State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Minnesota Counties Information Systems
Grand Rapids, Minnesota

Two Years Ended December 31, 2020

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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Minnesota Counties Information Systems
Grand Rapids, Minnesota

Two Years Ended December 31, 2020

Audit Practice Division
Office of the State Auditor
State of Minnesota

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

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MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

ORGANIZATION
DECEMBER 31, 2020

Name	Representing
Board Member	
Kirk Peysar	Aitkin County
Kyle Holmes	Carlton County
Sandra Norikane	Cass County
Michelle May	Chippewa County
Braidy Powers	Cook County
Amber Peratalo	Itasca County
Tina Von Eschen	Kanabec County
Jaci Nagle	Koochiching County
Angie Djonne	Lac qui Parle County
Linda Libal	Lake County
Nancy Nilsen	St. Louis County
Diane Arnold	Sherburne County
Executive Director	
Lyle Eidelbes	

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Minnesota Counties Information Systems
Grand Rapids, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Minnesota Counties Information Systems (MCIS) as of and for the two years ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the MCIS' 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the MCIS' 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 MCIS' 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.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the MCIS as of December 31, 2020, and the changes in its financial position and its cash flows for the two years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principles

As discussed in Note 1.G to the financial statements, during the two years ended December 31, 2020, the MCIS adopted new accounting guidance by implementing the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

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, although not part of the basic financial statements, is required by the GASB, 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

December 13, 2021

BASIC FINANCIAL STATEMENTS

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2020

Assets		
Current assets		
Cash and cash equivalents	$	1,186,364
Petty cash and change funds		400
Due from other governments		35,081
Total current assets	**$**	**1,221,845**
Noncurrent assets		
Capital assets		
Depreciable	$	811,942
Less: accumulated depreciation		(279,076)
Net capital assets	**$**	**532,866**
Total Assets	**$**	**1,754,711**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	53,884
Deferred pension outflows		273,106
Total Deferred Outflows of Resources	**$**	**326,990**
Liabilities		
Current liabilities		
Accounts payable	$	9,499
Salaries payable		15,758
Due to other governments		5
Severance payable		93,450
Total current liabilities	**$**	**118,712**
Noncurrent liabilities		
Other postemployment benefits liability	$	242,403
Net pension liability		680,241
Total noncurrent liabilities	**$**	**922,644**
Total Liabilities	**$**	**1,041,356**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**54,845**
Net Position		
Investment in capital assets	$	532,866
Unrestricted		452,634
Total Net Position	**$**	**985,500**

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

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT 2

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE TWO YEARS ENDED DECEMBER 31, 2020

Operating Revenues		
Charges for services		
Aitkin County	$	268,319
Carlton County		269,977
Cass County		298,345
Chippewa County		215,732
Cook County		221,885
Itasca County		293,768
Koochiching County		229,315
Lac qui Parle County		173,031
Lake County		230,211
St. Louis County		466,782
Sherburne County		262,626
Nonmember counties		32,453
Total charges for services	**$**	**2,962,444**
Other revenues		
Miscellaneous operating	$	14,290
Hosting fees		241,850
Reimbursement		380
Total other revenues	**$**	**256,520**
Total Operating Revenues	**$**	**3,218,964**
Operating Expenses		
Payroll	$	1,698,845
Employee benefits and payroll taxes		320,583
Professional services		86,404
Contracted services		237,765
Repair and maintenance		29,381
Administration and fiscal services – legal and accounting		43
Meals and lodging		6,628
Telephone		17,490
Utilities		17,781
Supplies		10,552
Mileage		8,540
Staff training		17,047
Insurance		10,191
Postage		165
Software		148,899
Depreciation		96,680
Miscellaneous		8,402
Total Operating Expenses	**$**	**2,715,396**
Net Operating Income (Loss)	**$**	**503,568**

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

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT 2
(Continued)

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE TWO YEARS ENDED DECEMBER 31, 2020

Nonoperating Revenues (Expenses)	
PERA rate reimbursement	$ 5,653
Interest earnings	11,917
Total Nonoperating Revenues (Expenses)	**$ 17,570**
Change in Net Position	**$ 521,138**
Net Position – January 1, 2019, as restated (Note 1.G)	**464,362**
Net Position – December 31, 2020	**$ 985,500**

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT 3

STATEMENT OF CASH FLOWS
FOR THE TWO YEARS ENDED DECEMBER 31, 2020

Cash Flows From Operating Activities	
Receipts from customers and users	$ 3,152,707
Payments to suppliers	(601,538)
Payments to employees	(2,413,517)
Net cash provided by (used in) operating activities	**$ 137,652**
Cash Flows From Noncapital Financing Activities	
PERA rate reimbursement	5,653
Cash Flows From Capital and Related Financing Activities	
Acquisition or construction of capital assets	(26,964)
Cash Flows From Investing Activities	
Investment earnings received	11,917
Net Increase (Decrease) in Cash and Cash Equivalents	**$ 128,258**
Cash and Cash Equivalents at January 1, 2019	**1,058,106**
Cash and Cash Equivalents at December 31, 2020	**$ 1,186,364**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	**$ 503,568**
Adjustments to reconcile net operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	96,680
(Increase) decrease in due from other governments	(35,081)
(Increase) decrease in deferred other postemployment benefits outflows	(53,884)
(Increase) decrease in deferred pension outflows	(133,843)
Increase (decrease) in accounts payable	(1,665)
Increase (decrease) in salaries payable	(24,253)
Increase (decrease) in due to other governments	(585)
Increase (decrease) in severance payable	4,295
Increase (decrease) in other postemployment benefits liability	3,513
Increase (decrease) in unearned revenue	(31,176)
Increase (decrease) in deferred pension inflows	(178,470)
Increase (decrease) in net pension liability	(11,447)
Total adjustments	**$ (365,916)**
Net Cash Provided by (Used in) Operating Activities	**$ 137,652**

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

1. Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

The MCIS is a joint powers governmental organization established in 1975 pursuant to Minn. Stat. § 471.59. Its purpose is to develop and implement computer-based information systems for use by member counties. Members of the MCIS are Aitkin, Carlton, Cass, Chippewa, Cook, Itasca, Kanabec, Koochiching, Lac qui Parle, Lake, St. Louis, and Sherburne Counties. Kanabec County joined MCIS effective June 25, 2020.

The MCIS is organized in such a manner that control of the organization remains with the members and the users. This type of organizational structure results in common goals for the MCIS and the member counties because the MCIS is directly accountable to the counties.

The Board of Directors consists of one Director and one or two alternate Directors from each governmental unit, with each unit having one vote. Officers include the President, Vice President, and the Secretary/Treasurer.

Lake County reports the fiscal transactions of the MCIS in a custodial fund on its annual financial statements.

1. Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

The accounts of MCIS 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 to the general public on a continuing basis 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 MCIS are charges for services to counties relating to their computer-based information systems.

C. Measurement Focus and Basis of Accounting

The MCIS' financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred, regardless of the timing of cash flows.

D. Budgetary Data

The MCIS adopts estimated revenue and expense budgets on a basis consistent with generally accepted accounting principles. The budgets may be amended or modified at any time by the Board of Directors.

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

1. Cash and Cash Equivalents

Cash and cash equivalents consist of cash and investments held by the Lake County Treasurer for the MCIS as part of its pooled cash and investments account. The Lake County pooled investment account operates like a demand account in that the MCIS is free to deposit and withdraw funds at any time without penalty. Cash and cash equivalents are stated at fair value.

1. Summary of Significant Accounting Policies

   E. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Continued)

      2. Capital Assets

         Capital assets are recorded at historical cost. MCIS' policy is to capitalize assets with a useful life of more than one year and a minimum cost of $5,000.

      3. Depreciation

         Depreciation on capital assets is determined using the straight-line method. The estimated useful lives of the assets are:

Classification	Years
Buildings and improvements	50
Furniture and equipment	3 - 5

      4. Due From Other Governments

         Due from other governments consists of amounts due from member counties for the current year and adjusted administration charges.

      5. Vacation and Sick Leave

         Under MCIS' personnel policy, employees are granted vacation in varying amounts based on their length of service. Vacation leave earned varies from 12 to 24 days per year. Sick leave earned is 12 days per year. The MCIS considers the entire liability to be current at year-end.

         Unused vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately $208,069 at December 31, 2020, is available to employees in the event of illness-related absences and is not paid to them at termination.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Continued)

6. Other Postemployment Benefits

The MCIS provides certain employees with defined benefit postemployment benefits. To be eligible for those benefits, the employee must have been hired prior to January 1, 2012, and retire from the MCIS meeting the age and service requirements necessary for an annuity under the Public Employees Retirement Association of Minnesota (PERA), or be receiving a disability benefit from PERA.

7. Pension Plan

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 (expense) until then. The MCIS reports deferred outflows of resources associated with pension plans and other postemployment benefits (OPEB).

In addition to liabilities, the statement of net 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 will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The MCIS reports deferred inflows of resources associated with pension benefits.

1. Summary of Significant Accounting Policies

E. Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (Continued)

9. Unearned Revenue

Unearned revenue represents advance payments for services that have not been earned as of year-end.

10. Classification of Net Position

Net position was classified in the following categories:

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

Restricted – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws, or constitutional provisions or enabling legislation.

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

F. Use of Estimates

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

G. Change in Accounting Principles

During the two years ended December 31, 2020, the MCIS adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and

1. Summary of Significant Accounting Policies

G. Change in Accounting Principles (Continued)

related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

	Business-Type Activities
Net Position, January 1, 2019, as previously reported	$ 450,200
Change in accounting principles	14,162
Net Position, January 1, 2019, as restated	$ 464,362

2. Detailed Notes

A. Assets

Deposits and Investments

The MCIS' bylaws authorize Lake County (as fiscal agent), under Minn. Stat. §§ 118A.02 and 118A.04, to deposit the MCIS' cash and to invest in certificates of deposit in financial institutions designated by the Lake County Board of Commissioners. Minnesota statutes require that all deposits be covered by insurance, surety bond, or collateral.

The types of securities available to a county for investment are authorized by Minn. Stat. §§ 118A.04 and 118A.05.

The MCIS invests funds in Lake County's investment pool. The fair value of the investment is the fair value per share of the underlying portfolio. The MCIS invests in this pool for the purpose of a joint investment with the County in order to enhance investment earnings. There are no redemption limitations.

2. Detailed Notes

A. Assets

Deposits and Investments (Continued)

Additional disclosures, as required by GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, are disclosed in the Lake County financial report.

B. Capital Assets

A summary of the changes in capital assets for the two-year period ended December 31, 2020, follows:

	Balance January 1, 2019	Increase	Decrease	Balance December 31, 2020
Capital assets depreciated				
Buildings and improvements	$ 590,489	$ -	$ -	$ 590,489
Furniture and equipment	194,489	26,964	-	221,453
Total capital assets depreciated	$ 784,978	$ 26,964	$ -	$ 811,942
Less: accumulated depreciation for				
Buildings and improvements	$ 91,172	$ 23,620	$ -	$ 114,792
Furniture and equipment	91,224	73,060	-	164,284
Total accumulated depreciation	$ 182,396	$ 96,680	$ -	$ 279,076
Capital Assets, Net	$ 602,582	$ (69,716)	$ -	$ 532,866

2. Detailed Notes (Continued)

C. Budgets

The MCIS annually adopts estimated revenue and expense budgets. A summary of the operating budget compared to actual amounts for the two years ended December 31, 2020, is:

	Budget	Actual	Variance with Budget
Operating Revenues			
Charges for services	$ 3,069,904	$ 2,962,444	$ (107,460)
Other revenues	-	256,520	256,520
Total Operating Revenues	$ 3,069,904	$ 3,218,964	$ 149,060
Operating Expenses			
Payroll and payroll taxes	$ 2,646,565	$ 2,019,428	$ 627,137
Other services and charges	931,122	588,736	342,386
Supplies	6,390	10,552	(4,162)
Depreciation	-	96,680	(96,680)
Total Operating Expenses	$ 3,584,077	$ 2,715,396	$ 868,681
Net Operating Income (Loss)	$ (514,173)	$ 503,568	$ 1,017,741
Nonoperating Revenues (Expenses)			
State-shared revenue – PERA aid	$ -	$ 5,653	$ 5,653
Interest earnings	-	11,917	11,917
Total Nonoperating Revenues (Expenses)	$ -	$ 17,570	$ 17,570
Change in Net Position	$ (514,173)	$ 521,138	$ 1,035,311
Net Position – January 1, 2019, restated	464,362	464,362	-
Net Position – December 31, 2020	$ (49,811)	$ 985,500	$ 1,035,311

2. Detailed Notes (Continued)

D. Other Postemployment Benefits (OPEB)

1. Plan Description

The Minnesota Counties Information Systems provides health insurance benefits for certain retired employees under a single-employer, defined benefit, health care plan. MCIS provides benefits for retirees and spouses as required by Minn. Stat. § 471.61, subd. 2b. Active employees, who retire from the MCIS when eligible to receive a retirement benefit from PERA (or a similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, are eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the MCIS' health benefits program.

Retirees are required to pay 100 percent of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate "subsidy." As of January 1, 2019, there was one retiree receiving health benefits from the MCIS' health plan.

MCIS also provides a one-time lump sum payout to a Health Care Savings Plan for eligible employees. To be eligible for these benefits, the employee must have been hired prior to January 1, 2012, and retire from MCIS meeting the age and service requirements necessary for an annuity under PERA, or be receiving a disability benefit from PERA. Eligible retired employees shall be entitled to a one-time lump sum payment to a Health Care Savings Plan provided the employee had a minimum of ten years of service with MCIS. The amount of the lump-sum payment is based on the date of hire and the years of service with the MCIS upon retirement, subject to a maximum of $63,000 if hired prior to 1988, $52,500 if hired from 1988 to 2008, and $42,000 if hired from 2009 to 2011.

No assets have been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75. The OPEB plan does not issue a stand-alone financial report.

2. Detailed Notes

D. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

As of the January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan participants	11
Total	12

2. Total OPEB Liability

MCIS' total OPEB liability of $242,403 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2019.

The total OPEB liability in the fiscal year-end December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent in both 2019 and 2020
Salary increases	3.00 percent in both 2019 and 2020, average wage inflation plus merit/productivity increases
Health care cost trend	6.50 percent in 2019, 6.25 percent in 2020, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent

The current year discount rate is 2.90 percent used to measure the liability for the 12 months ended December 31, 2020; 3.80 percent was used to measure the liability for the 12 months ended December 31, 2019, which is a change of 0.70 percent. For the current valuation, the discount rate was set by considering published rate information for 20-year high-quality (AA-rated), tax-exempt, general obligation municipal bonds as of the measurement date.

Mortality rates are based on Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2018 Generational Improvement Scale.

2. Detailed Notes

D. Other Postemployment Benefits (OPEB)

2. Total OPEB Liability (Continued)

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2018, as restated	$ 238,890
Changes for the year	
Service cost	$ 15,551
Interest	17,993
Assumption changes	6,709
Benefit payments	(36,740)
Net change	$ 3,513
Balance at December 31, 2020	$ 242,403

4. OPEB Liability Sensitivity

The following presents the total OPEB liability of the MCIS, calculated using the discount rate previously disclosed, as well as what the MCIS' total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	$ 251,019
Current	2.90	242,403
1% Increase	3.90	233,716

2. Detailed Notes

D. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the MCIS, calculated using the health care cost trend previously disclosed, as well as what the MCIS' total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 251,019
Current	6.25% Decreasing to 5.00%	242,403
1% Increase	7.25% Decreasing to 6.00%	233,716

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the 24-month period ended December 31, 2020, the MCIS recognized OPEB expense of ($50,371). MCIS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 5,367	$ -
Contributions made subsequent to the measurement date	48,517	-
Total	$ 53,884	$ -

The $48,517 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

2. Detailed Notes

D. Other Postemployment Benefits (OPEB)

5. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Year Ended December 31, 2020	Pension Expense Amount
2021	$ 1,342
2022	1,342
2023	1,342
2024	1,341

6. Changes in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2020:

- The discount rate was changed from 3.80 percent to 2.90 percent.

E. Defined Benefit Pension Plan

1. Plan Description

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

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

2. Detailed Notes

E. Defined Benefit Pension Plan (Continued)

2. Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

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

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

2. Detailed Notes

E. Defined Benefit Pension Plan

2. Benefits Provided (Continued)

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based on years of service and average high-five salary.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019 and 2020.

In 2019 and 2020, the MCIS was required to contribute 7.50 percent of annual covered salary. The employee and employer contribution rates did not change from the previous year.

The MCIS' contributions for the General Employees Plan for the years ended December 31, 2019 and 2020, were $62,738 and $67,510, respectively. The contributions are equal to the contractually required contributions as set by state statute.

4. Pension Costs

At December 31, 2020, the MCIS reported a liability of $680,241 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MCIS' proportion of the net pension liability was based on the MCIS' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating

2. Detailed Notes

E. Defined Benefit Pension Plan

4. Pension Costs (Continued)

employers. At June 30, 2020, the MCIS' proportion was 0.0113 percent. It was 0.0117 percent measured as of June 30, 2019. The MCIS recognized pension expense of $131,137 and ($298,176) for the years ended December 31, 2019 and 2020, respectively, for its proportionate share of the General Employees Plan's pension expense. Total pension expense for the 24-month period ending December 31, 2020, is ($167,039).

The MCIS also recognized $1,500 and $1,815 as revenue in 2019 and 2020, respectively, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

The MCIS' proportionate share of the net pension liability	$ 680,241
State of Minnesota's proportionate share of the net pension liability associated with the MCIS	20,853
Total	$ 701,094

The MCIS 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	$ 6,664	$ 2,574
Changes in actuarial assumptions	-	26,142
Difference between projected and actual investment earnings	2,502	-
Changes in proportion	228,062	26,129
Contributions paid to PERA subsequent to the measurement date	35,878	-
	$ 273,106	$ 54,845

2. Detailed Notes

E. Defined Benefit Pension Plan

4. Pension Costs (Continued)

The $35,878 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	$ 8,506
2022	69,270
2023	87,902
2024	16,705

5. Actuarial Assumptions

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

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

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

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

2. Detailed Notes

E. Defined Benefit Pension Plan

5. Actuarial Assumptions (Continued)

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

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

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

2. Detailed Notes

E. Defined Benefit Pension Plan (Continued)

7. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019 and 2020:

2019

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

2020

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

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

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

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

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

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

2. Detailed Notes

E. Defined Benefit Pension Plan

7. Changes in Actuarial Assumptions and Plan Provisions

2020 (Continued)

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

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

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

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

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

8. Pension Liability Sensitivity

The following presents the MCIS' proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the MCIS' 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:

2. Detailed Notes

E. Defined Benefit Pension Plan

8. Pension Liability Sensitivity (Continued)

	Discount Rate	Proportionate Share of the Net Pension Liability
1% Decrease	6.50%	$ 1,090,190
Current	7.50	680,241
1% Increase	8.50	342,066

9. Pension Plan Fiduciary Net Position

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

3. Summary of Significant Contingencies and Other Items

Risk Management

The MCIS is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee dental and life; and natural disasters. The MCIS participates in the Minnesota Northeast Cooperative Group for health insurance. For all other risk, the MCIS purchases commercial insurance through the Minnesota Counties Intergovernmental Trust. There were no significant reductions in insurance coverage from the previous year. There were no settlements in excess of insurance for any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT A-1

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2020

	2020	2019
Total OPEB Liability		
Service cost	$ 8,417	$ 7,134
Interest	8,979	9,014
Changes of assumption or other inputs	6,709	-
Benefit payments	(18,948)	(17,792)
Net change in total OPEB liability	**$ 5,157**	**$ (1,644)**
Total OPEB Liability – Beginning, as restated	**237,246**	**238,890**
Total OPEB Liability – Ending	**$ 242,403**	**$ 237,246**
Covered-employee payroll	$ 857,633	$ 832,653
Total OPEB liability (asset) as a percentage of covered-employee payroll	28.26%	28.49%

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.

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

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT A-2

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with the Minnesota Counties Information Systems (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2020	0.0113 %	$ 680,241	$ 20,853	$ 701,094	$ 840,173	80.96 %	79.06 %
2019	0.0117	644,541	20,034	664,575	830,013	77.65	80.23
2018	0.0125	691,688	22,693	714,381	843,027	82.05	79.53
2017	0.0138	882,882	11,104	893,986	896,347	98.50	75.90
2016	0.0134	1,091,306	14,257	1,105,563	682,028	160.01	68.91
2015	0.0084	435,626	N/A	435,626	493,985	88.19	78.19

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

MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

EXHIBIT A-3

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

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	$ 67,510	$ 67,510	$ -	$ 900,133	7.50 %
2019	62,738	62,738	-	836,507	7.50
2018	62,791	62,791	-	837,213	7.50
2017	64,205	64,205	-	856,067	7.50
2016	63,795	63,795	-	850,600	7.50
2015	40,204	40,204	-	536,053	7.50

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

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE TWO YEARS ENDED DECEMBER 31, 2020

1. Other Postemployment Benefits Funded Status

   In 2019, the Minnesota Counties Information Systems (MCIS) implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 2.D in the notes to the financial statements for additional information regarding the MCIS' other postemployment benefits.

2. Employer Contributions to Other Postemployment Benefits

   Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits.

   The following change in actuarial assumptions occurred in 2020:

   - The discount rate was changed from 3.80 percent to 2.90 percent.

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

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

   General Employees Retirement Plan

   2020

   - The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
   - The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
   - Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.

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

General Employees Retirement Plan

2020 (Continued)

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

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

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

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

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

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

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

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

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

General Employees Retirement Plan (Continued)

2019

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

2018

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

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

General Employees Retirement Plan (Continued)

2017

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

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

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

2016

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

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

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

Management and
Compliance Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

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COMMUNICATION OF SIGNIFICANT DEFICIENCIES AND/OR MATERIAL WEAKNESSES IN INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS

Board of Directors
Minnesota Counties Information Systems
Grand Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Minnesota Counties Information Systems (MCIS) as of and for the two years ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the MCIS' basic financial statements, and have issued our report thereon dated December 13, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MCIS' internal control over financial reporting 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 MCIS' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MCIS' internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the MCIS' financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over

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financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2020-001, that we consider to be a significant deficiency.

Other Matters

The MCIS' written response to the internal control finding identified in our audit has been included in the Schedule of Findings and Recommendations. We did not audit the MCIS' response and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors, management, and others within the MCIS, and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Julie Blaha	*/s/Dianne Syverson*
JULIE BLAHA STATE AUDITOR	DIANNE SYVERSON, CPA DEPUTY STATE AUDITOR

December 13, 2021

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Directors
Minnesota Counties Information Systems
Grand Rapids, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the Minnesota Counties Information Systems (MCIS) as of and for the two years ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the MCIS' basic financial statements and have issued our report thereon dated December 13, 2021.

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

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

December 13, 2021

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MINNESOTA COUNTIES INFORMATION SYSTEMS
GRAND RAPIDS, MINNESOTA

SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE TWO YEARS ENDED DECEMBER 31, 2020

I. INTERNAL CONTROL OVER FINANCIAL REPORTING

Finding Number: 2020-001

Prior Year Finding Number: 1996-002

Repeat Finding Since: 1996

Internal Control/Segregation of Duties

Criteria: The Minnesota Counties Information Systems' (MCIS) Board is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Also, the Board is responsible for controls over the period-end financial reporting process. Adequate segregation of duties is a key internal control in an organization's accounting system.

Condition: The limited number of staff of the MCIS results in a lack of segregation of accounting duties necessary to ensure adequate internal accounting control. There are inherent risks in safeguarding the MCIS' assets and the proper recording of its financial activity.

Context: It is not unusual for an organization the size of the MCIS to be limited in the internal control that management can design and implement into the organization.

Effect: Inadequate segregation of duties could adversely affect the MCIS' ability to detect misstatements in a timely manner by personnel in the normal course of performing their assigned functions.

Cause: The size of the MCIS and its staffing limits the internal control that the MCIS' Board can design and implement into the organization.

Recommendation: We recommend the MCIS' Board and management be mindful that limited staffing causes inherent risks in safeguarding the MCIS' assets and the proper reporting of its financial activity. We recommend the MCIS continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

<u>Client's Response</u>:

This MCIS Board is aware of accounting function procedures that MCIS staff and Lake County staff follow in their accounting of MCIS financial matters. MCIS will continue to emphasize the need for the management of the Board to segregate accounting functions whenever possible and to closely supervise those areas where proper segregation of duties cannot be achieved.

II. PREVIOUSLY REPORTED ITEM RESOLVED

2018-001 Other Postemployment Benefits (OPEB)