

Counties Providing Technology

Financial Statements

December 31, 2023

Counties Providing Technology

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INTRODUCTORY SECTION

Counties Providing Technology

Organization
December 31, 2023

Wade Athey	Director	Big Stone County
Norman Holmen	Director	Cottonwood County
Charlie Meyer	Director	Douglas County
Troy Johnson	Director	Grant County
Roger Imdieke	Director	Kandiyohi County
Joe Drietz	Director	Lincoln County
Paul Graupmann	Director	Lyon County
Karen Ahmann	Director	Mahnomen County
Rolland Miller	Director	Marshall County
Paul Johnson	Director	Meeker County
Gene Metz	Director	Nobles County
Jesse Lee	Director	Norman County
Christopher Hollingsworth	Director	Pipestone County
Larry Lindor	Director	Pope County
Rick Wakefield	Director	Redwood County
Randy Kramer	Director	Renville County
Jim Abbe	Director	Steele County
Bob Kopitzke	Chair	Stevens County
Edward Pederson	Director	Swift County
Randy Neumann	Director	Todd County
Jerrel Olson	Director	Traverse County
Michael Weyer	Director	Wadena County
Dennis Larson	Director	Wilkin County
Ron Antony	Director	Yellow Medicine County
Mike Koehler	Executive Director	--

FINANCIAL SECTION

Independent Auditors' Report

To the Joint Powers Board of
Counties Providing Technology

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Counties Providing Technology (Organization), as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2023, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Additional Information

Management is responsible for the accompanying introductory section (the "additional information"), which is presented for purposes of additional analysis and is not a required part of the basic financial statements. Our opinion on the basic financial statements does not cover the additional information, and we do not express an opinion or any form of assurance thereon.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2024 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Eau Claire, Wisconsin
April 29, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Counties Providing Technology

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Counties Providing Technology's (Organization) financial activities for the year ended December 31, 2023. Since this information is designed to focus on the current period's activities, resulting changes, and currently known facts, it should be read in conjunction with the Organization's basic financial statements that follow this section.

Financial Highlights

Total net position is \$4,647,355, of which \$2,783,431 is the net investment in capital assets. The remaining \$1,863,924 is comprised of various components of which a substantial amount relates to deferred outflows of resources which are not available to meet ongoing obligations to its member counties and customers. Cash and accounts receivable exceeded current liabilities by approximately \$2,133,000 as of December 31, 2023.

The Organization's net position increased by \$443,017 for the year ended December 31, 2023, resulting from the net operating activity for the period.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. The basic financial statements consist of two parts: (1) basic financial statements and (2) notes to the financial statements. This report also contains other required supplementary information.

Basic Financial Statements

The Organization's basic financial statements are designed to provide readers with a broad overview of the Organization's finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Organization using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities, and deferred inflows of resources) being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Organization is improving or deteriorating. It is important to consider nonfinancial factors to assess the overall health of the Organization.

The Statement of Revenues, Expenses, and Changes in Net Position presents the Organization's revenues and expenses during the period. All of the services provided by the Organization, and the related cost to provide those services, are reported here.

The Statement of Cash Flows presents information on cash inflows and cash outflows that occurred during the period.

The basic financial statements are included on pages 9 through 11 of this report.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements are on pages 12 through 25 of this report.

Counties Providing Technology

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Financial Analysis

Over time, net position serves as a useful indicator of the Organization's financial position. The Organization's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4,647,355 at the close of 2023. The largest portion of the net position (59.9%) reflects the net investment in capital assets (for example: intangible assets and development in progress), less any related outstanding debt used to acquire or develop those assets. However, it should be noted that these assets are not available for future spending or for liquidating any outstanding debt. Comparative data for 2022 is presented.

Net Position

	<u>2023</u>	<u>2022</u>
Assets:		
Current assets	\$ 2,651,944	\$ 2,548,642
Capital assets	<u>2,783,431</u>	<u>2,145,437</u>
Total assets	<u>5,435,375</u>	<u>4,694,079</u>
Deferred outflows of resources:		
Excess consideration provided for acquisition	714,167	904,612
Deferred pension outflows	<u>390,502</u>	<u>430,825</u>
Total deferred outflows of resources	<u>1,104,669</u>	<u>1,335,437</u>
Liabilities:		
Current liabilities	445,133	456,647
Noncurrent liabilities	<u>1,101,401</u>	<u>1,334,387</u>
Total liabilities	<u>1,546,534</u>	<u>1,791,034</u>
Deferred inflows of resources:		
Deferred pension inflows	<u>346,155</u>	<u>34,144</u>
Net position:		
Net investment in capital assets	2,783,431	2,145,437
Unrestricted	<u>1,863,924</u>	<u>2,058,901</u>
Total net position	<u>\$ 4,647,355</u>	<u>\$ 4,204,338</u>

Counties Providing Technology

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

The Organization's activities increased net position by \$443,017 during 2023. Key elements in this increase in net position are as follows for 2023, with comparative data for 2022:

Changes in Net Position

	<u>2023</u>	<u>2022</u>
Operating revenues:		
Charges for services	\$ 2,603,008	\$ 2,574,351
Intergovernmental	-	5,427
Miscellaneous	175,520	182,327
Total operating revenues	<u>2,778,528</u>	<u>2,762,105</u>
Operating expenses:		
Salaries and related employee benefits and payroll taxes	1,526,098	1,588,635
Professional services	211,342	118,455
Other operating expenses	250,838	202,276
Amortization expense	385,800	385,800
Depreciation expense	28,797	13,945
Total operating expenses	<u>2,402,875</u>	<u>2,309,111</u>
Operating income	<u>375,653</u>	<u>452,994</u>
Nonoperating revenues:		
Investment income	67,364	6,334
Total nonoperating revenues	<u>67,364</u>	<u>6,334</u>
Income before contributions	<u>443,017</u>	<u>459,328</u>
Contributions:		
Capital contributed by member counties	-	170,000
Total contributions	<u>-</u>	<u>170,000</u>
Change in net position	443,017	629,328
Net position, beginning	<u>4,204,338</u>	<u>3,575,010</u>
Net position, ending	<u>\$ 4,647,355</u>	<u>\$ 4,204,338</u>

Budgetary Highlights

Actual revenues were approximately \$125,000 greater than budgeted mainly due to an increase in miscellaneous charges and investment income. Actual expenditures were approximately \$297,000 less than budgeted mainly due to a decrease in salaries and related employee benefits.

Counties Providing Technology

Management's Discussion and Analysis
December 31, 2023
(Unaudited)

Capital Asset Administration

The Organization's capital assets at December 31, 2023, totaled \$2,783,431 (net of accumulated amortization and depreciation). This investment in capital assets includes intangible assets, buildings, machinery & equipment, and development in progress. Capital assets are as follows for 2023, with comparative data for 2022:

Capital Assets at Year-End (Net of Amortization and Depreciation)

	<u>2023</u>	<u>2022</u>
Intangible, technology	\$ 260,300	\$ 315,100
Intangible, customer relationships	527,084	667,639
Buildings	240,000	-
Equipment	61,896	60,899
Development in progress	<u>1,694,151</u>	<u>1,101,799</u>
Total	<u>\$ 2,783,431</u>	<u>\$ 2,145,437</u>

Additional information about the Organization's capital assets can be found in Note 2 to the financial statements.

Economic Factors and Next Year's Budgets

The members of the Organization's Joint Powers Board considered many factors when setting the 2024 budget.

- Changes to economic factors are anticipated to have a minimal effect on the Organization as the demand for its services is expected to remain fairly constant regardless of changes in economic factors due to the long-term contracts that the Organization currently has in place with various counties located in the States of Minnesota and North Dakota.
- The Joint Powers Board approved the Organization's 2024 budget with an increase of revenues and expenditures compared to the 2023 budget. The main reason for the increase in revenues is hosting fees and charges for services for North Dakota customers. The increase in expenditures is for payroll cost-of-living increase, professional fees for services and large equipment and furniture.

Requests for Information

This financial report is designed to provide a general overview of Counties Providing Technology's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Stevens County Auditor/Treasurer, Stevens County Courthouse, 400 Colorado Avenue, Suite 303, Morris, Minnesota 56267.

BASIC FINANCIAL STATEMENTS

Counties Providing Technology

Statement of Net Position

December 31, 2023

Assets and Deferred Outflows of Resources

Current Assets

Cash and investments	\$ 2,577,832
Accrued interest	20,156
Due from other governments	647
Prepaid expenses	53,309
Total current assets	<u>2,651,944</u>

Noncurrent Assets

Capital assets:	
Development in progress	1,694,151
Other intangible assets, net of amortization	787,384
Other capital assets, net of depreciation	301,896
Total noncurrent assets	<u>2,783,431</u>
Total assets	<u>5,435,375</u>

Deferred Outflows of Resources

Excess consideration provided for acquisition	714,167
Pension related amounts	390,502
Total deferred outflows of resources	<u>1,104,669</u>

Liabilities, Deferred Inflows of Resources and Net Position

Current Liabilities

Accounts payable	11,838
Due to other governments	53
Accrued liabilities	39,116
Current portion of accrued compensated absences	103,726
Unearned revenues	290,400
Total current liabilities	<u>445,133</u>

Noncurrent Liabilities

Noncurrent portion of accrued compensated absences	106,045
Net pension liability	995,356
Total noncurrent liabilities	<u>1,101,401</u>

Total liabilities	<u>1,546,534</u>
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Deferred Inflows of Resources

Pension related amounts	346,155
Total deferred inflows of resources	<u>346,155</u>

Net Position

Net investment in capital assets	2,783,431
Unrestricted	1,863,924
Total net position	<u>\$ 4,647,355</u>

See notes to financial statements

Counties Providing Technology

Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2023

Operating Revenues

Charges for services	\$ 2,603,008
Miscellaneous	175,520
	<hr/>
Total operating revenues	2,778,528

Operating Expenses

Salaries, employee benefits and payroll taxes	1,498,048
Board per diem	28,050
Professional services	211,342
Cleaning	7,040
Meals, lodging and travel	27,617
Furniture and equipment	26,469
Utilities	40,421
Supplies	6,736
Printing and advertising	1,290
Staff training	10,500
Software and licenses	121,096
Miscellaneous	9,669
Amortization expense	385,800
Depreciation expense	28,797
	<hr/>
Total operating expenses	2,402,875

Operating income 375,653

Nonoperating Revenues

Investment income	67,364
	<hr/>
Total nonoperating revenues	67,364

Change in net position 443,017

Net Position, Beginning 4,204,338

Net Position, Ending \$ 4,647,355

Counties Providing Technology

Statement of Cash Flows

Year Ended December 31, 2023

Cash Flows From Operating Activities

Received from customers	\$ 2,821,653
Paid to suppliers for goods and services	(865,419)
Paid to employees for services	(1,014,361)

Net cash flows from operating activities 941,873

Cash Flows From Investing Activities

Marketable securities purchased	(1,301,093)
Marketable securities sold	645,419
Investment income	47,640

Net cash flows from investing activities (608,034)

Cash Flows From Capital and Related Financing Activities

Acquisition of capital assets	(862,146)
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Net cash flows from capital and related financing activities (862,146)

Net change in cash and cash equivalents (528,307)

Cash and Cash Equivalents, Beginning 1,805,046

Cash and Cash Equivalents, Ending \$ 1,276,739

Reconciliation of Operating Income to Net Cash Flows

From Operating Activities

Operating income	\$ 375,653
Adjustments to reconcile operating income to net cash flows from operating activities:	
Amortization	385,800
Depreciation	28,797
Changes in assets, deferred outflows, liabilities and deferred inflows:	
Accounts receivable	6,525
Due from other governments	36,600
Prepaid expenses	664
Accounts payable	2,882
Due to other governments	(317)
Accrued liabilities and compensated absences	(6,896)
Pension related deferrals and liability	112,165

Net cash flows from operating activities \$ 941,873

Reconciliation of Cash and Cash Equivalents to the Statement of Net Position

Cash and investments	\$ 2,577,832
Less noncash equivalents	(1,301,093)

Cash and cash equivalents \$ 1,276,739

See notes to financial statements

Counties Providing Technology

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December 31, 2023

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Counties Providing Technology

Notes to Financial Statements
December 31, 2023

1. Summary of Significant Accounting Policies

The accounting policies of Counties Providing Technology (the Organization) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

Reporting Entity

Counties Providing Technology is a joint powers governmental organization established in 2018, under authority conferred upon by member parties by Minn. Stat. § 471.59, for the purpose of purchasing the former software vendor, Computer Professionals Unlimited, Inc., (CPUI) and to provide for the development, operation and maintenance of technology applications and systems. Members of the Organization are: Big Stone, Cottonwood, Douglas, Grant, Kandiyohi, Lincoln, Lyon, Mahnomon, Marshall, Meeker, Nobles, Norman, Pipestone, Pope, Redwood, Renville, Steele, Stevens, Swift, Todd, Traverse, Wadena, Wilkin and Yellow Medicine Counties.

Control is vested in the Organization's Joint Powers Board, which consists of one Director and one alternate Director appointed by each member county's Board of Commissioners.

Stevens County is the fiscal host for the Organization.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounts of the Organization are presented as an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services be financed or recovered primarily through user charges.

Enterprise funds distinguish operating revenues from nonoperating items. Operating revenues generally result from providing and delivering services in connection with a principal ongoing activity. All revenues not meeting this definition are reported as nonoperating revenues. The principal operating revenues of the Organization are charges for services related to providing and supporting computer-based information systems.

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

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.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position

Deposits and Investments

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota statutes authorize the Joint Powers Board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Investments are limited to:

- Bonds, notes, bills, mortgages and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities or organizations created by Congress.
- State and local securities that meet specified bond ratings by a national rating service.
- Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.
- Banker's acceptances of United States banks.

The Organization has adopted an investment policy. This policy follows the state statutes for allowable investments.

Custodial Credit Risk

The Organization will obtain collateral or bond for all uninsured amounts on deposit and will obtain necessary documentation to show compliance with state law and a perfected security interest under federal law. For investments, the Organization's policy is to permit brokers that obtained investments for the Organization to hold them only to the extent Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage are available.

Credit Risk

The Organization will only invest in securities that meet the ratings requirements set by state statute.

Concentration of Credit Risk

The Organization will diversify the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The Organization has approved various maximum percentage constraints by type of security and issuer.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Interest Rate Risk

The Organization will structure the investment portfolio to attempt to match its securities with anticipated cash flow requirements. Unless matched to a specific cash flow, the Organization will not invest in securities maturing more than one year from the date of purchase.

Investments are generally stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income.

See Note 2 for further information.

Receivables

Receivables consist of charges for services to customers and investment income accrued on the Organization's investments and have been adjusted for all known uncollectible accounts. No allowance is considered necessary at year-end.

Prepaid Items

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

Capital Assets

Capital assets, which include property, plant, equipment and intangible assets, are reported in the basic financial statements. Capital assets are defined by the Organization as assets with an estimated useful life in excess of two years and an initial cost of \$5,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocation expense in the statement of revenues, expenses and changes in net position, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization 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:

Improvements other than buildings	5-40 years
Buildings and building improvements	5-40 years
Machinery, equipment and vehicles	3-20 years
Intangibles	9-10 years

Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense) until that future time.

The excess consideration provided for acquisition reported as a deferred outflow of resources is related to the purchase described in Note 1. The acquisition of the net position acquired as of the acquisition date was determined to be \$1,714,000. This deferred outflow of resources is being amortized over a useful life of 9 years, which resulted in amortization expense of \$190,445 during the current period and accumulated amortization of \$999,833.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Compensated Absences

Under terms of employment, employees are granted vacation and sick leave balances in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave is accrued when incurred in the financial statements.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2023 are determined on the basis of salary rates in effect at that time and include salary related benefits.

Long-Term Obligations

All long-term obligations to be repaid from the Organization's resources are reported as liabilities on the statement of net position. The long-term obligations consist primarily of accrued compensated absences.

Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

Equity Classifications

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

- a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position** - All other net position that does not meet the definition of restricted or net investment in capital assets.

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

Pension

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

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

2. Detailed Notes on All Funds

Deposits and Investments

The Organization's cash and investments at year-end were comprised of the following:

	<u>Carry Value</u>	<u>Bank Balance</u>	<u>Associated Risks</u>
Demand deposits	\$ 460,146	\$ 340,837	Custodial credit
Money market	816,593	816,593	Custodial credit
			Custodial credit, interest rate, credit, concentrations of credit
Negotiable certificates of deposit	<u>1,301,093</u>	<u>1,301,093</u>	
Total cash and investments	<u>\$ 2,577,832</u>	<u>\$ 2,458,523</u>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit amounts (interest-bearing and noninterest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be in cash. Additionally, through Lloyds of London, accounts have additional securities coverage up to a firm aggregate limit of \$900 million.

Deposits in accounts at Bremer Bank are also secured by a Federal Home Loan Bank letter of credit of \$1,350,000.

The Organization categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Negotiable certificates of deposit: Matrix pricing based on the securities' relationship to benchmark quoted prices.

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Negotiable certificates of deposit	\$ -	\$ 1,301,093	\$ -	\$ 1,301,093
Total	<u>\$ -</u>	<u>\$ 1,301,093</u>	<u>\$ -</u>	<u>\$ 1,301,093</u>

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Custodial Credit Risk

Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, deposits may not be returned to the Organization. The Organization does not have any deposits exposed to custodial credit risk.

Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Organization will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Organization does not have any investments exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Organization has various investments in negotiable certificates of deposit that are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the Organization's investment in a single issuer.

At December 31, 2023, the Organization's investment portfolio was concentrated as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Truist Bk Charlotte NC	Negotiable certificate of deposit	15.37%
Morgan Stanley Private BK Natl	Negotiable certificate of deposit	18.13%
Associated Bk Natl Assn Green	Negotiable certificate of deposit	16.08%
Partners Bk New England Sanford	Negotiable certificate of deposit	15.38%
Bank of China New York City	Negotiable certificate of deposit	16.40%
Charles Schwab Bk Ssb Westlake	Negotiable certificate of deposit	18.64%

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2023, information related to the Organization's potential investment risks were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>		
		<u>Less Than 1 Year</u>	<u>1 - 5 Years</u>	<u>5+ Years</u>
Negotiable certificates of deposit	\$ 1,301,093	\$ 1,301,093	\$ -	\$ -
Total	\$ 1,301,093	\$ 1,301,093	\$ -	\$ -

See Note 1 for further information on deposit and investment policies.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Receivables and Unearned Revenues

Receivables for the Organization as of December 31, 2023 are \$20,803 and all are expected to be collected in one year.

As of December 31, 2023, unearned revenue on the statement of net position was \$290,400. This unearned revenue is related to payments made by customers for the tax rewrite software that were received prior to completion of the project.

Capital Assets

Capital asset activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Capital assets not being depreciated/amortized:				
Development in progress	\$ 1,101,799	\$ 592,352	\$ -	\$ 1,694,151
Total capital assets not being depreciated/amortized	<u>1,101,799</u>	<u>592,352</u>	<u>-</u>	<u>1,694,151</u>
Capital assets being depreciated/amortized:				
Buildings	-	250,000	-	250,000
Machinery and equipment	89,157	19,794	-	108,951
Intangibles, technology	548,000	-	-	548,000
Intangibles, customer relationships	1,265,000	-	-	1,265,000
Total capital assets being depreciated/amortized	<u>1,902,157</u>	<u>269,794</u>	<u>-</u>	<u>2,171,951</u>
Less accumulated depreciation/amortization for:				
Buildings	-	(10,000)	-	(10,000)
Machinery and equipment	(28,258)	(18,797)	-	(47,055)
Intangibles, technology	(232,900)	(54,800)	-	(287,700)
Intangibles, customer relationships	(597,361)	(140,555)	-	(737,916)
Total accumulated depreciation/amortization	<u>(858,519)</u>	<u>(224,152)</u>	<u>-</u>	<u>(1,082,671)</u>
Net capital assets being depreciated/amortized	<u>1,043,638</u>	<u>45,642</u>	<u>-</u>	<u>1,089,280</u>
Total capital assets, net of depreciation/amortization	<u>\$ 2,145,437</u>	<u>\$ 637,994</u>	<u>\$ -</u>	<u>\$ 2,783,431</u>

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Other liabilities:					
Compensated absences	\$ 216,743	\$ 103,766	\$ 110,738	\$ 209,771	\$ 103,726
Total long-term liabilities	<u>\$ 216,743</u>	<u>\$ 103,766</u>	<u>\$ 110,738</u>	<u>\$ 209,771</u>	<u>\$ 103,726</u>

Future payments of compensated absences do not have an estimated payment schedule. These liabilities will be liquidated by the Organization as they become due.

Net Position

Net position reported on the statement of net position at December 31, 2023 includes the following:

Net investment in capital assets:	
Development in progress	\$ 1,694,151
Intangible assets	1,813,000
Buildings, machinery and equipment	358,951
Less accumulated depreciation / amortization	<u>(1,082,671)</u>
	<u>\$ 2,783,431</u>

3. Other Information

Employees' Retirement System

Public Employees Retirement Association (PERA)

Plan Description. The Organization 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 Organization are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. 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. In 2023, legislation repealed the statute delaying increases for members retiring before full retirement age.

Contributions. *Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2023 and the Organization was required to contribute 7.50% for Coordinated Plan members. The Organization's contributions to the General Employees Fund for the year ended December 31, 2023 were \$106,403. The Organization's contributions were equal to the required contributions as set by state statute.

General Employees Fund Pension Costs. At December 31, 2023, the Organization reported a liability of \$995,356 for its proportionate share of the General Employees Fund's net pension liability. The Organization's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 Organization totaled \$27,452. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportionate share of the net pension liability was based on the Organization's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2022 through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. The Organization's proportionate share was 0.0178% at the end of the measurement period and 0.0156% for the beginning of the period.

Organization's proportionate share of the net pension liability	\$ 995,356
State of Minnesota's proportionate share of the net pension liability associated with the Organization	<u>27,452</u>
Total	<u>\$ 1,022,808</u>

For the year ended December 31, 2023, the Organization recognized pension expense of \$221,639 for its proportionate share of the General Employees Plan's pension expense. In addition, the Organization recognized an additional \$123 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 December 31, 2023, the Organization 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	\$ 32,578	\$ 6,202
Changes in actuarial assumptions	146,268	272,819
Net difference between projected and actual investment earnings	-	55,124
Changes in proportion	156,161	12,010
Contributions paid to PERA subsequent to the measurement date	<u>55,495</u>	<u>-</u>
Total	<u>\$ 390,502</u>	<u>\$ 346,155</u>

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

The \$55,495 reported as deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Years Ending December 31</u>	<u>Deferred Outflows of Resources and Deferred Inflows of Resources (Net)</u>
2024	\$ 69,390
2025	(110,678)
2026	51,732
2027	(21,592)

Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	<u>100%</u>	

Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 7.0%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates deemed to be reasonable by the actuary. An investment return of 7.0% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 27 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2022. The assumption changes were adopted by the Board and became effective with the July 1, 2023 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2023:

General Employees Fund

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.5% to 7.0%.

Changes in Plan Provisions:

- An additional one-time direct state aid contribution to \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010 was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

Discount Rate

The discount rate used to measure the total pension liability in 2023 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current plan members. 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.

Counties Providing Technology

Notes to Financial Statements
December 31, 2023

Pension Liability Sensitivity

The following presents the Organization'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 Organization'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:

	1% Decrease in Discount Rate (6.00%)	Current Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
The Organization's proportionate share of the General Employees Fund net pension liability	\$ 1,760,865	\$ 995,356	\$ 365,696

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.

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past two years. There were no significant reductions in coverage compared to the prior year.

Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments are recorded in the financial statements as expenses when the related liabilities are incurred.

From time to time, the Organization may be party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the Organization's attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the Organization's financial position or results of operations.

Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 100, *Accounting Changes and Error Corrections—an Amendment of GASB Statement No. 62*
- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*

When they become effective, application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Counties Providing Technology

Schedule of Employer's Proportionate Share of the Net Pension Liability - PERA General Employees Retirement Fund Year Ended December 31, 2023

Employer Fiscal Year-End Date	PERA Fiscal Year-End Date (Measurement Date)	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated With the Employer (b)	Employer and State's Proportionate Share of the Net Pension Liability Associated With Employer (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/2023	6/30/2023	0.0178%	\$ 995,356	\$ 27,452	\$ 1,022,808	\$ 1,418,706	70.16%	83.10%
12/31/2022	6/30/2022	0.0156%	1,235,525	36,318	1,271,843	1,170,982	105.51%	76.70%
12/31/2021	6/30/2021	0.0161%	687,542	21,007	708,549	1,160,652	59.24%	87.00%
12/31/2020	6/30/2020	0.0144%	863,346	26,723	890,069	1,027,684	84.01%	79.10%
12/31/2019	6/30/2019	0.0125%	691,097	21,499	712,596	699,210	98.84%	80.20%

Schedule of Employer Contributions - PERA General Employees Retirement Fund Year Ended December 31, 2023

Employer Fiscal Year-End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/2023	\$ 109,474	\$ 109,474	\$ -	\$ 1,459,660	7.50%
12/31/2022	91,962	91,962	-	1,226,152	7.50%
12/31/2021	92,946	92,946	-	1,239,280	7.50%
12/31/2020	85,796	85,796	-	1,143,935	7.50%
12/31/2019	72,669	72,669	-	968,932	7.50%

See notes to required supplementary information

Counties Providing Technology

Notes to Required Supplementary Information
Year Ended December 31, 2023

1. Public Employees Retirement Association (PERA)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The Organization is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented. For purposes of these schedules, covered payroll is defined as pensionable wages.

Changes in Benefit Terms

There were no changes of benefit terms for any participating employer in the PERA.

Changes in Assumptions and Plan Provisions

General Employees Fund

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

Counties Providing Technology

Notes to Required Supplementary Information
Year Ended December 31, 2023

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% 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 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General 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 annuitant 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% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Counties Providing Technology

Notes to Required Supplementary Information
Year Ended December 31, 2023

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The mortality 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.

**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Joint Powers Board of
Counties Providing Technology

We have audited, in accordance with the 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 (*Government Auditing Standards*), the financial statements of Counties Providing Technology (the Organization), which comprise the Organization's statement of financial position as of December 31, 2023, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 29, 2024.

Report on Internal Control Over Financial Reporting

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

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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a 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. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001, that we consider to be a material weakness.

Report on Compliance and Other Matters

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

Minnesota Legal Compliance

In connection with our audit, nothing came to our attention that caused us to believe that the Organization failed to comply with the provisions of the contracting - bid laws, depositories of public funds and public 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 the Organization's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The Organization's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the Organization's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is 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.



Eau Claire, Wisconsin
April 29, 2024

Counties Providing Technology

Schedule of Findings and Responses
Year Ended December 31, 2023

Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*

Finding 2023-001: Material Weakness - Internal Control Over Financial Reporting

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements are complete and accurate.

Condition: There is a lack of controls over the year-end financial reporting process. We, as your auditors, prepared the Organization's financial statements. However, management reviewed, approved and accepted responsibility for the financial statements prior to their issuance. In addition, a material journal entry was discovered during the course of the audit.

Cause: The Organization has chosen to have the auditors prepare its annual financial statements.

Effect: Because of the lack of controls over year-end financial reporting, your financial statements may not contain all of the required disclosures and account balances and material errors could go undetected. In addition, the Organization's annual financial statements are not available to the Joint Powers Board, management and other personnel until they are completed by the auditors.

Recommendation: Policies and procedures related to the year-end financial reporting process should be reviewed to determine whether improvements to the timeliness of accurate financial information are feasible. Management and the Joint Powers Board should continue to make a reasonable effort to be knowledgeable about the Organization's financial condition and financial reporting requirements.

Management's Response: The Organization has limited personnel with the appropriate knowledge and experience to prepare the complete set of financial statements. The Auditor/Treasurer of the Organization's fiscal host is the primary person involved in preparing year-end adjusting journal entries for the audit with no back up for this portion of duties.

Minnesota Legal Compliance Findings

None