

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Minnesota Counties Information Systems Grand Rapids, Minnesota

Annual Financial Report and
Management and Compliance Report

Two Years Ended December 31, 2024

Minnesota Counties Information Systems Grand Rapids, Minnesota

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Introductory Section

Minnesota Counties Information Systems Grand Rapids, Minnesota

Organization

December 31, 2024

Name	Representing
Board Member	
Lori Grams	Aitkin County
Kyle Holmes	Carlton County
Mark Peterson	Cass County
Michelle May	Chippewa County
Braidy Powers	Cook County
William Hilback	Itasca County
Tina Von Eschen	Kanabec County
Lindsay Frank	Koochiching County
Angie Djonne	Lac qui Parle County
Linda Libal	Lake County
Nancy Nilsen	Saint Louis County
Michelle Moen	Sherburne County
Executive Director	
Lyle Eidelbes	

Financial Section



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 Audit of the Financial Statements

Opinion

We have audited the financial statements of the Minnesota Counties Information Systems (MCIS) as of and for the two years ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the MCIS'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 MCIS as of December 31, 2024, and the changes in 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the MCIS, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2024, the MCIS adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

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 MCIS'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.

Auditor's 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 auditor's 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America, 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 MCIS'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; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the MCIS'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 Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information 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 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 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.

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/Julie Blaha

Julie Blaha
State Auditor

February 13, 2026

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Basic Financial Statements

Exhibit 1**Minnesota Counties Information Systems
Grand Rapids, Minnesota****Statement of Net Position
December 31, 2024****Assets****Current assets**

Cash and cash equivalents	\$	1,184,741
Petty cash and change funds		400
Accrued interest receivable		10
Due from other governments		1,005
		<hr/>

Total current assets **\$ 1,186,156**

Noncurrent assets**Capital assets**

Depreciable	\$	858,690
Less: accumulated depreciation		(285,896)
		<hr/>

Net capital assets **\$ 572,794**

Total Assets **\$ 1,758,950**

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$	33,427
Deferred pension outflows		83,502
		<hr/>

Total Deferred Outflows of Resources **\$ 116,929**

Liabilities**Current liabilities**

Accounts payable	\$	1,733
Salaries payable		36,413
Compensated absences payable		69,597
Other postemployment benefits liability		21,651
		<hr/>

Total current liabilities **\$ 129,394**

Noncurrent liabilities

Compensated absences payable	\$	183,537
Other postemployment benefits liability		215,027
Net pension liability		425,048
		<hr/>

Total noncurrent liabilities **\$ 823,612**

Total Liabilities **\$ 953,006**

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$	8,644
Deferred pension inflows		321,906
		<hr/>

Total Deferred Inflows of Resources **\$ 330,550**

Net Position

Investment in capital assets	\$	572,794
Unrestricted		19,529
		<hr/>

Total Net Position **\$ 592,323**

Exhibit 2**Minnesota Counties Information Systems
Grand Rapids, Minnesota****Statement of Revenues, Expenses, and Changes in Net Position
For the Two Years Ended December 31, 2024****Operating Revenues****Charges for services**

Aitkin County	\$ 269,978
Carlton County	223,209
Cass County	266,709
Chippewa County	185,788
Cook County	226,540
Itasca County	275,633
Kanabec County	188,031
Koochiching County	238,400
Lac qui Parle County	163,332
Lake County	243,080
Saint Louis County	476,905
Sherburne County	256,353
Nonmember counties	46,692

Total charges for services**\$ 3,060,650****Other revenues**

Miscellaneous operating	\$ 25,420
Hosting fees	361,569

Total other revenues**\$ 386,989****Total Operating Revenues****\$ 3,447,639****Operating Expenses**

Payroll	\$ 1,990,232
Employee benefits and payroll taxes	938,111
Professional services	161,409
Contracted services	191,373
Repair and maintenance	45,705
Meals and lodging	12,467
Telephone	16,711
Utilities	18,210
Supplies	8,613
Mileage	10,334
Staff training	22,845
Insurance	8,392
Postage	126
Software	369,593
Depreciation	131,039
Miscellaneous	18,457

Total Operating Expenses**\$ 3,943,617****Net Operating Income (Loss)****\$ (495,978)**

Exhibit 2
(Continued)

**Minnesota Counties Information Systems
Grand Rapids, Minnesota**

**Statement of Revenues, Expenses, and Changes in Net Position
For the Two Years Ended December 31, 2024**

Nonoperating Revenues (Expenses)	
PERA rate reimbursement	\$ 378
Interest earnings	<u>109,978</u>
Total Nonoperating Revenues (Expenses)	<u>\$ 110,356</u>
Change in Net Position	<u>\$ (385,622)</u>
Net Position – January 1, 2023	\$ 1,116,179
Restatement (see Note 1)	<u>(138,234)</u>
Net Position – January 1, 2023, as restated	<u>\$ 977,945</u>
Net Position – December 31, 2024	<u>\$ 592,323</u>

Exhibit 3**Minnesota Counties Information Systems
Grand Rapids, Minnesota****Statement of Cash Flows
For the Two Years Ended December 31, 2024**

Cash Flows From Operating Activities	
Receipts from customers and users	\$ 3,450,675
Payments to suppliers	(892,808)
Payments to employees	<u>(2,613,374)</u>
Net cash provided by (used in) operating activities	\$ (55,507)
Cash Flows From Noncapital Financing Activities	
PERA rate reimbursement	378
Cash Flows From Capital and Related Financing Activities	
Acquisition or construction of capital assets	(206,361)
Cash Flows From Investing Activities	
Investment earnings received	<u>109,978</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (151,512)
Cash and Cash Equivalents at January 1, 2023	<u>1,336,253</u>
Cash and Cash Equivalents at December 31, 2024	<u><u>\$ 1,184,741</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	<u>\$ (495,978)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Depreciation expense	\$ 131,039
(Increase) decrease in accrued interest receivable	(10)
(Increase) decrease in due from other governments	3,046
(Increase) decrease in deferred other postemployment benefits outflows	(24,253)
(Increase) decrease in deferred pension outflows	475,232
Increase (decrease) in accounts payable	(8,573)
Increase (decrease) in salaries payable	16,922
Increase (decrease) in severance payable	(93,553)
Increase (decrease) in compensated absences	114,900
Increase (decrease) in other postemployment benefits liability	61,767
Increase (decrease) in deferred other postemployment benefits inflows	8,076
Increase (decrease) in deferred pension inflows	297,074
Increase (decrease) in net pension liability	<u>(541,196)</u>
Total adjustments	<u>\$ 440,471</u>
Net Cash Provided by (Used in) Operating Activities	<u><u>\$ (55,507)</u></u>

Minnesota Counties Information Systems Grand Rapids, Minnesota

Notes to the Financial Statements

As of and for the Two Years Ended December 31, 2024

Note 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, 2024. 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.

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, Saint Louis, and Sherburne Counties.

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.

Basis of Presentation

The accounts of the 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.

Measurement Focus and Basis of Accounting

The MCIS's 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.

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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.

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

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.

Capital Assets

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

Depreciation

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

Estimated Useful Lives of Capital Assets

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

Due From Other Governments

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

Compensated Absences

The liability for compensated absences reported in the financial statements consists of vacation leave, sick leave, and compensatory time that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. The statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of compensatory time and an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

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

Minnesota Counties Information Systems

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and service requirements necessary for an annuity under the Public Employees Retirement Association of Minnesota (PERA), or be receiving a disability benefit from PERA.

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.

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 assets that applies to a future period(s) and will not be recognized as an outflow of resources (expense) until that time. 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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The MCIS reports deferred inflows of resources associated with pension benefits and OPEB.

Unearned Revenue

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

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.

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

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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.

Change in Accounting Principles

During the two years ended December 31, 2024, MCIS adopted new accounting guidance by implementing the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*, which provides clarification on the categories and prescribed accounting for changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. Additional disclosures are included for the current year restatement as a result of GASB Statement 100.

MCIS also adopted new accounting guidance by implementing the provisions of GASB Statement No. 101, *Compensated Absences*, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of GASB Statement 101 resulted in changing the calculation of the compensated absences liability recorded in the long-term liabilities of the government-wide financial statements. Beginning net position was decreased by \$138,234 for the implementation of this standard.

Note 2 – Detailed Notes

Assets

Deposits and Investments

The MCIS's bylaws authorize Lake County (as fiscal agent), under Minn. Stat. §§ 118A.02 and 118A.04, to deposit the MCIS's 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 MCIS may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

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

The MCIS's cash and cash equivalents are held 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.

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

Capital Assets

A summary of the changes in capital assets for the two-year period ended December 31, 2024, follows:

Changes in Capital Assets for the Two Years Ended December 31, 2024

Capital Assets	Balance January 1, 2023	Increase	Decrease	Balance December 31, 2024
Capital assets depreciated				
Buildings and improvements	\$ 590,489	\$ -	\$ -	\$ 590,489
Furniture and equipment	228,544	206,361	(166,704)	268,201
Total capital assets depreciated	\$ 819,033	\$ 206,361	\$ (166,704)	\$ 858,690
Less: accumulated depreciation for				
Buildings and improvements	\$ 138,412	\$ 23,620	\$ -	\$ 162,032
Furniture and equipment	183,149	107,419	(166,704)	123,864
Total accumulated depreciation	\$ 321,561	\$ 131,039	\$ (166,704)	\$ 285,896
Capital Assets, Net	\$ 497,472	\$ 75,322	\$ -	\$ 572,794

Changes in Long-Term Liabilities

Long-term liability activity for the two-year period ended December 31, 2024, was as follows:

Changes in Long-Term Liabilities for the Two Years Ended December 31, 2024

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Compensated absences	\$ 231,787*	\$ 21,347**	\$ -	\$ 253,134	\$ 69,597

*The beginning balance for the compensated absences liability was restated by \$138,234 due to the implementation of GASB Statement 101.

**The change in the compensated absences liability is presented as a net change.

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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, 2024, is:

Budget-to-Actual Comparison for the Two Years Ended December 31, 2024

	Budget	Actual	Variance with Budget
Operating Revenues			
Charges for services	\$ 3,564,648	\$ 3,060,650	\$ (503,998)
Other revenues	-	386,989	386,989
Total Operating Revenues	\$ 3,564,648	\$ 3,447,639	\$ (117,009)
Operating Expenses			
Payroll and payroll taxes	\$ 2,776,509	\$ 2,928,343	\$ (151,834)
Other services and charges	1,170,776	875,622	295,154
Supplies	22,340	8,613	13,727
Depreciation	-	131,039	(131,039)
Total Operating Expenses	\$ 3,969,625	\$ 3,943,617	\$ 26,008
Net Operating Income (Loss)	\$ (404,977)	\$ (495,978)	\$ (91,001)
Nonoperating Revenues (Expenses)			
State-shared revenue – PERA aid	\$ -	\$ 378	\$ 378
Interest earnings	-	109,978	109,978
Total Nonoperating Revenues (Expenses)	\$ -	\$ 110,356	\$ 110,356
Change in Net Position	\$ (404,977)	\$ (385,622)	\$ 19,355
Net Position – January 1, 2023, as restated	977,945	977,945	-
Net Position – December 31, 2024	\$ 572,968	\$ 592,323	\$ 19,355

Other Postemployment Benefits (OPEB)

Plan Description

The Minnesota Counties Information Systems provides health insurance benefits for certain retired employees under a single-employer, defined benefit, health care plan. The 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’s 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, 2023, there is one retiree receiving health benefits from the MCIS’s health plan.

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The 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 will 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 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.

As of the January 1, 2023, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms As of the January 1, 2023, Actuarial Evaluation

Type of Participant Covered by the OPEB Benefit Terms	Number of Participants
Inactive employees or beneficiaries currently receiving benefit payments	1
Active plan participants	11
Total	12

Total OPEB Liability

The MCIS’s total OPEB liability of \$236,678 was measured as of January 1, 2024, and was determined by an actuarial valuation as of January 1, 2023.

The total OPEB liability in the fiscal year-end December 31, 2024, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The current year inflation rate is 2.50 percent in both 2023 and 2024.
- The salary increases are by service graded tables.
- The health care cost trend is 6.50 percent in 2023 and 6.25 percent in 2024, decreasing 0.25 percent per year to an ultimate rate of 5.00 percent.

The discount rate is 4.00 percent and 3.70 percent in 2023 and 2024, respectively, which is a change of 2.00 percent from 2022. 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-2020 Generational Improvement Scale.

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.

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Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Two Years Ended December 31, 2024

Total OPEB Changes for the Period	Amount
Balance at December 31, 2022	\$ 174,911
Changes for the period	
Service cost	\$ 13,484
Interest	12,752
Assumption changes	(12,251)
Differences between expected and actual experience	40,655
Benefit payments	(8,100)
Plan changes	15,227
Net change	\$ 61,767
Balance at December 31, 2024	\$ 236,678

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's 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:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2024

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	2.70%	\$ 243,858
Current	3.70%	236,678
1% Increase	4.70%	229,519

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's 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:

Sensitivity of the Total OPEB Liability to Changes In the Health Care Trend Rates as of December 31, 2024

Change in Health Care Trend Rate	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 233,521
Current	6.25% Decreasing to 5.00%	236,678
1% Increase	7.25% Decreasing to 6.00%	240,142

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

For the two-year period ended December 31, 2024, the MCIS recognized OPEB expense of (\$45,590). The MCIS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability gains	\$ 25,809	\$ -
Changes in actuarial assumptions	1,476	8,644
Contributions made subsequent to the measurement date	6,142	-
Total	\$ 33,427	\$ 8,644

The \$6,142 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB as of December 31, 2024

Year Ended December 31	OPEB Expense Amount
2025	\$ 6,908
2026	5,680
2027	5,684
2028	369

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2023 and 2024:

2024

- The discount rate was changed from 4.00 percent to 3.70 percent.

2023

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.

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- The inflation rates changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

Defined Benefit Pension Plan

Plan Description

All full-time and certain part-time employees of MCIS are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan (the General Employees Plan), which is a cost-sharing, multiple-employer retirement plan. This 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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three years of credited service. No MCIS employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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 a maximum of 1.50 percent. The 2023 and 2024 annual increase was 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.

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

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for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989.

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

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 2023 and 2024. The employer was required to contribute 7.50 percent of annual covered salary in 2023 and 2024. Rates did not change from 2022.

The MCIS contributions for the General Employees Plan for the years ended December 31, 2023 and 2024, were \$71,260 and \$78,007, respectively. The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

General Employees Plan

At December 31, 2024, the MCIS reported a liability of \$425,048 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The MCIS's proportion of the net pension liability was based on the MCIS's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the MCIS's proportion was 0.0115 percent. It was 0.0119 percent measured as of June 30, 2023. The MCIS recognized pension expense of \$251,240 and \$109,273 for the years ended December 31, 2023 and 2024, respectively, for its proportionate share of the General Employees Plan's pension expense. Total pension expense for the two-year period ending December 31, 2024, is \$360,513.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The MCIS recognized \$19,556 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The MCIS recognized an additional \$83 and \$295 as grant revenue and pension expense in 2023 and 2024, respectively, for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

Total General Employees Plan Net Pension Liability Associated with the MCIS	Amount
The MCIS's proportionate share of the net pension liability	\$ 425,048
State of Minnesota's proportionate share of the net pension liability associated with the MCIS	<u>10,991</u>
Total	<u>\$ 436,039</u>

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 and Deferred Inflows of Resources As of December 31, 2024

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 40,495	\$ -
Changes in actuarial assumptions	2,202	164,989
Difference between projected and actual investment earnings	-	124,946
Changes in proportion	-	31,971
Contributions paid to PERA subsequent to the measurement date	<u>40,805</u>	<u>-</u>
Total	<u>\$ 83,502</u>	<u>\$ 321,906</u>

The \$40,805 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (156,422)
2026	(32,015)
2027	(58,195)
2028	(32,577)

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Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual Entry-Age Normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2024

Actuarial Assumptions	General Employees Plan
Inflation	2.25% per year
Active Member Payroll Growth	3.00% per year
Investment Rate of Return	7.00%

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 for the General Employees Plan, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan.

Actuarial assumptions used in the June 30, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. A review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 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.

Pension Plan Investment Target Allocation and Best Estimates of Geometric Real Rates of Return for Each Major Asset Class

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	33.50%	5.10%
International equity	16.50%	5.30%
Fixed income	25.00%	0.75%
Private markets	25.00%	5.90%

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2024, which remains consistent with 2023. 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.

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Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2023 and 2024:

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for 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.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

Pension Liability Sensitivity

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

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Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2024

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability
1% Decrease	6.00%	\$ 928,372
Current	7.00%	425,048
1% Increase	8.00%	11,017

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.

Note 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

Exhibit A-1

**Minnesota Counties Information Systems
Grand Rapids, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB Liability						
Service cost	\$ 6,988	\$ 6,496	\$ 9,072	\$ 8,808	\$ 8,417	\$ 7,134
Interest	9,146	3,606	3,957	6,587	8,979	9,014
Differences between expected and actual experience	-	40,655	-	7,080	-	-
Changes of assumption or other inputs	1,845	(14,096)	-	(948)	6,709	-
Benefit payments	(5,857)	(2,243)	(53,531)	(48,517)	(18,948)	(17,792)
Plan changes	-	15,227	-	-	-	-
Net change in total OPEB liability	\$ 12,122	\$ 49,645	\$ (40,502)	\$ (26,990)	\$ 5,157	\$ (1,644)
Total OPEB Liability – Beginning	224,556	174,911	215,413	242,403	237,246	238,890
Total OPEB Liability – Ending	\$ 236,678	\$ 224,556	\$ 174,911	\$ 215,413	\$ 242,403	\$ 237,246
Covered-employee payroll	\$ 977,552	\$ 949,080	\$ 903,163	\$ 876,857	\$ 857,633	\$ 832,653
Total OPEB liability (asset) as a percentage of covered-employee payroll	24.21%	23.66%	19.37%	24.57%	28.26%	28.49%

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

Exhibit A-2

**Minnesota Counties Information Systems
Grand Rapids, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2024**

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 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 (%)
2024	0.0115	\$ 425,048	\$ 10,991	\$ 436,039	\$ 973,080	43.68	89.08
2023	0.0119	665,435	18,452	683,887	949,720	70.07	83.10
2022	0.0122	966,244	28,423	994,667	914,640	105.64	76.67
2021	0.0125	533,806	16,324	550,130	901,600	59.21	87.00
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

The measurement date for each year is June 30.
N/A – Not Applicable

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**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2024**

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) (%)
2024	\$ 78,007	\$ 78,007	\$ -	\$ 1,040,093	7.50
2023	71,260	71,260	-	950,133	7.50
2022	66,918	66,918	-	892,240	7.50
2021	69,170	69,170	-	922,267	7.50
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

The MCIS's year-end is December 31.

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Notes to the Required Supplementary Information

For the Two Years Ended December 31, 2024

Note 1 – 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.

Note 2 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes occurred:

2024

- The discount rate was changed from 4.00 percent to 3.70 percent.

2023

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2020 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2021 Generational Improvement Scale.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

2022

- No changes in actuarial assumptions occurred in 2022.

2021

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality tables with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates were updated.
- The inflation rate changed from 2.50 percent to 2.00 percent.
- The salary increases rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.

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- The discount rate was changed from 2.90 percent to 2.00 percent.

2020

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

Note 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

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for 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.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual

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2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

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

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

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 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 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.

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale 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.

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

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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



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, 2024, and the related notes to the financial statements, which collectively comprise the MCIS's basic financial statements, and have issued our report thereon dated February 13, 2026.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the MCIS's 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the MCIS's 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 a combination of deficiencies, in internal control over financial reporting 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 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 financial reporting that we consider to be material weaknesses. We identified a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Recommendations as item 2024-001, that we consider to be a significant deficiency.

The MCIS's response to the internal control finding identified in our audit is described in the Schedule of Findings and Recommendations, included in item 2024-001. The MCIS's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 these specified parties.

/s/Julie Blaha

Julie Blaha
State Auditor

February 13, 2026

/s/Chad Struss

Chad Struss, CPA
Deputy 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 the 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, 2024, and the related notes to the financial statements, which collectively comprise the MCIS's basic financial statements, and have issued our report thereon dated February 13, 2026.

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 – 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 MCIS's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the 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 these specified parties.

/s/Julie Blaha

Julie Blaha
State Auditor

February 13, 2026

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Minnesota Counties Information Systems Grand Rapids, Minnesota

Schedule of Findings and Recommendations For the Two Years Ended December 31, 2024

Section I – Financial Statement Findings

2024-001 **Internal Control/Segregation of Duties**

Prior Finding Number: 2022-001

Year of Finding Origination: 1996

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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's 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 ability of the MCIS's employees, in the normal course of performing their assigned functions, to detect misstatements in a timely period.

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's 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.

Client Response: *The 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.*