</u>
Liabilities:			
Accounts Payable	\$ 19,634		\$ 19,634
Payroll Liabilities	3,777		3,777
Compensated Absences		67,060	67,060
Unearned Revenue	968,057		968,057
Net Pension Liability		215,836	215,836
Total Liabilities	<u>991,468</u>	<u>282,896</u>	<u>1,274,364</u>
Deferred Inflows of Resources:			
Differences Between Expected & Actual Experience	-	31,492	31,492
Total Deferred Inflows of Resources	<u>-</u>	<u>31,492</u>	<u>31,492</u>
Fund Balance			
Committed	67,060	(67,060)	-
Unrestricted	(5,717)	5,717	-
	<u>61,343</u>	<u>(61,343)</u>	<u>-</u>
Net Position			
Invested in Capital Assets		99,293	99,293
Unrestricted		(204,470)	(204,470)
		<u>\$ (105,177)</u>	<u>\$ (105,177)</u>

See the Notes to the Financial Statements.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

June 30, 2021

Total Fund Balance - Total Governmental Funds	\$ 61,343
Capital assets used in governmental activities are not current financial resources and therefore, are not reported in the governmental funds balance sheet.	99,293
Deferred Outflows reported in the government-wide statement of net position are not current financial resources and therefore are not reported in the governmental fund balance sheet.	
Difference between projected and actual earnings for pension plan.	48,575
Compensated absences are not due and payable in the current period and are not reported in the general funds.	(67,060)
Deferred Inflows reported in the government-wide statement of net position are not a use of current financial resources and therefore are not reported in the governmental fund balance sheet.	
Difference between expected and actual economic experience for pension plan.	(31,492)
Net pension liability reported in the government-wide statement of net position is not a use of current financial resources and therefore is not reported in the governmental fund balance sheet.	<u>(215,836)</u>
Net Position of Governmental Funds	<u><u>\$ (105,177)</u></u>

See the notes to the Financial Statements.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
Statement of Activities and Governmental Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2021

	General Fund	Adjustments See Reconciliation	Statement of Activities
Revenues			
Intergovernmental			
Federal	\$ 141,689	\$ -	\$ 141,689
State	249,421		249,421
County	250,284		250,284
Total Intergovernmental Revenues	<u>641,394</u>	<u>-</u>	<u>641,394</u>
Miscellaneous			
Interest	1,176		1,176
Other	1,091		1,091
Total Miscellaneous	<u>2,267</u>	<u>-</u>	<u>2,267</u>
Total Revenues	<u>643,661</u>	<u>-</u>	<u>643,661</u>
Expenditures/Expenses			
Personal Services	351,472	(13,822)	337,650
Other Services and Charges	61,732		61,732
Supplies	18,294		18,294
Project Expenditures/Expenses	192,483		192,483
Capital Outlay	33,125	(33,125)	-
Depreciation		43,519	43,519
Total Operations	<u>657,106</u>	<u>(3,428)</u>	<u>653,678</u>
Total Expenditures/Expenses	<u>657,106</u>	<u>(3,428)</u>	<u>653,678</u>
Excess of Revenues Over(Under) Expenditures/Expenses	(13,445)	3,428	(10,017)
Fund Balance\Prior Net Position - July 1	<u>74,788</u>	<u>(169,948)</u>	<u>(95,160)</u>
Fund Balance\Net Position - June 30	<u>\$ 61,343</u>	<u>\$ (166,520)</u>	<u>\$ (105,177)</u>

See the Notes to the Financial Statements.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
 Reconciliation of the Statement of Revenues, Expenditures, and Changes
 in Fund Balance of Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2021

Net Change in Fund Balance - Total Governmental Funds	\$ (13,445)
Governmental funds report capital outlay as expenditures. However, in the government wide statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	33,125
Depreciation expense on capital assets is reported in the government-wide statement of activities, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in the governmental funds.	(43,519)
Compensated Absences are also reflected in the government-wide statement of activities. The compensated absences increased by \$6,897 from the prior year.	(6,897)
The government-wide statement of activities report pension expense on the full accrual basis for net results of actuarial projections. This difference is not recorded in the fund financial statement.	<u>20,719</u>
Changes in Net Assets of Governmental Activities	<u><u>\$ (10,017)</u></u>

See the Notes to the Financial Statements.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The conservation engineer and technicians positions are part of a state-wide nonpoint source pollution abatement program. In 1994, the Minnesota Legislature authorized the use of the State Revolving Loan Fund (SRF) to offer low interest loans for nonpoint pollution control best management practices. The legislature also provided funding through the Board of Water and Soil Resources for Soil and Water Conservation Districts (SWCD) to hire staff to provide technical assistance for SRF best management implementation practice implementation. The Minnesota conservation partnership determined the best structure for this technical staffing to be through joint powers groups of SWCD's.

On January 13, 1995, Cottonwood, Jackson, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock and Yellow Medicine Soil and Water Conservation Districts entered into an agreement to form the Southwest Prairie Technical Service Area. Murray SWCD was designated as the Host District and Fiscal Agent for the SWPTSA in March 1995, and their facilities are being used to house an engineer and technicians to provide technical services for the State Revolving Loan Fund Program.

Responsibilities of the engineer and technicians are to investigate potential sites, evaluate project feasibility, assist with project prioritization and scheduling, prepare and supervise the preparation of final designs and construction documents for eligible SRF best management practices, provide technical assistance to landowners, conservation partners and other clientele for effective program management (planning, prioritizing, integration and delivery).

The financial reporting policies of the Southwest Prairie Technical Service Area conform to generally accepted accounting principles.

A. Financial Reporting Entity

In conformance with standards established by the Governmental Accounting Standards Board, the Southwest Prairie Technical Service Area includes all funds that are controlled by or dependent on the Southwest Prairie Technical Service Area Board. Control by and dependence on the Southwest Prairie Technical Service Area were determined on the basis of budget adoption, taxing authority, obligation of the Southwest Prairie Technical Service Area to finance any deficits that may occur, and any significant subsidy provided by the Southwest Prairie Technical Service Area.

The Southwest Prairie Technical Service Area is not considered a part of Murray County because, even though the county provides a significant amount of the Southwest Prairie Technical Service Area's revenue in the form of an appropriation, it does not retain any control over the operations of the Southwest Prairie Technical Service Area.

B. Basis of Accounting

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all governmental activities, which normally are supported by taxes and intergovernmental revenues.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements included reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses for centralized services and administrative overhead are allocated among the programs using a full cost allocation approach and are presented separately to enhance comparability of direct expenses between governments that allocate direct expenses and those that do not. Program revenues include grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Southwest Prairie Technical Service Area.

Net Position should be reported as restricted when constraints placed on net asset use are either externally imposed by grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Fund Financial Statements

The fund financial statements of the Southwest Prairie Technical Service Area include only one fund, the General Fund. The General Fund is accounted for by a set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

C. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

D. Budget

The Southwest Prairie Technical Service Area adopts an estimated revenue and expense budget for the General Fund. Comparisons of estimated revenues and budgeted expenses to actual are presented in the financial statements in accordance with generally accepted accounting principles.

E. Cash Equivalents

Southwest Prairie Technical Service Area recognizes as cash currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty such as certificates of deposit, which do not have penalties or terms with them that effectively restrict withdrawal of funds, money market accounts and repurchase agreements.

Southwest Prairie Technical Service Area recognizes as cash equivalents short-term, highly liquid investments that (a) are readily convertible to known amounts of cash and (b) are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rates.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity Accounts

1. Assets

Investments are stated at fair value, except for non-negotiable certificates of deposit, which are on a cost basis, and short-term money market investments, which are stated at amortized cost. Due from Other Governments includes amounts for shared projects and grants.

Beginning with the 2019 statement year, capital assets are no longer reported on a gross basis. They are now reported on a net (depreciated) basis. Capital assets are still valued at historical or estimated historical cost.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Machinery and Equipment	5 – 10 years
Furniture and Fixtures	7 – 10 years
Buildings and Improvements	15 – 30 years
Vehicles	5 years

The Southwest Prairie Technical Service Area has set the capitalization threshold at \$5,000.

2. Liabilities

Current liabilities include Accounts Payable, Compensated Absences, Unearned Revenue, and Pensions.

Pensions. 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. 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. Investments are reported at fair value.

3. Deferred Outflows/Inflows or 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. The District reports deferred outflows of resources associated with pension. These outflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position. In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The District reports deferred inflows of resources associated with pension benefits. This inflow arises only under the full accrual basis of accounting and, accordingly, is reported only in the statement of net position.

4. Equity

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1)

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

4. Equity (cont.)

external groups such as grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets.”

Fund Financial Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified in accordance with GASB 54. Fund balances are classified as nonspendable, restricted, committed, assigned or unassigned. The classifications are defined by GASB as the following:

- a. Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes but not limited to: prepaid expenses, accrued interest receivable, taxes receivable, inventory, fixed assets.
- b. Restricted – Fund balance is reported as restricted when constraints 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.
- c. Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes internally imposed by formal action of the Board of Directors. It requires formal action by the Board of Directors to remove or change the constraints placed on these resources. Including but not limited to: deferred compensation.
- d. Assigned – Amounts in the assigned fund balance classification are intended to be used by the Board of Directors for specific purposes but do not meet the criteria to be classified as restricted or committed.
- e. Unassigned – Unassigned fund balance is the residual classification of the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

G. Revenues and Expenses

1. Revenues

a. Intergovernmental

Intergovernmental revenues are reported in conformity with the legal and contractual requirements of the individual programs. Generally, grant revenue is recognized when the corresponding expenses are incurred. The Southwest Prairie Technical Service Area also receives an annual appropriation from the county, which is recognized as revenue when received, unless it is received prior to the period to which it applies. In that case, revenue recognition is then deferred until the appropriate period. The Southwest Prairie Technical Service Area does not directly levy taxes of any type and thus has no revenues from non-exchange transactions that required to be reported under GASB Statement No. 33.

b. Other Revenue

Investment income and revenue from charges for services are recognized when earned, since they are measurable and available. Other revenues generally are recognized when they are received in cash because they usually are not measurable until then.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS**

June 30, 2021

2. Expenses

a. Vacation and Sick Leave

Under the Southwest Prairie Technical Service Area's personnel policies, employees are granted vacation leave in varying amounts based on their length of service. Vacation leave accrual varies from 8 to 16 hours per month. Sick leave accrual is 12 days per year. The limit on the accumulation of annual leave is 384 hours and the limit on sick leave is 960 hours. Upon termination from the Southwest Prairie Technical Service Area by retirement, illness or death, employees are paid 100% of accrued vacation leave and 60% of accrued sick leave.

II. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Capital Assets

Changes in Capital Assets:

	Machinery & Equipment	Totals
Primary Government		
Balance, July 1, 2020	\$ 370,257	\$ 370,257
Increases	33,125	33,125
Decreases	<u>(45,465)</u>	<u>(45,465)</u>
Balance, June 30, 2021	<u>357,917</u>	<u>357,917</u>
Accumulated Depreciation		
Balance, July 1, 2020	260,570	260,570
Increases	43,519	43,519
Decreases	<u>(45,465)</u>	<u>(45,465)</u>
Balance, June 30, 2021	<u>258,624</u>	<u>258,624</u>
Capital Assets, Net	<u>\$ 99,293</u>	<u>\$ 99,293</u>

B. Unearned Revenue

Unearned revenue represents advances from the Minnesota Board of Water and Soil Resources (BWSR). Revenues will be recognized when the related program expenses are recorded. Unearned revenue for the year ended June 30, 2021, consists of the following:

Base Grant	\$ 968,057
Total	<u>\$ 968,057</u>

C. Compensated Absences

Changes in compensated absences for the period ended June 30, 2021, are:

Balance - July 1, 2020	\$ 60,163
Net change in compensated absences	<u>6,897</u>
Balance - June 30, 2021	<u>\$ 67,060</u>

There were no compensated absences payable to terminated employees as of June 30, 2020, therefore, the balance at the end of the year is considered to be long-term in nature and no disclosure for a current portion is required.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

D. Deposits

Minnesota Stat. 118A.02 and 118A.04 authorizes the Southwest Prairie Technical Service Area to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board of Supervisors. At June 30, 2020, Southwest Prairie Technical Service Area had a carrying amount of deposits totaling \$1,033,366 and bank balances of \$1,033,376. Minnesota Statutes require that all deposits be covered by insurance, surety bond, or collateral. All deposits are in category 1, low risk type investments.

The bank balances are categorized as follows:

Insured by FDIC Insurance	\$ 279,051
Covered by Collateral	754,325
Uninsured/Uncollateralized	<u>0</u>
Total	<u>\$ 1,033,376</u>

E. Investments

The Southwest Prairie Technical Service Area may also invest idle funds as authorized by Minnesota Statutes as follow: direct obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that received the highest credit rating, are in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better, general obligations of the Minnesota Housing Agency rated “A” or better; bankers’ acceptance of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by corporations or their Canadian subsidiaries, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve

Bank of New York, or certain Minnesota securities broker-dealers. The Southwest Prairie Technical Service Area does not have any investments policies that would further limit investment choices.

The Southwest Prairie Technical Service Area does not carry any investments on its financial statements as of June 30, 2021.

III. DEFINED BENEFIT PENSION PLANS

A. Plan Description

The Southwest Prairie Technical Service Area, participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA’s defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 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 Plan

All Full-time and certain part-time employees of the Southwest Prairie Technical Service Area, are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 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. For 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 Rule of 90 are exempt from the delay to normal retirement.

A. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature.

General Employees Plan Contributions

Coordinated Plan members are required to contribute 6.5% of their annual covered salary for the fiscal year 2020 and the Southwest Prairie Technical Service Area is required to contribute 7.5% for the Coordinated Plan. The Entity's contributions to the General Employees Plan for the year ended June 30, 2021 was \$20,718. The Entity's contributions were equal to the required contributions as set by state statute.

B. Pension Costs

General Employees Fund Pension Costs

At June 30, 2021, the Entity reported a liability of \$215,836 for its proportionate share of the General Employees Fund net pension liability. The Entity's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2020. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Southwest Prairie Technical Service Area, totaled \$6,815. 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 Entity's proportion of the net pension liability was based on the Entity's contributions received

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

B. Pension Costs (cont.)

General Employees Fund Pension Costs

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, the Entity's proportion was .0036% which was an increase of .0001% from its proportion measured as of June 30, 2019.

Southwest Prairie Technical Service Area's proportionate share of net pension liability	\$215,836
State of Minnesota's proportionate share of the net pension	
Liability associated with the Southwest Prairie Technical Service Area	<u>6,815</u>
Total	<u>\$222,651</u>

For the year ended June 30, 2021, the Entity recognized pension expense of \$19,167 for its proportionate share of General Employee Plan's pension expense. In addition, the Entity recognized an additional \$593 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At June 30, 2021, the Entity reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between projected and actual investment earnings	\$3,431	-
Changes in actuarial assumptions	-	\$7,942
Differences between expected and actual economic experience	\$1,916	\$817
Change in proportionate share of net pension liability.	\$4,147	\$4,370
District Contributions Subsequent to the Measurement Date (July 1, 2020 through June 30, 2021)	\$20,718	
Total	\$30,212	\$13,129

A total of \$20,718 reported as deferred outflows of resources related to pensions resulting from District contributions to the General Employees Fund subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year Ended June 30:	Pension Expense Amount
2021	(\$14,115)
2022	(\$211)
2023	\$5,478
2024	\$5,213

Total Pension Expense

The total pension expense for all plans recognized by the Southwest Prairie Technical Service Area for the year ended June 30, 2021, was \$20,718.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

C. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for males or females, appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.25 percent per year for the General Employees Plan .

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions occurred in 2020:

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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:

Domestic Stocks	35.5%	5.10%
International Stocks	25.0%	5.90%
Bonds	20.0%	0.75%
Alternative Assets	17.5%	5.90%
Cash	2.0%	0.00%
Total	100%	

D. Discount Rate

The discount rate used to measure the total pension liability in 2020 was 7.5%. 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.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021**

E. Pension Liability Sensitivity

The following presents the corporation's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the corporation's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERF net pension liability:	\$345,911	\$215,836	\$108,535

F. Pension Plan Fiduciary Net Position

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

IV. RISK MANAGEMENT

The Southwest Prairie Technical Service Area is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, employee health, and natural disasters. To cover these risks, the Southwest Prairie Technical Service Area has purchased commercial insurance. Property and casualty liabilities, errors and omissions and workers' compensation are insured through Minnesota Counties Insurance Trust. The Organization retains risk for the deductible portions of the insurance. The amounts of these deductibles are considered immaterial to the financial statements.

The Minnesota Counties Insurance Trust is a public entity risk pool currently operated as a common risk management and insurance program for its members. There were no significant increases or reductions in insurance from the previous year or settlements in excess of insurance for any of the past three years.

V. OPERATING LEASE

The Southwest Prairie Technical Service Area leases office space for \$2,095 per quarter. Under the current agreement, total costs for 2020-2021 were \$8,381. The terms of the lease state that either party can terminate the agreement with written notice. The lease payment would be pro-rated based on the number of days the space was used. Therefore, no minimum lease requirement can be determined.

VI. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, economic uncertainties may negatively impact net income. Other financial considerations could also impact the District. As of the date of these financial statements, the impact is unknown. No adjustments have been made as a result of this uncertainty.

SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
Statement of Activities and Governmental Revenues, Expenditures and
Changes in Fund Balance
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Vaiaance with Final Budget
Revenues				
Intergovernmental				
Federal	\$ -	\$ -	\$ 141,689	\$ 141,689
State	255,250	255,250	249,421	(5,829)
County	391,750	391,750	250,284	(141,466)
Total Intergovernmental	<u>647,000</u>	<u>647,000</u>	<u>641,394</u>	<u>(5,606)</u>
Miscellaneous				
Interest Income	-	-	1,176	1,176
Other	-	-	1,091	1,091
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>2,267</u>	<u>2,267</u>
Total Revenues	<u>647,000</u>	<u>647,000</u>	<u>643,661</u>	<u>(3,339)</u>
Expenditures				
Personal Services	441,610	441,610	351,472	(90,138)
Other Services and Charges	35,900	35,900	61,732	25,832
Supplies	7,000	7,000	18,294	11,294
Project Expenditures	-	-	192,483	192,483
Capital Outlay	20,000	20,000	33,125	13,125
Total Operations	<u>504,510</u>	<u>504,510</u>	<u>657,106</u>	<u>152,596</u>
Total Expenditures	<u>504,510</u>	<u>504,510</u>	<u>657,106</u>	<u>152,596</u>
Excess of Revenues Over(Under) Expenditures	142,490	142,490	(13,445)	(155,935)
Fund Balance - July 1	<u>74,788</u>	<u>74,788</u>	<u>74,788</u>	<u>-</u>
Fund Balance - June 30	<u>\$ 217,278</u>	<u>\$ 217,278</u>	<u>\$ 61,343</u>	<u>\$ (155,935)</u>

See the Notes to the Financial Statements.

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

Basis of Presentation

The budgetary comparison schedule has been prepared on the modified accrual basis of accounting.

Budgetary Legal Requirements

Budgets are adopted on a basis consistent with generally accepted accounting principles. The budget is used during the fiscal year as a tool to monitor actual revenues and expenditures.

The budget is adopted through the passage of a resolution by the board of trustees. Any revision that alters the total expenditures of any fund must be approved by the board of trustees. Appropriations lapse at the end of each year.

Schedule of Proportionate Share of the Net Pension Liability

Southwest Prairie Technical Service Area
 PERA General Employees Retirement Fund
 Required Supplementary Information (Last Ten Years*)

Fiscal Year Ending	Proportion (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City of Storden, MN (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City of Storden, MN (a+b)	Covered Employee Payroll (c)	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered- Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2020	0.0036%	\$215,836	\$6,815	\$222,651	\$259,957	85.65%	79.10%
June 30, 2019	0.0035%	\$193,507	\$6,000	\$199,507	\$248,952	80.14%	80.20%
June 30, 2018	0.0036%	\$199,713	\$6,519	\$206,232	\$242,512	85.04%	79.50%
June 30, 2017	0.0037%	\$236,206	\$0	\$236,206	\$235,933	100.12%	75.90%
June 30, 2016	0.0028%	\$227,346	\$0	\$227,346	\$177,364	128.18%	78.20%
June 30, 2015							
June 30, 2014							
June 30, 2013							
June 30, 2012							
June 30, 2011							

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2016.

Schedule of Contributions

Southwest Prairie Technical Service Area
 PERA General Employees Retirement Fund
 Required Supplementary Information (Last Ten Years*)

Fiscal Year Ended	Contributions in Relation to the		Contributions Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)			
June 30, 2020	\$19,497	\$19,497	\$0	\$259,957	7.50%
June 30, 2019	\$18,672	\$18,672	\$0	\$248,952	7.50%
June 30, 2018	\$18,188	\$18,188	\$0	\$242,512	7.50%
June 30, 2017	\$17,695	\$17,695	\$0	\$235,933	7.50%
June 30, 2016	\$13,302	\$13,302	\$0	\$177,364	7.50%
June 30, 2015					
June 30, 2014					
June 30, 2013					
June 30, 2012					
June 30, 2011					

* Schedule is to be provided prospectively beginning with the employer's fiscal year ended June 30, 2016.

DANIELLE L. BERG, LTD.

Certified Public Accountant

Danielle Berg, CPA

PO Box 262
Slayton, MN 56172

432 Legion Field Road
Marshall, MN 56258

(507) 836-8505
Fax(507) 836-8506

Pamela Jacobson
Kristel Nelson

Wendy Forsberg
Sabrina Vosberg

(507) 532-9674
Fax(507)532-9676

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

Southwest Prairie Technical Service Area
2740 22nd Street Suite 3
Slayton, MN 56172

We have audited the financial statements of the governmental activities and the major fund, the general fund, of Southwest Prairie Joint Powers Organization as of and for the year ended June 30, 2021, which collectively comprise the Southwest Prairie Technical Service Area's basic financial statements and have issued our report thereon dated December 29, 2021. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Southwest Prairie Technical Service Area's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Southwest Prairie Technical Service Area's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Southwest Prairie Technical Service Area's internal control over financial reporting.

A *deficiency in internal control* 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questionable costs that we consider to be significant deficiencies in internal control over financial reporting; 2021-1 and 2021-2. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Southwest Prairie Technical Service Area's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 that are required to be reported under *Government Auditing Standards*.

Southwest Prairie Technical Service Area's response to the findings identified in our audit is described in the accompanying schedule of findings and recommendations. We did not audit the entity's response and, accordingly, we express no opinion on it.

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Danielle L. Berg, Ltd.
Certified Public Accountant

December 21, 2021

**SOUTHWEST PRAIRIE TECHNICAL SERVICE AREA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED JUNE 30, 2021**

Internal Controls:

Significant Deficiency – Not a Material Weakness

2021-1. FINDING – Segregation of Duties

Condition – Although we recognize that the Entity is not large enough to permit adequate segregation of duties in all respects, it is important that you are aware of this significant deficiency. This comment should not reflect negatively on the staff and is based solely on staff size.

Criteria – A good internal control contemplates adequate segregation of duties so that no one individual handles transactions from inception to completion. Internal controls should be in place to ensure that all financial transactions are reviewed and approved.

Effect – Without the proper segregation of duties, errors, fraud, or even theft in amounts material to the financial statements could occur and not be detected within a timely period.

Response/Corrective Plan of Action – Every effort will be made to ensure that all transactions are reviewed by other staff members or a member of the board. Training will be made available when deemed necessary.

2021-2. FINDING – Financial Statement Disclosures

Condition – Certain required financial statement accounts and related notes to the financial statements were not correctly reported in the annual report.

Criteria – Proper financial statement reporting requires that the responsible party has the proper training and knowledge to prepare the financial statements and related note disclosures in accordance with generally accepted accounting principles (GAAP) and government auditing standards board (GASB) requirements. Internal controls should be in place to ensure that those preparing financial statements and related note disclosures are properly trained.

Effect – Without proper training and knowledge, the financial statements and related note disclosures will not be in accordance with GAAP and GASB requirements.

Recommendation – A responsible person should be assigned to receive annual training on changes in disclosure requirements or an outside party with such knowledge should be contracted to review all financial statements and reports before their release.

Response/Corrective Plan of Action – The board realizes that it is not cost effective to staff a person with the required knowledge but will consider using an outside party to review statements and disclosures before release.

DANIELLE L. BERG, LTD.

Certified Public Accountants

Danielle Berg, CPA

PO Box 262
Slayton, MN 56172

432 Legion Field Road
Marshall, MN 56258

(507) 836-8505
Fax(507) 836-8506

Pamela Jacobson
Kristel Nelson

Wendy Forsberg
Sabrina Vosberg

(507) 532-9674
Fax(507)532-9676

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Southwest Prairie Technical Service Area
2740 22nd Street Suite 3
Slayton, MN 56172

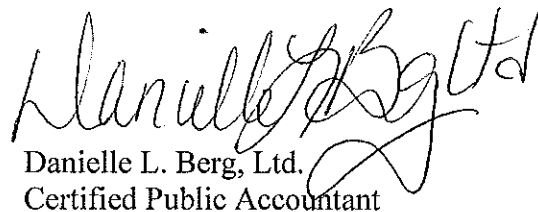
We have audited the accompanying financial statements of the governmental activities and the major fund, the general fund, of the Southwest Prairie Technical Service Area, as of and for the year ended June 30, 2021 and have issued our report thereon dated December 29, 2021.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minnesota Statutes §6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing and miscellaneous provisions. Our study included all of the listed categories except public indebtedness and tax increment financing which do not apply to the entity.

The results of our tests indicate that for the items tested, the Southwest Prairie Technical Service Area complied with the material terms and conditions of applicable legal provisions. Further, for the items not tested, based on our audit and the procedures referred to above, nothing came to our attention to indicate that the Southwest Prairie Technical Service Area had not complied with such legal provisions.

This report is intended for the information of the Southwest Prairie Technical Service Area and management, and is not intended to be, and should not be, used by anyone other than the specified parties.



Danielle L. Berg, Ltd.
Certified Public Accountant

December 29, 2021