State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

McLeod County
Glencoe, Minnesota

Year Ended December 31, 2019

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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McLeod County
Glencoe, Minnesota

Year Ended December 31, 2019

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

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McLEOD COUNTY
GLENCOE, MINNESOTA

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Introductory Section

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McLEOD COUNTY
GLENCOE, MINNESOTA

ORGANIZATION
2019

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Ron Shimanski	January 2014	January 2021
2nd District	Doug Krueger	January 2015	January 2023
3rd District	Paul Wright	January 2009	January 2021
4th District	Rich Pohlmeier	January 2017	January 2021
5th District	Joe Nagel*	January 2015	January 2023
Officers			
Elected			
Attorney	Michael K. Junge	May 1987	January 2023
Auditor-Treasurer	Connie Kurtzweg	January 2019	January 2023
Recorder	Lynnette Schrupp	January 2003	January 2023
Sheriff	Scott Rehmann	January 2007	January 2023
District Judge	Jody Winters	January 2017	January 2023
District Judge	Jessica Maher	August 1998	January 2023
Appointed			
Agriculture & Weed Inspector	Allan Koglin		
Assessor	Sue Schulz		
Coroner	Dr. Quinn Strobl		
County Administrator	Sheila Murphy		
Court Administrator	Karen Messner		
Environmental Services Director	Marc Telecky		
Finance Director	Colleen Robeck		
Public Works Director	John Brunkhorst		
Health &Human Services Director	Julie Erickson		
Information Systems Director	Vince Traver		
Regional Extension Director	Lori Vicich		
Surveyor	Jeff Rausch		
Veterans Service Officer	James Lauer		

*Chair

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Financial Section

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JULIE BLAHA
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
McLeod County
Glencoe, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLeod County, Minnesota, as of and for the year ended December 31, 2019, including the McLeod County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the County'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.

Auditor's Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the McLeod County HRA, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McLeod County HRA, is based solely on the report of the other auditors. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County'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 the County'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 opinions.

Opinions

In our opinion, based on our report and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLeod County as of December 31, 2019, including the McLeod County HRA as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Subsequent Events

As discussed in Note 5.G. to the financial statements, subsequent to year-end, the World Health Organization declared a coronavirus (COVID-19) outbreak a pandemic. A reduction of County State Aid from state-collected gasoline tax revenue in calendar year 2021 has occurred or is expected to occur. In addition, it is expected that the County will experience an increase of grant revenues as a result of this pandemic.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McLeod County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2020, on our consideration of McLeod County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of McLeod County'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 McLeod County's internal control over financial reporting and compliance. It does not include the McLeod County HRA, which was audited by other auditors.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements. The SEFA is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the SEFA is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 14, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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McLEOD COUNTY
GLENCOE, MINNESOTA

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

The financial management of McLeod County offers the readers of McLeod County's financial statements this narrative overview and analysis of the financial activities of McLeod County for the fiscal year ended December 31, 2019. We encourage readers to consider the information presented here in conjunction with the additional information that we have furnished in the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of McLeod County exceeded liabilities and deferred inflows of resources at the end of the current fiscal year by $168,122,334 (net position). Of this amount, $13,235,417 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased by $4,838,263 (3.0 percent). The increase is a combination of capital assets and budget savings from operations..

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $15,531,089, or 83.0 percent, of total 2019 General Fund expenditures.

- Governmental funds' fund balances increased by $6,098,250.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to McLeod County's basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves, including the MD&A (this section) and budgetary comparison schedules.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. They consist of a Statement of Net Position and Statement of Activities.

The Statement of Net Position presents information on all of McLeod County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may be an indicator of whether the financial position of McLeod County is improving or deteriorating.

The Statement of Activities presents information showing how the County's 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 result in cash flows only in future fiscal periods (for example, uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements report the primary government's governmental activities. Governmental activities include functions of the County that are principally supported by taxes and intergovernmental revenues. The governmental activities of the County include: general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements include McLeod County (primary government) and its discretely presented component unit. The McLeod County Housing and Redevelopment Authority (HRA) is a discretely presented component unit of McLeod County. More information on the component unit can be found in Note 6 to the financial statements.

The government-wide financial statements are Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. McLeod County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of McLeod County can be divided into two broad categories: governmental funds and fiduciary funds.

<u>Governmental Funds</u>

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities. This allows readers to better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

McLeod County maintains four fund types within the governmental funds: General, Special Revenue, Capital Projects, and Debt Service. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road and Bridge Special Revenue Fund, Human Services Special Revenue Fund, Solid Waste Special Revenue Fund, Ditch Special Revenue Fund, and the Capital Projects Fund, all of which are considered to be major funds. Data from the other (nonmajor) governmental fund is presented in a separate column.

McLeod County adopts an annual budget for the following governmental funds: General, Road and Bridge Special Revenue, Human Services Special Revenue, Solid Waste Special Revenue, and Debt Service. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements are Exhibits 3 through 6 of this report.

- General Fund – used to account for all financial resources not required to be accounted for in another fund.

- Special Revenue Funds – used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue funds include Road and Bridge, Human Services, Solid Waste, and Ditch.

- Capital Projects Fund – used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

- Debt Service Fund – used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

Fiduciary Funds

Fiduciary funds (agency funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support McLeod County's own programs.

The basic fiduciary fund financial statement is Exhibit 7 of this report.

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 to the financial statements may be found immediately following the exhibits.

Other Information

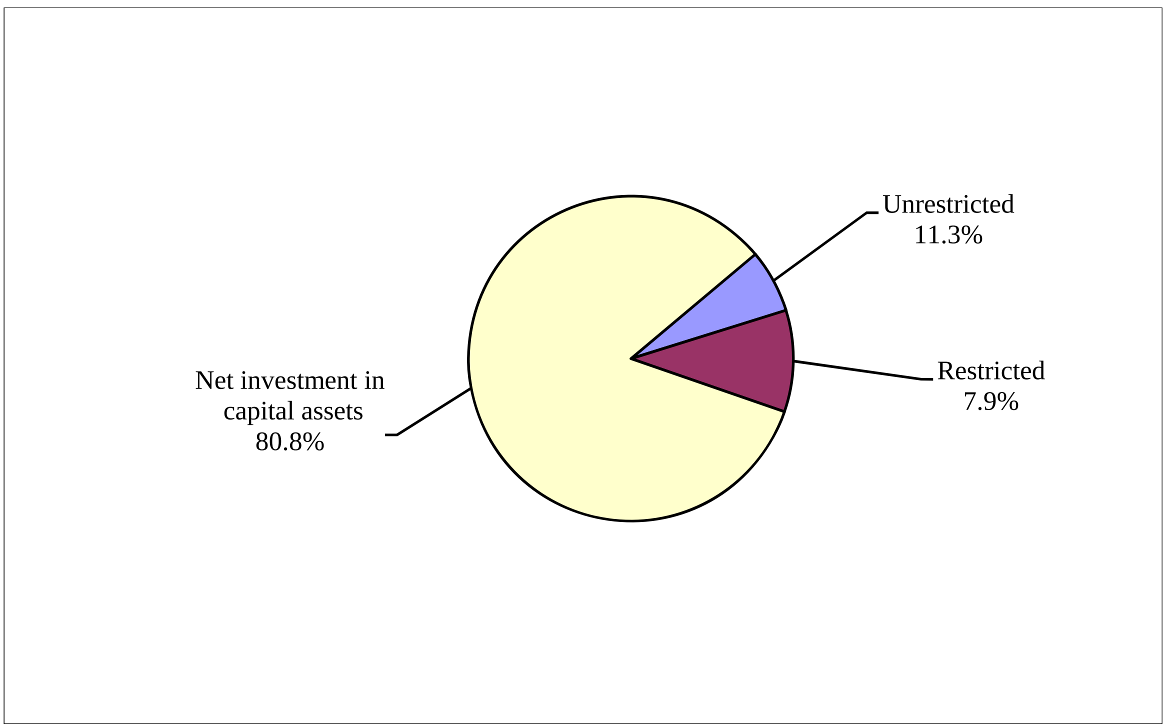
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The nonmajor governmental fund budget to actual statement is presented immediately following the required supplementary information.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of McLeod County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $168,122,334 as of December 31, 2019. The net investment in capital assets is the largest portion of McLeod County's net position at 80.8 percent. These capital assets are used to provide services to citizens and are not available for future spending.

Approximately 11.3 percent of McLeod County's net position is subject to external restrictions on how they may be used and, therefore, are considered restricted. The remaining 7.9 percent, or $13,235,417, is unrestricted and available to be used to meet the government's ongoing obligations to citizens and creditors.

Net Position



Net Position

	Governmental Activities		Discretely Presented Component Unit	
	2019	2018	2019	2018
Current and other assets	$ 67,476,370	$ 61,190,337	$ 412,607	$ 332,707
Capital assets	149,697,600	143,241,996	2,482,442	2,630,696
Total Assets	$ 217,173,970	$ 204,432,333	$ 2,895,049	$ 2,963,403
Deferred outflows of resources	$ 2,772,130	$ 4,653,824	$ -	$ -
Current and other liabilities	$ 2,699,967	$ 3,624,392	$ 103,990	$ 107,446
Long-term liabilities – due within one year	2,850,829	2,470,287	204,574	196,466
Long-term liabilities – due in more than one year	40,816,046	32,678,805	2,410,942	2,614,383
Total Liabilities	$ 46,366,842	$ 38,773,484	$ 2,719,506	$ 2,918,295
Deferred inflows of resources	$ 5,456,924	$ 7,028,602	$ -	$ -
Net Position				
Investment in capital assets	$ 135,877,407	$ 135,534,920	$ (133,074)	$ (180,153)
Restricted	19,009,510	15,411,321	5,821	15,510
Unrestricted	13,235,417	12,337,830	302,796	209,751
Total Net Position	$ 168,122,334	$ 163,284,071	$ 175,543	$ 45,108
Change in accounting policy				(25,955)
Total Net Position, as restated				$ 19,153

GOVERNMENTAL ACTIVITIES

McLeod County's governmental activities increased net position by $4,838,263 during the current fiscal year. This increase is primarily due to an increase in capital assets and budget savings from operations.

The McLeod County HRA is a discretely presented component unit of McLeod County. As of June 30, 2019, assets exceeded liabilities by $175,543, and there was an increase in net position of $156,390 from the prior year. The increase is primarily due to revenues in excess of expenses.

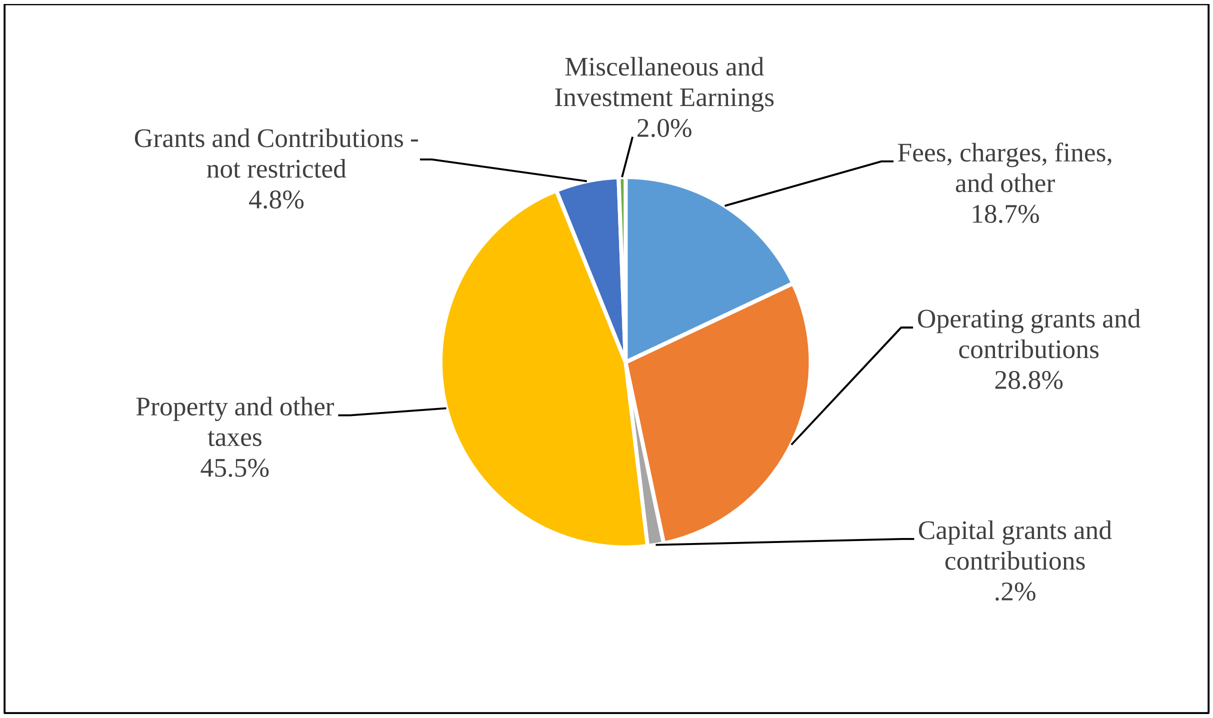
Changes in Net Position

	Governmental Activities		Discretely Presented Component Unit	
	2019	2018	2019	2018
Revenues				
Program revenues				
Fees, charges, fines, and other	$ 9,355,726	$ 7,569,295	$ 540,620	$ 536,165
Operating grants and contributions	14,424,373	13,809,081	492,600	516,335
Capital grants and contributions	74,046	212,333	-	-
General revenues				
Property taxes	22,306,407	20,808,327	-	-
Other taxes	470,683	473,305	-	-
Grants and contributions not restricted to specific programs	2,382,223	2,401,229	-	-
Investment income	775,397	445,525	2,403	1,219
Gain on disposal of assets	18,025	144,452	-	-
Miscellaneous	198,303	163,181	55,665	8,523
Total Revenues	$ 50,005,183	$ 46,026,728	$ 1,091,288	$ 1,062,242
Expenses				
General government	$ 8,370,079	$ 8,370,074	$ -	$ -
Public safety	6,885,714	5,360,800	-	-
Highways and streets	9,050,790	8,207,508	-	-
Sanitation	2,116,299	2,062,116	-	-
Human services	12,557,723	12,679,521	-	-
Health	2,721,711	2,730,788	-	-
Culture and recreation	705,869	769,431	-	-
Conservation of natural resources	2,202,013	1,611,229	-	-
Economic development	11,613	10,668	-	-
Interest	545,109	223,049	-	-
HRA	-	-	934,898	965,465
Total Expenses	$ 45,166,920	$ 42,025,184	$ 934,898	$ 965,465
Increase (Decrease) in Net Position	$ 4,838,263	$ 4,001,544	$ 156,390	$ 96,777
Net Position – January 1, as restated*	163,284,071	159,282,527	19,153	(51,669)
Net Position – December 31	$ 168,122,334	$ 163,284,071	$ 175,543	$ 45,108

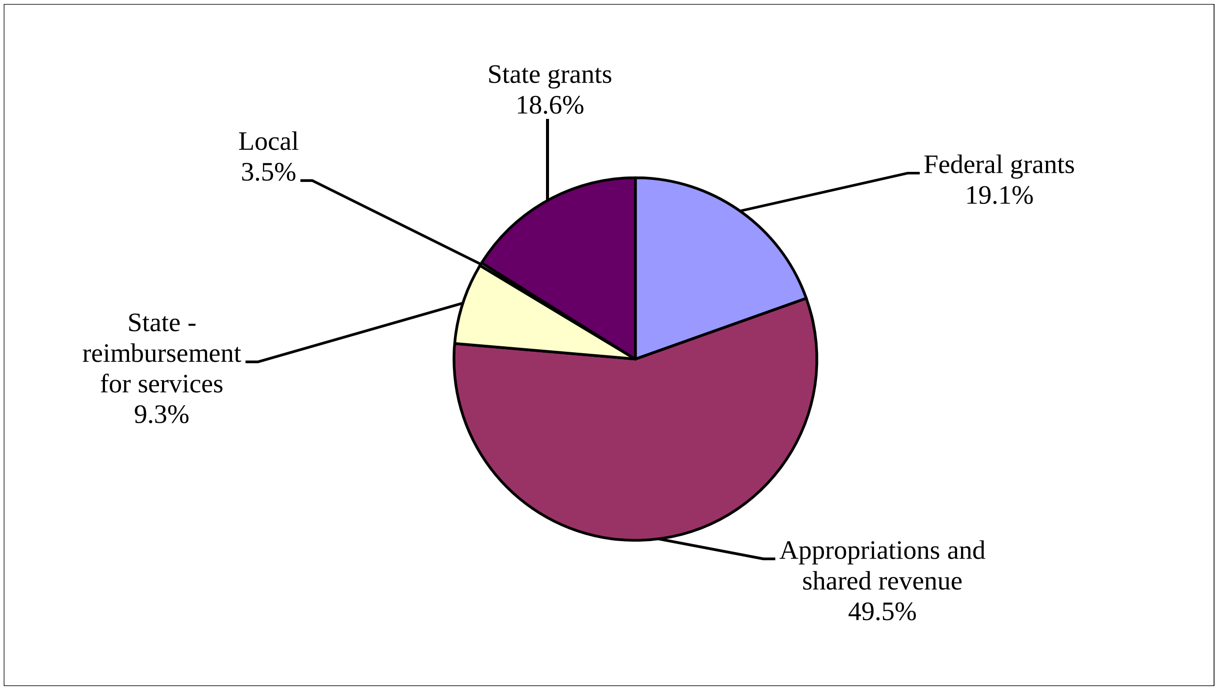
*2019 amount includes a change in accounting policy for the discretely presented component unit.

The following charts show additional information on the revenues of McLeod County for the year ended December 31, 2019.

Revenues by Source – Governmental Activities



Intergovernmental Revenue



FINANCIAL ANALYSIS

Governmental Funds

At the end of 2019, McLeod County's governmental funds reported a combined fund balance of $58,679,462. This is an increase of $6,098,250 from the beginning fund balance. The fund balance in the General Fund increased by $1,891,167 due to revenues in excess of expenditures. The fund balance in the Road and Bridge Special Revenue Fund increased by $1,294,202 due to timing of road construction projects and issuance of bonds. The fund balance in the Human Services Special Revenue Fund increased by $103,826 due to decreased expenses. The fund balance in the Solid Waste Special Revenue Fund increased by $214,974 due in part to increased revenues. The fund balance in the Ditch Special Revenue Fund decreased by $218,922 due to increased ditch work. The fund balance in the Capital Projects fund increased by $2,639,275 due to the issuance of bonds. There was also an increase in the nonmajor governmental funds of $173,728.

General Fund Budgetary Highlights

In total, General Fund revenues for 2019 exceeded the amounts budgeted by $1,050,097. Intergovernmental, charges for services, gifts and contribution, investment earnings, and miscellaneous came in higher than anticipated. Total General Fund expenditures were $1,183,763 less than the final budget. This variance is primarily attributed to insurance dividends and recorder, building services, public safety and public health cost savings from operations.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2019, McLeod County had $149,697,600 invested in capital assets, including land; construction in progress; infrastructure right-of-way; infrastructure; buildings; machinery, furniture, and equipment; and improvements other than buildings. The table below shows a summary of McLeod County's capital assets as of December 31.

Capital Assets
(Net of Depreciation)

	2019	2018
Land	$ 3,956,141	$ 3,956,141
Construction in progress	15,009,758	4,121,461
Infrastructure – right-of-way	4,287,475	4,287,475
Buildings	22,329,298	23,371,020
Machinery, furniture, and equipment	2,631,726	3,160,985
Improvements other than buildings	430,824	504,765
Infrastructure	101,052,378	103,840,149
Total	$ 149,697,600	$ 143,241,996

Major capital asset events during the year included the following:

- Remodeling of the McLeod County Government Center started in 2019.

- Infrastructure construction continued in 2019.

Additional information on McLeod County's capital assets can be found in Note 3.A.3. to the financial statements.

Long-Term Debt

At the end of current fiscal year, McLeod County had bonded debt outstanding of $26,615,000. This is an increase in bonded debt outstanding of $7,760,000 due to the bond payments made and the issuance of capital improvement bonds. McLeod County had loans outstanding of $1,212,773. This is a decrease in loans payable of $81,951 from the beginning of the year. The decrease was from payment on septic loans.

Current and future County tax levies are used to finance the County's debt obligations. State statutes limit the amount of general obligation debt a county can incur to no more than three percent of the market value of taxable property in the county. The current debt limitation for McLeod County is $123,097,980.

Additional information on McLeod County's long-term debt can be found in Note 3.C. of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for McLeod County is currently 4.3 percent. McLeod County's unemployment rate is more than the state unemployment rate of 3.5 percent, and more than the United States unemployment rate of 3.4 percent.

- The property tax levy increased in 2019, and could increase in the future to cover rising costs. However, the tax base in McLeod County is also expanding, which diminishes the effect to the individual taxpayer.

All of these factors were considered in preparing McLeod County's budget for the 2019 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of McLeod County's finances for those with an interest in the government finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the McLeod County Administrator, 830 – 11th Street East , Suite 110, Glencoe, Minnesota 55336.

The Housing and Redevelopment Authority (HRA), discretely presented component unit, prepares separate financial statements. Complete financial statements of the HRA can be obtained by writing to the McLeod County HRA, 2200 – 23rd Street Northeast, Suite 2090, Willmar, Minnesota 56201.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government — Governmental Activities	Housing and Redevelopment Authority Component Unit
Assets		
Cash and pooled investments	$ 57,942,532	$ 350,692
Petty cash and change funds	12,430	-
Departmental cash	6,692	-
Taxes receivable		
Delinquent	232,723	-
Special assessments receivable		
Delinquent	16,666	-
Noncurrent	2,963,708	-
Accounts receivable – net	529,101	5,412
Accrued interest receivable	59,801	-
Due from other governments	5,129,928	-
Inventories	440,671	-
Prepaid items	142,118	1,141
Restricted assets		
Cash and pooled investments	-	55,362
Capital assets		
Non-depreciable	23,253,374	197,000
Depreciable – net of accumulated depreciation	126,444,226	2,285,442
Total Assets	**$ 217,173,970**	**$ 2,895,049**
Deferred Outflows of Resources		
Deferred pension outflows	$ 2,710,566	$ -
Deferred other postemployment benefits outflows	61,564	-
Total Deferred Outflows of Resources	**$ 2,772,130**	**$ -**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Primary Government Governmental Activities	Housing and Redevelopment Authority Component Unit
Liabilities		
Accounts payable	$ 1,416,832	$ 8,028
Salaries payable	438,534	-
Accrued payroll taxes	17,067	-
Accrued interest payable	4,255	-
Other accrued expenses	116,357	36,465
Retainage payable	156,950	-
Due to other governments	531,408	-
Unearned revenue	18,564	12,227
Long-term liabilities		
Due within one year	2,850,829	204,574
Due in more than one year	27,459,903	2,410,942
Net pension obligations	11,996,796	-
Other postemployment benefits obligations	1,359,347	-
Liabilities payable from restricted assets (security deposits)	-	47,270
Total Liabilities	**$ 46,366,842**	**$ 2,719,506**
Deferred Inflows of Resources		
Deferred pension inflows	$ 5,418,096	$ -
Deferred other postemployment benefits inflows	38,828	-
Total Deferred Inflows of Resources	**$ 5,456,924**	**$ -**
Net Position		
Net investment in capital assets	$ 135,877,407	$ (133,074)
Restricted for		
General government	884,573	-
Public safety	144,919	-
Sanitation	2,835,446	-
Conservation of natural resources	2,504,415	-
Economic development	-	5,821
Capital projects	11,597,029	-
Debt service	1,043,128	-
Unrestricted	13,235,417	302,796
Total Net Position	**$ 168,122,334**	**$ 175,543**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary government		
Governmental activities		
General government	$ 8,370,079	$ 1,056,914
Public safety	6,885,714	350,932
Highways and streets	9,050,790	187,302
Sanitation	2,116,299	2,414,007
Human services	12,557,723	1,861,442
Health	2,721,711	1,075,304
Culture and recreation	705,869	115,068
Conservation of natural resources	2,202,013	2,294,757
Economic development	11,613	-
Interest	545,109	-
Total Primary Government	**$ 45,166,920**	**$ 9,355,726**
Component unit		
Housing and Redevelopment Authority	**$ 934,898**	**$ 540,620**

General Revenues
Property taxes
Mortgage registry and deed tax
Wheelage tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Gain on disposal of assets
Miscellaneous

Total general revenues

Change in net position

Net Position – Beginning, restated (see Note 6.F.)

Net Position – Ending

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

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	Discretely Presented Component Unit
$ 51,177	$ -	$ (7,261,988)	
481,193	-	(6,053,589)	
6,181,929	74,046	(2,607,513)	
-	-	297,708	
5,836,001	-	(4,860,280)	
755,499	-	(890,908)	
48,215	-	(542,586)	
1,070,359	-	1,163,103	
-	-	(11,613)	
-	-	(545,109)	
$ 14,424,373	**$ 74,046**	**$ (21,312,775)**	
$ 492,600	**$ -**		**$ 98,322**
		$ 22,306,407	$ -
		50,142	-
		369,196	-
		51,345	-
		2,382,223	-
		775,397	2,403
		18,025	-
		198,303	55,665
		$ 26,151,038	**$ 58,068**
		$ 4,838,263	**$ 156,390**
		163,284,071	**19,153**
		$ 168,122,334	**$ 175,543**

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

McLEOD COUNTY
GLENCOE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Road and Bridge
Assets		
Cash and pooled investments	$ 21,921,419	$ 11,714,336
Petty cash and change funds	12,105	100
Departmental cash	6,692	-
Taxes receivable		
Delinquent	143,275	38,780
Special assessments receivable		
Delinquent	14,534	-
Noncurrent	786,095	-
Accounts receivable – net	97,944	1,136
Accrued interest receivable	59,801	-
Due from other governments	620,083	3,493,479
Inventories	1,921	438,750
Prepaid items	142,118	-
Advances to other funds	1,638,150	-
Total Assets	**$ 25,444,137**	**$ 15,686,581**
Liabilities, Deferred Inflows of Resources, and Fund Balances		
Liabilities		
Accounts payable	$ 371,778	$ 102,619
Salaries payable	250,064	45,421
Accrued payroll taxes	13,423	3,303
Accrued interest payable	-	-
Accrued expenses	92,067	3,223
Advances from other funds	-	-
Retainage payable	-	144,644
Due to other governments	161,935	40,708
Unearned revenue	18,564	-
Total Liabilities	**$ 907,831**	**$ 339,918**
Deferred Inflows of Resources		
Unavailable revenue	**$ 1,102,273**	**$ 2,281,727**

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

EXHIBIT 3

	Human Services	Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
	$ 7,494,174	$ 2,810,399	$ 1,233,497	$ 11,725,579	$ 1,043,128	$ 57,942,532
	-	225	-	-	-	12,430
	-	-	-	-	-	6,692
	50,668	-	-	-	-	232,723
	-	-	2,132	-	-	16,666
	-	-	2,177,613	-	-	2,963,708
	270,187	159,584	250	-	-	529,101
	-	-	-	-	-	59,801
	787,989	33,666	194,711	-	-	5,129,928
	-	-	-	-	-	440,671
	-	-	-	-	-	142,118
	-	-	-	-	-	1,638,150
	$ 8,603,018	**$ 3,003,874**	**$ 3,608,203**	**$ 11,725,579**	**$ 1,043,128**	**$ 69,114,520**
	$ 540,813	$ 144,244	$ 141,134	$ 116,244	$ -	$ 1,416,832
	137,650	5,399	-	-	-	438,534
	-	341	-	-	-	17,067
	-	-	4,255	-	-	4,255
	20,732	335	-	-	-	116,357
	-	-	1,638,150	-	-	1,638,150
	-	-	-	12,306	-	156,950
	187,873	18,109	122,783	-	-	531,408
	-	-	-	-	-	18,564
	$ 887,068	**$ 168,428**	**$ 1,906,322**	**$ 128,550**	**$ -**	**$ 4,338,117**
	$ 304,819	**$ 33,666**	**$ 2,374,456**	**$ -**	**$ -**	**$ 6,096,941**

McLEOD COUNTY
GLENCOE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General		Road and Bridge	
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)				
Fund Balances				
Nonspendable				
Inventories	$	1,921	$	438,750
Advances to other funds		1,638,150		-
Restricted for				
E-911		136,425		-
Law library		167,009		-
Capital projects		-		-
Recorder's equipment purchases		211,152		-
Land records technology		14,563		-
Drug enforcement		8,494		-
Conservation		543,803		-
Debt service		-		-
Records compliance		281,541		-
Solid waste abatement		-		-
Aquatic invasive species		322,401		-
Forfeited tax		208,808		-
Escrow		1,500		-
Ditch maintenance and construction		-		-
Assigned for				
Capital projects		3,463,871		-
Assigned for 4H after school program		5,799		-
Assigned for election equipment		46,007		-
Aerial photos		42,110		-
Veterans van		40,484		-
New canine		25,939		-
Assigned for ARMER radio enhancements		52,468		-
Record preservation		35,955		-
Snowmobile enforcement		51		-
Law enforcement		268,061		-
Court services		132,151		-
Contracted projects		254,281		-
Highways and streets		-		12,626,186
Human services		-		-
Unassigned		15,531,089		-
Total Fund Balances	**$**	**23,434,033**	**$**	**13,064,936**
Total Liabilities, Deferred Inflows of Resources and Fund Balances	**$**	**25,444,137**	**$**	**15,686,581**

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

Human Services	Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ -	$ -	$ 440,671
-	-	-	-	-	1,638,150
-	-	-	-	-	136,425
-	-	-	-	-	167,009
-	-	-	11,597,029	-	11,597,029
-	-	-	-	-	211,152
-	-	-	-	-	14,563
-	-	-	-	-	8,494
-	-	-	-	-	543,803
-	-	-	-	1,043,128	1,043,128
-	-	-	-	-	281,541
-	2,801,780	-	-	-	2,801,780
-	-	-	-	-	322,401
-	-	-	-	-	208,808
-	-	-	-	-	1,500
-	-	934,061	-	-	934,061
-	-	-	-	-	3,463,871
-	-	-	-	-	5,799
-	-	-	-	-	46,007
-	-	-	-	-	42,110
-	-	-	-	-	40,484
-	-	-	-	-	25,939
-	-	-	-	-	52,468
-	-	-	-	-	35,955
-	-	-	-	-	51
-	-	-	-	-	268,061
-	-	-	-	-	132,151
-	-	-	-	-	254,281
-	-	-	-	-	12,626,186
7,411,131	-	-	-	-	7,411,131
-	-	(1,606,636)	-	-	13,924,453
$ 7,411,131	**$ 2,801,780**	**$ (672,575)**	**$ 11,597,029**	**$ 1,043,128**	**$ 58,679,462**
$ 8,603,018	**$ 3,003,874**	**$ 3,608,203**	**$ 11,725,579**	**$ 1,043,128**	**$ 69,114,520**

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EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

Fund balance - total governmental funds (Exhibit 3)			**$ 58,679,462**
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 governmental funds.			149,697,600
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.			6,096,941
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.			
General obligation bonds	$	(26,615,000)	
Unamortized premium on bonds		(1,070,772)	
Loans payable		(1,212,773)	
Compensated absences		(1,412,187)	
Other postemployment benefits obligations		(1,359,347)	
Net pension obligations		(11,996,796)	(43,666,875)
Deferred outflows of resources and deferred inflows of resources resulting from changes in the components of the other postemployment benefits liability are not reported in the governmental funds.			
Deferred other postemployment benefits outflows	$	61,564	
Deferred other postemployment benefits inflows		(38,828)	22,736
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.			
Deferred pension outflows	$	2,710,566	
Deferred pension inflows		(5,418,096)	(2,707,530)
Net Position of Governmental Activities (Exhibit 1)			**$ 168,122,334**

McLEOD COUNTY
GLENCOE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Road and Bridge
Revenues		
Taxes	$ 12,597,925	$ 4,083,672
Special assessments	178,723	-
Licenses and permits	95,175	13,800
Intergovernmental	3,729,409	6,771,037
Charges for services	2,119,892	182,676
Fines and forfeits	22,222	-
Gifts and contributions	26,219	-
Investment earnings	726,277	-
Miscellaneous	978,357	4,349
Total Revenues	**$ 20,474,199**	**$ 11,055,534**
Expenditures		
Current		
General government	$ 7,579,236	$ -
Public safety	6,668,747	-
Highways and streets	-	15,363,656
Sanitation	-	-
Human services	-	-
Health	2,670,398	-
Culture and recreation	565,297	-
Conservation of natural resources	799,309	-
Economic development	11,613	-
Capital outlay	-	-
Intergovernmental		
Highways and streets	-	309,631
Culture and recreation	204,164	-
Debt service		
Principal	192,946	-
Interest	28,000	-
Bond issuance costs	-	58,460
Total Expenditures	**$ 18,719,710**	**$ 15,731,747**
Excess of Revenues Over (Under) Expenditures	**$ 1,754,489**	**$ (4,676,213)**

Human Services	Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ 5,050,141	$ -	$ -	$ -	$ 995,652	$ 22,727,390
-	-	1,028,471	-	-	1,207,194
-	8,240	-	-	-	117,215
5,954,570	102,127	188,916	-	15,668	16,761,727
601,078	2,255,105	-	-	-	5,158,751
-	-	-	-	-	22,222
-	-	-	-	-	26,219
-	-	49,120	-	-	775,397
1,140,750	116,998	11,992	-	-	2,252,446
$ 12,746,539	**$ 2,482,470**	**$ 1,278,499**	**$ -**	**$ 1,011,320**	**$ 49,048,561**
$ -	$ -	$ -	$ -	$ -	$ 7,579,236
-	-	-	-	-	6,668,747
-	-	-	-	-	15,363,656
-	1,672,605	-	-	-	1,672,605
12,642,713	-	-	-	-	12,642,713
-	-	-	-	-	2,670,398
-	-	-	-	-	565,297
-	-	1,272,264	-	-	2,071,573
-	-	-	-	-	11,613
-	-	-	1,259,151	-	1,259,151
-	-	-	-	-	309,631
-	-	-	-	-	204,164
-	-	175,000	-	1,105,000	1,472,946
-	-	50,157	-	327,483	405,640
-	-	-	100,485	-	158,945
$ 12,642,713	**$ 1,672,605**	**$ 1,497,421**	**$ 1,359,636**	**$ 1,432,483**	**$ 53,056,315**
$ 103,826	**$ 809,865**	**$ (218,922)**	**$ (1,359,636)**	**$ (421,163)**	**$ (4,007,754)**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	$ -	$ -
Transfers out	-	-
Loan issued	110,995	-
Bonds issued	-	5,350,000
Premium on bonds issued	-	645,007
Proceeds from the sale of capital assets	25,828	18,914
Total Other Financing Sources (Uses)	**$ 136,823**	**$ 6,013,921**
Net Change in Fund Balance	**$ 1,891,312**	**$ 1,337,708**
Fund Balance – January 1	**21,542,866**	**11,770,734**
Increase (decrease) in inventories	**(145)**	**(43,506)**
Fund Balance – December 31	**$ 23,434,033**	**$ 13,064,936**

EXHIBIT 5
(Continued)

Human Services	Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 594,891	$ 594,891
-	(594,891)	-	-	-	(594,891)
-	-	-	-	-	110,995
-	-	-	3,690,000	-	9,040,000
-	-	-	308,911	-	953,918
-	-	-	-	-	44,742
$ -	**$ (594,891)**	**$ -**	**$ 3,998,911**	**$ 594,891**	**$ 10,149,655**
$ 103,826	**$ 214,974**	**$ (218,922)**	**$ 2,639,275**	**$ 173,728**	**$ 6,141,901**
7,307,305	**2,586,806**	**(453,653)**	**8,957,754**	**869,400**	**52,581,212**
-	**-**	**-**	**-**	**-**	**(43,651)**
$ 7,411,131	**$ 2,801,780**	**$ (672,575)**	**$ 11,597,029**	**$ 1,043,128**	**$ 58,679,462**

EXHIBIT 6

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 6,141,901**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment between the fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.		
Unavailable revenue – December 31	$ 6,096,941	
Unavailable revenue – January 1	(4,984,733)	1,112,208
Governmental funds report capital outlay 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 capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 12,514,124	
Net book value of disposed assets	(26,717)	
Current year depreciation	(6,031,803)	6,455,604
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Loan issued	$ (110,995)	
Bonds issued	(9,040,000)	
Premium on bonds issues	(953,918)	
Principal repayments – general obligation bonds	1,280,000	
Principal repayments – Minnesota Pollution Control Agency loans	192,946	(8,631,967)

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

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 governmental funds.		
Amortization of premiums on bonds	$ 19,476	
Change in compensated absences	58,818	
Change in other postemployment benefits obligations	(64,032)	
Change in net pension obligations	99,922	
Change in deferred pension outflows	(1,900,565)	
Change in deferred pension inflows	1,610,506	
Change in deferred other postemployment benefits outflows	18,871	
Change in deferred other postemployment benefits inflows	(38,828)	
Change in inventories	(43,651)	(239,483)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 4,838,263**

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FIDUCIARY FUNDS

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McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

		Agency
Assets		
Cash and pooled investments	$	807,248
Departmental cash		9,861
Accounts receivable		1,293
Due from other governments		174
Total Assets	**$**	**818,576**
Liabilities		
Accounts payable	$	1,589
Salaries payable		5,601
Accrued payroll taxes		428
Accrued expenses		420
Due to other governments		810,538
Total Liabilities	**$**	**818,576**

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

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McLEOD COUNTY
GLENCOE, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

McLeod County was established March 1, 1856, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present McLeod County (primary government) and its component unit for which the County is financially accountable. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year.

Discretely Presented Component Unit

While part of the reporting entity, the discretely presented component unit is presented in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County. The following component unit of McLeod County is discretely presented:

Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
McLeod County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001-469.047.	The County appoints the members, and the HRA is a financial burden.	McLeod County HRA 2200 – 23rd Street Northeast, Suite 2090 Willmar, Minnesota 56201

1. Summary of Significant Accounting Policies

   A. Financial Reporting Entity (Continued)

      Joint Ventures and Jointly-Governed Organizations

      The County participates in several joint ventures described in Note 5.D. The County also participates in the jointly-governed organizations described in Note 5.E.

   B. Basic Financial Statements

      1. Government-Wide Statements

         The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component unit. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

         In the government-wide statement of net position, the governmental activities: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

         The County's net position is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position. The County first utilizes restricted resources to finance qualifying activities.

         The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, 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, including all taxes, are presented as general revenues.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements (Continued)

      2. Fund Financial Statements

The fund financial statements provide information about the County's funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as a separate column in the fund financial statements. The remaining governmental fund is reported as a nonmajor fund.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for restricted revenues from the federal and state government and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Human Services Special Revenue Fund is used to account for restricted revenue resources from the federal, state, and other oversight agencies used for economic assistance and community social services programs.

The Solid Waste Special Revenue Fund is used to account for restricted charges for accepting solid waste and costs associated with waste management, recycling, disposal of hazardous materials, and landfill abatement.

The Ditch Special Revenue Fund is used to account for special assessment levies against benefitted properties restricted for construction and maintenance of County ditches.

The Capital Projects Fund is used to account for financial resources to be used for capital acquisition, construction, or improvement of capital facilities.

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         Additionally, the County reports the following fund types:

         The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

         Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

   C. Measurement Focus and Basis of Accounting

      The government-wide financial statements 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

      Governmental 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. McLeod County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered 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 capital leases are reported as other financing sources.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2019. A market approach is used to value all investments other than external investment pools, which are measured at the net asset or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. In 2019, the County reported pooled investment earnings of $726,277.

McLeod County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds."

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts receivable is shown net of an allowance for uncollectible balances.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. No provision has been made for an estimated uncollectible amount because such amount is not expected to be material.

Special assessments receivable consist of delinquent special assessments payable in the years 2011 to 2019 and noncurrent special assessments payable in 2019 and after. No provision has been made for an estimated uncollectible amount because such amount is not expected to be material.

3. Inventories and Prepaid Items

Inventories in the General Fund are valued at cost using the first in/first out method. Inventories in the Road and Bridge Special Revenue Fund are valued at cost using the weighted average method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements.

Capital assets are defined by the County as assets with an initial, individual cost of more than the established threshold and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Threshold	Years
Buildings	$ 25,000	20 - 40
Improvements other than buildings	25,000	5 - 30
Infrastructure	50,000	25 - 75
Machinery, furniture, and equipment	5,000	3 - 20

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid accumulated, vacation, comp time, vested sick leave balances, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for

1. Summary of Significant Accounting Policies

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

5. Compensated Absences (Continued)

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 is based on percentages predetermined by management based on historical information. The noncurrent portion consists of the remaining amount of vacation and vested sick leave. Compensated absences are liquidated through the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. 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. The pension liability is liquidated through the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

8. 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 position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The County has two such items that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivables, grant receivables, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received but not yet earned.

1. Summary of Significant Accounting Policies

   D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

      10. Classification of Net Position

      Net position in the government-wide statements is classified in the following categories:

      Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

      Restricted net position – 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.

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

      11. Classification of Fund Balance

      In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which McLeod County is bound to observe constraints imposed upon the use of the resources in the governmental funds. 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 for which constraints have been placed on the use of resources 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.

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balance (Continued)

Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County 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 County intends to use for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor-Treasurer who has been delegated that authority by Board resolution.

Unassigned – spendable amounts not contained in the other fund balance classifications for the General Fund. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

McLeod County 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.

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

12. 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 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.

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a negative fund balance of $672,575 as of December 31, 2019, and 33 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

23 ditches with positive fund balances	$ 934,061
33 ditches with deficit fund balances	(1,606,636)
Total Fund Balance	$ (672,575)

3. Detailed Notes

A. Assets

1. Deposits and Investments

Reconciliation of the County's total deposits, cash on hand, and investments to the basic financial statements follows:

Governmental funds		
Cash and pooled investments	$	57,942,532
Petty cash and change funds		12,430
Departmental cash		6,692
Agency fund		
Cash and pooled investments		807,248
Departmental cash		9,861
Total Cash and Investments	$	58,778,763
Deposits	$	37,269,137
Petty cash and change funds		12,430
Departmental cash		16,553
Investments		21,480,643
Total Deposits, Cash on Hand, and Investments	$	58,778,763

a. Deposits

The County is authorized by Minn. Stat. §§ 118A.02 and 118A.04 to designate a depository for public funds and to invest in certificates of deposit. County deposits are required by Minn. Stat. § 118A.03 to be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies, general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

3. Detailed Notes

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a policy on custodial credit risk for deposits. As of December 31, 2019, McLeod County's deposits were not exposed to custodial credit risk.

b. Investments

The following types of investments are generally authorized as available to the County by Minn. Stat. §§ 118A.04 and 118A.05:

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

(4) banker's acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy regarding custodial credit risk. At December 31, 2019, the County's investments were not exposed to custodial credit risk.

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. agency securities may be held without limit.

The following table presents the County's investment balances at December 31, 2019, and information relating to potential investment risks:

Investment – Issuer	Concentration Risk Percent (%)	Interest Rate Risk Maturity Date	Carrying (Fair) Value
MAGIC Portfolio fund – Public Financial Management	N/A		$ 18,768,643
MAGIC Term – Public Financial Management			
		5/11/2020	$ 1,000,000
		6/19/2020	500,000
Total MAGIC Term	N/A		$ 1,500,000
MAGIC CD Program – Public Financial Management			
First Internet Bank of Indiana		1/10/2020	$ 242,000
Modern Bank, N.A.		1/10/2020	242,000
Sonabank		1/10/2020	242,000
Pacific Western Bank		1/10/2020	242,000
Cornerstone Bank		8/25/2020	244,000
Total MAGIC CD Program	N/A		$ 1,212,000
Total Investments			$ 21,480,643

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member. The MAGIC fund currently consists of the MAGIC Portfolio and the MAGIC Term Series.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

3. Detailed Notes

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2019, are as follows:

	Governmental Activities	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 232,723	$ -
Special assessments	2,980,374	2,963,708
Accounts	529,101	-
Accrued interest	59,801	-
Due from other governments	5,129,928	-
Total Receivables	$ 8,931,927	$ 2,963,708

The accounts receivable amount above reflects an allowance of uncollectible accounts of $446,222.

3. Capital Assets

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

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 3,956,141	$ -	$ -	$ 3,956,141
Construction in progress	4,121,461	11,227,397	339,100	15,009,758
Infrastructure – right-of-way	4,287,475	-	-	4,287,475
Total capital assets not depreciated	$ 12,365,077	$ 11,227,397	$ 339,100	$ 23,253,374
Capital assets depreciated				
Buildings	$ 38,506,795	$ 227,340	$ -	$ 38,734,135
Machinery, furniture, and equipment	16,099,393	1,116,384	661,371	16,554,406
Improvements other than buildings	1,470,958	-	-	1,470,958
Infrastructure	155,826,790	282,103	-	156,108,893
Total capital assets depreciated	$ 211,903,936	$ 1,625,827	$ 661,371	$ 212,868,392

3. Detailed Notes

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 15,135,775	$ 1,269,062	$ -	$ 16,404,837
Machinery, furniture, and equipment	12,938,408	1,618,926	634,654	13,922,680
Improvements other than buildings	966,193	73,941	-	1,040,134
Infrastructure	51,986,641	3,069,874	-	55,056,515
Total accumulated depreciation	$ 81,027,017	$ 6,031,803	$ 634,654	$ 86,424,166
Total capital assets depreciated, net	$ 130,876,919	$ (4,405,976)	$ 26,717	$ 126,444,226
Governmental Activities Capital Assets, Net	$ 143,241,996	$ 6,821,421	$ 365,817	$ 149,697,600

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General government	$ 1,075,501
Public safety	550,970
Highways and streets, including depreciation of infrastructure assets	3,802,941
Sanitation	441,285
Human services	100,390
Health	17,435
Culture and recreation	37,390
Conservation of natural resources	5,891
Total Depreciation Expense – Governmental Activities	$ 6,031,803

B. Interfund Receivables, Payables, and Transfers

1. The composition of interfund balances as of December 31, 2019, is as follows:

Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 1,638,150

Advances from/to other funds are for cash flow purposes.

3. Detailed Notes

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Transfer to Debt Service Fund from Solid Waste Special Revenue Fund	$ 594,891	Debt repayment

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	Governmental Activities
Accounts	$ 1,416,832
Salaries	438,534
Accrued payroll taxes	17,067
Accrued interest	4,255
Other accrued expenses	116,357
Retainage	156,950
Due to other governments	531,408
Total Payables	$ 2,681,403

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction Commitments

The County has active construction projects as of December 31, 2019. The projects include the following:

	Spent-to-Date	Remaining Commitment
Xerox Tax/Cama Project	$ 56,427	$ 371,073
CSAH 3	5,462,961	55,181
CSAH 15	6,838,754	69,092
County Road 54	347,678	8,915
CSAH 8	1,134,069	11,455
McLeod County Government Center	1,169,869	10,922,527
Total	$ 15,009,758	$ 11,438,243

3. Deferred Inflows of Resources-Unavailable Revenue

Deferred inflows of resources consists of special assessments, taxes, state grants, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources as of December 31, 2019, are summarized below by fund:

	Special Assessments	Taxes	Grants	Other	Total
Major governmental funds					
General	$ 800,628	$ 143,275	$ 137,495	$ 20,875	$ 1,102,273
Road and Bridge	-	38,780	2,241,963	984	2,281,727
Human Services	-	50,668	186,494	67,657	304,819
Solid Waste	-	-	-	33,666	33,666
Ditch	2,374,456	-	-	-	2,374,456
Total	$ 3,175,084	$ 232,723	$ 2,565,952	$ 123,182	$ 6,096,941

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
2014 General Obligation Bonds	2025	$900,000 - $1,055,000	2.000 - 2.125	$ 9,785,000	$ 5,435,000
2016 General Obligation Drainage Bonds	2032	$150,000 - $175,000	1.000 - 2.000	2,490,000	2,140,000
2018 General Obligation Bonds	2039	$405,000 - $655,000	2.750 - 3.650	10,000,000	10,000,000
2019 General Obligation Bonds	2035	$315,000 - $1,405,000	2.000 - 5.000	9,040,000	9,040,000
Minnesota Pollution Control Agency (MnPCA) loans	2027	N/A	0.000 - 2.000	2,293,208	1,212,773
Total					$ 27,827,773

In 2008, the County entered into a loan agreement with the Minnesota Pollution Control Agency for High Island Creek Watershed septic system loans. According to the agreement, the County could borrow as much as $115,000. The total amount disbursed through December 31, 2019, was $115,000; accumulated interest is $2,352. Principal payments of $12,561 were made in 2019.

In 2008, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Buffalo Creek Watershed septic system loans. According to the agreement, the County can borrow as much as $215,000. In 2010, the loan amount was amended by an additional $4,502. The total amount disbursed through December 31, 2019, was $219,502; accumulated interest is $10,429. Final Principal payments of $25,106 were made in 2019.

In 2008, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Watershed septic system loans. According to the agreement, the County can borrow as much as $248,000. In 2010, the loan amount was amended by an additional $50,000. The total amount disbursed through December 31, 2019, was $298,000; accumulated interest is $13,017. Principal payments of $32,961 were made in 2019.

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

In 2009, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Watershed septic system loans. According to the agreement, the County can borrow as much as $300,000. In 2013, the loan amount was amended by an additional $27,589. The total amount disbursed through December 31, 2019, was $327,589; accumulated interest is $15,476. Principal payments of $34,593 were made in 2019.

In 2011, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Buffalo Creek Watershed septic system loans. According to the agreement, the County can borrow as much as $200,000. The total amount disbursed through December 31, 2019, was $199,494; accumulated interest is $9,514. Principal payments of $20,867 were made in 2019.

In 2012, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Watershed septic system loans. According to the agreement, the County can borrow as much as $300,000. The total amount disbursed through December 31, 2019, was $300,000. Accumulated interest is $13,536. Principal payments of $29,783 were made in 2019.

In 2013, the County entered into a loan agreement with the Minnesota Pollution Control Agency for the High Island Creek Watershed septic system loans. According to the agreement, the County can borrow as much as $120,000. The total amount disbursed through December 31, 2019, was $40,070. Accumulated interest is $871. Principal payments of $3,813 were made in 2019.

In 2015, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Basin septic system loans. According to the agreement, the County can borrow as much as $350,000. The total amount disbursed through December 31, 2019, was $350,000; accumulated interest is $4,112. Principal payments of $33,262 were made in 2019.

3. Detailed Notes

   C. Liabilities and Deferred Inflows of Resources

      4. Long-Term Debt (Continued)

In 2016, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Basin septic system loans. According to the agreement, the County can borrow as much as $300,000. The total amount disbursed through December 31, 2019, was $287,926; accumulated interest is $8,330. Repayment will begin in 2020.

In 2014, the County issued $9,785,000 of General Obligation Bonds. Repayment began in 2015 with scheduled repayments ranging from $900,000 to $1,055,000, and interest rates ranging from 2.000 percent to 2.125 percent. Final repayment is scheduled for 2025.

In 2016, the County issued $2,490,000 of General Obligation Drainage Bonds. Repayment began in 2019 with scheduled repayments ranging from $150,000 to $175,000, and interest rates ranging from 1.000 percent to 2.000 percent. Final repayment is scheduled for 2032.

In 2018, the County issued $10,000,000 of General Obligation Bonds. Repayment begins in 2020 with scheduled repayments ranging from $405,000 to $655,000, and interest rates ranging from 2.750 percent to 3.650 percent. Final repayment is scheduled for 2039.

In 2019, the County issued $9,040,000 of General Obligation Bonds. Repayment begins in 2021 with scheduled repayments ranging from $315,000 to $1,405,000, and interest rates ranging from 2.000 percent to 5.000 percent. Final repayment is scheduled for 2035.

In 2019, the County entered into a loan agreement with the Minnesota Pollution Control Agency for the McLeod County Subsurface Sewage Treatment Systems (SSTS) Restoration Clean Water Project. According to the agreement the County can borrow as much as $1,200,000. The total amount disbursed through December 31, 2019, was $77,990. Repayments are expected to begin in 2022.

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

Year Ending December 31	High Island Creek Watershed Septic System Loans (2008)	
	Principal	Interest
2020	$ 12,814	$ 193

Year Ending December 31	Crow River Watershed Septic System Loans (2008)		Crow River Watershed Septic System Loans (2009)	
	Principal	Interest	Principal	Interest
2020	$ 33,624	$ 846	$ 35,288	$ 2,734
2021	17,064	171	35,998	2,025
2022	-	-	36,721	1,301
2023	-	-	37,460	563
Total	$ 50,688	$ 1,017	$ 145,467	$ 6,623

Year Ending December 31	Buffalo Creek Watershed Septic System Loans (2011)		Crow River Watershed Septic System Loans (2012)	
	Principal	Interest	Principal	Interest
2020	$ 21,286	$ 1,878	$ 30,382	$ 4,368
2021	21,714	1,451	30,993	3,757
2022	22,150	1,014	31,615	3,134
2023	22,595	569	32,251	2,499
2024	11,468	115	32,899	1,850
2025 - 2029	-	-	67,796	1,704
Total	$ 99,213	$ 5,027	$ 225,936	$ 17,312

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	High Island Creek Watershed Septic System Loans (2013) Principal	High Island Creek Watershed Septic System Loans (2013) Interest	Crow River Watershed Septic System Loans (2015) Principal	Crow River Watershed Septic System Loans (2015) Interest
2020	$ 3,889	$ 648	$ 33,931	$ 5,252
2021	3,967	570	34,613	4,570
2022	4,047	491	35,308	3,874
2023	4,128	409	36,018	3,164
2024	4,211	326	36,742	2,440
2025 - 2029	13,149	464	94,406	2,837
Total	$ 33,391	$ 2,908	$ 271,018	$ 22,137

Year Ending December 31	Crow River Watershed Septic System Loans (2016) Principal	Crow River Watershed Septic System Loans (2016) Interest
2020	$ 27,153	$ 5,682
2021	27,589	5,245
2022	28,144	4,690
2023	28,710	4,125
2024	29,287	3,547
2025 - 2029	155,373	8,667
Total	$ 296,256	$ 31,956

Year Ending December 31	General Obligation Bonds (2014) Principal	General Obligation Bonds (2014) Interest	General Obligation Drainage Bonds (2016) Principal	General Obligation Drainage Bonds (2016) Interest
2020	$ 1,120,000	$ 100,800	$ 170,000	$ 34,510
2021	830,000	81,300	170,000	32,810
2022	845,000	64,550	170,000	30,600
2023	860,000	46,963	170,000	28,390
2024	880,000	28,475	170,000	26,180
2025 - 2029	900,000	9,563	830,000	89,350
2030 - 2034	-	-	460,000	18,300
Total	$ 5,435,000	$ 331,651	$ 2,140,000	$ 260,140

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Bonds (2018) Principal	General Obligation Bonds (2018) Interest	General Obligation Bonds (2019) Principal	General Obligation Bonds (2019) Interest
2020	$ 405,000	$ 315,809	$ -	$ 229,052
2021	410,000	304,603	1,095,000	363,425
2022	415,000	293,259	1,190,000	306,300
2023	420,000	281,777	1,260,000	245,050
2024	430,000	270,090	1,320,000	180,550
2025 - 2029	2,260,000	1,167,369	2,405,000	328,925
2030 - 2034	2,605,000	786,471	1,455,000	105,750
2035 - 2039	3,055,000	286,434	315,000	3,150
Total	$ 10,000,000	$ 3,705,812	$ 9,040,000	$ 1,762,202

Year Ending December 31	Total Principal	Total Interest
2020	$ 1,893,367	$ 701,772
2021	2,676,938	799,927
2022	2,777,985	709,213
2023	2,871,162	613,509
2024	2,914,607	513,573
2025 - 2029	6,725,724	1,608,879
2030 - 2034	4,520,000	910,521
2035 - 2039	3,370,000	289,584
Total	$ 27,749,783	$ 6,146,978

The SSTS Restoration Clean Water Project loan that was approved in 2019 was not included in the debt service requirements because a fixed repayment schedule is not available.

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MnPCA loans	$ 1,294,724	$ 110,995	$ 192,946	$ 1,212,773	$ 198,366
General obligation bonds	18,855,000	9,040,000	1,280,000	26,615,000	1,695,000
Bond premium	136,330	953,918	19,476	1,070,772	-
Compensated absences	1,471,005	810,823	869,641	1,412,187	957,463
Long-Term Liabilities	$ 21,757,059	$ 10,915,736	$ 2,362,063	$ 30,310,732	$ 2,850,829

Payments on MnPCA loans are made from the General Fund with special assessments. Payments on the 2014, 2018, and 2019 General Obligation Bonds are made in the Debt Service Fund with property tax receipts. Payments on the 2016 General Obligation Bonds will be made in the Ditch Special Revenue Fund with special assessment receipts.

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

All full-time and certain part-time employees of McLeod County 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), the Public Employees Police and Fire Plan (the Police and Fire Plan), and the Public Employees Local Government Correctional Service Retirement Plan (the Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing five percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Correctional Plan (accounted for in the Correctional Fund). For members hired after June 30, 2010, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. 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.

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 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. For 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 Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits are available for vested members and are based on years of service and average high-five salary.

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	$	1,020,711
Police and Fire Plan		311,795
Correctional Plan		92,039

The contributions are equal to the contractually required contributions as set by state statute.

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of $10,211,649 for its proportionate share of the General Employees Plan's net pension liability. 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 County's proportion of the net pension liability was based on the County'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 County's proportion was 0.1847 percent. It was 0.1858 percent measured as of June 30, 2018. The County recognized pension expense of $1,164,036 for its proportionate share of the General Employees Retirement Plan's pension expense.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County also recognized $23,777 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually.

The County's proportionate share of the net pension liability	$	10,211,649
State of Minnesota's proportionate share of the net pension liability associated with the County		317,486
Total	$	10,529,135

The County 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	$ 283,770	$ -
Changes in actuarial assumptions	-	809,803
Difference between projected and actual investment earnings	-	1,036,481
Changes in proportion	104,117	334,392
Contributions paid to PERA subsequent to the measurement date	525,447	-
Total	$ 913,334	$ 2,180,676

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The $525,447 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (667,971)
2021	(855,815)
2022	(285,458)
2023	16,455

Police and Fire Plan

At December 31, 2019, the County reported a liability of $1,721,460 for its proportionate share of the Police and Fire Plan's net pension liability. 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 County's proportion of the net pension liability was based on the County'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 County's proportion was 0.1617 percent. It was 0.1606 percent measured as of June 30, 2018. The County recognized pension expense of $276,211 for its proportionate share of the Police and Fire Plan's pension expense.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The County also recognized $21,829 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, whichever occurs later. In addition, the state will pay direct state aid of $4.5 million on October 1, 2018, and October 1, 2019, and $9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

The County reported its proportionate share of the Police and Fire 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	$ 70,751	$ 257,132
Changes in actuarial assumptions	1,395,849	1,797,795
Difference between projected and actual investment earnings	-	336,256
Changes in proportion	108,781	171,890
Contributions paid to PERA subsequent to the measurement date	168,092	-
Total	$ 1,743,473	$ 2,563,073

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

The $168,092 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (108,274)
2021	(235,807)
2022	(668,498)
2023	24,385
2024	502

Correctional Plan

At December 31, 2019, the County reported a liability of $63,687 for its proportionate share of the Correctional Plan's net pension liability. 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 County's proportion of the net pension liability was based on the County'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 County's proportion was 0.4600 percent. It was 0.4710 percent measured as of June 30, 2018. The County recognized pension expense of $121,821 for its proportionate share of the Correctional Plan's pension expense.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The County reported its proportionate share of the Correctional 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	$ 2,396	$ 10,498
Changes in actuarial assumptions	-	578,602
Difference between projected and actual investment earnings	-	83,890
Changes in proportion	1,425	1,357
Contributions paid to PERA subsequent to the measurement date	49,938	-
Total	$ 53,759	$ 674,347

The $49,938 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	$ (347,708)
2021	(302,724)
2022	(20,710)
2023	616

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was $1,562,068.

e. Actuarial Assumptions

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

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. 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 positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were 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.

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

h. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate previously disclosed, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 16,787,401	6.50%	$ 3,762,791	6.50%	$ 678,711
Current	7.50	10,211,649	7.50	1,721,460	7.50	63,687
1% Increase	8.50	4,7,82,058	8.50	33,312	8.50	(428,481)

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

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

2. Defined Contribution Plan

Five Commissioners of McLeod County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with Minn. Stat. ch. 353D, which may be amended by the state legislature. The plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

3. Detailed Notes

D. Pension Plans

2. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by McLeod County during the year ended December 31, 2019, were:

	Employee	Employer
Contribution amount	$ 10,144	$ 10,144
Percentage of covered payroll	5.00%	5.00%

E. Other Postemployment Benefits (OPEB)

Plan Description

McLeod County administers an Other Postemployment Benefits plan, a single-employer defined benefit health care plan, to eligible retirees and their dependents.

The plan offers medical, dental, and life coverage. Medical coverage is administered by Blue Cross Blue Shield. Dental coverage is administered through the Principal Dental Plan. Reliance Standard is the life insurance provider. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

The following employees were covered by the benefit terms as of January 1, 2018:

Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	285
Total	289

3. Detailed Notes

E. Other Postemployment Benefits (OPEB) (Continued)

Total OPEB Liability

The County's total OPEB liability of $1,359,347 was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2018. The OPEB liability is liquidated through the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds.

The total OPEB liability for the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.25 percent as of January 1, 2018 grading to 5.00% over 5 years

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate was selected from the 20-Year Municipal Bond Yield.

Mortality rates are based on RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

The actuarial assumptions are currently based on historical information.

3. Detailed Notes

E. Other Postemployment Benefits (OPEB) (Continued)

Changes in the Total OPEB Liability

		Total OPEB Liability
Balance at January 1, 2019	$	1,295,315
Changes for the year		
Service cost	$	106,465
Interest		45,560
Changes of assumptions or other inputs		(45,300)
Benefit payments		(42,693)
Net change	$	64,032
Balance at December 31, 2019	$	1,359,347

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate		Total OPEB Liability
1% Decrease	2.30%	$	1,470,023
Current	3.30		1,359,347
1% Increase	4.30		1,265,585

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

3. Detailed Notes

E. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00% over 5 years	$ 1,203,310
Current	6.25% Decreasing to 5.00% over 5 years	1,359,347
1% Increase	7..25% Decreasing to 6.00% over 5 years	1,544,338

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

For the year ended December 31, 2019, the County recognized OPEB expense of $145,553. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ -	$ 38,828
Employer contributions paid subsequent to the measurement date	61,564	-
Total	$ 61,564	$ 38,828

3. Detailed Notes

E. Other Postemployment Benefits (OPEB)

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

The $61,564 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2020	$ (6,472)
2021	(6,472)
2022	(6,472)
2023	(6,472)
Thereafter	(12,940)

Changes in Actuarial Assumptions

The discount rate was changed from 3.50 percent to 3.30 percent in 2019.

4. Risk Management

The County 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 County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

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

4. Risk Management (Continued)

in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

The Property and Casualty Division of MCIT is self-sustaining, and the County pays an annual premium to cover current and future losses. MCIT carries reinsurance for its property lines to protect against catastrophic losses. Should the MCIT Property and Casualty Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT. Premiums are paid by the General Fund and are reimbursed from other funds for their share.

In 2016, the County entered into an agreement with Sibley County and Trailblazer Transit to provide a mechanism for utilizing a pooled, self-funded health insurance program under the authority granted to counties in Minn. Stat. § 471.59. Premiums are paid to the Sibley County Auditor-Treasurer, which provides bookkeeping services to the entity, including the payment of claims. For 2019, the County has retained risk up to a $125,000 stop-loss per covered person per year ($1,000,000 aggregate) for the health plan.

5. Summary of Significant Contingencies and Other Items

A. Secondary Liability for Bonds

The Essential Function Housing Development Revenue Bond of 1996 was issued by the Housing and Redevelopment Authority of McLeod County (HRA) for $1,200,000. McLeod County is secondarily liable for up to $120,000 if the HRA would fail to pay.

The Essential Function Housing Development Revenue Bond of 1997 was issued by the HRA for $1,200,000. McLeod County is secondarily liable for up to $120,000 if the HRA would fail to pay.

The Essential Function Housing Development Revenue Bond of 1998 was issued by the HRA for $1,119,000. McLeod County is secondarily liable for up to $75,000 each calendar year if the HRA would fail to pay.

The Essential Function Housing Development Revenue Bond of 2017 was issued by the HRA for $970,000. McLeod County is secondarily liable for up to $75,000 in the aggregate.

5. Summary of Significant Contingencies and Other Items (Continued)

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of the expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

C. Conduit Debt Obligation

The County has issued Commercial Development Revenue Bonds (Southwest Initiative Foundation) for the purpose of financing all or a portion of the costs of acquisition of land and the construction of an administration building. The bonds are secured by the financed property and are payable solely from the revenue of the project. The bonds do not constitute a charge, lien, or encumbrance, legal or equitable, upon any property or funds of the County, nor is the County subject to any liability thereon. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The amount of outstanding principal was $1,150,000 as of June 30, 2019.

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health and Human Services, representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota. Des Moines Valley Health and Human Services (DVHHS) acts a fiscal agent.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

The Board takes actions and enters into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Meeker-McLeod-Sibley Community Health Board

The Meeker-McLeod-Sibley Community Health Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.16, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Community Health Board consists of six members, two each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants.

Current financial statements are available from Meeker-McLeod-Sibley Community Health Board, 114 North Holcombe Avenue, Litchfield, Minnesota 55355.

Pioneerland Regional Library System

McLeod County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year McLeod County contributed $204,164 to the System.

Separate financial information can be obtained from Pioneerland Regional Library System, 410 – 5th Street Southwest, Willmar, Minnesota 56201.

5. Summary of Significant Contingencies and Other Items

   D. Joint Ventures (Continued)

      Southwest Metro Drug Task Force

      The Southwest Metro Drug Task Force was established in 2000 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Carver, McLeod, and Scott Counties, and the Cities of Hutchinson, Jordan, Prior Lake, Shakopee, South Lake Minnetonka, and Belle Plaine Police Department. The Drug Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the three-county area.

      Control of the Drug Task Force is vested in the Southwest Metro Drug Task Force Executive Committee. The Executive Committee consists of one designated official from each of the three counties and six cities. In the event of dissolution of the Drug Task Force, the remaining net position will be distributed among the agencies based on their level of participation. However, if only one agency terminates the agreement and the Drug Task Force continues, all equipment will remain with the Drug Task Force.

      Financing is provided by grants, forfeiture money, and appropriations from members. Complete financial information can be obtained from the Southwest Metro Drug Task Force Commander, 129 Holmes Street South, Shakopee, Minnesota 55379.

      PrimeWest Health

      The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties, under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

PrimeWest Health (Continued)

Control of the PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. The County did not make any contributions to PrimeWest Health in 2019.

Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth county partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. McLeod County has no operational or financial control over the Collaborative. In 2019, McLeod County contributed $18,326 to PACT.

A county may withdraw from PACT by giving a 30-day written notice to PACT; however, the contribution will remain in the integrated fund for the implementation period. In the event of termination, any property acquired as a result of the agreement and any surplus monies on hand shall be distributed to the parties of this agreement in proportion to their contributions.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

Management of PACT is vested in an Executive Board composed of nine members representing all counties. The Board includes an administrative representative of social services, public health services, community corrections, school districts, two parents (one parent of a child diagnosed with a serious emotional disturbance), and three members at large, one of whom is of a mental health background. The Board appoints a fiscal agent to handle and be responsible for safekeeping the funds of PACT.

McLeod County Human Services has acted as fiscal agent for PACT since January 1, 2016. Financial information can be obtained from Putting All Communities Together for Families Collaborative, 2200 – 23rd Street Northeast, Suite 2030, Willmar, Minnesota 56201

Trailblazer Joint Powers Board

McLeod County entered into a joint powers agreement with Sibley County, creating and operating the Trailblazer Joint Powers Board, pursuant to Minn. Stat. § 471.59 and a joint powers agreement, effective June 8, 1999. In 2018, Wright County joined the joint powers with McLeod and Sibley Counties. Management of the Transit Board is vested in the Joint Powers Board consisting of three members appointed by McLeod County, two members appointed by Sibley County, and two members from Wright County.

The primary purpose of the Transit Board is to provide centralized planning and implementation of needed public transit services.

Financing is primarily provided from state and federal grants. Member counties are committed to providing the local match necessary to meet the requirements for state and federal funding. In 2019, McLeod County made no contributions.

Current financial statements can be obtained with a one-day notice from the administrative office at Trailblazer Transit, Gary Ludwig, Director, 207 – 11th Street West, Glencoe, Minnesota 55336.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Supporting Hands Nurse Family Partnership Board

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Kandiyohi, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Rock, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock County in this agreement. Horizon Public Health represents Douglas, Grant, Pope, Stevens, and Traverse Counties in this agreement. Countryside Public Health represents Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties in this agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based nurse family partnership program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2019, McLeod County contributed $68,719 to the partnership.

Renville County acts as fiscal agent for Supporting Hands Nurse Family Partnership Board. A complete financial report of the Supporting Hands Nurse Family Partnership Board can be obtained from Renville County at Renville County Public Health, Renville County Government Services Center, 105 South 5th Street, Suite 1194, Olivia, Minnesota 56277.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

McLeod, Sibley, Trailblazer Joint Self-Insurance Pool

The McLeod, Sibley, Trailblazer Joint Self-Insurance Pool was established in 2016 under the authority of Minn. Stat. § 471.59. The purpose of this Pool is to provide for the reciprocal assumption of risk among members with respect to the provision of health benefits to each member's eligible current and former employees and their qualified dependents.

The governing body is composed of one Board member from each of the participating entities. The Pool is financed primarily by premiums from participants. Sibley County is the fiscal agent. Current financial statements are available from the Sibley County Auditor-Treasurer's Office.

Central Minnesota Jobs and Training Services, Inc.

Central Minnesota Jobs and Training Services, Inc. (CMJTS) is a nonprofit employment and training agency and a partner in the Minnesota WorkForce Center System. CMJTS is a joint venture established pursuant to Minn. Stat. ch. 268 and § 471.59, consisting of 11 counties in Central Minnesota, including Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, and Wright Counties and is also a partner of Workforce Service Area 5.

CMJTS's mission is to match job seekers, youth, businesses, and those seeking training with the resources available to them. Funding is to be provided through block grants from the U.S. Department of Labor. One County Commissioner from each participating county is appointed to the Board.

E. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, McLeod County expended $101,093 to the MCCC.

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Becker, Big Stone, Clay, Cottonwood, Douglas, Grant, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Mower, Murray, Norman, Pennington, Pine, Pipestone, Polk, Pope, Red Lake, Redwood, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, Wilkin, and Wright Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of twelve appointees, each with an alternate, who are appointed annually by each respective County Board they represent. Each County also appoints a delegate and alternate to the Board of Directors. The County's responsibility does not extend beyond making these appointments.

South Central Minnesota Emergency Communications Board

The South Central Emergency Communications Board (formerly known as the South Central Minnesota Regional Radio Board) was established pursuant to Minn. Stat. §§ 471.59 and 403.39 and a joint powers agreement effective May 27, 2008. It is comprised of Blue Earth, Brown, Faribault, Le Sueur, Martin, McLeod, Nicollet, Sibley, Waseca, and Watonwan Counties, and the Cities of Hutchinson and Mankato. The primary function of the joint venture is to provide regional administration of enhancements to the Statewide Public Safety Radio and Communication System for the Allied Radio Matrix for Emergency Response (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications.

The Board consists of one County Commissioner from each county included in the agreement, one City Council member from each city included in the agreement, a member of the South Central Minnesota Regional Advisory Committee, a member of the South Central Minnesota Regional Radio System User Committee, and a member of the Owners and Operators Committee.

Blue Earth County acts as the fiscal agent for the Board. During 2019, McLeod County did not contribute to the Board. Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

McLeod County Soil & Water Conservation District (SWCD)

McLeod County formed an agreement in July, 2017, to provide fiscal support for the SWCD. In turn, the SWCD provides assistance to the land users of McLeod County using natural resources to increase the productive use of land while maintaining and improving the soils base, water quality, tree production, wildlife and the overall quality of the county.

F. Tax Abatements – Pay-As-You-Go Tax Increment

McLeod County has not entered into any property tax abatement agreements under Minn. Stat. § 469.1813 with local businesses (which meets the criteria for disclosure under Governmental Accounting Standards Board (GASB) Statement No. 77). Under this statute, the County may grant property tax abatements not to exceed (1) ten percent of the net tax capacity of the political subdivision for the taxes payable year with which the abatement applies, or (2) $200,000, whichever is greater, for the purpose of attracting or retaining business within their jurisdictions. The abatements may be granted to any business located within or promises to relocate to the County.

The Cities of Glencoe, Hutchinson, and Winsted in McLeod County have entered into tax increment financing agreements (which meet the criteria for disclosure under GASB No. 77, Tax Abatement Disclosures). The City's authority to enter into these agreements comes from Minn. Stat. ch. 469 for the purpose of encouraging private development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a City. During 2019, there were 13 pay-as-you-go notes within the County. The tax increment collections during 2019 associated with these notes totaled $401,998. The County's portion of the captured tax capacity and related property taxes was approximately 30 percent, which is approximately $120,599.

5. Summary of Significant Contingencies and Other Items (Continued)

G. Subsequent Event

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021. In addition, it is expected that the County will experience an increase of grant revenues as a result of this pandemic.

6. Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies

The Housing and Redevelopment Authority (HRA) was created under the laws of the State of Minnesota and serves McLeod County. The purpose of the HRA is to administer the public housing programs authorized by the United States Housing Act of 1937, as amended. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD). The HRA provides assistance grants to eligible families of the Section 8 Housing Choice Vouchers Program. Also, the HRA operates 18 four-plex (72) rental units in McLeod County for families with moderate income.

The accounting policies of the HRA conform to accounting principles generally accepted in the United States of America as applicable to governmental units.

Property and Equipment

Property and equipment are stated at historical, or estimated historical, cost and are depreciated using the straight-line method over their estimated useful lives ranging from six to 40 years.

6. Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

A. Summary of Significant Accounting Policies (Continued)

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 estimates and assumptions that affect the reported amounts of assets and liabilities 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.

B. Cash and Investments

The HRA's cash and investments at June 30, 2019, are summarized as follows:

Cash on deposit		
Restricted	$	21,035
Unrestricted		234,024
Total cash on deposit	$	255,059
Certificates of deposit, due within one year		
Restricted	$	34,327
Unrestricted		116,668
Total certificates of depoit	$	150,995
Total Cash and Investments	$	406,054

Deposits

In accordance with Minnesota statutes, the HRA maintains deposits at depository banks authorized by the HRA Board. All such depositories are federally insured. The entire bank balance throughout the year was covered by federal depository insurance or by collateral held by the HRA's agent in the HRA's name.

The carrying amount of the HRA's deposits with financial institutions was $255,059 as of June 30, 2019. The bank balance was $265,778 as of June 30, 2019, which was covered by insurance from the FDIC and qualified collateral.

6. Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

B. Cash and Investments

Deposits (Continued)

Minnesota statutes require that all HRA deposits be protected by insurance, surety bond, or collateral and that securities pledged as collateral be legal instruments and be held in safekeeping in a restricted account at the Federal Reserve Bank or in a financial institution other than that furnishing the collateral. The market value of collateral pledged must generally exceed deposits not covered by insurance or bonds by at least ten percent.

Investments

The HRA is authorized to invest available funds as described in Minn. Stat. ch. 118A. The following types of investments are allowed by Minnesota statutes:

- direct obligations or obligations guaranteed by the United States or its agencies;

- shares of registered investment companies through a mutual fund provided the mutual fund receives certain ratings depending on its investments;

- general obligations of the State of Minnesota or any of its municipalities and other state and local government obligations as listed in Minnesota statutes;

- bankers' acceptances of United States banks;

- commercial paper issued by United States corporations or their Canadian subsidiaries that is of the highest quality and matures in 270 days or less; and

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

6. Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures (Continued)

C. Property and Equipment

The following is a summary of property and equipment transactions:

	June 30, 2018	Additions	Disposals	June 30, 2019
Land	$ 197,000	$ -	$ -	$ 197,000
Site improvements	307,629	-	29,721	277,908
Buildings	4,323,612	-	100,308	4,223,304
Appliances	52,668	-	52,668	-
Total	$ 4,880,909	$ -	$ 182,697	$ 4,698,212
Accumulated depreciation	2,250,213	123,718	158,161	2,215,770
Totals	$ 2,630,696	$ (123,718)	$ 24,536	$ 2,482,442

D. Long-Term Debt Payable

The following is a summary of long-term debt transactions for the year ended June 30, 2019:

	2018	Issued	Payments	2019
Essential Function Housing Development Bond of 1996	$ 575,553	$ -	$ 52,126	$ 523,427
Essential Function Housing Development Bond of 1997	605,611	-	50,933	554,678
Essential Function Housing Development Bond of 1998	645,627	-	42,775	602,852
Essential Function Housing Development Bond of 2017	939,818	-	41,732	898,086
Promissory Note Payable	40,025	-	7,364	32,661
Assessments payable	4,215	-	403	3,812
Totals	$ 2,810,849	$ -	$ 195,333	$ 2,615,516

The Essential Function Housing Development Revenue Bond of 1996 matures on September 1, 2027. The bond currently bears an interest rate of 4.10 percent per annum. The rate is renegotiated according to the market interest rate and is thereafter adjustable periodically over the life of the bond. Principal and interest are payable monthly. The bond is secured by all real and personal property as well as by all revenues of the housing project. If the net revenues from operations are insufficient to meet the bond obligations,

6. Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

D. Long-Term Debt Payable (Continued)

the HRA may request funds from the McLeod County General Fund by ordering a County-wide tax levy not to exceed $120,000. The HRA agrees to repay the funds to McLeod County from any subsequent excess cash flows.

The Essential Function Housing Development Revenue Bond of 1997 matures on April 1, 2028. The bond currently bears an interest rate of 4.10 percent per annum. The rate is renegotiated according to the market interest rate and is thereafter adjustable periodically over the life of the bond. Principal and interest are payable monthly. The bond is secured by all real and personal property as well as by all revenues of the housing project. If the net revenues from operations are insufficient to meet the bond obligations, the HRA may request funds from the McLeod County General Fund by ordering a County-wide tax levy not to exceed $120,000. The HRA agrees to repay the funds to McLeod County from any subsequent excess cash flows.

The Essential Function Housing Development Revenue Bond of 1998 matures on May 1, 2030. The bond bears an interest rate of 4.10 percent per annum. The rate is renegotiated according to the market interest rate and is thereafter adjustable periodically over the life of the bond. Principal and interest are payable monthly. The bond is secured by all real and personal property as well as by all revenues of the housing project. If the net revenues from operations are insufficient to meet the bond obligations, the HRA may request funds from the McLeod County General Fund by ordering a County-wide tax levy not to exceed $75,000 each calendar year. The HRA agrees to repay the funds to McLeod County after bond obligations have been fulfilled.

The Essential Function Housing Development Revenue Bond of 2017 matures on September 1, 2034. The bond bears an interest rate of 4.00 percent per annum. The rate is renegotiated according to the market interest rate and is thereafter adjustable periodically over the life of the bond. Principal and interest are payable monthly. The bond is secured by all real and personal property as well as by all revenues of the housing project. If the net revenues from operations are insufficient to meet the bond obligations, the HRA may request funds from the McLeod County General Fund by ordering a County-wide tax levy not to exceed $75,000 each calendar year. The HRA agrees to repay the funds to McLeod County after bond obligations have been fulfilled.

6. Housing and Redevelopment Authority – Discretely Presented Component Unit Disclosures

D. Long-Term Debt Payable (Continued)

The promissory note is payable to Security Bank and Trust, Co., for driveway upgrades. The debt matures on June 1, 2023, and bears interest at the rate of 4.00 percent. Payments of $738, including principal and interest, are payable monthly beginning July 1, 2018.

The assessment is payable to the City of Brownton for street upgrades. The debt matures October 15, 2026, and bears interest at the rate of 7.5 percent. Payments of $360, including principal and interest, are payable semi-annually beginning May 15, 2007.

The estimated debt service requirements as of June 30, 2019, are as follows:

Years Ending	Principal	Interest	Total
2020	$ 204,574	$ 103,111	$ 307,685
2021	213,212	94,472	307,684
2022	222,110	85,574	307,684
2023	231,381	76,303	307,684
2024	225,594	84,101	309,695
2025 - 2029	1,033,596	365,000	1,398,596
2030 - 2034	459,192	126,111	585,303
2035	25,857	439	26,296
Totals	$ 2,615,516	$ 935,111	$ 3,550,627

E. Risk Management

The HRA is insured by commercial property and liability insurance. There have been no significant reductions in coverage. There have been no settlements in excess of the HRA's insurance coverage in any of the immediately preceding three years.

F. Prior Period Adjustment

The HRA changed their capitalization policy in 2019. As a result, there were assets that no longer met their capitalization threshold. Those assets that no longer met the threshold were removed from the capital asset listing, resulting in a loss of $25,955. As a result, the beginning net position at January 1, 2019, was decreased by $25,955.

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REQUIRED SUPPLEMENTARY INFORMATION

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McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 12,914,933	$ 12,914,933	$ 12,597,925	$ (317,008)
Special assessments	188,321	188,321	178,723	(9,598)
Licenses and permits	90,950	90,950	95,175	4,225
Intergovernmental	3,327,344	3,327,344	3,729,409	402,065
Charges for services	1,942,322	1,942,322	2,119,892	177,570
Fines and forfeits	27,720	27,720	22,222	(5,498)
Gifts and contributions	6,540	6,540	26,219	19,679
Investment earnings	133,780	133,780	726,277	592,497
Miscellaneous	792,192	792,192	978,357	186,165
Total Revenues	**$ 19,424,102**	**$ 19,424,102**	**$ 20,474,199**	**$ 1,050,097**
Expenditures				
Current				
General government				
Commissioners	$ 325,393	$ 325,393	$ 301,811	$ 23,582
County-wide	292,752	292,752	421,275	(128,523)
Courts	243,000	243,000	309,172	(66,172)
Law library	12,000	12,000	12,613	(613)
County administrator	978,440	978,440	914,014	64,426
County auditor-treasurer	521,250	521,250	500,755	20,495
County assessor	466,904	466,904	434,011	32,893
Elections	121,835	121,835	95,691	26,144
Data processing	1,061,289	1,061,289	1,034,953	26,336
Central services	195,734	195,734	193,743	1,991
Attorney	839,802	839,802	783,788	56,014
Recorder	748,907	748,907	634,194	114,713
Buildings	1,090,786	1,090,786	951,153	139,633
County insurance	453,206	453,206	188,666	264,540
Veterans service officer	245,806	245,806	245,120	686
Fairgrounds	342,892	342,892	364,944	(22,052)
Safety	8,700	8,700	9,761	(1,061)
Other general government	-	-	183,572	(183,572)
Total general government	**$ 7,948,696**	**$ 7,948,696**	**$ 7,579,236**	**$ 369,460**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 4,285,470	$ 4,285,470	$ 4,148,178	$ 137,292
Inmate account	15,651	15,651	10,807	4,844
Probation officer	401,218	401,218	431,299	(30,081)
County jail	2,145,525	2,145,525	1,908,632	236,893
Juvenile detention	952	952	3,822	(2,870)
Sheriff posse	34,000	34,000	29,693	4,307
Emergency services	140,911	140,911	136,316	4,595
Total public safety	**$ 7,023,727**	**$ 7,023,727**	**$ 6,668,747**	**$ 354,980**
Health				
Nursing service	**$ 2,976,908**	**$ 2,976,908**	**$ 2,670,398**	**$ 306,510**
Culture and recreation				
Historical society	$ 86,100	$ 86,100	$ 86,100	$ -
Other	40,390	40,390	40,090	300
Parks	396,540	396,540	389,590	6,950
Snowmobile trail grant	44,640	44,640	49,517	(4,877)
Total culture and recreation	**$ 567,670**	**$ 567,670**	**$ 565,297**	**$ 2,373**
Conservation of natural resources				
Soil and water conservation	$ 82,750	$ 82,750	$ 82,750	$ -
County extension	275,554	275,554	261,287	14,267
Drainage ditch mapping	23,334	23,334	17,911	5,423
Agriculture ditch inspector	-	-	1,314	(1,314)
Water planning	25,284	25,284	29,927	(4,643)
Wetland	32,894	32,894	58,977	(26,083)
Shoreland	5,976	5,976	8,928	(2,952)
Feedlot	57,582	57,582	67,297	(9,715)
Environmental services	204,617	204,617	151,244	53,373
Other	21,600	21,600	94,797	(73,197)
Ag programming	-	-	202	(202)
Septic loans	210,000	210,000	24,675	185,325
Aquatic invasive species	40,000	40,000	-	40,000
Total conservation of natural resources	**$ 979,591**	**$ 979,591**	**$ 799,309**	**$ 180,282**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Housing and Redevelopment Authority	**$ 14,396**	**$ 14,396**	**$ 11,613**	**$ 2,783**
Intergovernmental				
Culture and recreation				
Pioneerland Regional Library	**$ 204,164**	**$ 204,164**	**$ 204,164**	**$ -**
Debt service				
Principal	$ 172,985	$ 172,985	$ 192,946	$ (19,961)
Interest	15,336	15,336	28,000	(12,664)
Total debt service	**$ 188,321**	**$ 188,321**	**$ 220,946**	**$ (32,625)**
Total Expenditures	**$ 19,903,473**	**$ 19,903,473**	**$ 18,719,710**	**$ 1,183,763**
Excess of Revenues Over (Under) Expenditures	**$ (479,371)**	**$ (479,371)**	**$ 1,754,489**	**$ 2,233,860**
Other Financing Sources (Uses)				
Transfers in	$ 20,000	$ 20,000	$ -	$ (20,000)
Loan issued	-	-	110,995	110,995
Proceeds from the sale of capital assets	15,000	15,000	25,828	10,828
Total Other Financing Sources (Uses)	**$ 35,000**	**$ 35,000**	**$ 136,823**	**$ 101,823**
Net Change in Fund Balance	**$ (444,371)**	**$ (444,371)**	**$ 1,891,312**	**$ 2,335,683**
Fund Balance – January 1	**21,542,866**	**21,542,866**	**21,542,866**	**-**
Increase (decrease) in inventories	**-**	**-**	**(145)**	**(145)**
Fund Balance – December 31	**$ 21,098,495**	**$ 21,098,495**	**$ 23,434,033**	**$ 2,335,538**

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

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 4,196,853	$ 4,196,853	$ 4,083,672	$ (113,181)
Licenses and permits	14,000	14,000	13,800	(200)
Intergovernmental	11,347,691	11,347,691	6,771,037	(4,576,654)
Charges for services	131,500	131,500	182,676	51,176
Miscellaneous	500	500	4,349	3,849
Total Revenues	**$ 15,690,544**	**$ 15,690,544**	**$ 11,055,534**	**$ (4,635,010)**
Expenditures				
Current				
Highways and streets				
Administration	$ 900,800	$ 900,800	$ 768,636	$ 132,164
GIS	177,819	177,819	176,092	1,727
Maintenance	1,723,785	1,723,785	1,667,729	56,056
Engineering/construction	12,076,970	12,076,970	11,579,223	497,747
Equipment, maintenance, and shop	1,113,416	1,113,416	1,171,976	(58,560)
Total highways and streets	**$ 15,992,790**	**$ 15,992,790**	**$ 15,363,656**	**$ 629,134**
Intergovernmental				
Highways and streets	325,000	325,000	309,631	15,369
Debt service				
Bond issuance costs	-	-	58,460	(58,460)
Total Expenditures	**$ 16,317,790**	**$ 16,317,790**	**$ 15,731,747**	**$ 586,043**
Excess of Revenues Over (Under) Expenditures	**$ (627,246)**	**$ (627,246)**	**$ (4,676,213)**	**$ (4,048,967)**
Other Financing Sources (Uses)				
Bonds issued	$ -	$ -	$ 5,350,000	$ 5,350,000
Premium on bonds issued	-	-	645,007	645,007
Proceeds from the sale of capital assets	27,500	27,500	18,914	(8,586)
Total Other Financing Sources (Uses)	**$ 27,500**	**$ 27,500**	**$ 6,013,921**	**$ 5,986,421**
Net Change in Fund Balance	**$ (599,746)**	**$ (599,746)**	**$ 1,337,708**	**$ 1,937,454**
Fund Balance – January 1	**11,770,734**	**11,770,734**	**11,770,734**	**-**
Increase (decrease) in inventories	**-**	**-**	**(43,506)**	**(43,506)**
Fund Balance – December 31	**$ 11,170,988**	**$ 11,170,988**	**$ 13,064,936**	**$ 1,893,948**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,167,899	$ 5,167,899	$ 5,050,141	$ (117,758)
Intergovernmental	5,494,862	5,494,862	5,954,570	459,708
Charges for services	756,140	756,140	601,078	(155,062)
Miscellaneous	1,289,172	1,289,172	1,140,750	(148,422)
Total Revenues	**$ 12,708,073**	**$ 12,708,073**	**$ 12,746,539**	**$ 38,466**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,884,915	$ 2,884,915	$ 2,746,497	$ 138,418
Social services	10,195,564	10,195,564	9,839,280	356,284
Transit authority	157,439	157,439	56,936	100,503
Total Expenditures	**$ 13,237,918**	**$ 13,237,918**	**$ 12,642,713**	**$ 595,205**
Net Change in Fund Balance	**$ (529,845)**	**$ (529,845)**	**$ 103,826**	**$ 633,671**
Fund Balance – January 1	**7,307,305**	**7,307,305**	**7,307,305**	**-**
Fund Balance – December 31	**$ 6,777,460**	**$ 6,777,460**	**$ 7,411,131**	**$ 633,671**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Licenses and permits	$ 6,800	$ 6,800	$ 8,240	$ 1,440
Intergovernmental	104,000	104,000	102,127	(1,873)
Charges for services	1,560,400	1,560,400	2,255,105	694,705
Miscellaneous	149,602	149,602	116,998	(32,604)
Total Revenues	**$ 1,820,802**	**$ 1,820,802**	**$ 2,482,470**	**$ 661,668**
Expenditures				
Current				
Sanitation				
Recycling	1,697,462	1,697,462	1,672,605	24,857
Excess of Revenues Over (Under) Expenditures	**$ 123,340**	**$ 123,340**	**$ 809,865**	**$ 686,525**
Other Financing Sources (Uses)				
Transfers out	(568,588)	(568,588)	(594,891)	(26,303)
Net Change in Fund Balance	**$ (445,248)**	**$ (445,248)**	**$ 214,974**	**$ 660,222**
Fund Balance – January 1	**2,586,806**	**2,586,806**	**2,586,806**	**-**
Fund Balance – December 31	**$ 2,141,558**	**$ 2,141,558**	**$ 2,801,780**	**$ 660,222**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-5

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019

	2019	2018
Total OPEB Liability		
Service cost	$ 106,465	$ 111,888
Interest	45,560	42,127
Changes of assumption or other inputs	(45,300)	-
Benefit payments	(42,693)	(46,369)
Net change in total OPEB liability	**$ 64,032**	**$ 107,646**
Total OPEB Liability – Beginning, as restated	**1,295,315**	**1,187,669**
Total OPEB Liability – Ending	**$ 1,359,347**	**$ 1,295,315**
Covered-employee payroll	$ 16,067,024	$ 15,599,052
Total OPEB liability (asset) as a percentage of covered-employee payroll	8.46%	8.30%

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

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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 McLeod County (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
2019	0.1847 %	$ 10,211,649	$ 317,486	$ 10,529,135	$ 13,609,500	75.03 %	80.23 %
2018	0.1858	10,307,422	338,111	10,645,533	12,492,080	82.51	79.53
2017	0.1855	11,844,630	151,818	11,996,448	11,954,653	99.08	75.90
2016	0.1907	15,477,661	202,136	15,679,797	11,831,093	130.82	68.91
2015	0.1915	9,925,635	N/A	9,925,635	11,250,920	88.22	78.19

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019

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)
2019	$ 1,020,711	$ 1,020,711	$ -	$ 13,609,480	7.50 %
2018	946,401	946,401	-	12,618,680	7.50
2017	908,763	908,763	-	12,116,840	7.50
2016	897,080	897,080	-	11,961,067	7.50
2015	874,063	874,063	-	11,654,176	7.50

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.1617 %	$ 1,721,460	$ 1,839,499	93.58 %	89.26 %
2018	0.1606	1,711,831	1,692,506	101.14	88.84
2017	0.1500	2,025,718	1,544,352	131.17	85.43
2016	0.1580	6,340,815	1,518,114	417.68	63.88
2015	0.1610	1,829,337	1,474,333	124.08	86.61

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019

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)
2019	$ 311,795	$ 311,795	$ -	$ 1,839,499	16.95 %
2018	274,479	274,479	-	1,694,315	16.20
2017	265,884	265,884	-	1,641,259	16.20
2016	242,953	242,953	-	1,499,709	16.20
2015	241,151	241,151	-	1,488,585	16.20

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

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.4600 %	$ 63,687	$ 1,051,874	6.05 %	98.17 %
2018	0.4710	77,465	962,023	8.05	97.64
2017	0.4700	1,399,503	929,737	150.53	67.89
2016	0.4700	1,716,975	880,368	195.03	58.16
2015	0.4900	75,754	874,521	8.66	96.95

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019

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)
2019	$ 92,039	$ 92,039	$ -	$ 1,051,874	8.75 %
2018	83,740	83,740	-	957,029	8.75
2017	84,894	84,894	-	970,217	8.75
2016	78,909	78,909	-	901,819	8.75
2015	75,862	75,862	-	866,990	8.75

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

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McLEOD COUNTY
GLENCOE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, certain special revenue funds, and the Debt Service Fund. The County Board can amend budgets during the year.

On December 27, 2018, the Board approved the budgets for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Solid Waste Special Revenue Fund, and the Debt Service Fund. A budget is not adopted for the Ditch Special Revenue Fund because it is based on special assessments which cannot be determined.

The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the department level.

2. Excess of Expenditures Over Appropriations

The following funds and departments had expenditures exceeding appropriations for the year ended December 31, 2019:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current			
General government			
County-wide	$ 421,275	$ 292,752	$ 128,523
Courts	309,172	243,000	66,172
Law library	12,613	12,000	613
Fairgrounds	364,944	342,892	22,052
Safety	9,761	8,700	1,061
Other general government	183,572	-	183,572

2. Excess of Expenditures Over Appropriations (Continued)

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current (Continued)			
Public safety			
Probation officer	431,299	401,218	30,081
Juvenile detention	3,822	952	2,870
Culture and recreation			
Snowmobile trail grant	49,517	44,640	4,877
Conservation of natural resources			
Agriculture ditch inspector	1,314	-	1,314
Water planning	29,927	25,284	4,643
Wetland	58,977	32,894	26,083
Shoreland	8,928	5,976	2,952
Feedlot	67,297	57,582	9,715
Other	94,797	21,600	73,197
Ag Programming	202	-	202
Debt service			
Principal	192,946	172,985	19,961
Interest	28,000	15,336	12,664
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Equipment, maintenance, and shop	1,171,976	1,113,416	58,560

3. Other Postemployment Benefits Funded Status

In 2018, McLeod County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

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

4. Other Postemployment Benefits – Changes in Significant Actuarial Methods and Assumptions

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

- The discount rate was changed from 3.30% to 3.80%.

5. 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

2019

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

2018

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

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

General Employees Retirement Plan

2018 (Continued)

- 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

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

General Employees Retirement Plan

2016 (Continued)

- 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.

Public Employees Police and Fire Plan

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.

- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

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

Public Employees Police and Fire Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 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 changed from 7.90 percent to 5.60 percent.

- 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.

Public Employees Local Government Correctional Service Retirement Plan

2019

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

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

- The mortality projection scale was changed from MP-2016 to MP-2017.

- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.

- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.

- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.

- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.

- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.

- 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.

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SUPPLEMENTARY INFORMATION

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McLEOD COUNTY
GLENCOE, MINNESOTA

NONMAJOR GOVERNMENTAL FUND

DEBT SERVICE FUND

The Debt Service Fund accounts for payment of principal, interest, and fiscal charges on long-term debt obligations of McLeod County.

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McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,017,130	$ 1,017,130	$ 995,652	$ (21,478)
Intergovernmental	-	-	15,668	15,668
Total Revenues	**$ 1,017,130**	**$ 1,017,130**	**$ 1,011,320**	**$ (5,810)**
Expenditures				
Debt service				
Principal	$ 1,105,000	$ 1,105,000	$ 1,105,000	$ -
Interest	333,640	333,640	327,483	6,157
Total Expenditures	**$ 1,438,640**	**$ 1,438,640**	**$ 1,432,483**	**$ 6,157**
Excess of Revenues Over (Under) Expenditures	**$ (421,510)**	**$ (421,510)**	**$ (421,163)**	**$ 347**
Other Financing Sources (Uses)				
Transfers in	594,891	594,891	594,891	-
Net Change in Fund Balance	**$ 173,381**	**$ 173,381**	**$ 173,728**	**$ 347**
Fund Balance – January 1	**869,400**	**869,400**	**869,400**	**-**
Fund Balance – December 31	**$ 1,042,781**	**$ 1,042,781**	**$ 1,043,128**	**$ 347**

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AGENCY FUNDS

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McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
MCLEOD COUNTY SOIL & WATER CONSERVATION DISTRICT				
Assets				
Cash and pooled investments	**$ 296,119**	**$ 534,868**	**$ 399,097**	**$ 431,890**
Liabilities				
Accounts payable	$ 3,516	$ 985	$ 3,516	$ 985
Salaries payable	17,267	5,601	17,267	5,601
Accrued payroll taxes	1,321	428	1,321	428
Accrued expenses	2,163	420	2,163	420
Due to other governments	271,852	424,456	271,852	424,456
Total Liabilities	**$ 296,119**	**$ 431,890**	**$ 296,119**	**$ 431,890**
TAXES AND PENALTIES FUND				
Assets				
Cash and pooled investments	**$ 294,594**	**$ 56,067,635**	**$ 56,175,179**	**$ 187,050**
Liabilities				
Due to other governments	**$ 294,594**	**$ 187,050**	**$ 294,594**	**$ 187,050**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Balance January 1	Additions	Deductions	Balance December 31
STATE AGENCY FUND				
Assets				
Cash and pooled investments	$ 129,832	$ 1,592,009	$ 1,533,533	$ 188,308
Departmental cash	5,755	9,861	5,755	9,861
Accounts receivable	267	1,293	267	1,293
Due from other governments	1,022	174	1,022	174
Total Assets	**$ 136,876**	**$ 1,603,337**	**$ 1,540,577**	**$ 199,636**
Liabilities				
Accounts payable	$ 1,815	$ 604	$ 1,815	$ 604
Due to other governments	135,061	199,032	135,061	199,032
Total Liabilities	**$ 136,876**	**$ 199,636**	**$ 136,876**	**$ 199,636**
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 720,545	$ 58,194,512	$ 58,107,809	$ 807,248
Departmental cash	5,755	9,861	5,755	9,861
Accounts receivable	267	1,293	267	1,293
Due from other governments	1,022	174	1,022	174
Total Assets	**$ 727,589**	**$ 58,205,840**	**$ 58,114,853**	**$ 818,576**
Liabilities				
Accounts payable	$ 5,331	$ 1,589	$ 5,331	$ 1,589
Salaries payable	17,267	5,601	17,267	5,601
Accrued payroll taxes	1,321	428	1,321	428
Accrued expenses	2,163	420	2,163	420
Due to other governments	701,507	810,538	701,507	810,538
Total Liabilities	**$ 727,589**	**$ 818,576**	**$ 727,589**	**$ 818,576**

OTHER SCHEDULES

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McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	$ 5,464,684
Market value credit	348,366
PERA rate reimbursement	36,151
PERA pension contribution	45,606
Out of home placement aid	20,044
Disparity reduction aid	60,750
County program aid	1,871,246
Police aid	219,829
E-911	70,839
Riparian protection aid	79,792
Aquatic invasive species	71,137
Total appropriations and shared revenue	**$ 8,288,444**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 1,563,622**
Payments	
Local	
Payments in lieu of taxes	**$ 51,345**
Grants	
Local	
City contribution	$ 60
Highway	532,070
Total local	**$ 532,130**
State	
Minnesota Department/Board of	
Corrections	$ 97,905
Public Safety	55,134
Transportation	16,000
Health	194,904
Natural Resources	697,253
Human Services	1,673,756
Water and Soil Resources	249,229
Veterans Affairs	9,853
Pollution Control Agency	123,206
Total state	**$ 3,117,240**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019

	Total Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	$ 380,172
Justice	18,587
Transportation	55,817
Education	648
Health and Human Services	2,753,722
Total federal	**$ 3,208,946**
Total local, state, and federal grants	**$ 6,858,316**
Total Intergovernmental Revenue	**$ 16,761,727**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	$ 135,919
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	177,714
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN127Q7503	49,464
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2520	339
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program CFDA 10.561 $227,517)			
Total U.S. Department of Agriculture			**$ 363,436**
U.S. Department of Justice			
Direct			
State Criminal Alien Assistance Program	16.606		**$ 18,587**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	19007	$ 50,992
Passed Through City of Glencoe, Minnesota			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC19-2019-GLENCOPD-034	4,825
Total U.S. Department of Transportation			**$ 55,817**
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Special Education – Grants for Infants and Families	84.181	Not Provided	**$ 1,660**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1801MNFPSS	$ 7,989
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1901MNTANF	194,836
(Total Temporary Assistance for Needy Families CFDA 93.558 $255,106)			
Child Support Enforcement	93.563	1901MNCSES	156,869
Child Support Enforcement	93.563	1901MNCEST	371,259
(Total Child Support Enforcement CFDA 93.563 $528,128)			
Refugee and Entrant Assistance – State Administered Programs	93.566	1901MNRCMA	195
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	5,365
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	10,826
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	5,598
Foster Care – Title IV-E	93.658	1901MNFOST	377,424
Social Services Block Grant	93.667	G-1901MNSOSR	190,856
John H. Chafee Foster Care Program for Successful Transition to Adulthood	93.674	G-1901MNCILP	1,042
Children's Health Insurance Program	93.767	1905MN5021	155
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	1,314,862
Medical Assistance Program	93.778	1905MN5MAP	14,773
(Total Medical Assistance Program CFDA 93.778 $1,329,635)			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Early Hearing Detection and Intervention	93.251	Not Provided	1,725
TANF Cluster			
Temporary Assistance for Needy Families	93.558	Not Provided	60,270
(Total Temporary Assistance for Needy Families CFDA 93.558 $255,106)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	63,231
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	50,474
Total U.S. Department of Health and Human Services			**$ 2,827,749**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-MN-4442	$ 21,163
Emergency Management Performance Grants	97.042	F-EMPG-2018-MCLEODCO-2853	9,600
Total U.S. Department of Homeland Security			**$ 30,763**
Total Federal Awards			**$ 3,298,012**

The notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
Totals by Cluster			
Total expenditures for SNAP Cluster			$ 227,517
Total expenditures for Highway Planning and Construction Cluster			50,992
Total expenditures for Highway Safety Cluster			4,825
Total expenditures for TANF Cluster			255,106
Total expenditures for CCDF Cluster			10,826
Total expenditures for Medicaid Cluster			1,329,635

McLeod County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

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McLEOD COUNTY
GLENCOE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by McLeod County. The County's reporting entity is defined in Note 1 to the financial statements. McLeod County's financial statements include the operations of the McLeod County Housing and Redevelopment Authority (HRA) component unit, which expended $492,600 in federal awards during the year ended June 30, 2019, which are not included in the Schedule of Expenditures of Federal Awards because the HRA was audited by other auditors.

B. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of McLeod County under programs of the federal government for the year ended December 31, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of McLeod County, it is not intended to and does not present the financial position, changes in net position, or cash flows of McLeod County.

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds of McLeod County. Governmental funds use the modified accrual basis of accounting. Such expenditures are recognized following the cost principles in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

McLeod County has elected not to use the ten percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	3,208,946
Grants received more than 60 days after year-end, unavailable in 2019		
Special Education – Grants for Infants and Families		1,012
Early Hearing and Detection Intervention		75
Promoting Safe and Stable Families		449
Temporary Assistance for Needy Families		88,123
Child Care Mandatory and Matching Funds of the Child Care and Development Fund		216
Foster Care – Title IV-E		16,681
Maternal and Child Health Services Block Grant to the States		20,532
Disaster Grants – Public Assistance (Presidentially Declared Disasters)		21,163
Emergency Management Performance Grants		9,600
Unavailable in 2018, recognized as revenue in 2019		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program		(16,736)
Promoting Safe and Stable Families		(4,024)
Temporary Assistance for Needy Families		(38,458)
Community-Based Child Abuse Prevention Grants		(5,926)
Stephanie Tubbs Jones Child Welfare Services Program		(3,346)
John H. Chafee Foster Care Program for Successful Transition to Adulthood		(295)
Expenditures Per Schedule of Expenditures of Federal Awards	$	3,298,012

Management and Compliance Section

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
McLeod County
Glencoe, Minnesota

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLeod County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 14, 2020. Our report includes a reference to other auditors who audited the financial statements of the McLeod County Housing and Redevelopment Authority, the discretely presented component unit, for the year ended June 30, 2019, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001, 2019-002, and 2019-003, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether McLeod County'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

In connection with our audit, nothing came to our attention that caused us to believe that McLeod County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, 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 County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

McLeod County's Response to Findings

McLeod County's responses to the internal control and management practices findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 14, 2020

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
McLeod County
Glencoe, Minnesota

Report on Compliance for the Major Federal Program

We have audited McLeod County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2019. McLeod County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

McLeod County's basic financial statements include the operations of the McLeod County Housing and Redevelopment Authority (HRA) component unit, which expended $492,600 in federal awards during the year ended June 30, 2019, which are not included in the Schedule of Expenditures of Federal Awards. Our audit, described below, did not include the operations of the HRA because it was audited by other auditors.

Management's Responsibility
Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for McLeod County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program

In our opinion, McLeod County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of McLeod County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 14, 2020

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McLEOD COUNTY
GLENCOE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Noncompliance material to the financial statements noted? **No**

Federal Awards

Internal control over the major program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal program: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal program is:

Medicaid Cluster	
Medical Assistance Program	CFDA No. 93.778

The threshold for distinguishing between Types A and B programs was $750,000.

McLeod County qualified as a low-risk auditee? **Yes**

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INTERNAL CONTROL

Finding Number: 2019-001

Prior Year Finding Number: 1999-001

Repeat Finding Since: 1999

Accounting Policies and Procedures

Criteria: Management is responsible for establishing and implementing internal controls over the accounting cycles and the system used for financial reporting.

Condition: The County has not documented written procedures covering the payroll process and financial reporting.

Context: Written policies and procedures over significant financial operations help in providing consistency over time and guidance to new officials and staff.

Effect: The County's practices may not be followed as intended by management and employees may not understand the purpose of internal controls.

Cause: The County has developed many policies and procedures relating to other transaction cycles but has not had the time to complete the documentation.

Recommendation: We recommend the County formalize the documentation of its policies and procedures related to payroll and the financial reporting process and include these in its accounting procedures manual.

View of Responsible Official: Concur

Finding Number: 2019-002

Prior Year Finding Number: 2007-001

Repeat Finding Since: 2007

Monitoring Internal Controls

Criteria: Management is responsible for developing and monitoring its internal controls over the various accounting cycles. The monitoring process includes performing an annual risk assessment of existing controls over significant functions of its accounting system used to produce financial information, documenting the significant internal controls for each transaction cycle/account balance, monitoring those controls on a regular basis, and documenting the monitoring activity performed.

Condition: Management has not yet formalized its assessment of risks in its review of internal controls, nor has it documented the significant internal controls, performed monitoring of those controls on a regular basis, or documented the monitoring activity.

Context: Assessing risk and monitoring transaction cycles and account balances ensures activity is being properly recorded and reported in the financial statements.

Effect: Without monitoring of internal controls, management cannot be assured that internal controls are operating effectively and transactions are processed according to policy.

Cause: Limited time and resources.

Recommendation: We recommend the County document the significant internal controls in the accounting system and formalize a plan to assess and monitor these controls on a regular basis, no less than annually. Significant functions and internal controls include and cover such areas as cash, capital assets, major funding sources, expenditure processing, and payroll. The monitoring of these functions and areas should be documented to show the results of the review, changes required as a result of the risk assessment, and who performed the work.

View of Responsible Official: Concur

Finding Number: 2019-003

Prior Year Finding Number: 2016-002

Repeat Finding Since: 2016

Credit Card Procedures

Criteria: Counties have authority to make purchases using credit cards, and the County Board has adopted a credit card policy, which is further detailed in a Purchasing Card (P-Card) Program Procedures Manual, including management and internal control procedures. Internal control procedures over the use of credit cards includes a system for tracking all credit cards issued by the County as well as requiring all employees who have been issued a County credit card to sign a P-Card User Agreement form acknowledging they have read the credit card policy.

Condition: The County is not ensuring procedures are being followed requiring employees with a County credit card to be properly trained, as well as approval over credit card transactions.

Context: Pursuant to the County's credit card policy, the County Auditor-Treasurer's Office (whose duties are currently being performed by the County's Finance Department) tracks credit cards issued to all employees, and all employees with a County credit card are required to sign the P-Card User Agreement form and receive specific training on how to properly use the P-Card. The policy also states that department heads are responsible for all cards issued to their department and the use of those cards by their employees; this authorization is documented on a signed form.

Effect: Failure to follow the credit card policy increases the likelihood for misuse of both the credit cards and County funds.

Cause: The County Auditor-Treasurer's Office is not enforcing the County's credit card policy by not requiring departments to return completed documents supporting proper training of employees and approval over credit card transactions.

Recommendation: We recommend the County follow the Board-approved credit card policy and ensure that all individuals who have been issued a County credit card have a signed Credit Card User Agreement form on file, as well as department heads with authorization to approve credit card transactions.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

Finding Number: 2019-004

Prior Year Finding Number: 2009-002

Repeat Finding Since: 2009

Ditch Fund Balance Deficits

Criteria: As provided by Minn. Stat. § 103E.735, subd. 1, a fund balance to be used for repairs may be established for any drainage system, not to exceed 20 percent of the assessed benefits of the ditch system or $100,000, whichever is larger.

Condition: As of December 31, 2019, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balances.

Context: Thirty-three of the 56 individual ditch systems have deficit unassigned fund balances as of December 31, 2019, totaling $1,606,636, the largest being $443,487. Negative ditch fund balances are not unusual.

Effect: Ditch systems with deficit fund balances indicate that measures have not been taken to ensure that an individual ditch system can meet financial obligations.

Cause: Assessments are levied annually; however, emergency repairs or natural disasters happen after the assessments, and repairs are critical to the operation of the ditch system.

Recommendation: We recommend the County eliminate the ditch system fund balance deficits by levying assessments pursuant to Minn. Stat. § 103E.735, subd. 1, which permits the accumulation of a surplus balance to provide for the repair and maintenance costs of a ditch system.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEM RESOLVED

2017-002 Local Collaborative Time Study Reporting
2017-003 Collateral Assignments
2017-004 Prompt Payment of Invoices
2018-001 Eligibility

REPRESENTATION OF McLEOD COUNTY
GLENCOE, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Finding Title: Accounting Policies and Procedures

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance and need for internal controls over the account cycles and financial reporting. McLeod County continues to work towards implementing formalized policies and procedures for all accounting functions with limited time and resources.

Anticipated Completion Date:

McLeod County continues to work on these policies and procedures as time allows.

Finding Number: 2019-002
Finding Title: Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Sheila Murphy, County Administrator

Corrective Action Planned:

McLeod County recognizes the importance for developing and monitoring the internal controls over the various accounting functions. The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources.

Anticipated Completion Date:

McLeod County will continue to monitor the internal controls periodically throughout the year

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Finding Number: 2019-003
Finding Title: Credit Card Procedures

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of following the credit card policy and ensuring that all individuals who have been issued a County credit card be tracked by the County Administrator's Office. New agreement forms will be sent to the departments that need to be updated.

Anticipated Completion Date:

December 31, 2020

Finding Number: 2019-004
Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Connie Kurtzweg, McLeod County Auditor-Treasurer

Corrective Action Planned:

McLeod County recognizes the importance of having fund balance available to provide for the repair and maintenance costs of a county drainage system. The principal understanding is that each drainage system belongs to the property owners located within that watershed. McLeod County Commissioners manage the drainage systems in their respected districts, though the funds do not belong to the county. Annually in October, the Commissioners hold a public ditch meeting according to M.S. 103E.705, subd 6, to determine a repair and maintenance assessment levy to be levied on each county drainage system in the new year. Four criteria are used to determine the assessment levy; 1) fund balance, 2) previous expenditures, 3) future expenditures, and 4) outstanding loan balances. Nevertheless, after the assessment is levied on a drainage system, emergency tile, culvert, bridge and ditch repairs happen or natural disasters, which are unforeseen. These emergency ditch repairs are critical to the operation of a drainage system. The Commissioners realize M.S. 103E.735, subd. 1, gives the authority to establish a fund balance not to exceed 20 percent of the assessed benefits for the drainage system or $100,000, whichever is larger. McLeod County will continue to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future.

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Anticipated Completion Date:

Indefinite.

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REPRESENTATION OF McLEOD COUNTY
GLENCOE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 1999-001
Finding Title: Accounting Policies and Procedures

Summary of Condition: The County has not documented written procedures covering the payroll process and financial reporting.

Summary of Corrective Action Previously Reported: McLeod County is continuing to work towards implementing formalized policies and procedures for all accounting functions with limited time and resources**.**

Status: Not Corrected. McLeod County expects to update its payroll software by March 31, 2020 from the iSeries operating software to Windows operating software. Once implemented, a Payroll Policy and Procedures will be drafted and approved by the County Board of Commissioners with projected completion by June 30, 2020. The Board of County Commissioners' of McLeod County will work on the Financial Reporting Policy and Procedures with completion by December 31, 2020.

Was corrective action taken significantly different than the action previously reported?

Yes _______ No ___X____

Finding Number: 2007-001
Finding Title: Monitoring Internal Controls

Summary of Condition: Management has not yet formalized its assessments of risks in its review of internal controls, nor has it documented the significant internal controls, performed monitoring of those controls on a regular basis, or documented the monitoring activity.

Summary of Corrective Action Previously Reported: The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources.

Status: Not Corrected. The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources. A procedure will be implemented by December 31, 2020.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-002
Finding Title: Credit Card Procedures

Summary of Condition: Several internal control deficiencies were noted during the testing over credit cards in the County: written documentation did not exist for some County employees who used County credit cards that they had received specific training on how to properly use the P-Card and there was an instance where a County department head approved their own credit card transactions and other instance where credit card transactions were not approved by a department head.

Summary of Corrective Action Previously Reported: The County Administrator's Office will track individuals who have been issued a County credit card and ensure that those individuals are required to sign the Credit Card User Agreement Form.

Status: Partially Corrected. The County Administrator updated the procurement forms to the current approver and acquired documentation for authorized use of the P-Cards.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2016-003
Finding Title: Procurement and Suspension and Debarment – Written Procurement Policies and Procedures
Program: U.S. Department of Health and Humans Services' Medical Assistance Program (CFDA # 93.778)

Summary of Condition: McLeod County has written procurement policies; however, these policies do not include the required components in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318.

Summary of Corrective Action Previously Reported: McLeod County will update the procurement policies and procedures to be in compliance with the Uniform Guidance requirements.

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Status: Not Corrected. McLeod County will update its procurement policies and procedures to be in compliance with the Uniform Guidance requirements.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-001
Finding Title: Procurement and Suspension and Debarment
Program: U.S. Department of Health and Humans Services' Medical Assistance Program (CFDA # 93.778)

Summary of Condition: A transaction exceeding the Simplified Acquisition Threshold ($150,000) did not contain the history of procurement. In addition, the County lacked documentation demonstrating that it verified the vendor was not suspended or debarred prior to entering into a transaction exceeding $25,000.

Summary of Corrective Action Previously Reported: McLeod County will update the procurement policies and procedures to be in compliance with the Uniform Guidance requirements.

Status: Not Corrected. McLeod County will update its procurement policies and procedures to be in compliance with the Uniform Guidance requirements.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-002
Finding Title: Local Collaborative Time Study Reporting
Program: U.S. Department of Health and Humans Services' Medical Assistance Program (CFDA # 93.778)

Summary of Condition: The County did not receive quarterly LCTS reports prepared by its Collaborative to review and ensure the reports were accurate and properly reported to the State.

Summary of Corrective Action Previously Reported: The Collaborative will send a summary spreadsheet of the reporting agents' information to McLeod County and the Social Services Accountant will review the documents before they are submitted.

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Status: Corrected.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2018-001
Finding Title: Eligibility

Summary of Condition: During prior testing of compliance over the eligibility requirements for the Medical Assistance Program, one instance was noted in the sample of 40 case files tested where the income from the case file was not correctly entered into MAXIS, and seven instances were noted where assets either were not verified with third parties or were not correctly entered into MAXIS.

Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of maintaining effective internal controls over federal awards to stay in compliance with federal statutes, regulations and the terms and conditions of the awards. The McLeod County Human Services Supervisor and Eligibility Lead will increase the number of case reviews that they conduct to check the data entry into the MAXIS system for accuracy.

Status: Corrected.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2017-003
Finding Title: Collateral Assignments

Summary of Condition: The County could not provide documentation to verify language pertaining to pledged collateral required by Minn. Stat. § 118A.03 was included in the original pledge agreements for all of the securities pledged as collateral.

Summary of Corrective Action Previously Reported: McLeod County has obtained new pledge agreements with its depositories.

Status: Corrected.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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Finding Number: 2017-004
Finding Title: Prompt Payment of Invoices

Summary of Condition: Three of the 25 Human Services invoices tested for compliance with Minn. Stat. § 471.425 were not paid within 35 days.

Summary of Corrective Action Previously Reported: McLeod County will monitor the payment process to ensure that the County is in accordance with Minn. Stat. 471.425.

Status: Corrected.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2009-002
Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2018, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balances.

Summary of Corrective Action Previously Reported: McLeod County will continue to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future.

Status: Not Corrected. McLeod County has attempted to bring all ditch systems to a positive balance, including Board action to approve loans from the General Fund to maintain a positive cash balance for individual ditches and the levying of special assessments for ditch cost repairs, however, the levy, at times, is spread out over several years to keep the repayment cost down for the landowners. Also, after assessments have been levied for the year, some ditches have required emergency repairs critical to the drainage system.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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