COUNTIES PROVIDING TECHNOLOGY

Morris, Minnesota

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Period Ended December 31, 2019

COUNTIES PROVIDING TECHNOLOGY

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Jay Backer	Director	Big Stone County
Tom Appel	Director	Cottonwood County
Charlie Meyer	Chair	Douglas County
Troy Johnson	Director	Grant County
Rollie Nissen	Director	Kandiyohi County
Joe Drietz	Director	Lincoln County
Charlie Sanow	Director	Lyon County
Karen Ahmann	Director	Mahnomen County
Rolland Miller	Director	Marshall County
Bryan Larson	Director	Meeker County
Gene Metz	Director	Nobles County
Nathan Redland	Director	Norman County
Christopher Hollingsworth	Director	Pipestone County
Lon Walling	Director	Redwood County
Bob Fox	Director	Renville County
Jim Abbe	Director	Steele County
Bob Kopitzke	Director	Stevens County
Edward Pederson	Director	Swift County
Randy Neumann	Director	Todd County
David Salberg	Director	Traverse County
Jim Hofer	Director	Wadena County
Neal Folstad	Director	Wilkin County
Ron Antony	Director	Yellow Medicine County
Gwen Gillespie	Co-Executive Director	--
Michael Koehler	Co-Executive Director	--

FINANCIAL SECTION

Independent Auditors' Report

To the Joint Powers Board of
Counties Providing Technology
Morris, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Counties Providing Technology (the Organization) as of December 31, 2019 and for the period from August 10, 2018 (inception) through December 31, 2019, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 over financial reporting relevant to Counties Providing Technology's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of Counties Providing Technology's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Counties Providing Technology as of December 31, 2019 and the respective changes in financial position and cash flows thereof for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2020 on our consideration of Counties Providing Technology's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is soley to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Counties Providing Technology's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Counties Providing Technology's internal control over financial reporting and compliance.

Baker Tilly US, LLP

Baker Tilly US, LLP (Formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
October 23, 2020

REQUIRED SUPPLEMENTARY INFORMATION

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Counties Providing Technology's (Organization) financial activities for the fiscal period ended December 31, 2019. Since this information is designed to focus on the current period's activities, resulting changes, and currently known facts, it should be read in conjunction with the Organization's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- Total net position is $3,231,791, of which $1,777,693 is the net investment in capital assets. The remaining $1,454,098 is comprised of various components of which a substantial amount related to deferred outflows of resources which are not available to meet ongoing obligations to its member counties and customers. Cash and accounts receivable exceeded current liabilities by approximately $112,000 as of December 31, 2019.

- CPT's net position increased by $3,231,791 for the period ended December 31, 2019, resulting from the net contributions from member counties utilized for the purchase of the business along with the related operating activity for the period.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Basic Financial Statements

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

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

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

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

The basic financial statements are included on pages 1 through 3 of this report.

Notes to the Financial Statements

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements are on pages 4 through 18 of this report.

FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the Organization's financial position. The Organization's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $3,231,791 at the close of 2019. The largest portion of the net position (55.0 percent) reflects the net investment in capital assets (for example: intangible assets and development in progress), less any related outstanding debt used to acquire or develop those assets. However, it should be noted that these assets are not available for future spending or for liquidating any outstanding debt. Comparative data is not available as the 2019 data includes activity from August 10, 2018 (Organization's inception) through December 31, 2019.

Net Position

	2019
Assets	
Current assets	$ 730,237
Capital assets	1,777,693
Total Assets	2,507,930
Deferred Outflows of Resources	
Excess consideration provided for acquisition	1,475,944
Deferred pension outflows	571,593
Total Deferred Outflows of Resources	2,047,537
Liabilities	
Current liabilities	572,725
Noncurrent liabilities	739,686
Total Liabilities	1,312,411
Deferred Inflows of Resources	
Deferred pension inflows	11,265
Net Position	
Net investment in capital assets	1,777,693
Unrestricted	1,454,098
Total Net Position	$ 3,231,791

COUNTIES PROVIDING TECHNOLOGY
MORRIS, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(Unaudited)

The Organization's activities increased net position by $3,231,791 during 2019. Key elements in this increase in net position are as follows for 2019 (comparative data is not available as the 2019 data includes activity from August 10, 2018 (Organization's inception) through December 31, 2019):

Changes in Net Position

	2019
Operating Revenues	
Charges for services	$ 2,773,327
Intergovernmental	1,610
Miscellaneous	134,644
Total Operating Revenues	2,909,581
Operating Expenses	
Salaries and related employee benefits and payroll taxes	1,633,958
Professional services	292,542
Other operating expenses	281,457
Amortization expense	482,250
Total Operating Expenses	2,690,207
Operating Income	219,374
Nonoperating Revenues (Expenses)	
Investment income	13,417
Tax rewrite software fees	174,000
Non-compete payments	(50,000)
Total Nonoperating Revenues (Expenses)	137,417
Income Before Contributions	356,791
Contributions	
Capital contributed by member counties	4,025,000
Refund of capital contributions to member counties	(1,150,000)
Total Contributions	2,875,000
Change in Net Position	3,231,791
Net Position – August 10, 2018	-
Net Position – December 31, 2019	$ 3,231,791

BUDGETARY HIGHLIGHTS

Actual revenues were approximately $265,000 greater than budgeted mainly due to an increase in charges for services from the Organization providing services to new county customers in the State of Minnesota beginning during 2019. Actual expenditures were approximately $1,106,000 greater than budgeted mainly due to the unanticipated refunds of capital contributions returned to member counties of the Organization.

CAPITAL ASSET ADMINISTRATION

The Organization's capital assets at December 31, 2019, totaled $1,777,693 (net of accumulated amortization). This investment in capital assets includes intangible assets and development in progress. Comparative data is not available as the 2019 data includes activity from August 10, 2018 (Organization's inception) through December 31, 2019.

Capital Assets at Year-End
(Net of Amortization)

	2019
Intangible – Technology	$ 479,500
Intangible – Customer relationships	1,089,306
Development in progress	208,887
Totals	$ 1,777,693

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The members of the Organization's Joint Powers Board considered many factors when setting the 2020 budget.

- Changes to economic factors are anticipated to have a minimal effect on the Organization as the demand for its services is expected to remain fairly constant regardless of changes in economic factors due to the long-term contracts that the Organization currently has in place with various counties located in the States of Minnesota and North Dakota.

- The Joint Powers Board approved the Organization's 2020 budget with lower levels of revenues and expenses compared to the 2019 budget. The main reason for the decrease in revenue is due to the final prepayments being received in 2019 related to the tax rewrite software project from the organization's original customers.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COUNTIES PROVIDING TECHNOLOGY

STATEMENT OF NET POSITION
As of December 31, 2019

ASSETS		
Current Assets		
Cash and investments	$	667,365
Accounts receivable		16,982
Prepaid expenses		45,890
Total current assets		730,237
Noncurrent Assets		
Capital assets		
Development in progress		208,887
Other intangible assets, net of amortization		1,568,806
Total noncurrent assets		1,777,693
Total Assets		2,507,930
DEFERRED OUTFLOWS OF RESOURCES		
Excess consideration provided for acquisition		1,475,944
Pension related amounts		571,593
Total Deferred Outflows of Resources		2,047,537
LIABILITIES		
Current Liabilities		
Accrued liabilities		108,302
Current portion of accrued compensated absences		58,423
Unearned revenues		406,000
Total current liabilities		572,725
Noncurrent Liabilities		
Noncurrent portion of accrued compensated absences		48,589
Net pension liability		691,097
Total noncurrent liabilities		739,686
Total Liabilities		1,312,411
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts		11,265
Total Deferred Inflows of Resources		11,265
NET POSITION		
Net investment in capital assets		1,777,693
Unrestricted		1,454,098
Total Net Position	$	3,231,791

See accompanying notes to financial statements.

COUNTIES PROVIDING TECHNOLOGY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Period Ended December 31, 2019

OPERATING REVENUES	
Charges for services	$ 2,773,327
Intergovernmental	1,610
Miscellaneous	134,644
Total Operating Revenues	2,909,581
OPERATING EXPENSES	
Salaries, employee benefits and payroll taxes	1,633,958
Professional services	292,542
Cleaning	7,321
Meals, lodging and travel	9,184
Furniture and equipment	61,360
Utilities	42,429
Supplies	5,247
Rent	30,000
Printing and advertising	7,726
Staff training	6,617
Software and licenses	99,326
Miscellaneous	12,247
Amortization expense	482,250
Total Operating Expenses	2,690,207
Operating Income	219,374
NONOPERATING REVENUES (EXPENSES)	
Investment income	13,417
Tax rewrite software fees	174,000
Non-compete payments	(50,000)
Total Nonoperating Revenues (Expenses)	137,417
Income Before Contributions	356,791
CONTRIBUTIONS	
Capital contributed by member counties	4,025,000
Refund of capital contributed to member counties	(1,150,000)
Total Contributions	2,875,000
Change in Net Position	3,231,791
NET POSITION - Beginning of Period	-
NET POSITION - END OF PERIOD	$ 3,231,791

See accompanying notes to financial statements.

COUNTIES PROVIDING TECHNOLOGY

STATEMENT OF CASH FLOWS
For the Period Ended December 31, 2019

Cash Flows From Operating Activities		
Received from customers	$	2,842,599
Paid to suppliers for goods and services		(299,415)
Paid to employees for services		(1,202,349)
Net Cash Flows From Operating Activities		1,340,835
Cash Flows From Investing Activities		
Investment income		13,417
Net Cash Flows From Investing Activities		13,417
Cash Flows From Capital and Related Financing Activities		
Acquisition and creation of intangible assets and excess consideration		(3,735,887)
Contributions received for development of new software		174,000
Capital contributions received from member counties		4,025,000
Capital contributions refunded to member counties		(1,150,000)
Net Cash Flows From Capital and Related Financing Activities		(686,887)
Net Change in Cash and Cash Equivalents		667,365
CASH AND CASH EQUIVALENTS - Beginning of Period		-
CASH AND CASH EQUIVALENTS - END OF YEAR	$	667,365

RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES		
Operating income	$	219,374
Nonoperating revenue (expense)		(50,000)
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Amortization		482,250
Changes in assets, deferred outflows, liabilities, and deferred inflows		
Accounts receivable		(16,982)
Prepaid expenses		(45,890)
Other current liabilities		621,314
Pension related deferrals and liability		130,769
NET CASH FLOWS FROM OPERATING ACTIVITIES	$	1,340,835

See accompanying notes to financial statements.

COUNTIES PROVIDING TECHNOLOGY

INDEX TO NOTES TO FINANCIAL STATEMENTS
As of and for the Period Ended December 31, 2019

COUNTIES PROVIDING TECHNOLOGY

NOTES TO FINANCIAL STATEMENTS
As of and for the Period Ended December 31, 2019

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

Stevens County is the fiscal host for the Organization.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

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

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

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

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

1. Deposits and Investments

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

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

Investments are limited to:

> Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress.

> State and local securities that meet specified bond ratings by a national rating service.

> Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

> Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.

> Banker's acceptances of United States banks.

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

Custodial Credit Risk

The Organization will obtain collateral or bond for all uninsured amounts on deposit and will obtain necessary documentation to show compliance with state law and a perfected security interest under federal law.

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

See Note II.A for further information.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

2. Receivables

Receivables consist of charges for services to customers and have been adjusted for all known uncollectible accounts. No allowance is considered necessary at year end.

3. Prepaid Items

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

4. Capital Assets

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

Depreciation and amortization of all exhaustible capital assets is recorded as an allocation expense in the statement of revenues, expenses, and changes in net position, with accumulated depreciation and amortization reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

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

5. Deferred Outflows of Resources

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

The excess consideration provided for acquisition reported as a deferred outflow of resources is related to the purchase described in Note I.A. The acquisition of the net position acquired as of the acquisition date was determined to be $1,714,000. This deferred outflow of resources is being amortized over a useful life of 9 years, which resulted in amortization expense of $238,056 during the current period.

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

6. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2019 are determined on the basis of current salary rates and include salary related benefits.

7. Long-Term Obligations

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

8. Deferred Inflows of Resources

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

9. Equity Classifications

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

a. Net Investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation/amortization and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted net position – Consists of net position with constraints placed on their use either by: (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position – All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

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

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION (cont.)

10. Pension

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

NOTE II – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	$ 323,948	$ 332,713	Custodial credit
Money market	343,417	343,417	Custodial credit
Total Cash and Investments	$ 667,365	$ 676,130	

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

Deposits in accounts at Bremer Bank are also secured by a Federal Home Loan Bank letter of credit of $1,800,000.

Custodial Credit Risk

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

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

NOTE II – DETAILED NOTES ON ALL FUNDS

B. RECEIVABLES AND UNEARNED REVENUES

Receivables as of December 31, 2019, for the Organization are $16,982 and all are expected to be collected in one year.

As of December 31, 2019, unearned revenue on the statement of net position was $406,000. This unearned revenue is related to payments made by customers for the tax rewrite software that were received prior to completion of the project.

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital Assets Not Being Amortized				
Development in progress	$ -	$ 208,887	$ -	$ 208,887
Total Capital Assets Not Being Amortized	$ -	$ 208,887	$ -	$ 208,887
Capital assets Being Amortized				
Intangibles – Technology	$ -	$ 548,000	$ -	$ 548,000
Intangibles – Customer Relationships	-	1,265,000	-	1,265,000
Total Capital Assets Being Amortized	-	1,813,000	-	1,813,000
Less: Accumulated Amortization for:				
Intangibles – Technology	-	(68,500)	-	(68,500)
Intangibles – Customer Relationships	-	(175,694)	-	(175,694)
Total Accumulated Amortization	-	(244,194)	-	(244,194)
Net Capital Assets Being Amortized	-	1,568,806	-	1,568,806
Total Capital Assets, Net of Amortization	$ -	$ 1,777,693	$ -	$ 1,777,693

NOTE II – DETAILED NOTES ON ALL FUNDS (cont.)

D. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Other Liabilities					
Net pension liability	$ -	$ 702,362	$ 11,265	$ 691,097	$ -
Compensated absences	-	198,233	91,221	107,012	58,423
Total Long-Term Liabilities	$ -	$ 900,595	$ 102,486	$ 798,109	$ 58,423

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

E. OPERATING LEASE

On October 1, 2018, the Organization assumed an agreement to lease office space and to pay a monthly charge for voice and data services. The noncancellable lease is for a 5-year term beginning on August 1, 2018 and ending on July 31, 2023. The future minimum payments on the lease as of December 31, 2019 are as follows:

Year	Office Space	Voice and Data	Total
2020	$ 24,000	$ 24,000	$ 48,000
2021	24,000	24,000	48,000
2022	24,000	24,000	48,000
2023	14,000	12,000	26,000
	$ 86,000	$ 84,000	$ 170,000

F. NET POSITION

Net position reported statement of net position at December 31, 2019 includes the following:

Net Investment in Capital Assets	
Development in progress	$ 208,887
Intangible assets	1,813,000
Less: Accumulated amortization	(244,194)
	$ 1,777,693

NOTE III – OTHER INFORMATION

A. *EMPLOYEES' RETIREMENT SYSTEM*

Public Employees Retirement Association (PERA)

Plan Description. The Organization participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the Organization are covered by defined benefit pension plans administered by PERA. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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

NOTE III – OTHER INFORMATION (cont.)

A. *EMPLOYEES' RETIREMENT SYSTEM* (cont.)

Public Employees Retirement Association (PERA) (cont.)

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019 and the Organization was required to contribute 7.50% for Coordinated Plan members. The Organization's contributions to the General Employees Fund for the year ended December 31, 2019 were $72,669. The Organization's contributions were equal to the required contributions as set by state statute.

General Employees Fund Pension Costs. At December 31, 2019, the Organization reported a liability of $691,097 for its proportionate share of the General Employees Fund's net pension liability. The Organization's net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Organization totaled $21,499. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Organization's proportionate share of the net pension liability was based on the Organization's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Organization's proportionate share was .0125%.

Organization's proportionate share of the net pension liability	$	691,097
State of Minnesota's proportionate share of the net pension liability associated with the Organization		21,499
Total	$	712,596

For the year ended December 31, 2019, the Organization recognized pension expense of $167,981 for its proportionate share of the General Employees Plan's pension expense. In addition, the Organization recognized an additional $1,610 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

NOTE III – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Public Employees Retirement Association (PERA) (cont.)

At December 31, 2019, the Organization reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 9,839	$ -
Changes in actuarial assumptions	-	11,265
Net collective difference between projected and actual investment earnings	4,455	-
Changes in proportion	520,087	-
Contributions paid to PERA subsequent to the measurement date	37,212	-
Total	$ 571,593	$ 11,265

The $37,212 reported as deferred outflows of resources related to pensions resulting from the Organization's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ended December 31:	Deferred Outflows of Resources and Deferred Inflows of Resources (net)
2020	$ 174,001
2021	174,001
2022	174,000
2023	1,114

NOTE III – OTHER INFORMATION (cont.)

*A. **EMPLOYEES' RETIREMENT SYSTEM*** (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions. The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

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

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

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

NOTE III – OTHER INFORMATION (cont.)

A. *EMPLOYEES' RETIREMENT SYSTEM* (cont.)

Public Employees Retirement Association (PERA) (cont.)

Actuarial Assumptions (cont.)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35.5%	5.10%
Private Markets	25.0	5.90
Fixed Income	20.0	0.75
International Equity	17.5	5.90
Cash Equivalents	2.0	0.00
Total	100%	

Discount Rate. The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease in Discount Rate (6.50%)	Current Discount Rate (7.50%)	1% Increase in Discount Rate (8.50%)
The Organization's proportionate share of the General Employees Fund net pension liability:	$1,136,126	$691,097	$323,637

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 III – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT

The Organization is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage.

C. COMMITMENTS AND CONTINGENCIES

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

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

NOTE III – OTHER INFORMATION (cont.)

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT PERIOD FINANCIAL STATEMENTS

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

> Statement No. 83, *Certain Asset Retirement Obligations*

> Statement No. 84, *Fiduciary Activities*

> Statement No. 87, *Leases*

> Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

> Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

> Statement No. 90, *Majority Equity Interests*

> Statement No. 91, *Conduit Debt Obligations*

> Statement No. 92, *Omnibus*

> Statement No. 93, *Replacement of Interbank Offered Rates*

> Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*

> Statement No. 96, *Subscription-Based Information Technology Arrangements*

> Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*

The statements listed above through Statement No. 93 had their required effective dates postponed by one year with the issuance of Statement No. 95, *Postponement of Effective Dates of Certain Authoritative Guidance*, with the exception of Statement No. 87, which was postponed by one and a half years

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

REQUIRED SUPPLEMENTARY INFORMATION

COUNTIES PROVIDING TECHNOLOGY

SCHEDULE OF EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY -
PERA GENERAL EMPLOYEES RETIREMENT FUND
For the Period Ended December 31, 2019

Employer Fiscal Year End Date	PERA Fiscal Year End Date (Measurement Date)	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability associated with the Employer (b)	Employer and State's Proportionate Share of the Net Pension Liability associated with Employer (a+b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
12/31/19	6/30/19	0.0125%	$ 691,097	$ 21,499	$ 712,596	$ 699,210	98.84%	80.20%

COUNTIES PROVIDING TECHNOLOGY

SCHEDULE OF EMPLOYER CONTRIBUTIONS -
PERA GENERAL EMPLOYEES RETIREMENT FUND
For the Period Ended December 31, 2019

Employer Fiscal Year End Date	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
12/31/19	$ 72,669	$ 72,669	$ -	$ 968,932	7.50%

See independent auditors' report and accompanying notes to required supplementary information.

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA)

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

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

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

CHANGES IN ASSUMPTIONS AND PLAN PROVISIONS

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

OTHER REPORTS

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

Independent Auditors' Report

To the Joint Powers Board of
Counties Providing Technology
Morris, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Counties Providing Technology (the Organization), which comprise the statement of net position as of December 31, 2019, and the related statements of revenues, expenses, and changes in net position and cash flows for the period then ended, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2020.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-002 to be a significant deficiency.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties,* promulgated by the State Auditor pursuant to Minn. Stat. Section 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for public indebtedness because the Organization has no public debt and tax increment financing because the Organization does not have any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that Counties Providing Technology failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties,* except as described in the schedule of findings and responses as items 2019-003, 2019-004, 2019-005, and 2019-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Organization’s noncompliance with the above referenced provisions, insofar as theey relate to accounting matters.

The Organization's Response to Findings

The Organization's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Organization'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.

Purpose of this Report

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

Baker Tilly US, LLP

Baker Tilly US, LLP (formerly known as Baker Tilly Virchow Krause, LLP)
Minneapolis, Minnesota
October 23, 2020

COUNTIES PROVIDING TECHNOLOGY

SCHEDULE OF FINDINGS AND RESPONSES
For the Period Ended December 31, 2019

FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

FINDING 2019-001: MATERIAL WEAKNESS - INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: A system of internal control should be in place that provides reasonable assurance that year-end financial statements are complete and accurate. The Organization should present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries as a result of the audit procedures.

Condition: There is a lack of controls over the year-end financial reporting process. We, as your auditors, prepared the Organization's financial statements. We also identified adjusting journal entries as part of our audit procedures, some of which were considered material to the Organization's financial statements. However, management reviewed, approved and accepted responsibility for the financial statements prior to their issuance.

Cause: Due to its size, the Organization has chosen to have the auditors prepare its annual financial statements and procedures were not in place to identify all material adjustments that were needed for accurate year-end financial reporting purposes.

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

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

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

FINDING 2019-002: SIGNIFICANT DEFICIENCY - INTERNAL CONTROL ENVIRONMENT

Criteria: A system of internal controls should be in place to achieve a higher level of reliability that errors or irregularities in your processes would be discovered by your staff and to provide reasonable assurance that individuals have access to only one phase of the accounting process.

Condition: There is a lack of controls over receipting and period close transaction cycles, primarily due to a lack segregation of duties in the accounting functions.

Cause: The Organization has not assigned duties to have the appropriate controls in place.

Effect: Because of the lack of internal controls, it is less likely that errors or irregularities would be discovered internally. Because of the lack of segregation of duties, the accounting records may be misstated.

FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* (cont.)

FINDING 2019-002: SIGNIFICANT DEFICIENCY - INTERNAL CONTROL ENVIRONMENT (cont.)

Recommendation: Policies and procedures related to the receipting and period close transaction cycles should be reviewed to determine whether improvements can be made to the internal controls surrounding accounts receivable reconciliations between the general ledger and subsidiary ledger, review of general ledger account coding of receipts, and review and approval of manual adjusting journal entries.

Management's Response: Management is working on setting up controls and procedures related to: performing accounts receivable reconciliations, proper receipt coding, and reviewing and approving journal entries.

MINNESOTA LEGAL COMPLIANCE FINDINGS

FINDING 2019-003: PRESENTING CLAIMS TO THE BOARD

Criteria: Per Minnesota Statues Section 375.18 (Subd. 1b), a list of all claims paid under the procedures established by the board shall be presented to the board for informational purposes only at the next regularly scheduled meeting after payment of the claim.

Condition: From June 2019 through December 2019, a list of all claims paid was not presented to the board at the next regularly scheduled meeting.

Cause: The Organization failed to provide a listing of claims paid to the board.

Effect: Claims could be paid that do not undergo proper board approval.

Recommendation: At each board meeting, management should provide the board with a detailed listing of all claims that have been paid since the listing that was provided during the previous meeting. For best practice, a designated individual should track the invoice numbers from one meeting to the next to ensure the listing is complete.

Management's Response: Management will provide a detailed list of all claims paid from the previous board meeting to the current board meeting and continue to have all claims signed by the Joint Powers Board vice-chair before being processed and paid.

FINDING 2019-004: PUBLICATION OF BOARD MINUTES AND CLAIMS

Criteria: Per Minnesota Statutes Section 375.12, the Organization is required to publish their board meeting minutes in a qualified newspaper within 30 days of each meeting, which should include an itemized listing of all claims paid exceeding $2,000 and a statement showing the total number of claims that did not exceed $2,000 and their total dollar amount.

Condition: Minutes were not published in a qualified newspaper or other publicly-available location during the period under audit. In addition, the board minutes did not include an itemized listing of all claims paid exceeding $2,000 and a statement showing the total number of claims that did not exceed $2,000 and their total dollar amount.

MINNESOTA LEGAL COMPLIANCE FINDINGS (cont.)

FINDING 2019-004: PUBLICATION OF BOARD MINUTES AND CLAIMS (cont.)

Cause: The Organization failed to publish board meeting minutes that contained the necessary listing and summary of claims paid.

Effect: Members of the public do not have information available to them which they are entitled to.

Recommendation: The Organization should approve a qualified newspaper at the first regular session of the board in January of each year and publish minutes of all board meetings in that newspaper within 30 days of the date that the meeting was held. These minutes should include an itemized listing of all claims paid exceeding $2,000 and a statement showing the total number of claims that did not exceed $2,000 and their total dollar amount.

Management's Response: Starting in 2020, all board minutes and claims will be available on the Counties Providing Technology website. Management is looking into the publication requirements.

FINDING 2019-005: PUBLICATION OF SUMMARY BUDGET STATEMENT

Criteria: Per Minnesota Statutes Section 375.169, upon adoption of the Organization's budget, a summary budget statement should be published in a qualified newspaper. The statement should contain information related to anticipated revenues and expenses in a form prescribed by the state auditor. The form prescribed shall be designed so that comparisons can be made between the current year and the budget year and a note shall be included that the complete budget is available for public inspection at a designated location.

Condition: The Organization did not publish its approved annual budget for 2019.

Cause: The Organization failed to publish the approved 2019 annual budget.

Effect: Members of the public do not have information available to them which they are entitled to and may not know where they can review the complete budget.

Recommendation: The Organization should approve a qualified newspaper at the first regular session of the board in January of each year and publish a summary of its approved budget in that newspaper. It should also include a note that states that the complete budget is available for public inspection at a designated location.

Management's Response: The 2020 budget is available on the Counties Providing Technology website. Management is looking into the publication requirements.

FINDING 2019-006: BONUS PAYMENTS MADE TO EMPLOYEES

Criteria: The Organization is required to refrain from paying retroactive bonuses or pay increases unless the bonus or pay increase was paid under a pre-existing agreement or pursuant to collective bargaining.

Condition: The Organization paid bonuses to its employees twice during the period under audit. These bonus payments totaled $52,210.

Cause: The Organization determined that the bonuses were necessary to retain its employees.

MINNESOTA LEGAL COMPLIANCE FINDINGS (cont.)

FINDING 2019-006: BONUS PAYMENTS MADE TO EMPLOYEES (cont.)

Effect: Payments to employees may be made that are not in compliance with the applicable state statutes.

Recommendation: It is recommended that the Organization refrain from making any bonus or other payments to its employees that are not allowable per applicable state statutes.

Management's Response: The bonus payments were agreed upon prior to the purchase of Counties Providing Technology and were given to employees to retain their employment. No bonuses will be paid in the future that are not in compliance with the Minnesota Legal Compliance Audit Guide.