

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

McLeod County Glencoe, Minnesota

Year Ended December 31, 2020

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@osa.state.mn.us
www.osa.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor’s web site: www.osa.state.mn.us.

**McLeod County
Glencoe, Minnesota**

Year Ended December 31, 2020



Office of the State Auditor

**Audit Practice Division
Office of the State Auditor
State of Minnesota**

**McLEOD COUNTY
GLENCOE, MINNESOTA**

TABLE OF CONTENTS

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Organization		1
Financial Section		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	17
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	19
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	23
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds	5	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	28
Fiduciary Funds		
Statement of Fiduciary Net Position	7	30
Statement of Changes in Fiduciary Net Position	8	31
Notes to the Financial Statements		32
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	95
Road and Bridge Special Revenue Fund	A-2	98
Human Services Special Revenue Fund	A-3	99
Solid Waste Special Revenue Fund	A-4	100

**McLEOD COUNTY
GLENCOE, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section		
Required Supplementary Information (Continued)		
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-5	101
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	102
Schedule of Contributions	A-7	103
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	104
Schedule of Contributions	A-9	105
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-10	106
Schedule of Contributions	A-11	107
Notes to the Required Supplementary Information		108
Supplementary Information		
Nonmajor Governmental Fund		
Budgetary Comparison Schedule – Debt Service Fund	B-1	120
Fiduciary Funds		
Custodial Funds		
Combining Statement of Fiduciary Net Position	C-1	122
Combining Statement of Changes in Fiduciary Net Position	C-2	123
Other Schedules		
Schedule of Intergovernmental Revenue	D-1	124
Schedule of Expenditures of Federal Awards	D-2	126
Notes to the Schedule of Expenditures of Federal Awards		130

**McLEOD COUNTY
GLENCOE, MINNESOTA**

TABLE OF CONTENTS
(Continued)

	<u>Exhibit</u>	<u>Page</u>
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		132
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		135
Schedule of Findings and Questioned Costs		138
Corrective Action Plan		153
Summary Schedule of Prior Audit Findings		160

**McLEOD COUNTY
GLENCOE, MINNESOTA**

ORGANIZATION
2020

Office	Name	Term of Office	
		From	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	Lynn Ette Schrupp	January 2003	January 2023
Sheriff	Scott Rehmann**	January 2007	August 30, 2020
Sheriff	Tim Langenfeld***	October 20, 2020	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

**Retired on August 30, 2020

***Appointed by County Board



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, 2020, including the McLeod County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2020, 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, Minnesota, as of December 31, 2020, including the McLeod County HRA as of June 30, 2020, 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 – Change in Accounting Principle

As discussed in Note 1.D.13 to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

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 January 18, 2022, 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) is presented for purposes of additional analysis, 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), and is not a required part of the basic financial statements. Such 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. The 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/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

January 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2020
(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, 2020. 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 \$179,622,149 (net position). Of this amount, \$27,337,701 (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 \$11,814,269 (7.0 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 \$18,590,848, or 79.8 percent, of total 2020 General Fund expenditures.
- Governmental funds' fund balances decreased by \$5,154,079.

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), budgetary comparison schedules, and pension 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 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.

Governmental Funds

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

The basic fiduciary fund financial statements are Exhibits 7 and 8 of this report.

- Social Welfare Private-Purpose Trust Fund – used to account for client resources held in trust to pay expenses on their behalf.
- Custodial Funds – used to account for assets held by the County in a fiduciary capacity for individuals or other governments.

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

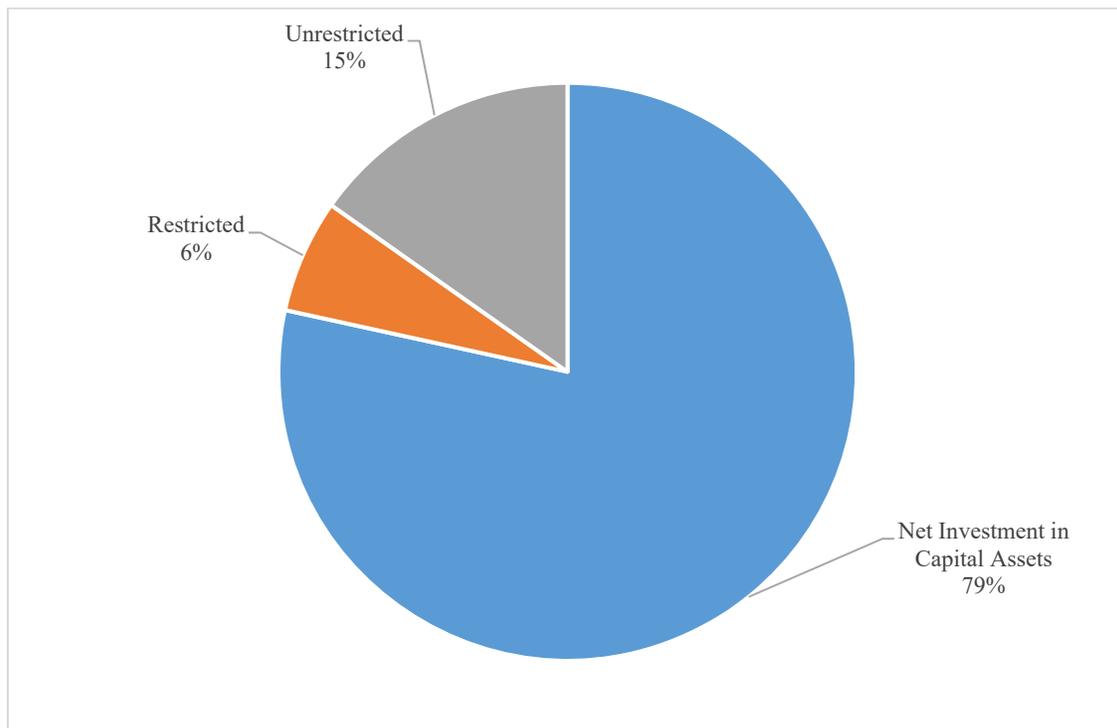
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The nonmajor governmental fund budget to actual statement is presented immediately following the required supplementary information.

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 \$179,622,149 as of December 31, 2020. The net investment in capital assets is the largest portion of McLeod County's net position at 78.4 percent. These capital assets are used to provide services to citizens and are not available for future spending.

Approximately 6.4 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 15.2 percent, or \$27,337,701, 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	
	2020	2019	2020	2019
Current and other assets	\$ 67,811,136	\$ 67,476,370	\$ 300,165	\$ 412,607
Capital assets	<u>160,746,783</u>	<u>149,697,600</u>	<u>2,487,354</u>	<u>2,482,442</u>
Total Assets	<u>\$ 228,557,919</u>	<u>\$ 217,173,970</u>	<u>\$ 2,787,519</u>	<u>\$ 2,895,049</u>
Deferred outflows of resources	<u>\$ 2,090,072</u>	<u>\$ 2,772,130</u>	<u>\$ -</u>	<u>\$ -</u>
Current and other liabilities	\$ 5,003,017	\$ 2,699,967	\$ 57,394	\$ 103,990
Long-term liabilities – due within one year	3,705,490	2,850,829	213,212	204,574
Long-term liabilities – due in more than one year	<u>39,346,920</u>	<u>40,816,046</u>	<u>2,246,786</u>	<u>2,410,942</u>
Total Liabilities	<u>\$ 48,055,427</u>	<u>\$ 46,366,842</u>	<u>\$ 2,517,392</u>	<u>\$ 2,719,506</u>
Deferred inflows of resources	<u>\$ 2,970,415</u>	<u>\$ 5,456,924</u>	<u>\$ -</u>	<u>\$ -</u>
Net Position				
Investment in capital assets	\$ 140,873,465	\$ 135,877,407	\$ 75,150	\$ (133,074)
Restricted	11,410,983	19,009,510	-	5,821
Unrestricted	<u>27,337,701</u>	<u>13,235,417</u>	<u>194,977</u>	<u>302,796</u>
Total Net Position	<u>\$ 179,622,149</u>	<u>\$ 168,122,334</u>	<u>\$ 270,127</u>	<u>\$ 175,543</u>
Change in accounting principles		(125,538)		
Prior period adjustment		<u>(188,916)</u>		
Total Net Position, as restated		<u>\$ 167,807,880</u>		

GOVERNMENTAL ACTIVITIES

McLeod County's governmental activities increased net position by \$11,814,269 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, 2020, assets exceeded liabilities by \$270,127, and there was an increase in net position of \$94,584 from the prior year. The increase is primarily due to revenues in excess of expenses.

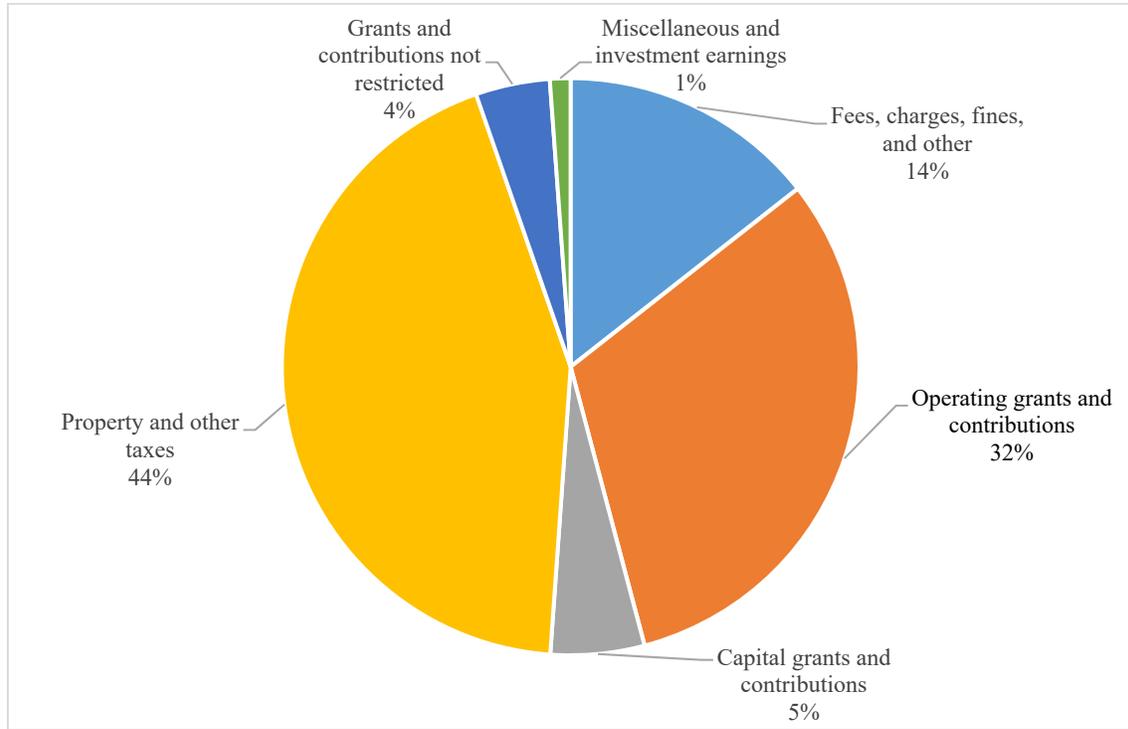
Changes in Net Position

	Governmental Activities		Discretely Presented Component Unit	
	2020	2019	2020	2019
Revenues				
Program revenues				
Fees, charges, fines, and other	\$ 8,823,159	\$ 9,355,726	\$ 551,471	\$ 540,620
Operating grants and contributions	19,507,994	14,424,373	589,138	492,600
Capital grants and contributions	3,215,071	74,046	-	-
General revenues				
Property taxes	24,307,009	22,306,407	-	-
Other taxes	2,365,213	470,683	-	-
Grants and contributions not restricted to specific programs	2,546,000	2,382,223	-	-
Investment income	451,523	775,397	2,132	2,403
Gain on disposal of assets	154,745	18,025	-	-
Miscellaneous	102,225	198,303	3,525	55,665
Total Revenues	\$ 61,472,939	\$ 50,005,183	\$ 1,146,266	\$ 1,091,288
Expenses				
General government	\$ 11,304,934	\$ 8,370,079	\$ -	\$ -
Public safety	6,166,289	6,885,714	-	-
Highways and streets	11,549,335	9,050,790	-	-
Sanitation	2,281,381	2,116,299	-	-
Human services	11,232,490	12,557,723	-	-
Health	2,631,854	2,721,711	-	-
Culture and recreation	851,387	705,869	-	-
Conservation of natural resources	2,655,930	2,202,013	-	-
Economic development	11,207	11,613	-	-
Interest	973,863	545,109	-	-
HRA	-	-	1,051,682	934,898
Total Expenses	\$ 49,658,670	\$ 45,166,920	\$ 1,051,682	\$ 934,898
Increase (Decrease) in Net Position	\$ 11,814,269	\$ 4,838,263	\$ 94,584	\$ 156,390
Net Position – January 1, as restated*	167,807,880	163,284,071	175,543	19,153
Net Position – December 31	<u>\$ 179,622,149</u>	<u>\$ 168,122,334</u>	<u>\$ 270,127</u>	<u>\$ 175,543</u>

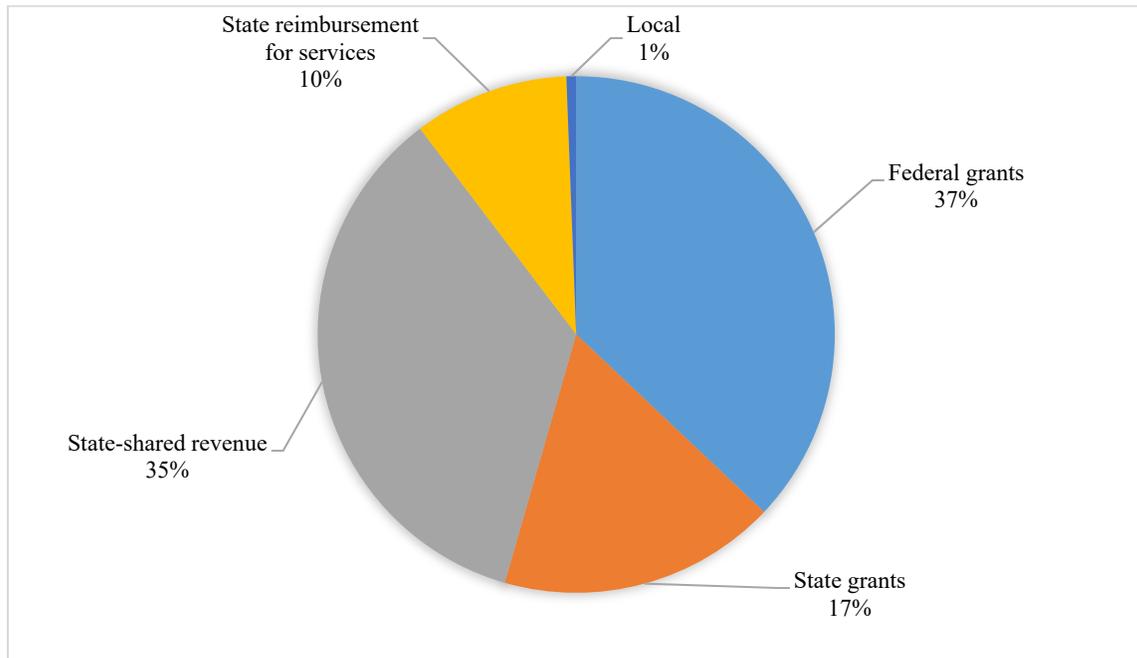
*2019 amount includes a change in accounting principle for the primary government, as well as a prior period adjustment to the primary government.

The following charts show additional information on the revenues of McLeod County for the year ended December 31, 2020.

Revenues by Source – Governmental Activities



Intergovernmental Revenue



(Unaudited)

FINANCIAL ANALYSIS

Governmental Funds

At the end of 2020, McLeod County's governmental funds reported a combined fund balance of \$53,399,845. This is a decrease of \$5,154,079 from the restated beginning fund balance. The fund balance in the General Fund increased by \$3,160,647 due to revenues in excess of expenditures. The fund balance in the Road and Bridge Special Revenue Fund decreased by \$968,557 due to timing of road construction projects. The fund balance in the Human Services Special Revenue Fund increased by \$1,167,769 due to decreased expenses. The fund balance in the Solid Waste Special Revenue Fund increased by \$265,990 due, in part, to increased revenues. The fund balance in the Ditch Special Revenue Fund decreased by \$155,309 due to increased ditch work. The fund balance in the Capital Projects Fund decreased by \$8,614,247 due to increased capital outlay expenditures. There was also a decrease in the nonmajor governmental fund of \$10,372.

General Fund Budgetary Highlights

In total, General Fund revenues for 2020 exceeded the amounts budgeted by \$5,244,939. Licenses and permits and intergovernmental revenue came in higher than anticipated. Total General Fund expenditures were \$2,287,460 more than the final budget. This variance is primarily attributed to increased general governmental expenditures incurred during the year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2020, McLeod County had \$160,746,783 invested in capital assets, including land; construction in progress; infrastructure right-of-way; buildings; machinery, furniture, and equipment; improvements other than buildings; and infrastructure. The table below shows a summary of McLeod County's capital assets, net of depreciation, as of December 31.

	Capital Assets (Net of Depreciation)	
	2020	2019
Land	\$ 3,955,141	\$ 3,956,141
Construction in progress	2,969,533	15,009,758
Infrastructure – right-of-way	4,405,291	4,287,475
Buildings	30,758,931	22,329,298
Machinery, furniture, and equipment	3,671,094	2,631,726
Improvements other than buildings	360,373	430,824
Infrastructure	114,626,420	101,052,378
Total	<u>\$ 160,746,783</u>	<u>\$ 149,697,600</u>

Major capital asset events during the year included the following:

- Remodeling of the McLeod County Government Center was finished in 2020.
- Infrastructure construction continued in 2020.

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 the current fiscal year, McLeod County had bonded debt outstanding of \$24,920,000. This is a decrease in bonded debt outstanding of \$1,695,000 due to the bond payments made. McLeod County had loans outstanding of \$1,624,936. This is an increase in loans payable of \$223,248 from the beginning of the year. The increase was primarily from the issuance of new AgBMP 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 \$128,696,832.

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 4.9 percent. McLeod County's unemployment rate is the same as the state unemployment rate of 4.9 percent and less than the United States unemployment rate of 6.5 percent.
- The property tax levy increased in 2020, 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 2020 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, 520 Chandler Avenue North, 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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**McLEOD COUNTY
GLENCOE, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Primary Government Governmental Activities	Housing and Redevelopment Authority Component Unit
<u>Liabilities</u>		
Accounts payable	\$ 3,061,134	\$ 4,388
Salaries payable	558,109	-
Accrued payroll taxes	36,111	-
Accrued interest payable	352,668	-
Other accrued expenses	81,830	37,411
Retainage payable	153,322	-
Due to other governments	728,838	-
Unearned revenue	31,005	15,595
Long-term liabilities		
Due within one year	3,705,490	213,212
Due in more than one year	25,285,903	2,198,992
Net pension liability	13,076,200	-
Other postemployment benefits liability	984,817	-
Liabilities payable from restricted assets (security deposits)	-	47,794
Total Liabilities	\$ 48,055,427	\$ 2,517,392
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 2,540,893	\$ -
Deferred other postemployment benefits inflows	429,522	-
Total Deferred Inflows of Resources	\$ 2,970,415	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 140,873,465	\$ 75,150
Restricted for		
General government	1,485,680	-
Public safety	178,216	-
Sanitation	3,034,104	-
Conservation of natural resources	2,697,445	-
Capital projects	2,982,782	-
Debt service	1,032,756	-
Unrestricted	27,337,701	194,977
Total Net Position	\$ 179,622,149	\$ 270,127

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
Governmental activities		
General government	\$ 11,304,934	\$ 969,614
Public safety	6,166,289	200,928
Highways and streets	11,549,335	175,894
Sanitation	2,281,381	2,589,992
Human services	11,232,490	1,347,190
Health	2,631,854	810,099
Culture and recreation	851,387	108,558
Conservation of natural resources	2,655,930	2,620,884
Economic development	11,207	-
Interest	973,863	-
	\$ 49,658,670	\$ 8,823,159
Total Primary Government	\$ 49,658,670	\$ 8,823,159
Component unit		
Housing and Redevelopment Authority	\$ 1,051,682	\$ 551,471

General Revenues

Property taxes
Mortgage registry and deed tax
Local option sales 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 1.D.13 and Note 1.D.14)

Net Position – Ending

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
\$ 795,968	\$ -	\$ (9,539,352)	
436,000	-	(5,529,361)	
6,462,920	3,215,071	(1,695,450)	
-	-	308,611	
6,039,315	-	(3,845,985)	
5,391,764	-	3,570,009	
45,922	-	(696,907)	
336,105	-	301,059	
-	-	(11,207)	
-	-	(973,863)	
\$ 19,507,994	\$ 3,215,071	\$ (18,112,446)	
\$ 589,138	\$ -		\$ 88,927
		\$ 24,307,009	\$ -
		61,390	-
		2,247,035	-
		7,320	-
		49,468	-
		2,546,000	-
		451,523	2,132
		154,745	-
		102,225	3,525
		\$ 29,926,715	\$ 5,657
		\$ 11,814,269	\$ 94,584
		167,807,880	175,543
		\$ 179,622,149	\$ 270,127

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 25,299,167	\$ 12,328,786
Petty cash and change funds	12,605	100
Departmental cash	9,551	-
Taxes receivable		
Delinquent	157,148	40,475
Special assessments receivable		
Delinquent	20,484	-
Noncurrent	770,934	-
Accounts receivable – net	37,994	6,534
Accrued interest receivable	32,099	-
Due from other governments	1,183,588	5,246,564
Inventories	1,479	327,102
Prepaid items	144,949	-
Advances to other funds	1,912,300	-
	\$ 29,582,298	\$ 17,949,561
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 1,242,464	\$ 205,470
Salaries payable	318,360	57,462
Accrued payroll taxes	18,093	4,221
Accrued interest payable	-	-
Accrued expenses	64,165	4,138
Advances from other funds	-	-
Retainage payable	-	153,322
Due to other governments	153,240	383,235
Unearned revenue	31,005	-
	\$ 1,827,327	\$ 807,848
Deferred Inflows of Resources		
Unavailable revenue	\$ 1,285,829	\$ 5,045,334

EXHIBIT 3

Human Services	Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
\$ 8,346,162	\$ 3,028,393	\$ 1,089,910	\$ 4,060,515	\$ 1,032,756	\$ 55,185,689
-	225	-	-	-	12,930
-	817	-	-	-	10,368
56,743	-	-	-	-	254,366
-	-	4,363	-	-	24,847
-	-	3,013,691	-	-	3,784,625
170,583	192,373	-	-	-	407,484
-	-	-	-	-	32,099
869,627	2,038	323,381	-	-	7,625,198
-	-	-	-	-	328,581
-	-	-	-	-	144,949
-	-	-	-	-	1,912,300
\$ 9,443,115	\$ 3,223,846	\$ 4,431,345	\$ 4,060,515	\$ 1,032,756	\$ 69,723,436
\$ 359,808	\$ 119,539	\$ 56,120	\$ 1,077,733	\$ -	\$ 3,061,134
174,765	7,522	-	-	-	558,109
13,320	477	-	-	-	36,111
-	-	8,783	-	-	8,783
13,059	468	-	-	-	81,830
-	-	1,912,300	-	-	1,912,300
-	-	-	-	-	153,322
123,377	28,070	40,916	-	-	728,838
-	-	-	-	-	31,005
\$ 684,329	\$ 156,076	\$ 2,018,119	\$ 1,077,733	\$ -	\$ 6,571,432
\$ 179,886	\$ -	\$ 3,241,110	\$ -	\$ -	\$ 9,752,159

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
(Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ 1,479	\$ 327,102
Prepaid items	144,949	-
Advances to other funds	1,912,300	-
Restricted for		
COVID	709,749	-
E-911	168,660	-
Law library	189,776	-
Capital projects	-	-
Recorder's equipment purchases	201,468	-
Land records technology	14,496	-
Drug enforcement	9,556	-
Conservation	434,204	-
Debt service	-	-
Records compliance	368,691	-
Solid waste abatement	-	-
Aquatic invasive species	391,401	-
Forfeited tax	83,270	-
Escrow	1,500	-
Ditch maintenance and repair	-	-
Committed		
Committed for local option sales tax	-	2,247,035
Assigned for		
Capital projects	2,305,694	-
Assigned for 4H after school program	5,821	-
Assigned for election equipment	27,239	-
Aerial photos	42,110	-
Veterans van	42,339	-
New canine	28,126	-
Assigned for ARMER radio enhancements	62,468	-
Law enforcement	310,124	-
Court services	121,585	-
License center equipment	49,002	-
Contracted projects	252,287	-
Highways and streets	-	9,522,242
Human services	-	-
Unassigned	18,590,848	-
Total Fund Balances	\$ 26,469,142	\$ 12,096,379
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 29,582,298	\$ 17,949,561

EXHIBIT 3
(Continued)

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Capital Projects</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 328,581
-	-	-	-	-	144,949
-	-	-	-	-	1,912,300
-	-	-	-	-	709,749
-	-	-	-	-	168,660
-	-	-	-	-	189,776
-	-	-	2,982,782	-	2,982,782
-	-	-	-	-	201,468
-	-	-	-	-	14,496
-	-	-	-	-	9,556
-	-	-	-	-	434,204
-	-	-	-	1,032,756	1,032,756
-	-	-	-	-	368,691
-	3,067,770	-	-	-	3,067,770
-	-	-	-	-	391,401
-	-	-	-	-	83,270
-	-	-	-	-	1,500
-	-	1,005,186	-	-	1,005,186
-	-	-	-	-	2,247,035
-	-	-	-	-	2,305,694
-	-	-	-	-	5,821
-	-	-	-	-	27,239
-	-	-	-	-	42,110
-	-	-	-	-	42,339
-	-	-	-	-	28,126
-	-	-	-	-	62,468
-	-	-	-	-	310,124
-	-	-	-	-	121,585
-	-	-	-	-	49,002
-	-	-	-	-	252,287
-	-	-	-	-	9,522,242
8,578,900	-	-	-	-	8,578,900
-	-	(1,833,070)	-	-	16,757,778
<u>\$ 8,578,900</u>	<u>\$ 3,067,770</u>	<u>\$ (827,884)</u>	<u>\$ 2,982,782</u>	<u>\$ 1,032,756</u>	<u>\$ 53,399,845</u>
<u>\$ 9,443,115</u>	<u>\$ 3,223,846</u>	<u>\$ 4,431,345</u>	<u>\$ 4,060,515</u>	<u>\$ 1,032,756</u>	<u>\$ 69,723,436</u>

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Fund balance – total governmental funds (Exhibit 3)	\$	53,399,845
--	-----------	-------------------

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.		160,746,783
--	--	-------------

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.		9,752,159
--	--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Accrued interest payable	\$ (343,885)	
General obligation bonds	(24,920,000)	
Unamortized premium on bonds	(983,833)	
Loans payable	(1,624,936)	
Compensated absences	(1,462,624)	
Other postemployment benefits liability	(984,817)	
Net pension liability	<u>(13,076,200)</u>	(43,396,295)

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	\$ 49,179	
Deferred other postemployment benefits inflows	<u>(429,522)</u>	(380,343)

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	\$ 2,040,893	
Deferred pension inflows	<u>(2,540,893)</u>	<u>(500,000)</u>

Net Position of Governmental Activities (Exhibit 1)	\$	<u>179,622,149</u>
--	-----------	---------------------------

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Revenues			
Taxes	\$ 13,831,719	\$ 5,974,906	\$ 5,336,369
Special assessments	146,064	-	-
Licenses and permits	97,420	12,000	-
Intergovernmental	9,378,897	6,993,337	6,062,337
Charges for services	1,734,309	154,950	713,456
Fines and forfeits	16,668	-	-
Gifts and contributions	2,400	-	-
Investment earnings	431,457	-	-
Miscellaneous	593,328	12,164	725,112
	<u>\$ 26,232,262</u>	<u>\$ 13,147,357</u>	<u>\$ 12,837,274</u>
Total Revenues			
Expenditures			
Current			
General government	\$ 12,056,605	\$ -	\$ -
Public safety	6,669,399	-	-
Highways and streets	-	13,665,805	-
Sanitation	-	-	-
Human services	-	-	11,669,505
Health	2,720,215	-	-
Culture and recreation	557,515	-	-
Conservation of natural resources	859,816	-	-
Economic development	11,207	-	-
Capital outlay	-	-	-
Intergovernmental			
Highways and streets	-	319,707	-
Culture and recreation	208,247	-	-
Debt service			
Principal	198,366	-	-
Interest	21,600	156,785	-
Administrative charge	-	-	-
	<u>\$ 23,302,970</u>	<u>\$ 14,142,297</u>	<u>\$ 11,669,505</u>
Total Expenditures			
Excess of Revenues Over (Under)			
Expenditures	<u>\$ 2,929,292</u>	<u>\$ (994,940)</u>	<u>\$ 1,167,769</u>

EXHIBIT 5

<u>Solid Waste</u>	<u>Ditch</u>	<u>Capital Projects</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 1,395,625	\$ 26,538,619
-	1,525,939	-	-	1,672,003
10,165	-	-	-	119,585
102,759	-	-	18,993	22,556,323
2,518,727	-	-	-	5,121,442
-	-	-	-	16,668
-	-	-	-	2,400
-	20,066	-	-	451,523
94,768	-	-	-	1,425,372
\$ 2,726,419	\$ 1,546,005	\$ -	\$ 1,414,618	\$ 57,903,935
\$ -	\$ -	\$ -	\$ -	\$ 12,056,605
-	-	-	-	6,669,399
-	-	-	-	13,665,805
1,870,841	-	-	-	1,870,841
-	-	-	-	11,669,505
-	-	-	-	2,720,215
-	-	-	-	557,515
-	1,689,891	-	-	2,549,707
-	-	-	-	11,207
-	-	8,614,247	-	8,614,247
-	-	-	-	319,707
-	-	-	-	208,247
-	188,232	-	1,525,000	1,911,598
-	48,954	-	488,878	716,217
-	-	-	700	700
\$ 1,870,841	\$ 1,927,077	\$ 8,614,247	\$ 2,014,578	\$ 63,541,515
\$ 855,578	\$ (381,072)	\$ (8,614,247)	\$ (599,960)	\$ (5,637,580)

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ -	\$ -
Transfers out	-	-	-
Loan issued	214,083	-	-
Proceeds from the sale of capital assets	17,714	138,031	-
	<u>231,797</u>	<u>138,031</u>	<u>-</u>
Total Other Financing Sources (Uses)	\$ 231,797	\$ 138,031	\$ -
Net Change in Fund Balance	\$ 3,161,089	\$ (856,909)	\$ 1,167,769
Fund Balance – January 1 as restated (See Note 1.D.13)	23,308,495	13,064,936	7,411,131
Increase (decrease) in inventories	(442)	(111,648)	-
	<u>(442)</u>	<u>(111,648)</u>	<u>-</u>
Fund Balance – December 31	\$ 26,469,142	\$ 12,096,379	\$ 8,578,900
	<u><u>26,469,142</u></u>	<u><u>12,096,379</u></u>	<u><u>8,578,900</u></u>

EXHIBIT 5
(Continued)

<u>Solid Waste</u>	<u>Ditch</u>	<u>Capital Projects</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 589,588	\$ 589,588
(589,588)	-	-	-	(589,588)
-	225,763	-	-	439,846
-	-	-	-	155,745
<u>\$ (589,588)</u>	<u>\$ 225,763</u>	<u>\$ -</u>	<u>\$ 589,588</u>	<u>\$ 595,591</u>
\$ 265,990	\$ (155,309)	\$ (8,614,247)	\$ (10,372)	\$ (5,041,989)
2,801,780	(672,575)	11,597,029	1,043,128	58,553,924
-	-	-	-	(112,090)
<u>\$ 3,067,770</u>	<u>\$ (827,884)</u>	<u>\$ 2,982,782</u>	<u>\$ 1,032,756</u>	<u>\$ 53,399,845</u>

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020**

Net change in fund balance – total governmental funds (Exhibit 5) \$ (5,041,989)

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	\$ 9,752,159	
Unavailable revenue – January 1	<u>(6,096,941)</u>	3,655,218

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	\$ 17,381,092	
Net book value of disposed assets	(9,893)	
Current year depreciation	<u>(6,322,016)</u>	11,049,183

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	\$ (439,846)	
Principal repayments – general obligation bonds	1,695,000	
Principal repayments – AgBMP loans	18,232	
Principal repayments – Minnesota Pollution Control Agency loans	<u>198,366</u>	1,471,752

**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, 2020**

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	\$	86,939	
Change in accrued interest payable		(343,885)	
Change in compensated absences		(50,437)	
Change in other postemployment benefits liability		374,530	
Change in net pension liability		(1,079,404)	
Change in deferred pension outflows		(669,673)	
Change in deferred pension inflows		2,877,203	
Change in deferred other postemployment benefits outflows		(12,384)	
Change in deferred other postemployment benefits inflows		(390,694)	
Change in inventories		(112,090)	680,105
Change in Net Position of Governmental Activities (Exhibit 2)			\$ 11,814,269

FIDUCIARY FUNDS

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 40,255	\$ 1,357,708
Departmental cash	-	21,355
Taxes receivable for other governments	-	835,613
Accounts receivable	-	876
Due from other governments	-	140
	\$ 40,255	\$ 2,215,692
<u>Liabilities</u>		
Accounts payable	\$ 901	\$ 37,592
Salaries payable	-	9,086
Accrued expenses	-	682
Due to other governments	-	782,042
	\$ 901	\$ 829,402
<u>Net Position</u>		
Restricted for Individuals, organizations, and other governments	\$ 39,354	\$ 1,386,290

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Social Welfare Private-Purpose Trust Fund</u>	<u>Custodial Funds</u>
<u>Additions</u>		
Contributions		
Individuals	\$ 304,871	\$ 7,020
Other governments	-	437,640
Property tax collections	-	39,490,313
Licenses and fees collected	-	408,286
Investment earnings	31	24
Miscellaneous	-	6,111
	\$ 304,902	\$ 40,349,394
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 295,294	\$ -
Payments for personnel and benefits	-	194,337
Payments of property tax to other entities	-	39,662,344
Payments to individuals and other entities	-	229,402
Administrative expense	-	96,385
	\$ 295,294	\$ 40,182,468
Change in net position	\$ 9,608	\$ 166,926
Net Position – January 1, as restated (Note 1.D.13)	29,746	1,219,364
Net Position – December 31	\$ 39,354	\$ 1,386,290

**McLEOD COUNTY
GLENCOE, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the 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:

<u>Component Unit</u>	<u>Component Unit Included in Reporting Entity Because</u>	<u>Separate Financial Statements</u>
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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

The Social Welfare Private-Purpose Trust Fund is used to account for client resources held in trust to pay expenses on their behalf.

Custodial funds are used to account for assets held by the County in a fiduciary capacity for individuals or other governments.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020. 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 2020, the County reported pooled investment earnings of \$431,457.

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."

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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 2020 and noncurrent special assessments payable in 2021 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.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

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.

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

(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 assessment 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 the amount 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.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position (Continued)

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.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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)

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.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

13. Change in Accounting Principle

During the year ended December 31, 2020, McLeod County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by removing revenue from governmental activities and the General Fund that is not own source revenue, recording the Social Welfare Private-Purpose Trust Fund that was not previously reported, and including accruals and ending net position to custodial funds not previously required. Beginning net position and fund balance have been restated to reflect this change.

	Governmental Activities	General Fund
Net Position/Fund Balance January 1, 2020, as previously reported	\$ 168,122,334	\$ 23,434,033
Change in accounting principles	(125,538)	(125,538)
Net Position/Fund Balance, January 1, 2020, as restated	\$ 167,996,796	\$ 23,308,495
	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	\$ -	\$ -
Change in accounting principles	29,746	1,219,364
Net Position, January 1, 2020, as restated	\$ 29,746	\$ 1,219,364

**McLEOD COUNTY
GLENCOE, MINNESOTA**

1. Summary of Significant Accounting Policies

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

14. Prior Period Adjustment

The January 1, 2020, net position of the governmental activities was decreased due to AgBMP loans issued during 2019 not recorded in the financial statements.

	Governmental Activities
Net Position, January 1, 2020, as previously reported	\$ 168,122,334
2019 issuance of AgBMP loans	(188,916)
Net Position, January 1, 2020, as restated	\$ 167,933,418

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a negative fund balance of \$827,884 as of December 31, 2020, and 27 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:

32 ditches with positive fund balances	\$ 1,005,186
27 ditches with deficit fund balances	(1,833,070)
Total	\$ (827,884)

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:

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

Governmental funds	
Cash and pooled investments	\$ 55,185,689
Petty cash and change funds	12,930
Departmental cash	10,368
Social Welfare Private-Purpose Trust Fund	
Cash and pooled investments	40,255
Custodial funds	
Cash and pooled investments	1,357,708
Departmental cash	<u>21,355</u>
Total Cash and Investments	<u>\$ 56,628,305</u>
Deposits	\$ 43,182,177
Petty cash and change funds	12,930
Departmental cash	31,723
Investments	<u>13,401,475</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 56,628,305</u>

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020, 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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020, the County's investments were not exposed to custodial credit risk.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020, and information relating to potential investment risks:

<u>Investment – Issuer</u>	<u>Concentration Risk Percent (%)</u>	<u>Carrying (Fair) Value</u>
MAGIC Portfolio Fund – Public Financial Management	N/A	\$ 13,401,475

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.

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 NAV not reasonably practical.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2020, are as follows:

	Governmental Activities	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 254,366	\$ -
Special assessments	3,809,472	3,784,625
Accounts	407,484	-
Accrued interest	32,099	-
Due from other governments	7,625,198	-
Total Receivables	\$ 12,128,619	\$ 3,784,625

The accounts receivable amount above reflects an allowance of uncollectible accounts of \$497,076.

3. Capital Assets

Capital asset activity for the year ended December 31, 2020, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,956,141	\$ -	\$ 1,000	\$ 3,955,141
Construction in progress	15,009,758	2,913,106	14,953,331	2,969,533
Infrastructure – right-of-way	4,287,475	117,816	-	4,405,291
Total capital assets not depreciated	\$ 23,253,374	\$ 3,030,922	\$ 14,954,331	\$ 11,329,965
Capital assets depreciated				
Buildings	\$ 38,734,135	\$ 9,733,175	\$ -	\$ 48,467,310
Machinery, furniture, and equipment	16,554,406	2,642,359	528,096	18,668,669
Improvements other than buildings	1,470,958	-	-	1,470,958
Infrastructure	156,108,893	16,927,967	-	173,036,860
Total capital assets depreciated	\$ 212,868,392	\$ 29,303,501	\$ 528,096	\$ 241,643,797

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

A. Assets

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	\$ 16,404,837	\$ 1,303,542	\$ -	\$ 17,708,379
Machinery, furniture, and equipment	13,922,680	1,594,098	519,203	14,997,575
Improvements other than buildings	1,040,134	70,451	-	1,110,585
Infrastructure	55,056,515	3,353,925	-	58,410,440
Total accumulated depreciation	<u>\$ 86,424,166</u>	<u>\$ 6,322,016</u>	<u>\$ 519,203</u>	<u>\$ 92,226,979</u>
Total capital assets depreciated, net	<u>\$ 126,444,226</u>	<u>\$ 22,981,485</u>	<u>\$ 8,893</u>	<u>\$ 149,416,818</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 149,697,600</u>	<u>\$ 26,012,407</u>	<u>\$ 14,963,224</u>	<u>\$ 160,746,783</u>

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

Governmental Activities	
General government	\$ 1,079,109
Public safety	547,284
Highways and streets, including depreciation of infrastructure assets	4,115,817
Sanitation	416,950
Human services	99,247
Health	14,709
Culture and recreation	39,008
Conservation of natural resources	9,892
Total Depreciation Expense – Governmental Activities	<u>\$ 6,322,016</u>

B. Interfund Receivables, Payables, and Transfers

1. Advances From/To Other Funds

The composition of interfund balances as of December 31, 2020, is as follows:

Receivable Fund	Payable Fund	Amount
General	Ditch	<u>\$ 1,912,300</u>

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2020, consisted of the following:

Transfer to Debt Service Fund from Solid Waste Special Revenue Fund	\$ 589,588	Debt repayment
--	------------	----------------

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2020, were as follows:

		Governmental Activities
Accounts	\$	3,061,134
Salaries		558,109
Accrued payroll taxes		36,111
Accrued interest		352,668
Other accrued expenses		81,830
Retainage		153,322
Due to other governments		728,838
Total Payables	\$	4,972,012

2. Construction Commitments

The County has active construction projects as of December 31, 2020. The projects include the following:

	Spent-to-Date	Remaining Commitment
Xerox Tax/Cama Project	\$ 56,427	\$ 371,073
CSAH 15	2,295,915	120,838
CSAH 19	1,479,425	30,192
43504 Bridge	617,191	32,484
Total	\$ 4,448,958	\$ 554,587

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

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, 2020, are summarized below by fund:

	Special Assessments	Taxes	Grants	Other	Total
Major governmental funds					
General	\$ 791,418	\$ 157,148	\$ 171,976	\$ 165,287	\$ 1,285,829
Road and Bridge	-	40,475	5,004,859	-	5,045,334
Human Services	-	56,743	90,246	32,897	179,886
Ditch	3,018,054	-	-	223,056	3,241,110
Total	\$ 3,809,472	\$ 254,366	\$ 5,267,081	\$ 421,240	\$ 9,752,159

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2020
2014 General Obligation Bonds	2025	\$900,000 - \$1,055,000	2.000 - 2.125	\$ 9,785,000	\$ 4,315,000
2016 General Obligation Drainage Bonds	2032	\$150,000 - \$175,000	1.000 - 2.000	2,490,000	1,970,000
2018 General Obligation Bonds	2039	\$405,000 - \$655,000	2.750 - 3.650	10,000,000	9,595,000
2019 General Obligation Bonds	2035	\$315,000 - \$1,405,000	2.000 - 5.000	9,040,000	9,040,000
AgBMP loans	2031	N/A	0.000	414,678	396,446
Minnesota Pollution Control Agency (MnPCA) loans	2027	N/A	0.000 - 2.000	2,276,781	1,228,490
Total					\$ 26,544,936

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, 2020, was \$115,000; accumulated interest is \$2,352. Principal payments of \$12,813 were made in 2020.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

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 \$298,000. In 2010, the loan amount was amended by an additional \$50,000. The total amount disbursed through December 31, 2020, was \$298,000; accumulated interest is \$13,017. Principal payments of \$33,624 were made in 2020.

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, 2020, was \$327,589; accumulated interest is \$15,476. Principal payments of \$35,288 were made in 2020.

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, 2020, was \$199,494; accumulated interest is \$9,514. Principal payments of \$21,286 were made in 2020.

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, 2020, was \$300,000; accumulated interest is \$13,536. Principal payments of \$30,382 were made in 2020.

In 2013, 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 can borrow as much as \$120,000. The total amount disbursed through December 31, 2020, was \$40,070; accumulated interest is \$871. Principal payments of \$3,889 were made in 2020.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

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, 2020, was \$349,421; accumulated interest is \$4,112. Principal payments of \$33,931 were made in 2020.

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, 2020, was \$287,926; accumulated interest is \$8,330. Principal payments of \$27,153 were made 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 began 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

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, 2020, was \$292,073. Repayments are expected to begin in 2022.

In 2019 and 2020, the County entered into loan agreements with the Minnesota Department of Agriculture for the Agriculture Best Management Practices loan program. The purpose of this program is to encourage agriculture best management practices that prevent or reduce runoff from feedlots, farm fields, and other pollution programs. Repayment began in 2020 with scheduled repayments ranging in total from \$22,156 to \$59,545. Final repayment is scheduled for 2031.

5. Debt Service Requirements

Debt service requirements at December 31, 2020, were as follows:

Year Ending December 31	Crow River Watershed Septic System Loans (2008)		Crow River Watershed Septic System Loans (2009)	
	Principal	Interest	Principal	Interest
2021	\$ 17,064	\$ 171	\$ 35,998	\$ 2,025
2022	-	-	36,721	1,301
2023	-	-	37,460	563
Total	<u>\$ 17,064</u>	<u>\$ 171</u>	<u>\$ 110,179</u>	<u>\$ 3,889</u>

Year Ending December 31	Buffalo Creek Watershed Septic System Loans (2011)		Crow River Watershed Septic System Loans (2012)	
	Principal	Interest	Principal	Interest
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	-	-	33,561	1,189
2026 - 2029	-	-	34,235	514
Total	<u>\$ 77,927</u>	<u>\$ 3,149</u>	<u>\$ 195,554</u>	<u>\$ 12,943</u>

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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)		Crow River Watershed Septic System Loans (2015)	
	Principal	Interest	Principal	Interest
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	4,296	242	37,480	1,702
2026 - 2029	8,853	222	56,926	1,135
Total	\$ 29,502	\$ 2,260	\$ 237,087	\$ 16,885

Year Ending December 31	Crow River Watershed Septic System Loans (2016)		AgBMP Loans	
	Principal	Interest	Principal	Interest
2021	\$ 27,589	\$ 5,245	\$ 36,894	\$ -
2022	28,144	4,690	57,144	-
2023	28,710	4,125	58,332	-
2024	29,287	3,547	59,545	-
2025	29,875	2,959	41,087	-
2026 - 2030	125,498	5,708	117,686	-
2031	-	-	25,758	-
Total	\$ 269,103	\$ 26,274	\$ 396,446	\$ -

Year Ending December 31	General Obligation Bonds (2014)		General Obligation Drainage Bonds (2016)	
	Principal	Interest	Principal	Interest
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	900,000	9,563	170,000	23,460
2026 - 2030	-	-	815,000	75,090
2031 - 2032	-	-	305,000	9,100
Total	\$ 4,315,000	\$ 230,851	\$ 1,970,000	\$ 225,630

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Bonds (2018)		General Obligation Bonds (2019)	
	Principal	Interest	Principal	Interest
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	430,000	258,265	1,405,000	112,425
2026 - 2030	2,320,000	1,100,434	1,275,000	249,150
2031 - 2035	2,685,000	696,246	1,495,000	76,250
2036 - 2039	2,485,000	185,329	-	-
Total	\$ 9,595,000	\$ 3,390,003	\$ 9,040,000	\$ 1,533,150

Year Ending December 31	Total	
	Principal	Interest
2021	\$ 2,713,832	\$ 799,927
2022	2,835,129	709,213
2023	2,929,494	613,509
2024	2,974,152	513,573
2025	3,051,299	409,805
2026 - 2030	4,753,198	1,432,253
2031 - 2035	4,510,758	781,596
2036 - 2039	2,485,000	185,329
Total	\$ 26,252,862	\$ 5,445,205

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020, was as follows:

	Beginning Balance (As Restated)	Additions	Reductions	Ending Balance	Due Within One Year
MnPCA loans	\$ 1,212,773	\$ 214,083	\$ 198,366	\$ 1,228,490	\$ 171,938
AgBMP loans	188,915	225,763	18,232	396,446	36,894
General obligation bonds	26,615,000	-	1,695,000	24,920,000	2,505,000
Bond premium	1,070,772	-	86,939	983,833	-
Compensated absences	1,412,187	789,195	738,758	1,462,624	991,658
Long-Term Liabilities	<u>\$ 30,499,647</u>	<u>\$ 1,229,041</u>	<u>\$ 2,737,295</u>	<u>\$ 28,991,393</u>	<u>\$ 3,705,490</u>

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 from the Debt Service Fund with property tax receipts. Payments on the 2016 General Obligation Bonds and AgBMP loans are made from 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

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.

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. 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.

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 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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

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 2020. Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in 2020. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2020.

In 2020, 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	17.70
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2019.

The County's contributions for the year ended December 31, 2020, to the pension plans were:

General Employees Plan	\$ 967,542
Police and Fire Plan	319,433
Correctional Plan	96,537

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2020, the County reported a liability of \$10,869,764 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.1813 percent. It was 0.1847 percent measured as of June 30, 2019. The County recognized pension expense of \$279,474 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$29,008 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	\$ 10,869,764
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>335,202</u>
Total	<u>\$ 11,204,966</u>

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:

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 101,053	\$ 41,126
Changes in actuarial assumptions	-	409,943
Difference between projected and actual investment earnings	159,840	-
Changes in proportion	52,057	293,543
Contributions paid to PERA subsequent to the measurement date	524,882	-
Total	\$ 837,832	\$ 744,612

The \$524,882 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (712,303)
2022	(141,946)
2023	159,969
2024	262,618

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2020, the County reported a liability of \$2,074,700 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.1574 percent. It was 0.1617 percent measured as of June 30, 2019. The County recognized pension expense of \$300,298 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Plan in the plan year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that meets the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Legislation required the State of Minnesota to pay direct state aid of \$4.5 million on October 1, 2019, and to pay \$9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$15,036 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense relating to the special funding situation.

The County's proportionate share of the net pension liability	\$ 2,074,700
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>48,874</u>
Total	<u>\$ 2,123,574</u>

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Legislation also 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, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$14,166 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.

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	\$ 91,515	\$ 98,899
Changes in actuarial assumptions	697,924	1,238,433
Difference between projected and actual investment earnings	68,464	-
Changes in proportion	79,374	150,895
Contributions paid to PERA subsequent to the measurement date	179,997	-
Total	\$ 1,117,274	\$ 1,488,227

The \$179,997 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2021	\$ (152,146)
2022	(584,837)
2023	108,046
2024	84,163
2025	(6,176)

Correctional Plan

At December 31, 2020, the County reported a liability of \$131,736 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019, through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2020, the County's proportion was 0.4855 percent. It was 0.4600 percent measured as of June 30, 2019. The County recognized pension expense of (\$233,716) for its proportionate share of the Correctional Plan's pension expense.

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:

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,198	\$ 48,240
Changes in actuarial assumptions	-	258,908
Difference between projected and actual investment earnings	27,190	-
Changes in proportion	3,359	906
Contributions paid to PERA subsequent to the measurement date	54,040	-
Total	\$ 85,787	\$ 308,054

The \$54,040 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2021	\$ (295,141)
2022	(13,127)
2023	8,197
2024	23,764

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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, 2020, was \$346,056.

e. Actuarial Assumptions

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

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on Pub-2010 General Employee Mortality table for the General Employees Plan and the RP-2014 mortality tables for the Police and Fire and the Correctional Plans, 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, 2020, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2019. 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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:

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

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2020, which remained consistent with 2019. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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 2020:

General Employees Plan

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions

General Employees Plan (Continued)

- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Plan

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

Correctional Plan

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

1. Defined Benefit Pension Plans (Continued)

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 one percentage point lower or one 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%	\$ 17,420,461	6.50%	\$ 4,135,177	6.50%	\$ 818,723
Current	7.50	10,869,764	7.50	2,074,700	7.50	131,736
1% Increase	8.50	5,465,965	8.50	370,017	8.50	(418,302)

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

D. Pension Plans

2. Defined Contribution Plan (Continued)

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.

Total contributions by dollar amount and percentage of covered payroll made by McLeod County during the year ended December 31, 2020, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 9,931	\$ 9,931
Percentage of covered payroll	5.00%	5.00%

E. Other Postemployment Benefits (OPEB)

1. Plan Description

McLeod County administers an OPEB 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 Statement 75. The OPEB plan does not issue a stand-alone financial report.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

E. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

The following employees were covered by the benefit terms as of January 1, 2020:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active plan participants	262
	262
Total	267

2. Total OPEB Liability

The County's total OPEB liability of \$984,817 was measured as of January 1, 2020, and was determined by an actuarial valuation as of January 1, 2020. 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, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	3.00 percent
Health care cost trend	6.50 percent as of January 1, 20120 grading to 5.00% over 6 years and then to 4.00 percent over the next 48 years.

The current year discount rate is 2.90 percent, which is a change from the prior year rate of 3.80 percent. For the current valuation, the discount rate was selected from the 20-Year Municipal Bond Yield.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2019 Generational Improvement Scale.

The actuarial assumptions are currently based on historical information.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

E. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2020	\$ 1,359,347
Changes for the year	
Service cost	\$ 96,242
Interest	54,154
Changes of assumptions or other inputs	(196,101)
Differences between expected and actual experience	(267,261)
Benefit payments	(61,564)
Net change	\$ (374,530)
Balance at December 31, 2020	\$ 984,817

4. 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 one percentage point lower or one percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	1.90%	\$ 1,056,870
Current	2.90	984,817
1% Increase	3.90	916,385

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 one percentage point lower or one percentage point higher than the current health care cost trend rate:

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

E. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

	<u>Health Care Trend Rate</u>	<u>Total OPEB Liability</u>
1% Decrease	5.50% Decreasing to 3.00%	\$ 877,499
Current	6.50% Decreasing to 4.00%	984,817
1% Increase	7.50% Decreasing to 5.00%	1,111,264

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

For the year ended December 31, 2020, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in actuarial assumptions	\$ -	\$ 200,442
Differences between expected and actual economic experience	-	229,080
Employer contributions paid subsequent to the measurement date	<u>49,179</u>	<u>-</u>
Total	<u>\$ 49,179</u>	<u>\$ 429,522</u>

The \$49,179 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Detailed Notes

E. Other Postemployment Benefits (OPEB)

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

Year Ending December 31	Amount
2021	\$ (72,668)
2022	(72,668)
2023	(72,668)
2024	(72,668)
2025	(72,664)
Thereafter	(66,186)

6. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2020:

- The health care trend rates, mortality tables, and salary increase rates were updated.
- The percentage of future retirees who are assumed to continue on one of the County’s medical plans post-employment was reduced from 50 percent to 40 percent.
- The discount rate was changed from 3.80 percent to 2.90 percent.

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 for which the County carries commercial insurance. To manage these risks, 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. Employee health insurance is provided through the McLeod and Sibley Joint Self-Insurance Pool, which has joined the Southwest/West Central Service Cooperative (Service Cooperative) to establish, procure, and administer group employee benefits. 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

4. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2020 and 2021. 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.

The Service Cooperative is a joint powers entity which sponsors a plan to provide group employee health benefits to its participating members. The McLeod and Sibley Joint Self-Insurance Pool became a participating member effective January 1, 2020. All members pool premiums and losses; however, a particular member may receive increases or decreases depending on a good or bad year of claims experience. Premiums are determined annually by the Service Cooperative and are based partially on the experience of the McLeod and Sibley Joint Self-Insurance Pool and partially on the experience of the group. The Service Cooperative solicits proposals from carriers and negotiates the contracts.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

A. Secondary Liability for Bonds (Continued)

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.

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 \$925,000 as of June 30, 2020.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

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.

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 the Meeker-McLeod-Sibley Community Health Board, 114 North Holcombe Avenue, Litchfield, Minnesota 55355.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

Pioneerland Regional Library System

McLeod County, along with 32 cities and nine 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 \$208,247 to the System.

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

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 the 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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.

Control of 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. McLeod County did not make any contributions to PrimeWest Health in 2020.

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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 2020, 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.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Trailblazer Joint Powers Board (Continued)

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 2020, 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.

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 Counties 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 2020, McLeod County contributed \$68,719 to the partnership.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Supporting Hands Nurse Family Partnership Board (Continued)

Renville County acts as fiscal agent for the 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.

McLeod and Sibley 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. Effective January 1, 2020, Trailblazer is no longer a member.

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

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 did not incur any expenditures related to the MCCC.

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, Mahnomon, 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 12 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

South Central Minnesota Emergency Communications Board (Continued)

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 2020, 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.

McLeod County Soil and Water Conservation District

McLeod County formed an agreement in July 2017 to provide fiscal support for the McLeod County Soil and Water Conservation District (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 GASB Statement 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 Statement 77, Tax Abatement Disclosures). The cities' authority to enter into these agreements comes from Minn. Stat. ch. 469 for the purpose of encouraging private

**McLEOD COUNTY
GLENCOE, MINNESOTA**

5. Summary of Significant Contingencies and Other Items

F. Tax Abatements – Pay-As-You-Go Tax Increment (Continued)

development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a city. During 2020, there were 14 pay-as-you-go notes within the County. The tax increment collections during 2020 associated with these notes totaled \$473,545. McLeod County's portion of the captured tax capacity and related property taxes was approximately 30 percent, which is approximately \$142,064.

G. Subsequent Event

During 2021, McLeod County was allocated \$7 million from the American Rescue Plan Act. In August 2021, the County received \$3.5 million of the \$7 million. The balance of the funds will be distributed in 2022.

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 with accounting principles generally accepted in the United States of America as applicable to governmental units.

Capital Assets

Capital assets 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

A. Summary of Significant Accounting Policies

Capital Assets (Continued)

Assets	Years
Buildings	30 - 40
Site improvements	15 - 20
Equipment	6 - 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 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, 2020, are summarized as follows:

Cash on deposit	
Restricted	\$ 14,801
Unrestricted	171,260
Total cash on deposit	\$ 186,061
Certificates of deposit, due within one year	
Restricted	\$ 34,732
Unrestricted	72,476
Total certificates of deposit	\$ 107,208
Total Cash and Investments	\$ 293,269

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

B. Cash and Investments (Continued)

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 \$186,061 as of June 30, 2020. The bank balance was \$188,268 as of June 30, 2020, which was covered by insurance from the FDIC.

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:

- securities which are direct obligations or are guaranteed or insured issues of the United States or its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota statutes;
- mutual funds through 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 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;
- bankers’ acceptances of United States banks;

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

B. Cash and Investments

Investments (Continued)

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

C. Capital Assets

The following is a summary of capital assets transactions:

	June 30, 2019	Additions	Disposals	June 30, 2020
Land	\$ 197,000	\$ -	\$ -	\$ 197,000
Site improvements	277,908	-	-	277,908
Buildings	4,223,304	127,800	-	4,351,104
Total	\$ 4,698,212	\$ 127,800	\$ -	\$ 4,826,012
Accumulated depreciation	2,215,770	122,888	-	2,338,658
Totals	\$ 2,482,442	\$ 4,912	\$ -	\$ 2,487,354

D. Long-Term Debt Payable

The following is a summary of long-term debt transactions for the year ended June 30, 2020:

	2019	Issued	Payments	2020
Essential Function Housing Development Bond of 1996	\$ 523,427	\$ -	\$ 54,279	\$ 469,148
Essential Function Housing Development Bond of 1997	554,678	-	53,033	501,645
Essential Function Housing Development Bond of 1998	602,852	-	44,521	558,331
Essential Function Housing Development Bond of 2017	898,086	-	43,371	854,715
Promissory Note payable	32,661	-	7,674	24,987
Assessments payable	3,812	-	434	3,378
Totals	\$ 2,615,516	\$ -	\$ 203,312	\$ 2,412,204

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

D. Long-Term Debt Payable (Continued)

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, 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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

D. Long-Term Debt Payable (Continued)

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 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 4.05 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 7.50 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, 2020, are as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	227,654	97,258	324,912
2026 - 2030	929,157	309,148	1,238,305
2031 - 2035	363,096	85,144	448,240
Totals	<u>\$ 2,412,204</u>	<u>\$ 832,000</u>	<u>\$ 3,244,204</u>

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. Subsequent Event

In December 2021, the HRA closed on the issuance of \$2,139,000 of Essential Function Housing Development Revenue Refunding Bonds, Series 2021.

REQUIRED SUPPLEMENTARY INFORMATION

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 14,154,230	\$ 14,154,230	\$ 13,831,719	\$ (322,511)
Special assessments	182,595	182,595	146,064	(36,531)
Licenses and permits	90,950	90,950	97,420	6,470
Intergovernmental	3,348,064	3,348,064	9,378,897	6,030,833
Charges for services	1,936,969	1,936,969	1,734,309	(202,660)
Fines and forfeits	27,400	27,400	16,668	(10,732)
Gifts and contributions	6,540	6,540	2,400	(4,140)
Investment earnings	500,780	500,780	431,457	(69,323)
Miscellaneous	739,795	739,795	593,328	(146,467)
Total Revenues	\$ 20,987,323	\$ 20,987,323	\$ 26,232,262	\$ 5,244,939
Expenditures				
Current				
General government				
Commissioners	\$ 346,828	\$ 346,828	\$ 278,453	\$ 68,375
County-wide	709,434	709,434	3,694,000	(2,984,566)
Courts	429,900	429,900	288,966	140,934
Law library	12,000	12,000	14,219	(2,219)
County administrator	953,602	953,602	996,718	(43,116)
County auditor-treasurer	553,550	553,550	572,420	(18,870)
County assessor	479,338	479,338	463,878	15,460
Elections	158,224	158,224	266,837	(108,613)
Data processing	1,181,032	1,181,032	972,368	208,664
Central services	224,734	224,734	165,944	58,790
Attorney	900,061	900,061	823,112	76,949
Recorder	759,700	759,700	522,839	236,861
Buildings	1,148,032	1,148,032	932,511	215,521
County insurance	521,772	521,772	244,050	277,722
Veterans service officer	215,906	215,906	198,272	17,634
Fairgrounds	396,205	396,205	392,965	3,240
Safety	8,700	8,700	7,123	1,577
Other general government	-	-	1,221,930	(1,221,930)
Total general government	\$ 8,999,018	\$ 8,999,018	\$ 12,056,605	\$ (3,057,587)

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,500,906	\$ 4,500,906	\$ 4,056,556	\$ 444,350
Inmate account	15,651	15,651	6,365	9,286
Probation officer	406,700	406,700	404,962	1,738
County jail	2,098,104	2,098,104	1,973,960	124,144
Sentencing to Service	70,000	70,000	76,019	(6,019)
Juvenile detention	2,362	2,362	3,942	(1,580)
Sheriff posse	34,000	34,000	10,691	23,309
Emergency services	143,764	143,764	136,904	6,860
Total public safety	\$ 7,271,487	\$ 7,271,487	\$ 6,669,399	\$ 602,088
Health				
Nursing service	\$ 3,004,707	\$ 3,004,707	\$ 2,720,215	\$ 284,492
Culture and recreation				
Historical society	\$ 85,100	\$ 85,100	\$ 85,100	\$ -
Other	40,390	40,390	37,690	2,700
Parks	407,247	407,247	367,821	39,426
Snowmobile trail grant	44,640	44,640	66,904	(22,264)
Total culture and recreation	\$ 577,377	\$ 577,377	\$ 557,515	\$ 19,862
Conservation of natural resources				
Soil and water conservation	\$ 82,750	\$ 82,750	\$ 82,750	\$ -
County extension	281,314	281,314	259,576	21,738
Drainage ditch mapping	24,128	24,128	17,226	6,902
Agriculture ditch inspector	-	-	4,436	(4,436)
Environmental services	329,491	329,491	279,845	49,646
Other	-	-	214,083	(214,083)
Aquatic invasive species	40,000	40,000	1,900	38,100
Total conservation of natural resources	\$ 757,683	\$ 757,683	\$ 859,816	\$ (102,133)

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Housing and Redevelopment Authority	\$ 14,396	\$ 14,396	\$ 11,207	\$ 3,189
Intergovernmental				
Culture and recreation				
Pioneerland Regional Library	\$ 208,247	\$ 208,247	\$ 208,247	\$ -
Debt service				
Principal	\$ 167,325	\$ 167,325	\$ 198,366	\$ (31,041)
Interest	15,270	15,270	21,600	(6,330)
Total debt service	<u>\$ 182,595</u>	<u>\$ 182,595</u>	<u>\$ 219,966</u>	<u>\$ (37,371)</u>
Total Expenditures	<u>\$ 21,015,510</u>	<u>\$ 21,015,510</u>	<u>\$ 23,302,970</u>	<u>\$ (2,287,460)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (28,187)</u>	<u>\$ (28,187)</u>	<u>\$ 2,929,292</u>	<u>\$ 2,957,479</u>
Other Financing Sources (Uses)				
Loan issued	\$ -	\$ -	\$ 214,083	\$ 214,083
Proceeds from the sale of capital assets	15,000	15,000	17,714	2,714
Total Other Financing Sources (Uses)	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 231,797</u>	<u>\$ 216,797</u>
Net Change in Fund Balance	\$ (13,187)	\$ (13,187)	\$ 3,161,089	\$ 3,174,276
Fund Balance - January 1, as restated (Note 1.D.13)	23,308,495	23,308,495	23,308,495	-
Increase (decrease) in inventories	<u>-</u>	<u>-</u>	<u>(442)</u>	<u>(442)</u>
Fund Balance – December 31	<u>\$ 23,212,038</u>	<u>\$ 23,212,038</u>	<u>\$ 26,469,142</u>	<u>\$ 3,173,834</u>

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,711,853	\$ 5,711,853	\$ 5,974,906	\$ 263,053
Licenses and permits	15,000	15,000	12,000	(3,000)
Intergovernmental	9,778,501	9,778,501	6,993,337	(2,785,164)
Charges for services	121,000	121,000	154,950	33,950
Miscellaneous	2,000	2,000	12,164	10,164
Total Revenues	\$ 15,628,354	\$ 15,628,354	\$ 13,147,357	\$ (2,480,997)
Expenditures				
Current				
Highways and streets				
Administration	\$ 835,831	\$ 835,831	\$ 700,294	\$ 135,537
Geographic information systems	184,097	184,097	190,424	(6,327)
Maintenance	1,793,553	1,793,553	1,686,062	107,491
Engineering/construction	11,436,768	11,436,768	10,181,039	1,255,729
Equipment, maintenance, and shop	1,148,105	1,148,105	907,986	240,119
Total highways and streets	\$ 15,398,354	\$ 15,398,354	\$ 13,665,805	\$ 1,732,549
Intergovernmental				
Highways and streets	325,000	325,000	319,707	5,293
Debt service				
Interest	-	-	156,785	(156,785)
Total Expenditures	\$ 15,723,354	\$ 15,723,354	\$ 14,142,297	\$ 1,581,057
Excess of Revenues Over (Under) Expenditures	\$ (95,000)	\$ (95,000)	\$ (994,940)	\$ (899,940)
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	95,000	95,000	138,031	43,031
Net Change in Fund Balance	\$ -	\$ -	\$ (856,909)	\$ (856,909)
Fund Balance – January 1	13,064,936	13,064,936	13,064,936	-
Increase (decrease) in inventories	-	-	(111,648)	(111,648)
Fund Balance – December 31	\$ 13,064,936	\$ 13,064,936	\$ 12,096,379	\$ (968,557)

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

Page 98

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,454,717	\$ 5,454,717	\$ 5,336,369	\$ (118,348)
Intergovernmental	6,081,047	6,081,047	6,062,337	(18,710)
Charges for services	755,520	755,520	713,456	(42,064)
Miscellaneous	1,270,886	1,270,886	725,112	(545,774)
Total Revenues	\$ 13,562,170	\$ 13,562,170	\$ 12,837,274	\$ (724,896)
Expenditures				
Current				
Human services				
Income maintenance	\$ 2,907,464	\$ 2,907,464	\$ 2,634,923	\$ 272,541
Social services	10,479,776	10,479,776	8,963,094	1,516,682
Transit authority	174,930	174,930	71,488	103,442
Total Expenditures	\$ 13,562,170	\$ 13,562,170	\$ 11,669,505	\$ 1,892,665
Net Change in Fund Balance	\$ -	\$ -	\$ 1,167,769	\$ 1,167,769
Fund Balance – January 1	7,411,131	7,411,131	7,411,131	-
Fund Balance – December 31	\$ 7,411,131	\$ 7,411,131	\$ 8,578,900	\$ 1,167,769

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Licenses and permits	\$ 6,800	\$ 6,800	\$ 10,165	\$ 3,365
Intergovernmental	104,000	104,000	102,759	(1,241)
Charges for services	1,560,400	1,560,400	2,518,727	958,327
Miscellaneous	99,129	99,129	94,768	(4,361)
Total Revenues	\$ 1,770,329	\$ 1,770,329	\$ 2,726,419	\$ 956,090
Expenditures				
Current				
Sanitation				
Recycling	1,335,165	1,335,165	1,870,841	(535,676)
Excess of Revenues Over (Under) Expenditures	\$ 435,164	\$ 435,164	\$ 855,578	\$ 420,414
Other Financing Sources (Uses)				
Transfers out	(589,588)	(589,588)	(589,588)	-
Net Change in Fund Balance	\$ (154,424)	\$ (154,424)	\$ 265,990	\$ 420,414
Fund Balance – January 1	2,801,780	2,801,780	2,801,780	-
Fund Balance – December 31	\$ 2,647,356	\$ 2,647,356	\$ 3,067,770	\$ 420,414

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-5

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 96,242	\$ 106,465	\$ 111,888
Interest	54,154	45,560	42,127
Differences between expected and actual experience	(267,261)	-	-
Changes of assumption or other inputs	(196,101)	(45,300)	-
Benefit payments	<u>(61,564)</u>	<u>(42,693)</u>	<u>(46,369)</u>
Net change in total OPEB liability	\$ (374,530)	\$ 64,032	\$ 107,646
Total OPEB Liability – Beginning, as restated	<u>1,359,347</u>	<u>1,295,315</u>	<u>1,187,669</u>
Total OPEB Liability – Ending	<u><u>\$ 984,817</u></u>	<u><u>\$ 1,359,347</u></u>	<u><u>\$ 1,295,315</u></u>
Covered-employee payroll	\$ 14,990,233	\$ 16,067,024	\$ 15,599,052
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.57%	8.46%	8.30%

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-6

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

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with 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
2020	0.1813 %	\$ 10,869,764	\$ 335,202	\$ 11,204,966	\$ 12,908,086	84.21 %	79.06 %
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, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 967,542	\$ 967,542	\$ -	\$ 12,900,560	7.50 %
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, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with 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
2020	0.1574 %	\$ 2,074,700	\$ 48,874	\$ 2,123,574	\$ 1,737,446	119.41 %	87.19 %
2019	0.1617	1,721,460	N/A	1,721,460	1,839,499	93.58	89.26
2018	0.1606	1,711,831	N/A	1,711,831	1,692,506	101.14	88.84
2017	0.1500	2,025,718	N/A	2,025,718	1,544,352	131.17	85.43
2016	0.1580	6,340,815	N/A	6,340,815	1,518,114	417.68	63.88
2015	0.1610	1,829,337	N/A	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.
N/A – Not Applicable

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 319,433	\$ 319,433	\$ -	\$ 1,804,706	17.70 %
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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2020**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	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
2020	0.4855 %	\$ 131,736	\$ 1,056,395	12.47 %	96.67 %
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, 2020**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2020	\$ 96,537	\$ 96,537	\$ -	\$ 1,103,280	8.75 %
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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

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 17, 2019, 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, 2020:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Major governmental funds			
General Fund			
Current			
General government			
County-wide	\$ 3,694,000	\$ 709,434	\$ 2,984,566
Law library	14,219	12,000	2,219
County administrator	996,718	953,602	43,116
County auditor-treasurer	572,420	553,550	18,870
Elections	266,837	158,224	108,613
Other general government	1,221,930	-	1,221,930

**McLEOD COUNTY
GLENCOE, MINNESOTA**

2. Excess of Expenditures Over Appropriations (Continued)

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current (Continued)			
Public safety			
Sentencing to Service	76,019	70,000	6,019
Juvenile detention	3,942	2,362	1,580
Culture and recreation			
Snowmobile trail grant	66,904	44,640	22,264
Conservation of natural resources			
Agriculture ditch inspector	4,436	-	4,436
Other	214,083	-	214,083
Debt service			
Principal	198,366	167,325	31,041
Interest	21,600	15,270	6,330
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Geographic information systems	190,424	184,097	6,327
Debt service			
Interest	156,785	-	156,785
Solid Waste Special Revenue Fund			
Current			
Sanitation			
Recycling	1,870,841	1,335,165	535,676

3. Other Postemployment Benefits Funded Status

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:

2020

- The health care trend rates, mortality tables, and salary increase rates were updated.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

2020 (Continued)

- The percentage of future retirees who are assumed to continue on one of the County's medical plans post-employment was reduced from 50 percent to 40 percent.
- The discount rate was changed from 3.80 percent to 2.90 percent.

2019

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

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

General Employees Retirement Plan

2020 (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The changes result in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.
- Augmentation for current privatized members was reduced to 2.00 percent for the period July 1, 2020, through December 31, 2023, and 0.00 percent thereafter. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2018

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21 million in calendar years 2017 and 2018 and returns to \$31 million through calendar year 2031. The state's required contribution is \$16 million in PERA's fiscal years 2018 and 2019 and returns to \$6 million annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

Public Employees Police and Fire Plan

2020

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

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.
- 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

Public Employees Police and Fire Plan (Continued)

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.
- 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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

2020

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

2019

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

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.

SUPPLEMENTARY INFORMATION

**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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT B-1

**BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,421,639	\$ 1,421,639	\$ 1,395,625	\$ (26,014)
Intergovernmental	-	-	18,993	18,993
Total Revenues	\$ 1,421,639	\$ 1,421,639	\$ 1,414,618	\$ (7,021)
Expenditures				
Debt service				
Principal	\$ 1,525,000	\$ 1,525,000	\$ 1,525,000	\$ -
Interest	488,878	488,878	488,878	-
Administrative charges	-	-	700	(700)
Total Expenditures	\$ 2,013,878	\$ 2,013,878	\$ 2,014,578	\$ (700)
Excess of Revenues Over (Under) Expenditures	\$ (592,239)	\$ (592,239)	\$ (599,960)	\$ (7,721)
Other Financing Sources (Uses)				
Transfers in	568,588	568,588	589,588	21,000
Net Change in Fund Balance	\$ (23,651)	\$ (23,651)	\$ (10,372)	\$ 13,279
Fund Balance – January 1	1,043,128	1,043,128	1,043,128	-
Fund Balance – December 31	\$ 1,019,477	\$ 1,019,477	\$ 1,032,756	\$ 13,279

FIDUCIARY FUNDS

**McLEOD COUNTY
GLENCOE, MINNESOTA**

CUSTODIAL FUNDS

The Forfeited Tax Fund accounts for proceeds from the sale of tax-forfeited land collected by the County to be distributed to local governments within the County.

The State Revenue Fund accounts for the collection and distribution of funds for the State of Minnesota.

The Taxes and Penalties Fund accounts for the collection of taxes and penalties and their payment to the various taxing districts.

The McLeod County Soil and Water Conservation District accounts for the collection and payment of funds of the McLeod County Soil and Water Conservation District.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2020**

	Forfeited Tax	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Total Custodial Funds
<u>Assets</u>					
Cash and pooled investments	\$ 63,046	\$ 198,399	\$ 497,784	\$ 598,479	\$ 1,357,708
Departmental cash	-	21,355	-	-	21,355
Taxes receivable for other governments	-	-	835,613	-	835,613
Accounts receivable	-	876	-	-	876
Due from other governments	-	140	-	-	140
	\$ 63,046	\$ 220,770	\$ 1,333,397	\$ 598,479	\$ 2,215,692
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ 37,592	\$ 37,592
Salaries payable	-	-	-	9,086	9,086
Accrued expenses	-	-	-	682	682
Due to other governments	63,046	219,754	497,784	1,458	782,042
	\$ 63,046	\$ 219,754	\$ 497,784	\$ 48,818	\$ 829,402
<u>Net Position</u>					
Restricted for Individuals, organizations, and other governments	\$ -	\$ 1,016	\$ 835,613	\$ 549,661	\$ 1,386,290

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT C-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>McLeod County Soil and Water Conservation District</u>	<u>Total Custodial Funds</u>
Additions				
Contributions				
Individuals	\$ -	\$ -	\$ 7,020	\$ 7,020
Other governments	-	-	437,640	437,640
Property tax collections	1,535,720	37,954,593	-	39,490,313
Licenses and fees collected	408,286	-	-	408,286
Investment earnings	-	-	24	24
Miscellaneous	-	-	6,111	6,111
Total Additions	\$ 1,944,006	\$ 37,954,593	\$ 450,795	\$ 40,349,394
Deductions				
Payments for personnel and benefits	\$ -	\$ -	\$ 194,337	\$ 194,337
Payments of property tax to other entities	1,756,752	37,905,592	-	39,662,344
Payments to individuals and other entities	187,100	-	42,302	229,402
Administrative expense	-	-	96,385	96,385
Total Deductions	\$ 1,943,852	\$ 37,905,592	\$ 333,024	\$ 40,182,468
Change in net position	\$ 154	\$ 49,001	\$ 117,771	\$ 166,926
Net Position – January 1, as restated (Note 1.D.13)	862	786,612	431,890	1,219,364
Net Position – December 31	\$ 1,016	\$ 835,613	\$ 549,661	\$ 1,386,290

OTHER SCHEDULES

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Total Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 4,869,965
Market value credit	327,988
PERA pension contribution	57,340
Disparity reduction aid	60,750
County program aid	2,093,817
Police aid	226,037
E-911	70,839
Riparian protection aid	80,640
Aquatic invasive species	70,899
	7,858,275
Total appropriations and shared revenue	\$ 7,858,275
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 2,169,551
	\$ 2,169,551
Payments	
Local	
Payments in lieu of taxes	\$ 49,468
	\$ 49,468
Grants	
Local	
City contribution	\$ 5,070
Highway	81,842
	86,912
Total local	\$ 86,912
State	
Minnesota Department/Board of	
Economic Development	\$ 709,749
Corrections	92,154
Public Safety	8,000
Transportation	1,013,724
Health	206,368
Natural Resources	45,922
Secretary of State	21,900
Human Services	1,512,931
Water and Soil Resources	161,896
Veterans Affairs	9,953
Pollution Control Agency	102,759
	3,885,356
Total state	\$ 3,885,356

**McLEOD COUNTY
GLENCOE, MINNESOTA**

***EXHIBIT D-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Total Governmental Funds
Grants (Continued)	
Federal	
Department of Agriculture	\$ 306,625
Justice	2,835
Transportation	931,801
Treasury	4,698,641
Education	2,760
Election Assistance Commission	26,596
Health and Human Services	2,446,114
Homeland Security	91,389
	<hr/>
Total federal	\$ 8,506,761
	<hr/>
Total local, state, and federal grants	\$ 12,479,029
	<hr/>
Total Intergovernmental Revenue	\$ 22,556,323
	<hr/> <hr/>

**McLEOD COUNTY
GLENCOE, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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	\$ 152,832
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	20MN101S2514	180,800
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program CFDA 10.561 \$213,003)	10.561	20MN101S2520	32,203
			<hr/>
Total U.S. Department of Agriculture			\$ 365,835
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		\$ 2,835
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	HSIP-4320 (212)	\$ 217,176
Highway Planning and Construction	20.205	HSIP-4320	711,225
Highway Planning and Construction (Total Highway Planning and Construction CFDA 20.205 \$2,208,401)	20.205	HSIP-4319	1,280,000
Passed Through City of Glencoe, Minnesota Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC21-2021- GLENCOPOD-027	3,400
			<hr/>
Total U.S. Department of Transportation			\$ 2,211,801

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of the Treasury			
Passed Through Minnesota Management and Budget COVID-19 – Coronavirus Relief Fund	21.019	SLT0016	\$ 4,462,001
Passed Through Acoma Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	9,658
Passed Through Bergen Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	23,625
Passed Through Glencoe Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	5,096
Passed Through Hassan Valley Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	13,759
Passed Through Helen Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	15,709
Passed Through Hutchinson Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	32,925
Passed Through Lynn Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	7,837
Passed Through Penn Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	2,622
Passed Through Sumter Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	2,780
Passed Through Winsted Township COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	13,402
Passed Through City of Brownton COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	54,032
Passed Through City of Silver Lake COVID-19 – Coronavirus Relief Fund	21.019	Not Provided	54,760
Passed Through City of Stewart COVID-19 – Coronavirus Relief Fund (Total COVID-19 – Coronavirus Relief Fund CFDA 21.019 \$4,698,641)	21.019	Not Provided	435
Total U.S. Department of the Treasury			\$ 4,698,641

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, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education – Grants for Infants and Families	84.181	Not Provided	\$ 1,748
Passed Through Minnesota Secretary of State COVID-19 – 2018 HAVA Election Security Grants	90.404	180087, PO3213	<u>26,596</u>
Total U.S. Department of Education			\$ 28,344
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2001MNFPS	\$ 11,543
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$242,821)	93.558	2001MNTANF	208,204
Child Support Enforcement	93.563	2001MNCES	359,248
Child Support Enforcement (Total Child Support Enforcement CFDA 93.563 \$506,301)	93.563	2001MNCSES	147,053
Refugee and Entrant Assistance – State Administered Programs CCDF Cluster	93.566	2001MNRMA	240
Child Care and Development Block Grant	93.575	2001MNCCDF	17,250
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	9,791
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	7,904
Foster Care – Title IV-E	93.658	2001MNFOS	289,227
Social Services Block Grant	93.667	2001MNSOS	183,171
Children's Health Insurance Program Medicaid Cluster	93.767	2005MN5021	418
Medical Assistance Program	93.778	2005MN5ADM	1,059,049
Medical Assistance Program (Total Medical Assistance Program CFDA 93.778 \$1,083,049)	93.778	2005MN5MAP	24,000
Passed Through Meeker-McLeod-Sibley Community Health Services			
Early Hearing Detection and Intervention	93.251	Not Provided	1,200
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families CFDA 93.558 \$242,821)	93.558	Not Provided	34,617
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	24,897
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	<u>9,947</u>
Total U.S. Department of Health and Human Services			\$ 2,387,759

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	R29G70CGFFY18	\$ 13,499
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	114721	20,078
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (Total Disaster Grants – Public Assistance (Presidentially Declared Disasters CFDA 97.036 \$22,670)	97.036	119471	2,592
Emergency Management Performance Grants	97.042	A-EMPG-2020- MCLEODCO-048	<u>24,457</u>
Total U.S. Department of Homeland Security			\$ 60,626
Total Federal Awards			\$ 9,755,841
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 213,003
Total expenditures for Highway Planning and Construction Cluster			2,208,401
Total expenditures for Highway Safety Cluster			3,400
Total expenditures for CCDF Cluster			17,250
Total expenditures for Medicaid Cluster			1,083,049

McLeod County did not pass any federal awards through to subrecipients during the year ended December 31, 2020.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

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 \$589,138 in federal awards during the year ended June 30, 2020, which are not included in the Schedule of Expenditures of Federal Awards because the HRA was audited by other auditors and because it expended less than \$750,000 of federal awards for the year ended June 30, 2020.

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, 2020. 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 modified accrual basis of accounting. Such expenditures are recognized following 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 8,506,761
Grants received more than 60 days after year-end, unavailable in 2020	
Special Supplemental Nutrition Program for Women, Infants, and Children	59,210
Highway Planning and Construction	1,280,000
Promoting Safe and Stable Families	907
Temporary Assistance for Needy Families	58,444
Stephanie Tubbs Jones Child Welfare Services Program	2,577
Block Grants for Prevention and Treatment of Substance Abuse	5,793
Unavailable in 2019, recognized as revenue in 2020	
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 and Development Block Grant	(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)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 9,755,841</u>



**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, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated January 18, 2022. 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, 2020, 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 as a basis for designing 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.

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.

However, as described in the accompanying Schedule of Findings and Questioned Costs, we did identify a deficiency in internal control over financial reporting that we consider to be a material weakness and deficiencies that we consider to be significant deficiencies.

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 attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2020-005 to be a material weakness and items 2020-001 to 2020-004, 2020-006, and 2020-007 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 financial statements. 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. Described in the Schedule of Findings and Questioned Costs is another matter reported as item 2020-010.

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, legal compliance, 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

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

January 18, 2022

**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 Each 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 each of the County's major federal programs for the year ended December 31, 2020. McLeod County's major federal programs are 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 \$589,138 in federal awards, which are not included in the County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2020. Our audit, described below, did not include the operations of the McLeod County 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 each of McLeod County's major federal programs 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 McLeod 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 each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Basis for Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

As described in the accompanying Schedule of Findings and Questioned Costs, McLeod County did not comply with requirements regarding CFDA No. 21.019, COVID-19 – Coronavirus Relief Fund, as described in finding number 2020-009 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

Qualified Opinion on COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the COVID-19 – Coronavirus Relief Fund for the year ended December 31, 2020.

Unqualified Opinion on the Other 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 other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-008. Our opinion on each major federal program is not modified with respect to this matter.

McLeod County's responses to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 each

major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-009, that we consider to be a material weakness, and deficiency 2020-008, that we consider to be a significant deficiency.

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

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

JULIE BLAHA
STATE AUDITOR

/s/Dianne Syverson

DIANNE SYVERSON, CPA
DEPUTY STATE AUDITOR

January 18, 2022

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

Type of auditor's report issued on compliance for major federal programs: **Unmodified, except for the COVID-19 – Coronavirus Relief Fund, which is qualified.**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **Yes**

The major federal programs are:

Highway Planning and Construction Cluster	
Highway Planning and Construction	CFDA No. 20.205
COVID-19 – Coronavirus Relief Fund	CFDA No. 21.019

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

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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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

INTERNAL CONTROL

Finding Number: 2020-001

Prior Year Finding Number: 2019-001

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. The County is in the process of implementing a new payroll processing system.

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, including its new payroll processing system once fully implemented, and the financial reporting process, and include these in its accounting procedures manual.

View of Responsible Official: Concur

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-002

Prior Year Finding Number: 2019-002

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: The County has 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

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-003

Prior Year Finding Number: 2019-003

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 include 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 Purchasing Card Cardholder 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 Purchasing Card Cardholder 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 Finance Department 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.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

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 Purchasing Card Cardholder Agreement form on file, as well as department heads with authorization to approve credit card transactions.

View of Responsible Official: Concur

Finding Number: 2020-004

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Segregation of Duties

Criteria: A good system of internal control provides for an adequate segregation of duties so that no one individual handles a transaction from its inception to completion.

Condition: Several of the County's departments that collect fees lack proper segregation of duties. These departments generally have one staff person who is responsible for billing, collecting, recording, and depositing receipts as well as reconciling bank accounts.

Context: Due to the limited number of office personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. This is not unusual in operations the size of McLeod County; however, the County's elected officials and management should constantly be aware of this condition and realize that the concentration of duties and responsibilities in a limited number of individuals is not desirable from an accounting point of view.

Effect: Inadequate segregation of duties could adversely affect the County's ability to detect misstatements to the financial statements in a timely period by employees in the normal course of performing their assigned functions.

Cause: The County informed us that it does not have the economic resources needed to hire additional qualified accounting staff in order to segregate duties in every department.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Recommendation: We recommend the County's elected officials and management be aware of the lack of segregation of the accounting functions and, where possible, implement oversight procedures to ensure that the internal control policies and procedures are being implemented by staff to the extent possible.

View of Responsible Official: Acknowledged

Finding Number: 2020-005

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Bank Reconciliations

Criteria: Reconciliations are control activities designed to provide reasonable assurance that errors will be prevented and detected in a timely manner and involve the comparison of records or balances from different sources. Effective reconciliations properly account for any differences between the records or balances. This includes investigating why the differences exist and resolving them in a timely manner.

Condition: The County is not completing bank reconciliations for all of its bank accounts. Three months of bank reconciliations were selected for review. Of the 14 bank accounts held by the County at December 31, 2020, a bank reconciliation was not completed in any of the three months tested for four of the accounts, and in only one month of the three tested for another account.

In addition, the County has a Social Welfare bank account for assets held by the County in a fiduciary capacity. A bank reconciliation was only completed in December 2020, and the County was not able to reconcile \$1,802 of the year-end balance.

Context: The deposit balances in the five bank accounts that were not reconciled as noted above totaled \$3.3 million at May 31, 2020; \$6 million at October 31, 2020; and \$2 million at December 31, 2020. One of these five bank accounts included a new bank account established by the County in August 2020 to deposit federal funds received as a result of the COVID-19 pandemic in the amount of \$4,698,641.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Effect: When accounting records are not reconciled properly, there is an increased risk that errors or irregularities will not be detected in a timely manner.

Cause: The County informed us that two of these bank accounts receive ACH deposits that are transferred to another bank account after they are received by the County, thus typically have no deposit balances at month-end. For one of these bank accounts, the County informed us during the 2019 audit that a bank reconciliation was going to be performed beginning in 2020, but this did not occur. For another bank account, the County informed us that the bank account was closed in December 2020. For the COVID-19 federal funds bank account, the County informed us that bank reconciliations were performed by an outside CPA firm hired to process the funds. Lastly, for the Social Welfare bank account, the County experienced staff turnover during 2020.

Recommendation: We recommend that bank reconciliations be accurately completed for all of the County's bank accounts in a timely manner. The County should continue to review the related accounting records to identify the source of previous unreconciled differences and resolve them as appropriate. Additional internal controls should be developed and implemented in response to any identified errors that were allowed to occur. Lastly, reviews of the bank reconciliations should be performed monthly to ensure they are being completed in a timely manner.

View of Responsible Official: Acknowledged

Finding Number: 2020-006

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Professional Services Contract

Criteria: The County's Purchasing Policy states that "procuring professional services consists of three major elements: A. submittal of proposals, B. review of proposals submitted and selection of preferred proposal, and C. negotiation of price." It also states that "Proper documentation of the purchasing process is necessary for accountability. Persons making purchasing decisions should be able to provide proof of compliance with the purchasing policy and Minnesota Statutes."

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Condition: In 2020, the County received \$4,698,641 in federal funds as a result of the COVID-19 pandemic. The County hired an outside CPA firm to administer these federal funds. The County did not obtain any proposals prior to procuring professional services with the CPA firm.

Context: The County paid \$54,400 to the CPA firm for “professional services rendered.” The CPA firm’s invoice to the County was not itemized to detail the specific services provided or the hourly rate charged. The County paid for these services with the federal funds it received.

Effect: The County is not following its Purchasing Policy.

Cause: The County did not provide details on how it selected the specific CPA firm hired to process these funds. The CPA firm informed us that it had provided advice to the County in the past, so the County was familiar with the CPA firm.

Recommendation: We recommend the County implement procedures to ensure its Purchasing Policy is properly followed when procuring professional services.

View of Responsible Official: Acknowledged

Finding Number: 2020-007

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Systems Access

Criteria: Internal controls should be designed to provide for an adequate segregation of functions and responsibilities. User accounts for County accounting systems should be current and properly restrict users to system functions on a needs basis based on job responsibilities.

Condition: During review of access to the Social Services Information System (SSIS), 55 of 71 County staff did not have proper access. In addition, it was noted that three of six County staff did not have proper access to the Social Welfare System.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Context: County staff immediately corrected the improper access issues upon notification.

Effect: By allowing access to functions beyond the scope of the user's job duties and responsibilities, there is a greater risk of unauthorized or unintended activity in the system.

Cause: The County informed us that there was an oversight in how these accounts were initially set up.

Recommendation: We recommend the County design and implement procedures to ensure that access to its accounting systems are current and properly restrict users to functions only necessary to complete tasks. In addition, we recommend that the County review access to accounting systems on an annual basis for appropriateness.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2020-008

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Procurement Policy

Program: U.S. Department of Transportation's Highway Planning and Construction (CFDA No. 20.205); Award Nos. HSIP-4320 (212), HSIP-4320, and HSIP-4319; 2020

Pass-Through Agency: Minnesota Department of Transportation

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. In addition, Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation.

Condition: The 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.

Questioned Costs: None.

Context: This issue was discovered during the audit of the Highway Planning and Construction program; however, it impacts federal programs entity-wide. Written policies and procedures that reflect the specific components of federal regulations improve controls to help ensure compliance with federal award requirements.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements increase the risk of noncompliance with federal program requirements.

Cause: The County did not update its procurement policies for the Uniform Guidance.

Recommendation: We recommend the County include the specific components of Title 2 U.S. *Code of Federal Regulations* § 200.318 requirements in its written procurement policies and procedures.

View of Responsible Official: Concur

Finding Number: 2020-009

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance

Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

Pass-Through Agencies: Minnesota Management and Budget, Lynn Township, Winsted Township, and the City of Silver Lake

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

In addition, section 5001(d) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides the eligible purposes for which Coronavirus Relief Fund payments may be used. Payments must have been used to cover costs that were necessary expenditures incurred due to the public health emergency, not accounted for in the County's budget approved as of March 27, 2020, and incurred during the covered period. The State of Minnesota, as the pass-through entity, provided requirements that the covered period for Minnesota counties began on March 1, 2020, and ended on December 1, 2020 (period of performance).

Condition: The following exceptions were detected in the sample of 51 program expenditures tested:

- \$327 of elections payroll costs were determined not to be for an eligible purpose;
- estimated payroll costs for five Administration staff of \$224,809, as well as \$2,250 in estimated costs of a local township, were included in expenditures reported rather than actual costs;
- payroll costs for the Health and Human Services Director position of \$138,850, did not have documentation supporting that they were necessary expenditures incurred due to the public health emergency;
- \$692 of expenditures were found to have been incurred prior to the period of performance;
- \$180 of expenditures of a local city were determined not to be for an eligible purpose; and

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

- the documentation provided by the County for three expenditures did not include support of approval of someone at the County who is knowledgeable of the grant.

Questioned Costs: \$367,108

Context: The County had a total of \$4,698,641 in COVID-19 – Coronavirus Relief Fund expenditures during 2020.

The sample was not a statistically valid sample.

Effect: The County reported expenditures as relating to the Coronavirus Relief Fund program which are not in compliance with the activities allowed or unallowed, allowable costs/cost principles, and period of performance requirements.

Cause: The County informed us that the elections payroll costs determined not to be for an eligible purpose were erroneously included in elections payroll costs that were for an eligible purpose. In addition, the County did not maintain documentation to support the allowability of the Administration and Health and Human Services Director payroll costs and estimated costs. Lastly, the County hired an outside CPA firm to process federal funds, including funds passed through local townships and cities.

Recommendation: We recommend the County implement procedures to ensure the compliance requirements are met for future relief funds received in relation to the public health emergency.

View of Responsible Official: Concur

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

Finding Number: 2020-010

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Administration of COVID-19 Federal Funds

Criteria:

- Pursuant to Minn. Stat. § 471.38, subd. 1, any account, claim or demand against the county that can be itemized in the ordinary course of business shall be supported by an itemized list in writing or in an electronic transaction record prior to being approved for payment by the County Board.
- Pursuant to Minn. Stat. § 384.13, no claims against the county shall be paid otherwise than upon allowance of the county board. Pursuant to Minn. Stat. § 385.31, checks are to be signed by the chair of the county board and by the auditor.

Pursuant to Minn. Stat. § 385.05, the county treasurer shall receive all money directed by law to be paid to the treasurer and pay them out only on the order of the proper authority. In addition, pursuant to Minn. Stat. § 385.04, the county treasurer shall keep a full and accurate account of all money received, showing the amount thereof, the time when, by whom, and on what account paid and shall keep books so as to show the amount received and paid on account of separate and distinct funds or appropriations, which shall be exhibited in separate accounts, and every warrant shall be paid only from the cash on hand in the fund from which it may be properly payable.

**McLEOD COUNTY
GLENCOE, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020**

Condition: In 2020, the County received \$4,698,641 in federal funds as a result of the COVID-19 pandemic. The County hired an outside CPA firm to process these federal funds. During the audit, the following issues were noted in the County's administration of the COVID-19 federal funds:

- The County paid \$54,400 to the CPA firm for "professional services rendered." The outside CPA firm's invoice to the County was not itemized to detail the specific services provided or the hourly rate charged.
- Checks from the bank account were signed by the County Administrator.
- The activity of the federal funds was not all recorded in the County's general ledger.

Context: In addition to the County's funds, the CPA firm processed applications for several small cities and townships, whose COVID-19 federal funds also ran through the bank account established by the County.

Effect: Noncompliance with the Minnesota statutes referenced above.

Cause: The County informed us that it was not aware of the basis for the invoice from the CPA firm. In addition, the County informed us that it established a new bank account and hired the CPA firm to reduce the burden on County staff in having to process checks to applicants of the federal funds the County received.

Recommendation: We recommend the County only pay claims that are itemized to allow for an adequate review of services provided. In addition, all warrants should be signed by the chair of the County Board and by the Auditor-Treasurer. Lastly, the County should keep an account of all funds received and disbursements made in its general ledger.

View of Responsible Official: Acknowledged

**McLEOD COUNTY
GLENCOE, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

B. MANAGEMENT PRACTICES

Finding Number: 2020-011

Prior Year Finding Number: 2019-004

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, 2020, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balances.

Context: Twenty-seven of the 59 individual ditch systems had deficit unassigned fund balances as of December 31, 2020, totaling \$1,833,070, the largest being \$649,579. 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



REPRESENTATION OF McLEOD COUNTY
GLENCOE, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001

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 has staff actively working on drafting these policies and procedures, in coordination with our upcoming new payroll software implementation (beginning January 2022). Once implementation is complete, the Payroll Policy and Procedures will be drafted and submitted for approval to the McLeod County Board of Commissioners with projected completion and approval expected by June 30, 2022. The Board of County Commissioners' of McLeod County will then review the drafted Financial Reporting Policy and Procedures with completion and approval expected by December 31, 2022.

Finding Number: 2020-002

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:

The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources. McLeod County Finance and Administration staff will be drafting a policy and procedure for audit sampling for review and approval by the McLeod County Board of Commissioners', for completion and recommendation of approval by June 30, 2022.

Finding Number: 2020-003

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. McLeod County will revise the procedures to be less cumbersome.

Anticipated Completion Date:

McLeod County will have this completed by June 30, 2022. McLeod County is working on updating its policy and procedures for credit cards to make it more efficient and assure compliance. The updated policy and procedure will be submitted to the Board of Commissioners' for McLeod County for review and approval by June 30, 2022.



Finding Number: 2020-004

Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of segregation of duties, however this has been made difficult with limited staff within departments. McLeod County has a plan for corrective action, through adjusted internal controls and methods, to implement which will correct this issue.

Anticipated Completion Date:

McLeod County will resolve this issue by February 28, 2022.

Finding Number: 2020-005

Finding Title: Bank Reconciliations

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of bank reconciliation to ensure the accuracy of McLeod County Funds and will ensure that bank reconciliations are done on a monthly basis. All bank reconciliations are typically completed on a regular basis; some accounts were reviewed on a quarterly basis if they had low activity, this will be resolved by performing monthly reconciliations for all accounts.

Anticipated Completion Date:

McLeod County will resolve this issue by February 28, 2022.



Finding Number: 2020-006

Finding Title: Professional Services Contract

Name of Contact Person Responsible for Corrective Action:

Sheila Murphy, County Administrator

Corrective Action Planned:

McLeod County recognizes the importance of compliance with our purchasing policy and Minnesota Statutes to obtain proposals for contracted services. This was a unique situation with limited time to spend COVID-19 funding and had approval from the Board of Commissioners to hire this service for accounting of the Coronavirus Relief Funds. All decisions were made in good faith, and made upon directive available at the time of funding with short distribution deadlines. McLeod County will follow policy and Minnesota Statutes for service contracts going forward in all situations.

Anticipated Completion Date:

McLeod County has resolved this issue as of January 1, 2021.

Finding Number: 2020-007

Finding Title: Systems Access

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of limiting access to accounting systems to eliminate unauthorized or unintended activity in the systems. This corrective action specifically referred to updating user accounts within the Social Services Information System (SSIS), which had no adverse effect on data or benefits. McLeod County has reviewed the Social Services Information System (SSIS) and the Social Welfare System and has corrected this issue upon notification.

Anticipated Completion Date:

McLeod County has resolved this issue as of November 30, 2021.



Finding Number: 2020-008
Finding Title: Procurement Policy
Program: Highway Planning and Construction (CFDA No. 20.205)

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of internal controls over Federal Funding to be compliant with the Title 2 U.S. Code of Federal Regulations and is working on a procurement policy to address these issues. There are no misuse of funds, issues with allocation, nor concerns with any handling of funds; however, internal controls assist to assure compliance and will be implemented once complete.

Anticipated Completion Date:

McLeod County will resolve this issue by June 30, 2022.

Finding Number: 2020-009
Finding Title: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Period of Performance
Program: COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance internal controls over federal awards to be compliant with federal statutes, regulations, and the terms of the federal award. McLeod County will revise the final report with the Minnesota Management & Budget for the COVID-19 – Coronavirus Relief Fund to remove election costs and administrative wages and replace with allowable expenses. All allocations were made in good faith; decisions were required in a short period of time. Adjustments will be made to any issues identified to resolve this issue in completeness.

Anticipated Completion Date:

McLeod County will resolve this issue by December 31, 2021.



Finding Number: 2020-010

Finding Title: Administration of COVID-19 Federal Funds

Name of Contact Person Responsible for Corrective Action:

Sheila Murphy, County Administrator

Corrective Action Planned:

McLeod County recognizes the importance of following Minnesota Statutes to require itemized invoices for payments, bank accounts be established by the County Board of Commissioners and signed by Board Chair. McLeod County also recognizes the importance of financial activity to be run through its financial system. The McLeod County Board authorized the hiring of a CPA firm to manage the COVID-19 funds, all deposits and expenditures were reviewed by the Coronavirus Relief Fund Committee and approved by the McLeod County Board. The bank account was set up for these funds only. McLeod County will close this account and all future federal awards will be run through the County's financial system. All Coronavirus Relief Fund expenditures were identified by line item through the McLeod County Board of Commissioners' meeting minutes, however, this did not meet the standard; the audit desired that each line item be listed separately within the bank account distributing the funds as well. All distributions within this account were made by December 31, 2020, however, one recipient did not process the payment they received; the account will be completed and closed by December 31, 2021.

Anticipated Completion Date:

McLeod County will resolve this issue as of December 31, 2021.

Finding Number: 2020-011

Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Connie Kurtzweg, 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 system in their respective 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.

Anticipated Completion Date:

Indefinite. There is currently no resolution to this corrective action; the emergent needs of the ditch systems outweighs the ability to resolve this issue as stated above.



REPRESENTATION OF McLEOD COUNTY
GLENCOE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2019-001
Repeat Finding Since: 1999
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 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.

Status: Not Corrected. McLeod County is implementing a new payroll software beginning January 1, 2022 from the iSeries operating software to UKG Pro. Once implemented a Payroll Policy and Procedures will be drafted and approved by the County Board of Commissioners with projected completion by June 30, 2022. The Board of County Commissioners’ of McLeod County will review the drafted Financial Reporting Policy and Procedures with completion and approval by December 31, 2022.

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

Yes _____ No X

Finding Number: 2019-002
Repeat Finding Since: 2007
Finding Title: Monitoring Internal Controls

Summary of 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.





Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources. McLeod County Finance and Administration staff will be drafting a policy and procedure for audit sampling for review and approval by the McLeod County Board of Commissioners', for completion and recommendation of approval by June 30, 2022.

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

Yes _____ No X

Finding Number: 2019-003

Repeat Finding Since: 2016

Finding Title: Credit Card Procedures

Summary of 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.

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. McLeod County is working on updating its policy and procedures for credit cards to make it more efficient and assure compliance. The updated policy and procedure will be submitted to the Board of Commissioners' for McLeod County for review and approval by June 30, 2022.

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

Yes _____ No X

Finding Number: 2019-004

Repeat Finding Since: 2009

Finding Title: Ditch Fund Balance Deficits

Summary of 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.





Summary of Corrective Action Previously Reported: 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 respective districts through the Ditch Authority, 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.

Status: Not Corrected. McLeod County has attempted to bring all ditch systems to a positive balance, including Board of Commissioners’ 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

