

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Audit Practice Division

Brown-Nicollet Community Health Services St. Peter, Minnesota

Annual Financial Report and
Management and Compliance Report

Year Ended December 31, 2024

Brown-Nicollet Community Health Services

St. Peter, Minnesota

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Introductory Section

Brown-Nicollet Community Health Services

St. Peter, Minnesota

Organization 2024

<u>Office</u>	<u>Name</u>
Board Members	
Brown County Commissioners	
Chair	Anton Berg
Clerk	Brian Braun
Member	David Borchert
Member	Jeffrey Veerkamp
Member	Scott Windschitl
Nicollet County Commissioners	
Vice Chair	Jack Kolars
Treasurer	Marie Dranttel
Member	Mark Dehen
Member	Terry Morrow
Member	Kurt Zins
Management Teams	
Brown County Public Health Director and CHS Administrator	Jaimee Brand
Nicollet County Public Health Supervisor	Bree Allen
Brown-Nicollet Environmental Health Director	Jesse Harmon

Financial Section



Independent Auditor's Report

Board of County Commissioners
Brown County
New Ulm, Minnesota

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the General Fund of Brown-Nicollet Community Health Services as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Health Services' 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 respective financial position of the governmental activities and the General Fund of Brown-Nicollet Community Health Services as of December 31, 2024, and the respective changes in financial position and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Health Services, 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 opinions.

Substantial Doubt About Brown-Nicollet Community Health Services' Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that Brown-Nicollet Community Health Services will continue as a going concern; however, as discussed in Note 5 to the financial statements, the Health Services Board approved the dissolution of the Health Services effective December 31, 2024. Effective January 1, 2025, Brown and Nicollet Counties formed their own Community Health Boards, at which time the Brown-Nicollet Community Health Services ceased to continue as a going concern. The financial statements do not include any adjustments as a result of this dissolution. 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 Health Services' 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 opinions. 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 Health Services' 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 Health Services' 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 Management's Discussion and Analysis, 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 opinions on the basic financial statements do 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

October 7, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Brown-Nicollet Community Health Services

St. Peter, Minnesota

Management's Discussion and Analysis

December 31, 2024

(Unaudited)

Brown-Nicollet Community Health Services' Management's Discussion and Analysis (MD&A) provides an overview of the Health Services' financial activities for the fiscal year ended December 31, 2024. We encourage readers to consider the information presented here.

Financial Highlights

- On December 31, 2024, our assets and deferred outflows of resources exceeded our liabilities and deferred inflows of resources by \$244,791. Of this amount, \$4,315 is invested in capital assets.
- Our income is mainly state and federal grants, fees from our licensing program, and rental income.
- We have no debt or obligations to citizens or creditors.
- Long-term liabilities are for compensated absences, pension obligations, and other postemployment benefits.

Overview of the Financial Statements

This MD&A is intended to serve as an introduction to the basic financial statements. The financial statements comprise three components: (1) government-wide financial statements, (2) fund level financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Health Services' finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the Health Services' assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Health Services is improving or deteriorating.

The statement of activities presents information showing how the Health Services' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, unused vacation leave).

Both of the government-wide financial statements distinguish functions of the Health Services that are principally supported by fees and grants. The activities of the Health Services include environmental health and public health. There are no business-type activities within the Health Services.

Fund Financial Statements

These statements provide detailed information about the General Fund—not the Health Services as a whole. The Health Services' General Fund is considered a governmental fund.

All services provided by the Health Services are reported in the General Fund, which focuses on how money flows into and out of the fund and the balances left at year-end that are available for spending. This fund is reported using the modified accrual method of accounting, which measures cash and all other financial assets that can be readily converted to cash. The General Fund statements provide a detailed short-term view of the Health Services' operations and the basic services it provides. General Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Health Services' programs. We describe the relationship (or differences) between General Fund activities and governmental activities in reconciliations on Exhibits 4 and 6.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found directly after Exhibit 7.

Other Information

In addition to the basic financial statements and notes, this report also presents certain required supplementary information concerning changes in the other postemployment benefits liability (Exhibit A-1), as well as Brown-Nicollet Community Health Services' proportionate share of the net pension liability of, and contributions to, the Public Employees Retirement Association of Minnesota's General Employees Retirement Plan (Exhibits A-2 and A-3).

Government-Wide Financial Analysis

Governmental Activities

Net position may, over time, be a useful indicator of the government's financial position. In the case of the Health Services, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$244,791 at the close of 2024.

Governmental Net Position

Statement of Net Position

	2024	2023*
Assets		
Current and other assets	\$ 658,315	\$ 831,089
Capital assets	4,315	245,924
Total Assets	\$ 662,630	\$ 1,077,013
Deferred Outflows of Resources	\$ 33,689	\$ 67,965
Liabilities		
Other liabilities	\$ 192,038	\$ 336,544
Long-term liabilities	156,307	221,245
Total Liabilities	\$ 348,345	\$ 557,789
Deferred Inflows of Resources	\$ 103,183	\$ 170,656
Net Position		
Invested in capital assets	\$ 4,315	\$ 245,924
Unrestricted	240,476	170,609
Total Net Position	\$ 244,791	\$ 416,533

*2023 amounts were not restated for GASB Statement No. 101, *Compensated Absences*; as such, the statements may not be comparable. See Note 1 in the Notes to the Financial Statements.

The Health Services' net position decreased by \$162,098. The following table summarizes the changes in net position for 2024, with comparative data for 2023.

Changes in Net Position

	2024	2023*
Revenues		
Program revenues		
Fees, charges, and other	\$ 325,147	\$ 332,472
Operating grants and contributions	1,645,550	1,762,330
General revenues		
Investment earnings	1,542	1,922
Miscellaneous	644	677
Total Revenues	\$ 1,972,883	\$ 2,097,401
Expenses		
Program expenses		
General government	\$ 57,821	\$ 52,124
Health	1,847,767	2,049,741
Total Expenses	\$ 1,905,588	\$ 2,101,865
Special Item		
Conveyance of capital assets to Brown County	\$ (229,393)	\$ -
Increase (Decrease) in Net Position	\$ (162,098)	\$ (4,464)
Net Position – January 1, as restated	406,889	420,997
Net Position – December 31	\$ 244,791	\$ 416,533

*2023 amounts were not restated for GASB Statement No. 101, *Compensated Absences*; as such, the statements

may not be comparable. See Note 1 to the Financial Statements.

Financial Analysis of the General Fund

The Health Services uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the General Fund is to provide information on balances of expendable resources. Such information is useful in assessing the Health Services’ financing requirements. In particular, unrestricted fund balance may serve as a useful measure of net resources available for spending at the end of the fiscal year or to be carried into the next year’s budgets.

Brown-Nicollet Community Health Services was formed to provide services to Brown and Nicollet Counties in south central Minnesota. The majority of its funding has been provided through state and federal grants. Other notable funding sources include environmental health license fees and contract fees for environmental health program services provided to Cottonwood and Watonwan Counties in south central Minnesota.

At the end of the current fiscal year, the General Fund reported a fund balance of \$466,277, increasing \$66,204, or 16.55 percent, from the prior year. This amount constitutes unassigned fund balance, which is available for spending at the Health Services’ discretion at year-end.

General Fund Budgetary Highlights

There were no revised budgets in 2024. There were variances in operational revenues and expenditures. Total revenues were \$163,216 less than the budgeted, and total expenditures were \$139,380 less than budgeted. These differences are due, in most part, to pass-through grant activities included in the 2024 budget that were delayed to a subsequent year.

Capital Assets and Debt Administration

Capital Assets

Our capital assets decreased by \$241,609 as a result of current year’s depreciation and the conveyance of the Elixir building in New Ulm to Brown County, which was completed as part of the unwinding process preceding the dissolution of the Health Services at year-end (see Significant Facts, Decisions, or Conditions section below).

	Capital Assets	
	(Net of Accumulated Depreciation)	
	2024	2023
Capital Assets		
Land and right-of-way	\$ -	\$ 41,063
Buildings	-	199,467
Machinery	4,315	5,394
Capital Assets, Net	\$ 4,315	\$ 245,924

Debt Administration

At year-end, the Health Services did not have any outstanding debt.

Significant Facts, Decisions, or Conditions

At its final meeting on December 20, 2024, the Brown-Nicollet Community Health Board approved the termination of the Brown-Nicollet Community Health Board effective December 31, 2024, and established the terms for distribution of any assets remaining between the two counties after the termination. Effective January 1, 2025, both counties will form their own community health board for the continued provision of community health services.

Requests for Information

This annual financial report is designed to provide a general overview of the Health Services' finances for all those with an interest in our finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Nicollet County Environmental Health, 622 South Front Street, St. Peter, Minnesota 56082.

Basic Financial Statements

Government-Wide Financial Statements

**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 1

**Statement of Net Position
Governmental Activities
December 31, 2024**

Assets

Cash and pooled investments	\$ 429,773
Accounts receivable	101
Due from other governments	228,441
Capital assets	
Depreciable assets – net	4,315
Total Assets	\$ 662,630

Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 286
Deferred pension outflows	33,403
Total Deferred Outflows of Resources	\$ 33,689

Liabilities

Accounts payable	\$ 1,531
Salaries payable	13,683
Due to other governments	176,824
Long-term liabilities	
Compensated absences – due within one year	18,699
Compensated absences – due in more than one year	14,925
Other postemployment benefits liability	4,739
Net pension liability	117,944
Total Liabilities	\$ 348,345

Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$ 827
Deferred pension inflows	102,356
Total Deferred Inflows of Resources	\$ 103,183

Net Position

Investment in capital assets	\$ 4,315
Unrestricted	240,476
Total Net Position	\$ 244,791

**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 2

**Statement of Activities
For the Year Ended December 31, 2024**

	Program Revenues			Net (Expense)
		Fees, Charges, and Other	Operating Grants and Contributions	Revenue and Change in Net Position
Expenses				
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 57,821	\$ 48,402	\$ 8,632	\$ (787)
Health	1,847,767	276,745	1,636,918	65,896
Total Governmental Activities	\$ 1,905,588	\$ 325,147	\$ 1,645,550	\$ 65,109
General Revenues				
Investment earnings				\$ 1,542
Miscellaneous				644
Special Item				
Conveyance of capital assets to Brown County				(229,393)
Total general revenues and special item				\$ (227,207)
Change in net position				\$ (162,098)
Net Position – January 1, as previously reported				\$ 416,533
Restatement (Note 1)				(9,644)
Net Position – January 1				\$ 406,889
Net Position – December 31				\$ 244,791

Fund Financial Statements

**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 3

**Balance Sheet
General Fund
December 31, 2024**

Assets

Cash and pooled investments	\$ 429,773
Accounts receivable	101
Due from other governments	<u>228,441</u>
Total Assets	<u>\$ 658,315</u>

Liabilities and Fund Balance

Liabilities

Accounts payable	\$ 1,531
Salaries payable	13,683
Due to other governments	<u>176,824</u>

Total Liabilities	<u>\$ 192,038</u>
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Fund Balance

Unassigned	<u>\$ 466,277</u>
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Total Liabilities and Fund Balance	<u>\$ 658,315</u>
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**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 4

**Reconciliation of the General Fund Balance Sheet to the
Statement of Net Position
December 31, 2024**

Fund Balance – General Fund (Exhibit 3)	\$	466,277
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the General Fund.		4,315
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the General Fund.		
Deferred outflows related to other postemployment benefits	\$ 286	
Deferred inflows related to other postemployment benefits	<u>(827)</u>	(541)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions not recognized in the General Fund.		
Deferred outflows related to pensions	\$ 33,403	
Deferred inflows related to pensions	<u>(102,356)</u>	(68,953)
Long-term liabilities, are not due and payable in the current period and, therefore, are not reported in the General Fund.		
Compensated absences payable	\$ (33,624)	
Other postemployment benefits liability	(4,739)	
Net pension liability	<u>(117,944)</u>	(156,307)
Net Position of Governmental Activities (Exhibit 1)	\$	<u>244,791</u>

**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 5

**Statement of Revenues, Expenditures, and Changes in Fund Balance
General Fund
For the Year Ended December 31, 2024**

Revenues		
Licenses and permits	\$	240,898
Intergovernmental		1,640,554
Charges for services		35,847
Investment earnings		1,542
Miscellaneous		49,046
Total Revenues	\$	1,967,887
Expenditures		
Current		
General government	\$	45,605
Health		607,510
Intergovernmental		
Health		1,248,568
Total Expenditures	\$	1,901,683
Net Change in Fund Balance	\$	66,204
Fund Balance – January 1		400,073
Fund Balance – December 31	\$	466,277

**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 6

**Reconciliation of the General Fund Statement of Revenues, Expenditures, and
Changes in Fund Balance to the Statement of Activities
For the Year Ended December 31, 2024**

Net Change in Fund Balance – General Fund (Exhibit 5)	\$	66,204
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Amounts reported for governmental activities in the statement of activities are different because:

The General Fund reports capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, any proceeds from sales increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the net book value of the assets disposed.

Net book value of assets disposed	\$ (229,393)	
Current year depreciation	<u>(12,216)</u>	(241,609)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.

Change in deferred other postemployment benefits outflows	\$ 286	
Change in deferred pension outflows	(34,562)	
Change in compensated absences payable	(2,475)	
Change in other postemployment benefits liability	(715)	
Change in net pension liability	77,772	
Change in deferred other postemployment benefits inflows	49	
Change in deferred pension inflows	<u>(27,048)</u>	<u>13,307</u>

Change in Net Position of Governmental Activities (Exhibit 2)	\$	<u>(162,098)</u>
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**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit 7

**Budgetary Comparison Statement
General Fund
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	\$ 242,000	\$ 242,000	\$ 240,898	\$ (1,102)
Intergovernmental	1,796,181	1,796,181	1,640,554	(155,627)
Charges for services	38,463	38,463	35,847	(2,616)
Investment earnings	700	700	1,542	842
Miscellaneous	53,759	53,759	49,046	(4,713)
Total Revenues	\$ 2,131,103	\$ 2,131,103	\$ 1,967,887	\$ (163,216)
Expenditures				
Current				
General government				
Administration	\$ 26,756	\$ 26,756	\$ 28,950	\$ (2,194)
Elixir Building	17,547	17,547	16,655	892
Total general government	\$ 44,303	\$ 44,303	\$ 45,605	\$ (1,302)
Health				
Environmental health	\$ 300,806	\$ 300,806	\$ 290,733	\$ 10,073
Statewide health implementation plan	296,049	296,049	316,777	(20,728)
Total health	\$ 596,855	\$ 596,855	\$ 607,510	\$ (10,655)
Intergovernmental				
Health				
Brown County contract payments	\$ 527,301	\$ 527,301	\$ 592,189	\$ (64,888)
Nicollet County contract payments	872,604	872,604	656,379	216,225
Total intergovernmental	\$ 1,399,905	\$ 1,399,905	\$ 1,248,568	\$ 151,337
Total Expenditures	\$ 2,041,063	\$ 2,041,063	\$ 1,901,683	\$ 139,380
Net Change in Fund Balance	\$ 90,040	\$ 90,040	\$ 66,204	\$ (23,836)
Fund Balance – January 1	400,073	400,073	400,073	-
Fund Balance – December 31	\$ 490,113	\$ 490,113	\$ 466,277	\$ (23,836)

Brown-Nicollet Community Health Services

St. Peter, Minnesota

Notes to the Financial Statements

As of and for the Year Ended December 31, 2024

Note 1 – Summary of Significant Accounting Policies

Brown-Nicollet Community Health Services' financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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 Brown-Nicollet Community Health Services are discussed below.

Financial Reporting Entity

Brown, Nicollet, Sibley Human Services Board was established pursuant to Minn. Stat. §§ 402.01-402.10. The pilot study program was started in April 1974. Brown, Nicollet, and Sibley Counties entered into a joint powers agreement (Minn. Stat. § 471.59) effective July 1, 1975. Sibley County was granted permission to withdraw from the Human Services Board effective July 1, 1976.

On January 1, 1991, the Human Services Board was legally reorganized into Brown-Nicollet Community Health Services. The organization functions as a community health services organization. It is governed by the ten County Commissioners of Brown and Nicollet Counties. Management consists of an environmental health director, the Brown County Public Health Director, and the Nicollet County Health Promotion and Prevention Services Manager.

Nicollet County reports the financial activities of Brown-Nicollet Community Health Services in a custodial fund in its annual financial statements. The Health Services follows the accounting and personnel policies of Nicollet County.

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the Health Services' governmental activities.

In the government-wide statement of net position, the governmental activities present all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position on a full accrual accounting basis with an economic resource focus. The net position is reported in three parts: (1) investment in capital assets, (2) restricted, and (3) unrestricted.

The statement of activities demonstrates the degree to which the direct expenses of each function of Brown-Nicollet Community Health Services' activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function, segment, or activity. Program revenues include: (1) fees, licenses, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues are presented as general revenues. The Health Services does not allocate indirect expenses to functions with the financial statements.

Brown-Nicollet Community Health Services

St. Peter, Minnesota

Fund Financial Statements

The fund financial statements (the balance sheet; statement of revenues, expenditures, and changes in fund balance; and budgetary comparison statement) display information about the Health Services' General Fund.

Measurement Focus and Basis of Accounting

The governmental activities are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Brown-Nicollet Community Health Services considers all revenues as available if collected within 60 days after the end of the current period. Charges for services and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under leases, if any, are reported as other financing sources.

When both restricted and unrestricted resources are available for use, it is Brown-Nicollet Community Health Services' policy to use restricted resources first and then unrestricted resources as needed.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

Deposits and Investments

The Health Services' available cash balances are pooled and invested by Nicollet County in accordance with Minnesota statutes.

Capital Assets

Capital assets, which include land, building and improvements, and machinery are reported in the government-wide financial statements. Capital assets are defined by Brown-Nicollet Community Health Services as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of Brown-Nicollet Community Health Services are depreciated using the straight-line method over an estimated useful life of seven to 40 years.

Brown-Nicollet Community Health Services

St. Peter, Minnesota

Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave and sick leave 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. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. The Health Services reports deferred outflows of resources associated with pension and other postemployment benefits (OPEB). These outflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The Health Services reports deferred inflows of resources associated with pension and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Pension Plan

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. Plan investments are reported at fair value.

Classification of Net Position

Net position in the government-wide financial statements is 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 regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

Classification of Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Health Services is bound to observe constraints imposed upon the use of the resources in the General Fund. The classifications are as follows:

Nonspendable – amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted – amounts in which constraints have been placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Health Services Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned – amounts the Health Services intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. Assigned amounts represent intended uses established by the Health Services Board.

Unassigned – the residual classification for the General Fund, which includes all spendable amounts not contained in the other fund balance classifications.

The Health Services applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Use of Estimates

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

Change in Accounting Principles

During the year ended December 31, 2024, the Health Services 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

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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 restatements as a result of GASB Statement 100.

The Health Services 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 \$9,644 for the implementation of this standard.

Note 2 – Stewardship, Compliance, and Accountability

Budgetary Information

Brown-Nicollet Community Health Services adopts an annual budget on a basis consistent with GAAP. This budget is approved by the Brown-Nicollet Community Health Services Board. The appropriated budget is prepared by function and department. The legal level of budgetary control—the level at which expenditures may not legally exceed appropriations—is the fund level.

Note 3 – Detailed Notes

Assets

Deposits and Investments

Through agreement with Nicollet County, all of the Health Services' deposit and investment functions are managed by the Nicollet County Finance Department. County policies are applied to the Health Services' deposits and investments, which are pooled with other County deposits and investments. The fair value of the investment in the County's investment pool is the fair value per share of the underlying portfolio.

Nicollet County is authorized by Minn. Stat. ch. 118A to deposit cash in designated financial institutions and to invest as authorized by this statute. The County is required by Minn. Stat. § 118A.03 to protect deposits with insurance, surety bond, or collateral. The types of investments available to the County are limited to those authorized by Minn. Stat. §§ 118A.04 and 118A.05. All funds of Nicollet County are pooled.

Receivables and Leases

Receivables for Brown-Nicollet Community Health Services are expected to be collected within the year. No allowance for accounts receivable has been provided because such amounts are not expected to be material.

The Health Services had entered into two lease agreements as a lessor for building space. As of December 31, 2024, these leases were terminated. During 2024, the Health Services received total principal and interest payments of \$51,199 and \$881, respectively.

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Capital Assets

Summary of Changes in Capital Assets as of December 31, 2024

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 41,063	\$ -	\$ (41,063)	\$ -
Capital assets depreciated				
Buildings and improvements	\$ 787,706	\$ -	\$ (787,706)	\$ -
Machinery	7,552	-	-	7,552
Total capital assets depreciated	\$ 795,258	\$ -	\$ (787,706)	\$ 7,552
Less: accumulated depreciation for				
Buildings and improvements	\$ 588,239	\$ 11,137	\$ (599,376)	\$ -
Machinery	2,158	1,079	-	3,237
Total accumulated depreciation	\$ 590,397	\$ 12,216	\$ (599,376)	\$ 3,237
Total capital assets depreciated, net	\$ 204,861	\$ (12,216)	\$ (188,330)	\$ 4,315
Total Capital Assets, Net	\$ 245,924	\$ (12,216)	\$ (229,393)	\$ 4,315

Depreciation expense of \$12,216 was charged to the general government function/program for the year ended December 31, 2024.

Liabilities

Changes in Compensated Absences

Summary of Changes in Compensated Absences as of December 31, 2024

Beginning Balance, as restated*	Additions	Reductions	Ending Balance	Due Within One Year
\$ 31,149	\$ 2,475**	\$ -	\$ 33,624	\$ 18,699

*See Change in Accounting Principles in Note 1.

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

Other Postemployment Benefits (OPEB)

Plan Description

Brown-Nicollet Community Health Services' OPEB plan is a single-employer defined benefit health care plan administered through Nicollet County. The Health Services allows eligible retirees and their dependents to continue on the employee-sponsored health insurance plan as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost; however, because premium costs are determined based on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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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, 2024, actuarial valuation, there were two active employees covered by the benefit terms.

Total OPEB Liability

The Health Services' total OPEB liability of \$4,739 was measured as of January 1, 2024, and was determined by an actuarial valuation as of that date.

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:

OPEB Actuarial Assumptions and Other Inputs

Inflation	2.50 percent
Salary increases	Graded by service years from 10.25 percent for one year of service to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent, decreasing to 5.00 percent over six years and then 4.00 percent over the next 48 years

The current year discount rate is 3.70 percent, which is a change from the prior year rate of 4.00 percent. For the current valuation, the discount rate is based on the estimated yield of 20-year AA-rated municipal bonds.

Mortality rates are based on the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

Changes in the Total OPEB Liability

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

Balance at December 31, 2023	\$ 4,024
Changes for the year	
Service cost	\$ 436
Interest	178
Changes of assumption or other inputs	318
Differences between expected and actual experience	(217)
Net change	\$ 715
Balance at December 31, 2024	<u>\$ 4,739</u>

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OPEB Liability Sensitivity

The following presents the total OPEB liability of the Health Services, calculated using the discount rate previously disclosed, as well as what the Health Services' 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%	\$ 5,448
Current	3.70%	4,739
1% Increase	4.70%	4,090

The following presents the total OPEB liability of the Health Services, calculated using the health care cost trend previously disclosed, as well as what the Health Services' 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 the Health Care Trend Rates	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 3,785
Current	6.50% Decreasing to 5.00%	4,739
1% Increase	7.50% Decreasing to 6.00%	5,923

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

For the year ended December 31, 2024, the Health Services recognized OPEB expenses of \$380. The Health Services 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
Differences between expected and actual experience	\$ -	\$ 195
Changes in actuarial assumptions	286	632
Total	\$ 286	\$ 827

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Amounts reported as deferred inflows of resources related to OPEB will be recognized in 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	\$ (149)
2026	(149)
2027	(149)
2028	(145)
2029	10
Thereafter	41

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2024:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 4.00 percent to 3.70 percent.

Pension Plan

Defined Benefit Pension Plan

Plan Description

All full-time and certain part-time employees of Brown-Nicollet Community Health Services 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 Brown-Nicollet Community Health Services employees belong to either the Basic Plan or the Minneapolis Employees Retirement Fund.

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

The Health Services' contributions for the General Employees Plan for the year ended December 31, 2024, were \$19,042. The contributions are equal to the statutorily required contributions as set by state statute.

Pension Costs

At December 31, 2024, the Health Services reported a liability of \$117,944 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 Health Services' proportion of the net pension liability was based on the Health Services'

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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 Health Services' proportion was 0.0032 percent. It was 0.0035 percent measured as of June 30, 2023. The Health Services recognized pension expense of \$8,388 for its proportionate share of the General Employees Plan's pension expense.

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 Health Services recognized \$5,426 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 Health Services recognized an additional \$82 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

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 Health Services	Amount
The Health Services' proportionate share of the net pension liability	\$ 117,944
State of Minnesota's proportionate share of the net pension liability associated with the Health Services	3,050
Total	<u>\$ 120,994</u>

The Health Services 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	\$ 11,381	\$ -
Changes in actuarial assumptions	578	47,803
Difference between projected and actual investment earnings	-	38,363
Changes in proportion	11,880	16,190
Contributions paid to PERA subsequent to the measurement date	9,564	-
Total	<u>\$ 33,403</u>	<u>\$ 102,356</u>

The \$9,564 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:

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

Year Ended December 31	Pension Expense Amount
2025	\$ (43,772)
2026	(6,549)
2027	(19,156)
2028	(9,040)

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%

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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.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 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.

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Pension Liability Sensitivity

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

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%	\$ 257,608
Current	7.00%	117,944
1% Increase	8.00%	3,057

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.

Special Item

Preceding the termination of joint powers effective December 31, 2024 (Note 5), the Board approved transfer of ownership of the Elixir Building located in the City of New Ulm, Minnesota, to Brown County, with Nicollet County receiving compensation agreed upon for its share of the ownership interest. At the time of the transfer, the book value of the related capital assets was \$229,393.

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Intergovernmental Revenue

Brown-Nicollet Community Health Services received intergovernmental revenue from the following sources during the year ended December 31, 2024:

Summary of Intergovernmental Revenue

State appropriations	
PERA aid	\$ 512
State grants	
Minnesota Department of Health	\$ 920,093
Minnesota Department of Human Services	43,461
Total state grants	\$ 963,554
Federal grants	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 246,042
Public Health Emergency Preparedness	49,716
Food and Drug Administration Research	3,909
Early Hearing Detection and Intervention	1,325
Immunization Cooperative Agreements	47,675
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	68,604
Public Health Emergency Response: Cooperative Agreement for Emergency Response:	
Public Health Crisis Response	60,456
Temporary Assistance for Needy Families	74,585
Medical Assistance Program	43,461
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	18,126
Maternal and Child Health Services Block Grant to the States	62,589
Total federal grants	\$ 676,488
Total Intergovernmental Revenue	\$ 1,640,554

Note 4 – Risk Management

Brown-Nicollet Community Health Services is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The Health Services has entered into a joint powers agreement with certain Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The Health Services is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2024. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the Health Services in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the Health Services pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic

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losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the Health Services in a method and amount to be determined by MCIT.

The Brown-Nicollet Community Health Services Board has not significantly reduced insurance coverage in the past year and has not had settlements in excess of insurance coverage in any of the past three years.

Note 5 – Termination of the Joint Powers

At its final meeting on December 20, 2024, the Brown-Nicollet Community Health Board approved the termination of the Brown-Nicollet Community Health Board effective December 31, 2024, and established the terms for distribution of any assets remaining between the two counties after the termination. Effective January 1, 2025, both counties will form their own community health board for the continued provision of community health services.

Required Supplementary Information

**Brown-Nicollet Community Health Services
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**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2024**

	<u>2024</u>	<u>2023</u>
Total OPEB Liability		
Service cost	\$ 436	\$ 899
Interest	178	162
Differences between expected and actual experience	(217)	-
Changes of assumption or other inputs	318	(950)
Benefit payments	-	(6,576)
	<u> </u>	<u> </u>
Net change in total OPEB liability	\$ 715	\$ (6,465)
Total OPEB Liability – Beginning	<u>4,024</u>	<u>10,489</u>
Total OPEB Liability – Ending	<u><u>\$ 4,739</u></u>	<u><u>\$ 4,024</u></u>
 Covered-employee payroll	 \$ 164,464	 \$ 276,487
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 2.88%	 1.46%

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

Exhibit A-1

2022	2021	2020	2019	2018
\$ 1,185	\$ 1,454	\$ 1,210	\$ 1,387	\$ 1,470
420	716	1,108	1,087	1,084
(7,172)	-	1,644	-	-
(204)	927	(2,431)	(510)	-
(7,033)	(6,056)	(6,382)	(4,802)	-
\$ (12,804)	\$ (2,959)	\$ (4,851)	\$ (2,838)	\$ 2,554
23,293	26,252	31,103	33,941	31,387
\$ 10,489	\$ 23,293	\$ 26,252	\$ 31,103	\$ 33,941
\$ 268,434	\$ 255,742	\$ 247,692	\$ 263,862	\$ 256,177
3.91%	9.11%	10.60%	11.79%	13.25%

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Exhibit A-2

**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 Brown-Nicollet Community Health Services (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	0.0032 %	\$ 117,944	\$ 3,050	\$ 120,994	\$ 270,023	43.68 %	89.08 %
2023	0.0035	195,716	5,394	201,110	277,968	70.41	83.10
2022	0.0032	253,441	7,427	260,868	236,863	107.00	76.67
2021	0.0035	149,466	4,565	154,031	255,463	58.51	87.00
2020	0.0034	203,846	6,286	210,132	245,812	82.93	79.06
2019	0.0033	182,450	5,671	188,121	235,566	77.45	80.23
2018	0.0041	227,451	7,462	234,913	277,891	81.85	79.53
2017	0.0038	242,589	3,051	245,640	244,272	99.31	75.90
2016	0.0041	332,833	4,345	337,178	253,451	131.32	68.91
2015	0.0041	213,609	N/A	213,609	238,426	89.59	78.19

The measurement date for each year is June 30.

N/A – Not Applicable

**Brown-Nicollet Community Health Services
St. Peter, Minnesota**

Exhibit A-3

**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	\$ 19,042	\$ 19,042	\$ -	\$ 253,894	7.50 %
2023	21,354	21,354	-	284,720	7.50
2022	20,349	20,349	-	271,316	7.50
2021	17,357	17,357	-	231,428	7.50
2020	18,786	18,786	-	250,483	7.50
2019	18,092	18,092	-	241,231	7.50
2018	19,223	19,223	-	256,301	7.50
2017	18,514	18,514	-	246,855	7.50
2016	19,047	19,047	-	253,956	7.50
2015	18,805	18,805	-	250,730	7.50

The Health Services' year-end is December 31.

Brown-Nicollet Community Health Services

St. Peter, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2024

Note 1 – Other Postemployment Benefits Funded Status

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

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

The following changes in actuarial assumptions occurred:

2024

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The discount rate was changed from 4.00 percent to 3.70 percent.

2023

- 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

- 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 Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase rates were updated to reflect the latest experience study.
- The retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

2021

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

2020

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

Brown-Nicollet Community Health Services St. Peter, Minnesota

- The mortality tables were updated from the RP-2014 Mortality tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The discount rate was changed from 3.80 percent to 2.90 percent.
- For employees not eligible for any direct subsidized payment, the assumed percentage of future retirees electing coverage changed from 75 percent to 50 percent.

2019

- The discount rate used changed from 3.30 percent to 3.80 percent.

2018

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from the RP-2014 White Collar Mortality tables with MP-2015 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality tables with MP-2017 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- Claim costs were developed by age adjusting the premium information from Nicollet County. As of January 1, 2016, actual claims and enrollment experience was used.

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.

Brown-Nicollet Community Health Services St. Peter, Minnesota

- 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 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.

Brown-Nicollet Community Health Services St. Peter, Minnesota

- 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.
- 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.

Brown-Nicollet Community Health Services

St. Peter, Minnesota

- 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 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



**Independent Auditor's Report on
Minnesota Legal Compliance**

Board of County Commissioners
Brown County
New Ulm, Minnesota

Board of County Commissioners
Nicollet County
St. Peter, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and the General Fund of Brown-Nicollet Community Health Services as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the Health Services' basic financial statements, and have issued our report thereon dated October 7, 2025.

In connection with our audit, nothing came to our attention that caused us to believe that Brown-Nicollet Community Health Services 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 Health Services' 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 County Commissioners of Brown and Nicollet Counties, management of Brown and Nicollet Counties, 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

October 7, 2025

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor