

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

McLeod County Glencoe, Minnesota

Year Ended December 31, 2023

McLeod County Glencoe, Minnesota

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Introductory Section

McLeod County Glencoe, Minnesota

Organization December 31, 2023

Office	Name	Term of Office	
		From	To
Commissioners			
1st District	Nathan Schmalz	January 2021	January 2025
2nd District	Doug Krueger	January 2015	January 2027
3rd District	Paul Wright*	January 2009	January 2025
4th District	Daryl Luthens	January 2021	January 2025
5th District	Joe Nagel	January 2015	January 2027
Officers			
Elected			
Attorney	Ryan Hansch	January 2023	January 2027
Auditor-Treasurer	Connie Kurtzweg	January 2019	January 2027
Sheriff	Tim Langenfeld	October 2020	January 2027
District Judge	Jody Winters	January 2017	January 2027
District Judge	Jessica Maher	August 1998	January 2027
Appointed			
Agriculture and Weed Inspector	Ryan Freitag		
Assessor	Sue Schulz		
Coroner	Dr. Angelique Quinn Piper		
County Administrator	Sheila Murphy		
Court Administrator	Karen Messner		
Environmental Services Director	Marc Telecky		
Finance Director	Colleen Robeck		
Public Works Director	Andrew Engel		
Health and Human Services Director	Berit Spors		
Human Relations Director Information	Hannah Tjoflat		
Technology Manager	Matt Troska		
Recorder	Deborah Jensen		
Regional Extension Director	Lori Vicich		
Surveyor	Kurt Nelson		
Veterans Service Officer	Cassandra Carrigan		

*Chair

Financial Section



Independent Auditor's Report

Board of County Commissioners
McLeod County
Glencoe, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2023, including the McLeod County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, based on our audit and the report of other auditors, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLeod County as of December 31, 2023, including the McLeod County HRA as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the McLeod County HRA, the discretely presented component unit, as of June 30, 2023. Those 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern

for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion and Analysis; budgetary comparison schedules for the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 Budgetary Comparison Schedule for the Debt Service Fund, combining fiduciary fund financial statements, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are 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 Supplementary Information as identified above 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 December 13, 2024, 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.

/s/Julie Blaha

Julie Blaha
State Auditor

December 13, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

McLeod County Glencoe, Minnesota

Management's and Discussion Analysis December 31, 2023 (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, 2023. 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 \$210,617,036 (net position). Of this amount, \$46,677,719 (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 \$8,112,372 (4.0 percent). The increase is a combination of investment earnings and budget savings from operations.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$27,838,354, or 107.1 percent, of total 2023 General Fund expenditures.
- Governmental funds' fund balances increased by \$7,631,243.

Overview of the Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances in a manner similar to a private-sector business. They consist of a Statement of Net Position and Statement of Activities. The Statement of Net Position presents information on all of McLeod County's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may be an indicator of whether the financial position of McLeod County is improving or deteriorating.

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

Both 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 of 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 three fund types within the governmental funds: General, Special Revenue, 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, and Ditch Special Revenue Fund, all of which are 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.
- 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

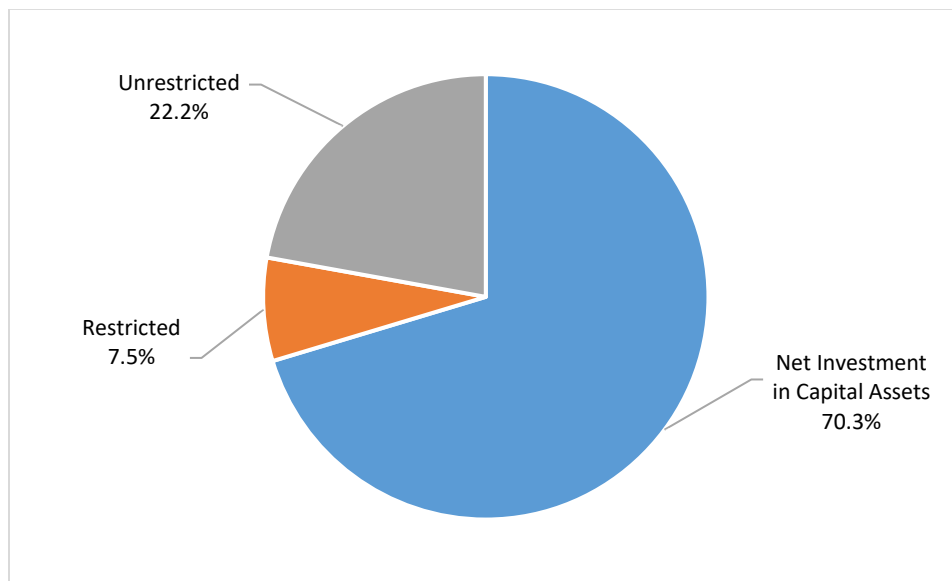
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The nonmajor governmental fund budget to actual statement is presented immediately following the required supplementary information.

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 \$210,617,036 as of December 31, 2023. The net investment in capital assets is the largest portion of McLeod County’s net position at 70.3 percent. These capital assets are used to provide services to citizens and are not available for future spending.

Approximately 7.5 percent of McLeod County’s net position is subject to external restrictions on how it may be used and, therefore, is considered restricted. The remaining 22.2 percent, or \$46,677,719, 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	
	2023	2022	2023	2022
Current and other assets	\$ 92,367,008	\$ 82,969,865	\$ 689,213	\$ 573,169
Capital assets	164,227,391	167,399,206	2,111,858	2,236,419
Total Assets	\$ 256,594,399	\$ 250,369,071	\$ 2,801,071	\$ 2,809,588
Deferred outflows of resources	\$ 8,110,680	\$ 10,969,397	\$ -	\$ -
Current and other liabilities	\$ 9,323,680	\$ 9,030,894	\$ 91,527	\$ 97,461
Long-term liabilities – due within one year	4,045,410	3,985,790	259,579	204,224
Long-term liabilities – due in more than one year	31,347,515	45,015,170	1,686,073	1,945,871
Total Liabilities	\$ 44,716,605	\$ 58,031,854	\$ 2,037,179	\$ 2,247,556
Deferred inflows of resources	\$ 9,371,438	\$ 801,950	\$ -	\$ -
Net Position				
Net investment in capital assets	\$ 148,162,719	\$ 148,613,147	\$ 166,206	\$ 86,324
Restricted	15,776,598	18,440,441	12,117	35,116
Unrestricted	46,677,719	35,451,076	585,569	440,592
Total Net Position	\$ 210,617,036	\$ 202,504,664	\$ 763,892	\$ 562,032

Governmental Activities

McLeod County’s governmental activities increased net position by \$8,112,372 during the current fiscal year. This increase is primarily due to an increase in interest earnings and budget savings from operations.

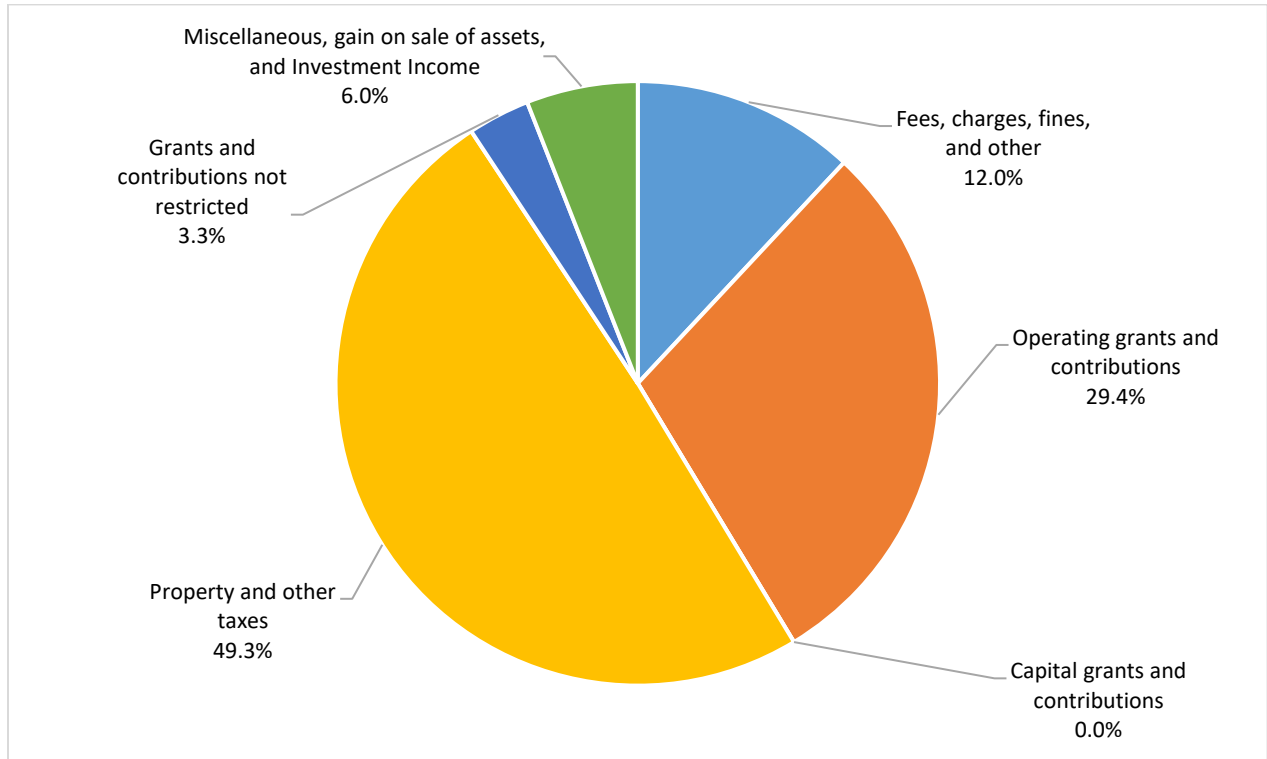
The McLeod County HRA is a discretely presented component unit of McLeod County. As of June 30, 2023, assets exceeded liabilities by \$763,892, and there was an increase in net position of \$201,860 from the prior year. The increase is primarily due to revenues in excess of expenses.

Changes in Net Position

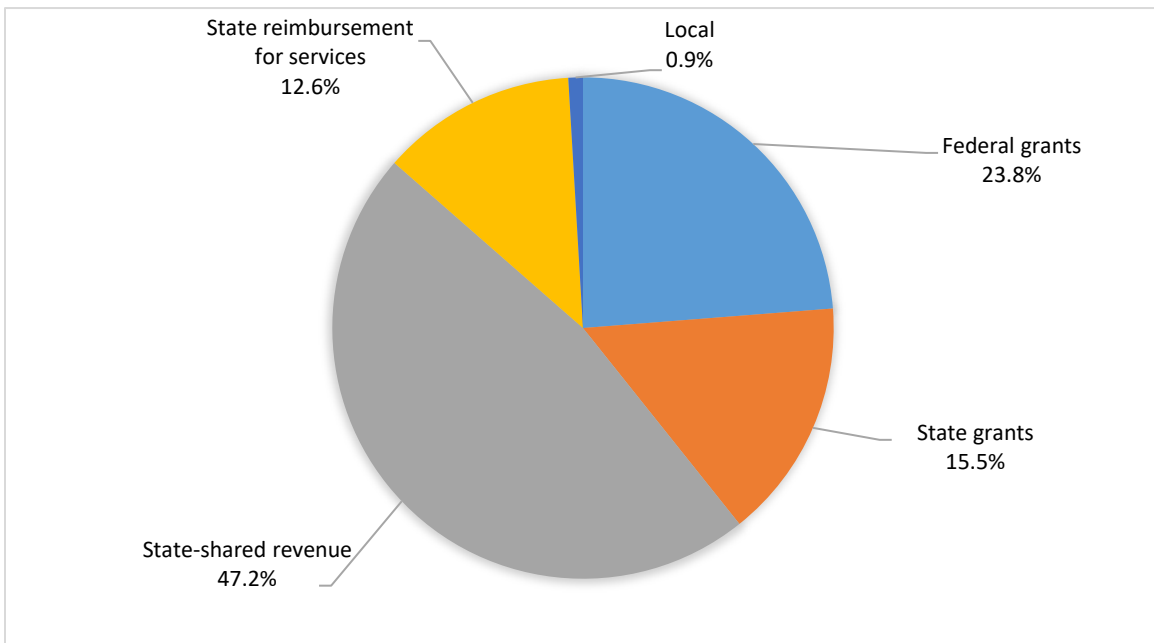
	Governmental Activities		Discretely Presented Component Unit	
	2023	2022	2023	2022
Revenues				
Program revenues				
Fees, charges, fines, and other	\$ 7,406,070	\$ 8,154,839	\$ 601,115	\$ 572,881
Operating grants and contributions	18,206,994	17,814,640	648,554	601,045
Capital grants and contributions	-	2,674,039	-	-
General revenues				
Property taxes	27,192,135	25,873,412	-	-
Other taxes	3,374,568	3,348,730	-	-
Grants and contributions not restricted to specific programs	2,060,096	2,500,857	-	-
Investment income	3,506,213	976,851	1,970	420
Gain on disposal of assets	-	53,288	-	-
Miscellaneous	188,579	183,893	2,007	3,491
Total Revenues	\$ 61,934,655	\$ 61,580,549	\$ 1,253,646	\$ 1,177,837
Expenses				
General government	\$ 13,096,985	\$ 12,199,162	-	-
Public safety	11,260,860	7,128,756	-	-
Highways and streets	8,295,097	9,126,074	-	-
Sanitation	2,676,749	1,954,777	-	-
Human services	12,117,804	11,745,079	-	-
Health	2,600,413	2,731,309	-	-
Culture and recreation	698,010	725,914	-	-
Conservation of natural resources	2,513,205	3,201,441	-	-
Economic development	121,522	12,909	-	-
Interest	441,638	512,150	-	-
HRA	-	-	1,051,786	1,043,574
Total Expenses	\$ 53,822,283	\$ 49,337,571	\$ 1,051,786	\$ 1,043,574
Increase (Decrease) in Net Position	\$ 8,112,372	\$ 12,242,978	\$ 201,860	\$ 134,263
Net Position – January 1	202,504,664	190,261,686	562,032	427,769
Net Position – December 31	\$ 210,617,036	\$ 202,504,664	\$ 763,892	\$ 562,032

The following charts show additional information on the revenues of McLeod County for the year ended December 31, 2023.

Revenues by Source – Governmental Activities



Intergovernmental Revenue



Financial Analysis

Governmental Funds

At the end of 2023, McLeod County's governmental funds reported a combined fund balance of \$72,305,027. This is an increase of \$7,631,243 from the beginning fund balance. The fund balance in the General Fund increased by \$5,226,614 due to revenues exceeding expenditures. The fund balance in the Road and Bridge Special Revenue Fund increased by \$1,841,254 due to timing of road construction projects and increase in local option sales tax revenue. The fund balance in the Human Services Special Revenue Fund increased by \$287,634 due to revenues exceeding expenditures. The fund balance in the Solid Waste Special Revenue Fund increased by \$755,140 due to increased revenues. The fund balance in the Ditch Special Revenue Fund decreased by \$543,913 due to special assessments collected.

General Fund Budgetary Highlights

In total, General Fund revenues for 2023 exceeded the amounts budgeted by \$6,802,855. License and permits, intergovernmental revenue, charges for services, fines and forfeits, gifts and contributions, and investment earnings came in higher than anticipated. Total General Fund expenditures were \$1,626,870 more than the final budget. This variance is primarily attributed to increased general government, public safety, and conservation expenditures incurred during the year.

Capital Assets and Long-Term Debt

Capital Assets

At the end of 2023, McLeod County had \$164,227,391 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 as of December 31.

	Capital Assets (Net of Depreciation)	
	2023	2022
Land	\$ 3,709,401	\$ 3,709,401
Construction in progress	2,616,944	-
Infrastructure – right-of-way	4,562,511	4,437,032
Buildings	27,063,432	27,388,566
Machinery, furniture, and equipment	1,230,442	3,905,743
Improvements other than buildings	172,879	242,157
Infrastructure	124,871,782	127,716,307
Total	<u>\$ 164,227,391</u>	<u>\$ 167,399,206</u>

Major capital asset events during the year included the following:

- Built a new highway shop in Glencoe in 2023.
- Drainage project at the Fairgrounds and started a new Ag Building project in 2023.
- Infrastructure construction continued in 2023.

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

Long-Term Debt

At the end of the current fiscal year, McLeod County had bonded debt outstanding of \$17,085,000. This is a decrease in bonded debt outstanding of \$2,710,000 due to the bond payments made. McLeod County had loans outstanding of \$1,830,768. This is a decrease in loans payable of \$225,093 from the beginning of the year. The decrease was from loan payments that were made for AgBMP and septic loans.

Current and future County tax levies are used to finance the County's debt obligations. State statutes limit the amount of general obligation debt a county can incur to no more than three percent of the market value of taxable property in the county. The current debt limitation for McLeod County is \$162,495,955.

Additional information on McLeod County's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for McLeod County is currently 3.2 percent. McLeod County's unemployment rate is slightly higher than the state unemployment rate of 2.8 percent, and less than the United States unemployment rate of 3.6 percent.
- The property tax levy increased in 2023 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 2024 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 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 HRA 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

**Statement of Net Position
December 31, 2023
Including the Component Unit Information
As of June 30, 2023**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority
<u>Assets</u>		
Cash and pooled investments	\$ 78,072,005	\$ 606,886
Petty cash and change funds	12,815	-
Departmental cash	24,174	-
Taxes receivable		
Delinquent	380,536	-
Special assessments receivable		
Delinquent	24,277	-
Noncurrent	3,207,197	-
Accounts receivable – net	371,796	9,736
Accrued interest receivable	310,097	-
Due from other governments	9,383,900	-
Inventories	315,566	-
Prepaid items	264,645	10,296
Restricted assets		
Cash and pooled investments	-	62,295
Capital assets		
Non-depreciable	10,888,856	197,000
Depreciable – net of accumulated depreciation	153,338,535	1,914,858
Total Assets	\$ 256,594,399	\$ 2,801,071
<u>Deferred Outflows of Resources</u>		
Deferred pension outflows	\$ 8,015,091	\$ -
Deferred other postemployment benefits outflows	95,589	-
Total Deferred Outflows of Resources	\$ 8,110,680	\$ -

**McLeod County
Glencoe, Minnesota**

**Exhibit 1
(Continued)**

**Statement of Net Position
December 31, 2023
Including the Component Unit Information
As of June 30, 2023**

	Primary Government Governmental Activities	Component Unit Housing and Redevelopment Authority
<u>Liabilities</u>		
Accounts payable	\$ 1,490,134	\$ 1,863
Salaries payable	795,223	-
Accrued payroll taxes	51,720	-
Accrued interest payable	252,061	-
Other accrued expenses	98,781	34,571
Contracts payable	94,517	-
Retainage payable	369,903	-
Due to other governments	2,501,860	-
Unearned revenue	3,669,481	4,915
Liabilities payable from restricted assets (security deposits)	-	50,178
Long-term liabilities		
Due within one year	4,045,410	259,579
Due in more than one year	16,778,850	1,686,073
Net pension liability	13,340,315	-
Other postemployment benefits liability	1,228,350	-
	\$ 44,716,605	\$ 2,037,179
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 9,110,722	\$ -
Deferred other postemployment benefits inflows	260,716	-
	\$ 9,371,438	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 148,162,719	\$ 166,206
Restricted for		
General government	648,453	-
Public safety	1,208,280	-
Highways and streets	3,487,352	-
Sanitation	4,322,896	-
Conservation of natural resources	2,335,602	-
Economic development	-	12,117
Debt service	3,774,015	-
Unrestricted	46,677,719	585,569
	\$ 210,617,036	\$ 763,892

**McLeod County
Glencoe, Minnesota**

**Statement of Activities
For the Year Ended December 31, 2023
Including the Component Unit Information
For the Year Ended June 30, 2023**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Primary government		
General government	\$ 13,096,985	\$ 1,075,435
Public safety	11,260,860	517,558
Highways and streets	8,295,097	216,993
Sanitation	2,676,749	2,880,794
Human services	12,117,804	808,377
Health	2,600,413	909,491
Culture and recreation	698,010	182,460
Conservation of natural resources	2,513,205	812,462
Economic development	121,522	2,500
Interest	441,638	-
	\$ 53,822,283	\$ 7,406,070
Total Primary Government		
 Component unit		
Housing and Redevelopment Authority	\$ 1,051,786	\$ 601,115

General Revenues

Property taxes
Mortgage registry and deed tax
Local option sales tax
Payments in lieu of tax
Grants and contributions not restricted to specific programs
Investment income
Miscellaneous

Total general revenues

Change in net position

Net Position – Beginning

Net Position – Ending

Exhibit 2

<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>	
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority</u>
\$ 131,827	\$ -	\$ (11,889,723)	
2,234,646	-	(8,508,656)	
6,121,073	-	(1,957,031)	
-	-	204,045	
6,713,944	-	(4,595,483)	
2,701,954	-	1,011,032	
45,891	-	(469,659)	
257,659	-	(1,443,084)	
-	-	(119,022)	
-	-	(441,638)	
<u>\$ 18,206,994</u>	<u>\$ -</u>	<u>\$ (28,209,219)</u>	
<u>\$ 648,554</u>	<u>\$ -</u>		<u>\$ 197,883</u>
		\$ 27,192,135	\$ -
		64,583	-
		3,207,106	-
		102,879	-
		2,060,096	-
		3,506,213	1,970
		188,579	2,007
		<u>\$ 36,321,591</u>	<u>\$ 3,977</u>
		\$ 8,112,372	\$ 201,860
		<u>202,504,664</u>	<u>562,032</u>
		<u>\$ 210,617,036</u>	<u>\$ 763,892</u>

Fund Financial Statements

Governmental Funds

**McLeod County
Glencoe, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2023**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 38,602,435	\$ 19,599,463
Petty cash and change funds	12,590	-
Departmental cash	13,223	-
Taxes receivable		
Delinquent	220,185	56,655
Special assessments receivable		
Delinquent	16,921	-
Noncurrent	752,811	-
Accounts receivable – net	113,325	864
Accrued interest receivable	310,097	-
Due from other governments	409,287	7,155,651
Inventories	-	315,566
Prepaid items	264,645	-
Advances to other funds	2,498,760	-
	\$ 43,214,279	\$ 27,128,199
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 933,228	\$ 139,834
Salaries payable	485,383	69,141
Accrued payroll taxes	29,729	4,926
Accrued interest payable	-	-
Other accrued expenses	76,564	4,814
Contracts payable	94,517	-
Retainage payable	145,745	224,158
Due to other governments	425,181	1,677,994
Unearned revenue	3,460,970	208,511
Advances from other funds	-	-
	\$ 5,651,317	\$ 2,329,378
Deferred Inflows of Resources		
Unavailable revenue	\$ 1,052,236	\$ 6,432,665

Exhibit 3

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total Governmental Funds</u>
\$ 9,720,788	\$ 4,336,777	\$ 1,829,705	\$ 3,982,837	\$ 78,072,005
-	225	-	-	12,815
-	10,951	-	-	24,174
81,498	-	-	22,198	380,536
-	-	7,356	-	24,277
-	-	2,454,386	-	3,207,197
147,789	109,667	151	-	371,796
-	-	-	-	310,097
1,073,589	3,811	741,562	-	9,383,900
-	-	-	-	315,566
-	-	-	-	264,645
-	-	-	-	2,498,760
<u>\$ 11,023,664</u>	<u>\$ 4,461,431</u>	<u>\$ 5,033,160</u>	<u>\$ 4,005,035</u>	<u>\$ 94,865,768</u>
\$ 267,895	\$ 111,358	\$ 37,819	\$ -	\$ 1,490,134
235,001	5,698	-	-	795,223
16,655	410	-	-	51,720
-	-	21,041	-	21,041
16,976	427	-	-	98,781
-	-	-	-	94,517
-	-	-	-	369,903
139,935	20,642	238,108	-	2,501,860
-	-	-	-	3,669,481
-	-	2,498,760	-	2,498,760
<u>\$ 676,462</u>	<u>\$ 138,535</u>	<u>\$ 2,795,728</u>	<u>\$ -</u>	<u>\$ 11,591,420</u>
<u>\$ 258,918</u>	<u>\$ -</u>	<u>\$ 3,203,304</u>	<u>\$ 22,198</u>	<u>\$ 10,969,321</u>

**McLeod County
Glencoe, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2023**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 315,566
Prepaid items	264,645	-
Advances to other funds	2,498,760	-
Restricted for		
E-911	531,989	-
Law library	254,732	-
Recorder's equipment purchases	200,335	-
Law enforcement	672,521	-
Land records technology	49,306	-
Drug enforcement	3,770	-
Conservation	432,192	-
Debt service	-	-
Recorder's compliance	142,580	-
Highways and streets	-	1,857,340
Solid waste abatement	-	-
Aquatic invasive species	431,039	-
Escrow	1,500	-
Ditch maintenance and repair	-	-
Committed		
Transportation projects and improvements	-	10,175,245
Assigned for		
Capital projects	2,137,835	-
4H after-school program	8,911	-
Aerial photos	14,084	-
Veterans van	23,220	-
New canine	11,396	-
ARMER radio enhancements	82,774	-
Law enforcement	298,341	-
Court services	94,695	-
License center equipment	73,795	-
Contracted projects	443,952	-
Highways and streets	-	6,018,005
Human services	-	-
Unassigned	27,838,354	-
Total Fund Balances	\$ 36,510,726	\$ 18,366,156
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 43,214,279	\$ 27,128,199

Exhibit 3
(Continued)

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 315,566
-	-	-	-	264,645
-	-	-	-	2,498,760
-	-	-	-	531,989
-	-	-	-	254,732
-	-	-	-	200,335
-	-	-	-	672,521
-	-	-	-	49,306
-	-	-	-	3,770
-	-	-	-	432,192
-	-	-	3,982,837	3,982,837
-	-	-	-	142,580
-	-	-	-	1,857,340
-	4,322,896	-	-	4,322,896
-	-	-	-	431,039
-	-	-	-	1,500
-	-	1,441,893	-	1,441,893
-	-	-	-	10,175,245
-	-	-	-	2,137,835
-	-	-	-	8,911
-	-	-	-	14,084
-	-	-	-	23,220
-	-	-	-	11,396
-	-	-	-	82,774
-	-	-	-	298,341
-	-	-	-	94,695
-	-	-	-	73,795
-	-	-	-	443,952
-	-	-	-	6,018,005
10,088,284	-	-	-	10,088,284
-	-	(2,407,765)	-	25,430,589
<u>\$ 10,088,284</u>	<u>\$ 4,322,896</u>	<u>\$ (965,872)</u>	<u>\$ 3,982,837</u>	<u>\$ 72,305,027</u>
<u>\$ 11,023,664</u>	<u>\$ 4,461,431</u>	<u>\$ 5,033,160</u>	<u>\$ 4,005,035</u>	<u>\$ 94,865,768</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, 2023**

Fund balance – total governmental funds (Exhibit 3)	\$	72,305,027
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.		164,227,391
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.		10,969,321
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	\$ (231,020)	
General obligation bonds	(17,085,000)	
Unamortized premium on bonds	(439,672)	
Loans payable	(1,830,768)	
Compensated absences	(1,468,820)	
Net pension liability	(13,340,315)	
Other postemployment benefits liability	<u>(1,228,350)</u>	(35,623,945)
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	\$ 95,589	
Deferred other postemployment benefits inflows	<u>(260,716)</u>	(165,127)
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	\$ 8,015,091	
Deferred pension inflows	<u>(9,110,722)</u>	<u>(1,095,631)</u>
Net Position of Governmental Activities (Exhibit 1)		<u>\$ 210,617,036</u>

**McLeod County
Glencoe, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023**

	General	Road and Bridge
Revenues		
Taxes	\$ 16,402,532	\$ 7,014,806
Special assessments	171,163	-
Licenses and permits	115,111	14,449
Intergovernmental	7,293,703	4,622,866
Charges for services	2,214,380	121,502
Fines and forfeits	82,090	-
Gifts and contributions	19,179	-
Investment earnings	3,457,474	-
Miscellaneous	721,116	4,225
	\$ 30,476,748	\$ 11,777,848
Expenditures		
Current		
General government	\$ 12,337,652	\$ -
Public safety	8,978,132	-
Highways and streets	-	8,328,069
Sanitation	-	-
Human services	-	-
Health	2,632,465	-
Culture and recreation	478,556	-
Conservation of natural resources	1,025,060	-
Economic development	121,486	-
Intergovernmental		
Highways and streets	-	317,132
Culture and recreation	208,247	-
Debt service		
Principal	194,733	1,075,000
Interest	11,328	142,375
Administrative charge	-	-
	\$ 25,987,659	\$ 9,862,576
Excess of Revenues Over (Under) Expenditures	\$ 4,489,089	\$ 1,915,272
Other Financing Sources (Uses)		
Transfers in	\$ 650,000	\$ -
Transfers out	-	-
Loans issued	58,770	-
Proceeds from the sale of capital assets	28,755	18,639
	\$ 737,525	\$ 18,639
Net Change in Fund Balance	\$ 5,226,614	\$ 1,933,911
Fund Balance – January 1	31,284,112	16,524,902
Increase (decrease) in inventories	-	(92,657)
Fund Balance – December 31	\$ 36,510,726	\$ 18,366,156

Exhibit 5

<u>Human Services</u>	<u>Solid Waste</u>	<u>Ditch</u>	<u>Nonmajor Fund Debt Service</u>	<u>Total Governmental Funds</u>
\$ 5,590,972	\$ -	\$ -	\$ 1,431,940	\$ 30,440,250
-	-	1,197,937	-	1,369,100
-	8,590	-	-	138,150
6,629,152	108,299	-	18,026	18,672,046
551,680	2,751,061	-	-	5,638,623
-	-	-	-	82,090
-	-	-	-	19,179
-	-	48,739	-	3,506,213
317,767	131,199	-	-	1,174,307
\$ 13,089,571	\$ 2,999,149	\$ 1,246,676	\$ 1,449,966	\$ 61,039,958
\$ -	\$ -	\$ -	\$ -	\$ 12,337,652
-	-	-	-	8,978,132
-	-	-	-	8,328,069
-	1,932,346	-	-	1,932,346
12,151,937	-	-	-	12,151,937
-	-	-	-	2,632,465
-	-	-	-	478,556
-	-	1,454,520	-	2,479,580
-	-	-	-	121,486
-	-	-	-	317,132
-	-	-	-	208,247
-	-	259,130	1,465,000	2,993,863
-	-	76,939	431,415	662,057
-	-	-	700	700
\$ 12,151,937	\$ 1,932,346	\$ 1,790,589	\$ 1,897,115	\$ 53,622,222
\$ 937,634	\$ 1,066,803	\$ (543,913)	\$ (447,149)	\$ 7,417,736
\$ -	\$ -	\$ -	\$ 511,663	\$ 1,161,663
(650,000)	(511,663)	-	-	(1,161,663)
-	-	-	-	58,770
-	200,000	-	-	247,394
\$ (650,000)	\$ (311,663)	\$ -	\$ 511,663	\$ 306,164
\$ 287,634	\$ 755,140	\$ (543,913)	\$ 64,514	\$ 7,723,900
9,800,650	3,567,756	(421,959)	3,918,323	64,673,784
-	-	-	-	(92,657)
\$ 10,088,284	\$ 4,322,896	\$ (965,872)	\$ 3,982,837	\$ 72,305,027

**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, 2023**

Net change in fund balance – total governmental funds (Exhibit 5) **\$ 7,723,900**

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	\$ 10,969,321	
Unavailable revenue – January 1	(9,535,939)	1,433,382

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	\$ 6,456,620	
Net book value of disposed assets	(2,168,611)	
Current year depreciation	(7,459,824)	(3,171,815)

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.

Loans issued	\$ (58,770)	
Principal repayments – general obligation bonds	2,710,000	
Principal repayments – AgBMP loans	89,130	
Principal repayments – Minnesota Pollution Control Agency loans	194,733	2,935,093

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	\$ 181,387	
Change in accrued interest payable	39,732	
Change in compensated absences	(7,192)	
Change in other postemployment benefits liability	(85,415)	
Change in net pension liability	10,584,162	
Change in deferred pension outflows	(2,868,802)	
Change in deferred pension inflows	(8,651,997)	
Change in deferred other postemployment benefits outflows	10,085	
Change in deferred other postemployment benefits inflows	82,509	
Change in inventories	(92,657)	(808,188)

Change in Net Position of Governmental Activities (Exhibit 2) **\$ 8,112,372**

Fiduciary Funds

**McLeod County
Glencoe, Minnesota**

Exhibit 7

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 32,295	\$ 1,177,020
Departmental cash	-	13,893
Taxes receivable for other governments	-	452,425
Accounts receivable	-	1,114
Due from other governments	-	76
	\$ 32,295	\$ 1,644,528
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 42,731
Salaries payable	-	11,647
Accrued expenses	-	1,712
Due to other governments	-	382,825
	\$ -	\$ 438,915
<u>Net Position</u>		
Restricted for Individuals, organizations, and other governments	\$ 32,295	\$ 1,205,613

**McLeod County
Glencoe, Minnesota**

Exhibit 8

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions		
Individuals	\$ 202,865	\$ 110,294
Other governments	-	893,207
Property tax collections	-	40,549,168
Licenses and fees collected	-	347,051
Investment earnings	112	82
Miscellaneous	-	5,016
	\$ 202,977	\$ 41,904,818
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 200,104	\$ -
Payments for personnel and benefits	-	379,207
Payments of property tax to other entities	-	41,989,276
Payments to individuals and other entities	-	140,640
Administrative expense	-	311,031
	\$ 200,104	\$ 42,820,154
Change in net position	\$ 2,873	\$ (915,336)
Net Position – January 1	29,422	2,120,949
Net Position – December 31	\$ 32,295	\$ 1,205,613

McLeod County Glencoe, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2023

Note 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, 2023. 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.

Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

Joint Ventures and Jointly-Governed Organizations

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

Basic Financial Statements

Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the 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

McLeod County

Glencoe, Minnesota

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. The County does not allocate indirect expenses to functions within the financial statements.

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.

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.

McLeod County

Glencoe, Minnesota

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.

Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund 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 leases are reported as other financing sources.

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.

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Finance Office for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2023. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value (NAV). 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 2023, the County reported pooled investment earnings of \$3,457,474.

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 NAV per share provided by the pool.

McLeod County Glencoe, Minnesota

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).

Advances between funds, as reported in the fund financial statements, are offset by nonspendable fund balance when recorded in the General Fund 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 2017 to 2023 and noncurrent special assessments payable in 2024 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments. No provision has been made for an estimated uncollectible amount because such amount is not expected to be material.

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 and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

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

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

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

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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

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.

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.

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.

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Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until that time. 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 net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The County has three such items that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes and special assessments receivable, grants receivable, and other 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 becomes 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.

Unearned Revenue

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

Classification of Net Position

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

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

Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

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

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

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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.

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.

Minimum Fund Balance

The County has adopted a minimum fund balance policy for all major governmental funds in order to meet the purpose of ensuring long-term economic stability of McLeod County by maintaining an adequate level of financial resources to fund operations and allow for unanticipated expenditures and/or revenue shortfalls. The County Board approved maintaining a minimum level of unrestricted fund balance (committed, assigned, and unassigned) of 35 to 50 percent of operating revenues, or no less than five months of operating expenditures. The fund balance policy was adopted by the County Board on June 24, 2008.

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.

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Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a negative fund balance of \$965,872 as of December 31, 2023, and 21 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:

Summary of Ditch Systems	
42 ditches with positive fund balances	\$ 1,441,893
21 ditches with deficit fund balances	<u>(2,407,765)</u>
Total	<u>\$ (965,872)</u>

Note 3 – Detailed Notes

Assets

Deposits and Investments

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

Reconciliation of the County’s Total Deposits and Investments to the Basic Financial Statements as of December 31, 2023	
Governmental funds	
Cash and pooled investments	\$ 78,072,005
Petty cash and change funds	12,815
Departmental cash	24,174
Social Welfare Private-Purpose Trust Fund	
Cash and pooled investments	32,295
Custodial funds	
Cash and pooled investments	1,177,020
Departmental cash	<u>13,893</u>
Total Cash and Investments	<u>\$ 79,332,202</u>
Deposits	
Petty cash and change funds	\$ 12,815
Departmental cash	38,067
Investments	<u>23,695,951</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 79,332,202</u>

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

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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.

[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, 2023, McLeod County's deposits were not exposed to custodial credit risk.

[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) time deposits fully insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (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.

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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, 2023, the County's investments were not exposed to custodial credit risk.

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.

Fair Value Measurement

The following table presents the County's investment balances at December 31, 2023:

Cash and Investment Information as of December 31, 2023

	Carrying (Fair) Value
MAGIC Portfolio	\$ 13,695,951
MAGIC Term Series	10,000,000

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

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet the 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.

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

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Receivables

Receivables as of December 31, 2023, are as follows:

Governmental Activities' Receivables as of December 31, 2023

	Governmental Activities	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 380,536	\$ -
Special assessments	3,231,474	3,207,197
Accounts – net	371,796	-
Accrued interest	310,097	-
Due from other governments	9,383,900	-
Total Governmental Activities	<u>\$ 13,677,803</u>	<u>\$ 3,207,197</u>

The accounts receivable amount reflects an allowance of uncollectible accounts of \$399,954.

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Capital Assets

Capital asset activity for the year ended December 31, 2023, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,709,401	\$ -	\$ -	\$ 3,709,401
Construction in progress	-	2,616,944	-	2,616,944
Infrastructure – right-of-way	4,437,032	125,479	-	4,562,511
Total capital assets not depreciated	\$ 8,146,433	\$ 2,742,423	\$ -	\$ 10,888,856
Capital assets depreciated				
Buildings	\$ 44,392,813	\$ 1,860,835	\$ 2,125,619	\$ 44,128,029
Machinery, furniture, and equipment	21,270,277	891,948	3,776,832	18,385,393
Improvements other than buildings	1,439,456	-	40,166	1,399,290
Infrastructure	193,189,705	961,414	-	194,151,119
Total capital assets depreciated	\$ 260,292,251	\$ 3,714,197	\$ 5,942,617	\$ 258,063,831
Less: accumulated depreciation for				
Buildings	\$ 17,004,247	\$ 1,477,429	\$ 1,417,079	\$ 17,064,597
Machinery, furniture, and equipment	17,364,534	2,107,178	2,316,761	17,154,951
Improvements other than buildings	1,197,299	69,278	40,166	1,226,411
Infrastructure	65,473,398	3,805,939	-	69,279,337
Total accumulated depreciation	\$ 101,039,478	\$ 7,459,824	\$ 3,774,006	\$ 104,725,296
Total capital assets depreciated, net	\$ 159,252,773	\$ (3,745,627)	\$ 2,168,611	\$ 153,338,535
Governmental Activities Capital Assets, Net	\$ 167,399,206	\$ (1,003,204)	\$ 2,168,611	\$ 164,227,391

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

Depreciation Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 1,551,571
Public safety	822,185
Highways and streets, including depreciation of infrastructure assets	4,587,067
Sanitation	404,647
Human services	39,185
Health	420
Culture and recreation	33,910
Conservation of natural resources	20,839
Total Depreciation Expense – Governmental Activities	\$ 7,459,824

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Interfund Receivables, Payables, and Transfers

Advances From/To Other Funds

The composition of interfund balances as of December 31, 2023, is as follows:

Interfund Balances as of December 31, 2023		
Receivable Fund	Payable Fund	Amount
General	Ditch	\$ 2,498,760

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2023, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2023

Transfer to General Fund from Human Services Special Revenue Fund	\$	650,000	Funds for command vehicle
Transfer to Debt Service Fund from Solid Waste Special Revenue Fund		511,663	Debt repayment
Total Interfund Transfers	\$	1,161,663	

Liabilities and Deferred Inflows of Resources

Payables

Payables as of December 31, 2023, were as follows:

Accounts Payable Balances as of December 31, 2023

		Governmental Activities
Accounts	\$	1,490,134
Salaries		795,223
Accrued payroll taxes		51,720
Accrued interest		252,061
Other accrued expenses		98,781
Contracts		94,517
Retainage		369,903
Due to other governments		2,501,860
Total Payables	\$	5,654,199

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Construction Commitments

The County has active construction projects as of December 31, 2023. The projects include the following:

Active Construction Commitments as of December 31, 2023

	Spent-to-Date		Remaining Commitment
Fairgrounds Drainage	\$ 448,103	\$	46,595
Apex Baler	165,030		385,070
Jail Floor	16,420		16,420
Courthouse VAV	9,500		28,040
CSAH 5	711,410		1,415,418
CSAH 9	-		218,716
Total	\$ 1,350,463	\$	2,110,259

Deferred Inflows of Resources – Unavailable Revenue

Deferred inflows of resources consist 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, 2023, are summarized by fund:

Deferred Inflows of Resources by Fund as of December 31, 2023

	Special Assessments	Taxes	Grants	Other	Total
Major funds					
General	\$ 769,732	\$ 220,185	\$ 60,199	\$ 2,120	\$ 1,052,236
Road and Bridge	-	56,655	6,294,968	81,042	6,432,665
Human Services	-	81,498	177,420	-	258,918
Ditch	2,606,419	-	596,885	-	3,203,304
Nonmajor fund					
Debt Service	-	22,198	-	-	22,198
Total	\$ 3,376,151	\$ 380,536	\$ 7,129,472	\$ 83,162	\$ 10,969,321

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Long-Term Debt

Bonds and Loans Payable as of December 31, 2023

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
2014 General Obligation Bonds	2025	\$900,000- \$1,055,000	2.000- 2.125	\$ 9,785,000	\$ 1,780,000
2016 General Obligation Drainage Bonds	2032	\$150,000- \$175,000	1.000- 2.000	2,490,000	1,460,000
2018 General Obligation Bonds	2039	\$405,000- \$655,000	2.750- 3.650	10,000,000	8,350,000
2019 General Obligation Bonds	2035	\$315,000- \$1,405,000	2.000- 5.000	9,040,000	5,495,000
Agricultural Best Management Practices (AgBMP) loans	2034	N/A	0.000	1,027,711	688,809
Minnesota Pollution Control Agency (MnPCA) loans	2033	N/A	0.000- 2.000	2,286,537	1,141,959
Total					<u>\$ 18,915,768</u>

In 2009, the County entered into a loan agreement with the MnPCA 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, 2023, was \$327,589; accumulated interest is \$15,476. Principal payments of \$37,460 were made in 2023.

In 2011, the County entered into a loan agreement with the MnPCA 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, 2023, was \$199,494; accumulated interest is \$9,514. Principal payments of \$22,596 were made in 2023.

In 2012, the County entered into a loan agreement with the MnPCA 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, 2023, was \$300,000; accumulated interest is \$13,536. Principal payments of \$32,250 were made in 2023.

In 2013, the County entered into a loan agreement with the MnPCA 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, 2023, was \$40,070; accumulated interest is \$871. Principal payments of \$4,128 were made in 2023.

In 2015, the County entered into a loan agreement with the MnPCA 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, 2023, was \$349,421; accumulated interest is \$4,112. Principal payments of \$36,018 were made in 2023.

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In 2016, the County entered into a loan agreement with the MnPCA 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, 2023, was \$287,926; accumulated interest is \$8,330. Principal payments of \$28,710 were made in 2023.

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 2021 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 began in 2021 with scheduled repayments ranging from \$315,000 to \$1,405,000, and interest rates ranging from 2.000 percent to 5.000 percent. Final repayment is scheduled for 2035.

In 2019, the County entered into a loan agreement with the MnPCA 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, 2023, was \$730,198. Principal payments of \$33,571 were made in 2023.

In 2019, 2021, 2022 and 2023, the County entered into loan agreements with the Minnesota Department of Agriculture for the AgBMP 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 \$22,966 to \$84,146. Final repayment is scheduled for 2034.

Debt Service Requirements

Debt service requirements at December 31, 2023, were as follows:

Debt Service Requirements as of December 31, 2023					
Year Ending December 31	General Obligation Bonds (2014)		General Obligation Drainage Bonds (2016)		
	Principal	Interest	Principal	Interest	
2024	\$ 880,000	\$ 28,475	\$ 170,000	\$ 26,180	
2025	900,000	9,563	170,000	23,460	
2026	-	-	170,000	20,740	
2027	-	-	165,000	18,020	
2028	-	-	165,000	15,050	
2029-2032	-	-	620,000	30,380	
Total	<u>\$ 1,780,000</u>	<u>\$ 38,038</u>	<u>\$ 1,460,000</u>	<u>\$ 133,830</u>	

McLeod County Glencoe, Minnesota

Debt Service Requirements as of December 31, 2023

Year Ending December 31	General Obligation Bonds (2018)		General Obligation Bonds (2019)	
	Principal	Interest	Principal	Interest
2024	\$ 430,000	\$ 270,090	\$ 1,320,000	\$ 180,550
2025	430,000	258,265	1,405,000	112,425
2026	440,000	246,303	230,000	71,550
2027	450,000	234,065	245,000	59,675
2028	465,000	221,484	255,000	47,175
2029-2033	2,525,000	872,088	1,420,000	134,500
2034-2038	2,955,000	396,116	620,000	12,500
2039	655,000	11,954	-	-
Total	\$ 8,350,000	\$ 2,510,365	\$ 5,495,000	\$ 618,375

Debt Service Requirements as of December 31, 2023

Year Ending December 31	AgBMP Loans	
	Principal	Interest
2024	\$ 67,801	\$ -
2025	69,291	-
2026	51,211	-
2027	52,761	-
2028	55,905	-
2029-2033	346,347	-
2034	45,493	-
Total	\$ 688,809	\$ -

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Buffalo Creek Watershed Septic System Loans (2011)		Crow River Watershed Septic System Loans (2012)	
	Principal	Interest	Principal	Interest
2024	\$ 11,467	\$ 115	\$ 32,899	\$ 1,850
2025	-	-	33,561	1,189
2026	-	-	34,235	514
Total	\$ 11,467	\$ 115	\$ 100,695	\$ 3,553

Debt Service Requirements as of December 31, 2023

Year Ending December 31	High Island Creek Watershed Septic System Loans (2013)		Crow River Basin Septic System Loans (2015)	
	Principal	Interest	Principal	Interest
2024	\$ 4,211	\$ 326	\$ 36,742	\$ 2,440
2025	4,296	242	37,481	1,702
2026	4,383	155	38,234	948
2027	4,470	67	18,692	187
Total	\$ 17,360	\$ 790	\$ 131,149	\$ 5,277

McLeod County Glencoe, Minnesota

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Crow River Basin Septic System Loans (2016)		SSTS Restoration Clean Water Project System Loans (2019)	
	Principal	Interest	Principal	Interest
2024	\$ 29,287	\$ 3,548	\$ 67,143	\$ -
2025	29,875	2,959	67,143	-
2026	30,475	2,358	67,143	-
2027	31,089	1,746	67,143	-
2028	31,714	1,121	67,143	-
2029-2033	32,221	484	360,912	-
Total	\$ 184,661	\$ 12,216	\$ 696,627	\$ -

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Total	
	Principal	Interest
2024	\$ 3,049,550	\$ 513,574
2025	3,146,647	409,805
2026	1,065,681	342,568
2027	1,034,155	313,760
2028	1,039,762	284,830
2029-2033	5,304,480	1,037,452
2034-2038	3,620,493	408,616
2039	655,000	11,954
Total	\$ 18,915,768	\$ 3,322,559

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2023, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MnPCA loans	\$ 1,277,922	\$ 58,770	\$ 194,733	\$ 1,141,959	\$ 181,749
AgBMP loans	777,939	-	89,130	688,809	67,801
General obligation bonds	19,795,000	-	2,710,000	17,085,000	2,800,000
Bond premiums	621,059	-	181,387	439,672	-
Compensated absences	1,461,628	1,122,687	1,115,495	1,468,820	995,860
Long-Term Liabilities	\$ 23,933,548	\$ 1,181,457	\$ 4,290,745	\$ 20,824,260	\$ 4,045,410

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.

McLeod County Glencoe, Minnesota

Other Postemployment Benefits (OPEB)

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.

The following employees were covered by the benefit terms as of January 1, 2023:

Employees Covered by the OPEB Benefit Terms as of the January 1, 2023, Actuarial Valuation

Inactive employees or beneficiaries currently receiving benefit payments	7
Active plan participants	<u>284</u>
Total	<u>291</u>

Total OPEB Liability

The County's total OPEB liability of \$1,228,350 was measured as of January 1, 2023, and was determined by an actuarial valuation as of January 1, 2023. 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, 2023, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

OPEB Actuarial Assumptions and Other Inputs

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.00 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 for public safety) to 3.00 percent for 27 or more years of service
Health care cost trend	6.25 percent as of January 1, 2023, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which did not change from the prior year rate. 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-2021 Generational Improvement Scale.

McLeod County Glencoe, Minnesota

The actuarial assumptions are currently based on historical information.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2023

	Total OPEB Liability
Balance at December 31, 2022	\$ 1,142,935
Changes for the year	
Service cost	\$ 106,158
Interest	24,531
Benefit payments	(45,274)
Net change	\$ 85,415
Balance at December 31, 2023	\$ 1,228,350

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:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 1,320,836
Current	2.00%	1,228,350
1% Increase	3.00%	1,140,846

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:

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2023

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	\$ 1,084,961
Current	6.25% Decreasing to 5.00%	1,228,350
1% Increase	7.25% Decreasing to 6.00%	1,398,789

McLeod County Glencoe, Minnesota

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

For the year ended December 31, 2023, the County recognized OPEB expense of \$56,227. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 32,183	\$ 108,182
Differences between expected and actual economic experience	-	152,534
Employer contributions paid subsequent to the measurement date	63,406	-
Total	\$ 95,589	\$ 260,716

The \$63,406 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2023

Year Ended December 31	OPEB Expense Amount
2024	\$ (74,462)
2025	(74,458)
2026	(67,980)
2027	(1,799)
2028	(9,834)
Thereafter	-

Pension Plans

Defined Benefit Pension Plans

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

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 the 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, 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.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the 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.

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. 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.

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 June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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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.

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. Rates did not change from 2022.

Member and Employer Required Contribution Rates

	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	5.83%	8.75%

Employer Contributions for the Year Ended December 31, 2023

General Employees Plan	\$	1,111,258
Police and Fire Plan		418,715
Correctional Plan		120,431

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

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[Pension Costs](#)

General Employees Plan

At December 31, 2023, the County reported a liability of \$10,121,317 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.1810 percent. It was 0.1867 percent measured as of June 30, 2022. The County recognized pension expense of \$1,167,899 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional \$1,254 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

**General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2023**

The County's proportionate share of the net pension liability	\$	10,121,317
State of Minnesota's proportionate share of the net pension liability associated with the County		279,025
Total	\$	10,400,342

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:

**General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 334,902	\$ 72,690
Changes in actuarial assumptions	1,707,482	2,774,167
Difference between projected and actual investment earnings	-	410,935
Changes in proportion	110,916	381,285
Contributions paid to PERA subsequent to the measurement date	561,587	-
Total	\$ 2,714,887	\$ 3,639,077

The \$561,587 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, 2024. 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

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2023

Year Ended December 31	Pension Expense Amount
2024	\$ 255,220
2025	(1,685,707)
2026	164,276
2027	(219,566)

Police and Fire Plan

At December 31, 2023, the County reported a liability of \$2,965,036 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.1717 percent. It was 0.1665 percent measured as of June 30, 2022. The County recognized pension expense of \$877,590 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2023. The contribution consisted of \$9 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 requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional \$7,193 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2023

The County's proportionate share of the net pension liability	\$ 2,965,036
State of Minnesota's proportionate share of the net pension liability associated with the County	119,423
	119,423
Total	\$ 3,084,459

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 \$15,453 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.

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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:

**Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 800,160	\$ -
Changes in actuarial assumptions	3,274,537	4,167,364
Difference between projected and actual investment earnings	-	80,277
Changes in proportion	237,352	15,278
Contributions paid to PERA subsequent to the measurement date	223,813	-
Total	\$ 4,535,862	\$ 4,262,919

The \$223,813 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 152,190
2025	61,854
2026	700,506
2027	(167,490)
2028	(697,930)

Correctional Plan

At December 31, 2023, the County reported a liability of \$253,962 for its proportionate share of the Correctional Plan’s net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA’s participating employers. At June 30, 2023, the County’s proportion was 0.5618 percent. It was 0.5693 percent measured as of June 30, 2022. The County recognized pension expense of \$209,892 for its proportionate share of the Correctional Plan’s pension expense.

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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:

**Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 97,815	\$ 22,247
Changes in actuarial assumptions	600,190	1,158,606
Difference between projected and actual investment earnings	-	9,243
Changes in proportion	3,195	18,630
Contributions paid to PERA subsequent to the measurement date	63,142	-
Total	\$ 764,342	\$ 1,208,726

The \$63,142 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, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ (1,528)
2025	(604,421)
2026	125,224
2027	(26,801)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was \$2,255,381.

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Actuarial Assumptions

The total pension liability in the June 30, 2023, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2023

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee 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, 2023, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2023. This was an increase from the 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the

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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.

[Changes in Actuarial Assumptions and Plan Provisions](#)

The following changes in actuarial assumptions occurred in 2023:

[General Employees Plan](#)

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

[Police and Fire Plan](#)

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount range changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

[Correctional Plan](#)

- The investment return rate was changed from 6.50 percent to 7.00 percent.

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- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan’s funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

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.

Sensitivity of the Employer’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2023

	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 (Asset)
1% Decrease	6.00%	\$ 17,905,423	6.00%	\$ 5,882,985	6.00%	\$ 1,338,663
Current	7.00%	10,121,317	7.00%	2,965,036	7.00%	253,962
1% Increase	8.00%	3,718,594	8.00%	566,091	8.00%	(611,491)

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.

Defined Contribution Plan

Five elected officials 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.

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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 five 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 two 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 the Employer For the Year Ended December 31, 2023

	Employee	Employer
Contribution amount	\$ 11,555	\$ 11,555
Percentage of covered payroll	5.00%	5.00%

Note 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.

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 2023 and 2024. 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.

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Note 5 – Summary of Significant Contingencies and Other Items

Secondary Liability for Bonds

The Essential Function Housing Development Revenue Bond of 2021 was issued by the HRA for \$2,139,000. McLeod County is secondarily liable for up to \$75,000 in the aggregate.

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.

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, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; Southwest Health and Human Services, representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties; and Des Moines Valley Health and Human Services (DVHHS) representing Cottonwood and Jackson Counties. The Board is headquartered in Windom, Minnesota, where DVHHS acts as 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, PO Box 9, 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.

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Current financial statements are available from the Meeker-McLeod-Sibley Community Health Board, 114 North Holcombe Avenue, #250, Litchfield, Minnesota 55355.

[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 Departments. The Drug Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the three-county area.

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

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

[PrimeWest Health](#)

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

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.

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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 2023.

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

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth county partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. McLeod County has no operational or financial control over PACT. In 2023, McLeod County contributed \$55,157 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 Transit Board

McLeod County entered into a joint powers agreement with Sibley County, creating and operating the Trailblazer Transit 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, and two members appointed by both Sibley and Wright Counties from each Board of County Commissioners.

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

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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 2023, McLeod County did not make any contributions.

Current financial statements can be obtained with a one-day notice from the administrative office at Trailblazer Transit, Gary Ludwig, Director, 207 West 11th Street, 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 2023, McLeod County contributed \$35,819 to the Partnership.

Renville County acts as fiscal agent for the Supporting Hands Nurse Family Partnership Board. A complete financial report can be obtained from Renville County at Renville County Public Health, Renville County Government Services Center, 105 South 5th Street, Suite 119H, 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 the 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 Local Workforce Development Area 5.

CMJTS's mission is to strengthen Central Minnesota communities through leadership in workforce excellence.

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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.

Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the 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 incurred \$191,293 in expenditures related to the MCCC.

Minnesota Rural Counties

Minnesota Rural Counties was established in 1997 and includes Aitkin, Becker, Big Stone, Clay, Cottonwood, Douglas, Grant, Kittson, Koochiching, Lake of the Woods, Mahnommen, 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 is vested in the Minnesota Rural Counties 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. McLeod County's responsibility does not extend beyond making these appointments.

South Central Minnesota Emergency Communications Board

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

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

Blue Earth County acts as the fiscal agent for the Board. During 2023, McLeod County did not contribute to the Board. Financial information can be obtained by mailing Commissioner Kip Bruender at PO Box 8608, Mankato, Minnesota 56002-8608.

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.

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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 development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within a city. During 2023, there were 15 pay-as-you-go notes within the County. The tax increment collections during 2023 associated with these notes totaled \$805,676. McLeod County's portion of the captured tax capacity and related property taxes was approximately 30 percent, which is \$241,703.

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

Summary of Significant Accounting Policies

The McLeod County 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.

Estimated Useful Lives	
Assets	Years
Buildings	30-40
Site improvements	15-20
Equipment	6-12

McLeod County Glencoe, Minnesota

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.

Cash and Investments

The HRA's cash and investments at June 30, 2023, are summarized as follows:

Cash and Investments	
Cash on deposit	
Restricted	\$ 26,859
Unrestricted	532,458
Total cash on deposit	<u>\$ 559,317</u>
Certificates of deposit, due within one year	
Restricted	\$ 35,436
Unrestricted	74,428
Total certificates of deposit	<u>\$ 109,864</u>
Total Cash and Investments	<u>\$ 669,181</u>

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 \$669,181 as of June 30, 2023. The bank balance was \$675,683 as of June 30, 2023, which was covered by qualified collateral.

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;

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- 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;
- 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.

Capital Assets

The following is a summary of capital assets transactions:

Capital Assets					
	Beginning Balance	Additions	Disposals	Ending Balance	
Land	\$ 197,000	\$ -	\$ -	\$ 197,000	
Site improvements	277,908	-	-	277,908	
Buildings	4,351,104	-	-	4,351,104	
Total	\$ 4,826,012	\$ -	\$ -	\$ 4,826,012	
Less: Accumulated depreciation	2,589,593	124,561	-	2,714,154	
Total	\$ 2,236,419	\$ (124,561)	\$ -	\$ 2,111,858	

Long-Term Debt Payable

The following is a summary of long-term debt transactions for the year ended June 30, 2023:

Debt Payable					
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Essential Function Housing Development Bond of 2021	\$ 2,139,000	\$ -	\$ 195,000	\$ 1,944,000	\$ 259,000
Promissory note payable	8,685	-	8,685	-	-
Assessments payable	2,410	-	758	1,652	579
Total	\$ 2,150,095	\$ -	\$ 204,443	\$ 1,945,652	\$ 259,579

The Essential Function Housing Development Revenue Bond of 2021 matures on September 1, 2034. The bond bears a weighted-average interest rate each year through the life of the loan. Principal and interest are payable semi-annually. The bond is secured by all real and personal property as well as by all revenues of the housing

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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. This note was paid in full on May 22, 2023.

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, 2023, are as follows:

Debt Service Requirements				
Year Ending December 31	Principal	Interest	Total	
2024	\$ 259,579	\$ 20,642	\$	280,221
2025	261,623	18,999		280,662
2026	263,450	16,855		280,305
2027	265,000	14,336		279,336
2028	268,000	11,377		279,377
2029-2033	507,000	26,225		533,225
2034-2035	121,000	2,118		123,118
Total	<u>\$ 1,945,652</u>	<u>\$ 110,552</u>	<u>\$</u>	<u>2,056,204</u>

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.

Subsequent Events

The HRA approved a contract with Bill's Plumbing and Heating in the amount of \$426,531 to replace furnaces in all of the market-rate townhomes. In addition, the HRA received insurance proceeds to repair and/or replace siding and roofs on all market-rate townhomes in Brownton.

Required Supplementary Information

**McLeod County
Glencoe, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 16,585,179	\$ 16,585,179	\$ 16,402,532	\$ (182,647)
Special assessments	172,490	172,490	171,163	(1,327)
Licenses and permits	72,900	72,900	115,111	42,211
Intergovernmental	3,977,914	3,977,914	7,293,703	3,315,789
Charges for services	1,827,177	1,827,177	2,214,380	387,203
Fines and forfeits	19,300	19,300	82,090	62,790
Gifts and contributions	5,790	5,790	19,179	13,389
Investment earnings	112,849	112,849	3,457,474	3,344,625
Miscellaneous	900,294	900,294	721,116	(179,178)
Total Revenues	\$ 23,673,893	\$ 23,673,893	\$ 30,476,748	\$ 6,802,855
Expenditures				
Current				
General government				
Commissioners	\$ 326,266	\$ 326,266	\$ 327,874	\$ (1,608)
County-wide	142,849	142,849	1,827,568	(1,684,719)
Courts	350,800	350,800	290,470	60,330
Law library	16,000	16,000	19,609	(3,609)
County administrator	1,219,614	1,219,614	1,179,891	39,723
County auditor-treasurer	744,191	744,191	748,726	(4,535)
County assessor	588,098	588,098	582,229	5,869
Elections	199,676	199,676	158,194	41,482
Data processing	1,843,762	1,843,762	1,644,673	199,089
Central services	208,850	208,850	178,208	30,642
Attorney	1,097,384	1,097,384	1,085,473	11,911
Recorder	592,995	592,995	528,865	64,130
Buildings	1,061,741	1,061,741	1,174,578	(112,837)
County insurance	521,772	521,772	285,084	236,688
Veterans service officer	262,373	262,373	332,012	(69,639)
Fairgrounds	509,438	509,438	508,416	1,022
Safety	9,100	9,100	9,003	97
Armer radio systems	-	-	8,426	(8,426)
Other general government	870,000	870,000	1,448,353	(578,353)
Total general government	\$ 10,564,909	\$ 10,564,909	\$ 12,337,652	\$ (1,772,743)

**McLeod County
Glencoe, Minnesota**

**Exhibit A-1
(Continued)**

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 5,550,040	\$ 5,550,040	\$ 5,879,182	\$ (329,142)
Inmate account	22,063	22,063	29,598	(7,535)
Probation officer	395,537	395,537	438,386	(42,849)
County jail	2,507,342	2,507,342	2,342,950	164,392
Sentencing to Service	100,280	100,280	103,553	(3,273)
Juvenile detention	3,200	3,200	3,597	(397)
Sheriff posse	33,000	33,000	28,295	4,705
Emergency services	148,323	148,323	152,571	(4,248)
Total public safety	\$ 8,759,785	\$ 8,759,785	\$ 8,978,132	\$ (218,347)
Health				
Nursing service	\$ 3,100,252	\$ 3,100,252	\$ 2,632,465	\$ 467,787
Culture and recreation				
Historical society	\$ 85,100	\$ 85,100	\$ 85,100	\$ -
Other	40,390	40,390	39,790	600
Parks	434,697	434,697	287,453	147,244
Snowmobile trail grant	44,640	44,640	66,213	(21,573)
Total culture and recreation	\$ 604,827	\$ 604,827	\$ 478,556	\$ 126,271
Conservation of natural resources				
Soil and water conservation	\$ 82,750	\$ 82,750	\$ 82,750	\$ -
County extension	253,927	253,927	248,512	5,415
Agriculture ditch inspector	-	-	4,000	(4,000)
Environmental services	472,677	472,677	509,902	(37,225)
Other	-	-	58,770	(58,770)
Aquatic invasive species	40,000	40,000	121,126	(81,126)
Total conservation of natural resources	\$ 849,354	\$ 849,354	\$ 1,025,060	\$ (175,706)
Economic development				
Housing and Redevelopment Authority	\$ 100,925	\$ 100,925	\$ 121,486	\$ (20,561)

**McLeod County
Glencoe, Minnesota**

**Exhibit A-1
(Continued)**

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Intergovernmental				
Culture and recreation				
Pioneerland Regional Library	\$ 208,247	\$ 208,247	\$ 208,247	\$ -
Debt service				
Principal	\$ 161,162	\$ 161,162	\$ 194,733	\$ (33,571)
Interest	11,328	11,328	11,328	-
Total debt service	\$ 172,490	\$ 172,490	\$ 206,061	\$ (33,571)
Total Expenditures	\$ 24,360,789	\$ 24,360,789	\$ 25,987,659	\$ (1,626,870)
Excess of Revenues Over (Under)				
Expenditures	\$ (686,896)	\$ (686,896)	\$ 4,489,089	\$ 5,175,985
Other Financing Sources (Uses)				
Transfers in	\$ -	\$ -	\$ 650,000	\$ 650,000
Loan issued	-	-	58,770	58,770
Proceeds from the sale of capital assets	15,000	15,000	28,755	13,755
Total Other Financing Sources (Uses)	\$ 15,000	\$ 15,000	\$ 737,525	\$ 722,525
Net Change in Fund Balance	\$ (671,896)	\$ (671,896)	\$ 5,226,614	\$ 5,898,510
Fund Balance – January 1	31,284,112	31,284,112	31,284,112	-
Fund Balance – December 31	\$ 30,612,216	\$ 30,612,216	\$ 36,510,726	\$ 5,898,510

**McLeod County
Glencoe, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 6,479,259	\$ 6,479,259	\$ 7,014,806	\$ 535,547
Licenses and permits	13,000	13,000	14,449	1,449
Intergovernmental	9,099,551	9,099,551	4,622,866	(4,476,685)
Charges for services	107,000	107,000	121,502	14,502
Miscellaneous	4,000	4,000	4,225	225
Total Revenues	\$ 15,702,810	\$ 15,702,810	\$ 11,777,848	\$ (3,924,962)
Expenditures				
Current				
Highways and streets				
Administration	\$ 985,850	\$ 985,850	\$ 674,855	\$ 310,995
Geographic information systems	222,153	222,153	219,838	2,315
Maintenance	1,992,824	1,992,824	1,679,202	313,622
Engineering/construction	10,902,051	10,902,051	4,994,399	5,907,652
Equipment, maintenance, and shop	1,378,734	1,378,734	759,775	618,959
Total highways and streets	\$ 15,481,612	\$ 15,481,612	\$ 8,328,069	\$ 7,153,543
Intergovernmental				
Highways and streets	\$ 450,000	\$ 450,000	\$ 317,132	\$ 132,868
Debt service				
Principal retirement	\$ 1,075,000	\$ 1,075,000	\$ 1,075,000	\$ -
Interest	142,375	142,375	142,375	-
Total debt service	\$ 1,217,375	\$ 1,217,375	\$ 1,217,375	\$ -
Total Expenditures	\$ 17,148,987	\$ 17,148,987	\$ 9,862,576	\$ 7,286,411
Excess of Revenues Over (Under)				
Expenditures	\$ (1,446,177)	\$ (1,446,177)	\$ 1,915,272	\$ 3,361,449
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	48,500	48,500	18,639	(29,861)
Net Change in Fund Balance	\$ (1,397,677)	\$ (1,397,677)	\$ 1,933,911	\$ 3,331,588
Fund Balance – January 1	16,524,902	16,524,902	16,524,902	-
Increase (decrease) in inventories	-	-	(92,657)	(92,657)
Fund Balance – December 31	\$ 15,127,225	\$ 15,127,225	\$ 18,366,156	\$ 3,238,931

**McLeod County
Glencoe, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 5,693,042	\$ 5,693,042	\$ 5,590,972	\$ (102,070)
Intergovernmental	5,627,516	5,627,516	6,629,152	1,001,636
Charges for services	665,020	665,020	551,680	(113,340)
Miscellaneous	352,365	352,365	317,767	(34,598)
Total Revenues	\$ 12,337,943	\$ 12,337,943	\$ 13,089,571	\$ 751,628
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,136,665	\$ 3,136,665	\$ 3,157,732	\$ (21,067)
Social services	9,924,358	9,924,358	8,994,205	930,153
Transit authority	174,930	174,930	-	174,930
Total Expenditures	\$ 13,235,953	\$ 13,235,953	\$ 12,151,937	\$ 1,084,016
Excess of Revenues Over (Under) Expenditures	\$ (898,010)	\$ (898,010)	\$ 937,634	\$ 1,835,644
Other Financing Sources (Uses)				
Transfers out	-	-	(650,000)	(650,000)
Net Change in Fund Balance	\$ (898,010)	\$ (898,010)	\$ 287,634	\$ 1,185,644
Fund Balance – January 1	9,800,650	9,800,650	9,800,650	-
Fund Balance – December 31	\$ 8,902,640	\$ 8,902,640	\$ 10,088,284	\$ 1,185,644

**McLeod County
Glencoe, Minnesota**

Exhibit A-4

**Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Licenses and permits	\$ 6,800	\$ 6,800	\$ 8,590	\$ 1,790
Intergovernmental	104,000	104,000	108,299	4,299
Charges for services	1,884,300	1,884,300	2,751,061	866,761
Miscellaneous	80,000	80,000	131,199	51,199
Total Revenues	\$ 2,075,100	\$ 2,075,100	\$ 2,999,149	\$ 924,049
Expenditures				
Current				
Sanitation				
Recycling	1,603,180	1,603,180	1,932,346	(329,166)
Excess of Revenues Over (Under) Expenditures	\$ 471,920	\$ 471,920	\$ 1,066,803	\$ 594,883
Other Financing Sources (Uses)				
Transfers out	\$ (511,663)	\$ (511,663)	\$ (511,663)	\$ -
Proceeds from the sale of capital assets	400,000	400,000	200,000	(200,000)
Total Other Financing Sources (Uses)	\$ (111,663)	\$ (111,663)	\$ (311,663)	\$ (200,000)
Net Change in Fund Balance	\$ 360,257	\$ 360,257	\$ 755,140	\$ 394,883
Fund Balance – January 1	3,567,756	3,567,756	3,567,756	-
Fund Balance – December 31	\$ 3,928,013	\$ 3,928,013	\$ 4,322,896	\$ 394,883

**McLeod County
Glencoe, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2023**

	2023	2022
Total OPEB Liability		
Service cost	\$ 106,158	\$ 103,066
Interest	24,531	24,280
Differences between expected and actual experience	-	(53,197)
Changes of assumption or other inputs	-	(15,683)
Benefit payments	(45,274)	(52,687)
Net change in total OPEB liability	\$ 85,415	\$ 5,779
Total OPEB Liability – Beginning	1,142,935	1,137,156
Total OPEB Liability – Ending	\$ 1,228,350	\$ 1,142,935
Covered-employee payroll	\$ 17,994,397	\$ 17,470,288
Total OPEB liability (asset) as a percentage of covered-employee payroll	6.83%	6.54%

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

Exhibit A-5

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
\$ 114,035	\$ 96,242	\$ 106,465	\$ 111,888
31,159	54,154	45,560	42,127
-	(267,261)	-	-
56,324	(196,101)	(45,300)	-
(49,179)	(61,564)	(42,693)	(46,369)
\$ 152,339	\$ (374,530)	\$ 64,032	\$ 107,646
984,817	1,359,347	1,295,315	1,187,669
\$ 1,137,156	\$ 984,817	\$ 1,359,347	\$ 1,295,315
\$ 15,477,416	\$ 14,990,233	\$ 16,067,024	\$ 15,599,052
7.35%	6.57%	8.46%	8.30%

**McLeod County
Glencoe, Minnesota**

Exhibit A-6

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2023**

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
2023	0.1810 %	\$ 10,121,317	\$ 279,025	\$ 10,400,342	\$ 14,345,627	70.55 %	83.10 %
2022	0.1867	14,786,702	433,562	15,220,264	14,106,704	104.82	76.67
2021	0.1887	8,058,335	246,132	8,304,467	13,585,384	59.32	87.00
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, 2023**

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)
2023	\$ 1,111,258	\$ 1,111,258	\$ -	\$ 14,816,778	7.50 %
2022	1,059,371	1,059,371	-	14,124,950	7.50
2021	1,009,573	1,009,573	-	13,460,971	7.50
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, 2023**

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
2023	0.1717 %	\$ 2,965,036	\$ 119,423	\$ 3,084,459	\$ 2,253,408	131.58 %	86.47 %
2022	0.1665	7,245,422	316,568	7,561,990	2,017,791	359.08	70.53
2021	0.1574	1,214,961	54,629	1,269,590	1,938,288	62.68	93.66
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, 2023**

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)
2023	\$ 418,715	\$ 418,715	\$ -	\$ 2,365,624	17.70 %
2022	381,103	381,103	-	2,153,265	17.70
2021	343,971	343,971	-	1,943,341	17.70
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, 2023**

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
2023	0.5618 %	\$ 253,962	\$ 1,317,200	19.28 %	95.94 %
2022	0.5693	1,892,353	1,234,794	153.25	74.58
2021	0.5326	(87,496)	1,177,643	(7.43)	101.61
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, 2023**

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)
2023	\$ 120,431	\$ 120,431	\$ -	\$ 1,376,359	8.75 %
2022	111,971	111,971	-	1,279,663	8.75
2021	104,429	104,429	-	1,193,477	8.75
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, 2023

Note 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 20, 2022, 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.

McLeod County Glencoe, Minnesota

Note 2 – Excess of Expenditures Over Appropriations

The following major funds and departments had expenditures exceeding appropriations for the year ended December 31, 2023:

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Commissioners	\$ 327,874	\$ 326,266	\$ 1,608
County-wide	1,827,568	142,849	1,684,719
Law library	19,609	16,000	3,609
County Auditor-Treasurer	748,726	744,191	4,535
Buildings	1,174,578	1,061,741	112,837
Veterans service officer	332,012	262,373	69,639
Other general government	1,448,353	870,000	578,353
Public safety			
Sheriff	5,879,182	5,550,040	329,142
Inmate account	29,598	22,063	7,535
Probation officer	438,386	395,537	42,849
Sentencing to Service	103,553	100,280	3,273
Juvenile detention	3,597	3,200	397
Emergency services	152,571	148,323	4,248
Culture and recreation			
Snowmobile trail grant	66,213	44,640	21,573
Conservation of natural resources			
Agriculture ditch inspector	4,000	-	4,000
Environmental services	509,902	472,677	37,225
Other	58,770	-	58,770
Aquatic invasive species	121,126	40,000	81,126
Economic development			
Housing and Redevelopment Authority	121,486	100,925	20,561
Debt service			
Principal	194,733	161,162	33,571
Human Services Special Revenue Fund			
Current			
Human services			
Income maintenance	3,157,732	3,136,665	21,067
Solid Waste Special Revenue Fund			
Current			
Sanitation			
Recycling	1,932,346	1,603,180	329,166

Note 3 – Employer Contributions to Other Postemployment Benefits

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

McLeod County Glencoe, Minnesota

Note 4 – Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

Changes in actuarial assumptions and a change in plan provisions occurred as follows:

2023

None.

2022

- The health care trend rates, mortality tables, salary increase rates, retirement, and withdrawal rates were updated.
- The inflation rate was changed from 2.50 percent to 2.00 percent.

2021

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

2020

- The health care trend rates, 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.

2019

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

Note 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

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.

McLeod County Glencoe, Minnesota

- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of

McLeod County Glencoe, Minnesota

married new retirees electing the Life annuity option was adjusted accordingly.

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

2019

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

2018

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

2017

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

McLeod County Glencoe, Minnesota

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.

Public Employees Police and Fire Plan

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

2022

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the

McLeod County Glencoe, Minnesota

Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2016 to Scale 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

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.
- 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

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.

McLeod County Glencoe, Minnesota

- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability were lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.

McLeod County Glencoe, Minnesota

- Minor changes to form of payment assumptions were applied.

2020

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

2019

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

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 Scale MP-2016 to Scale 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.

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.

McLeod County Glencoe, Minnesota

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

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, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,454,814	\$ 1,454,814	\$ 1,431,940	\$ (22,874)
Intergovernmental	-	-	18,026	18,026
Total Revenues	\$ 1,454,814	\$ 1,454,814	\$ 1,449,966	\$ (4,848)
Expenditures				
Debt service				
Principal	\$ 1,465,000	\$ 1,465,000	\$ 1,465,000	\$ -
Interest	431,416	431,416	431,415	1
Administrative charges	-	-	700	(700)
Total Expenditures	\$ 1,896,416	\$ 1,896,416	\$ 1,897,115	\$ (699)
Excess of Revenues Over (Under) Expenditures	\$ (441,602)	\$ (441,602)	\$ (447,149)	\$ (5,547)
Other Financing Sources (Uses)				
Transfers in	511,663	511,663	511,663	-
Net Change in Fund Balance	\$ 70,061	\$ 70,061	\$ 64,514	\$ (5,547)
Fund Balance – January 1	3,918,323	3,918,323	3,918,323	-
Fund Balance – December 31	\$ 3,988,384	\$ 3,988,384	\$ 3,982,837	\$ (5,547)

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, 2023**

	Forfeited Tax	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Total Custodial Funds
<u>Assets</u>					
Cash and pooled investments	\$ 93,510	\$ 105,304	\$ 294,909	\$ 683,297	\$ 1,177,020
Departmental cash	-	13,893	-	-	13,893
Taxes receivable for other governments	-	-	452,425	-	452,425
Accounts receivable	-	1,114	-	-	1,114
Due from other governments	-	76	-	-	76
Total Assets	\$ 93,510	\$ 120,387	\$ 747,334	\$ 683,297	\$ 1,644,528
<u>Liabilities</u>					
Accounts payable	\$ -	\$ -	\$ 31,805	\$ 10,926	\$ 42,731
Salaries payable	-	-	-	11,647	11,647
Accrued expenses	-	-	-	1,712	1,712
Due to other governments	-	119,197	263,104	524	382,825
Total Liabilities	\$ -	\$ 119,197	\$ 294,909	\$ 24,809	\$ 438,915
<u>Net Position</u>					
Restricted for Individuals, organizations, and other governments	\$ 93,510	\$ 1,190	\$ 452,425	\$ 658,488	\$ 1,205,613

**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, 2023**

	Forfeited Tax	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Total Custodial Funds
Additions					
Contributions					
Individuals	\$ 107,730	\$ -	\$ -	\$ 2,564	\$ 110,294
Other governments	-	-	-	893,207	893,207
Property tax collections	-	1,307,398	39,241,770	-	40,549,168
Licenses and fees collected	-	347,051	-	-	347,051
Investment earnings	-	-	-	82	82
Miscellaneous	-	-	-	5,016	5,016
Total Additions	\$ 107,730	\$ 1,654,449	\$ 39,241,770	\$ 900,869	\$ 41,904,818
Deductions					
Payments for personnel and benefits	\$ -	\$ -	\$ -	\$ 379,207	\$ 379,207
Payments of property tax to other entities	-	1,528,291	40,460,985	-	41,989,276
Payments to individuals and other entities	14,220	125,896	-	524	140,640
Administrative expense	-	-	-	311,031	311,031
Total Deductions	\$ 14,220	\$ 1,654,187	\$ 40,460,985	\$ 690,762	\$ 42,820,154
Change in net position	\$ 93,510	\$ 262	\$ (1,219,215)	\$ 210,107	\$ (915,336)
Net Position – January 1	-	928	1,671,640	448,381	2,120,949
Net Position – December 31	\$ 93,510	\$ 1,190	\$ 452,425	\$ 658,488	\$ 1,205,613

Other Schedules

**McLeod County
Glencoe, Minnesota**

Exhibit D-1

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2023**

	<u>Total Governmental Funds</u>
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 4,574,401
Market value credit	338,687
Homelessness aid	74,162
Statewide Affordable Housing aid	114,903
Out-of-home placement aid	22,503
Disparity reduction aid	60,750
County program aid	2,059,208
Public safety aid	672,521
Police aid	273,143
E-911	352,855
Riparian protection aid	80,760
Aquatic invasive species	74,952
SCORE	108,299
	\$ 8,807,144
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 2,355,991
	\$ 2,355,991
Payments	
Payments in lieu of taxes	\$ 102,879
	\$ 102,879
Grants	
Local	
Human Services	\$ 72,232
	\$ 72,232
State	
Minnesota Department/Board of Corrections	\$ 261,286
Public Safety	25,492
Peace Officer Standards and Training	23,235
Health	342,648
Natural Resources	50,256
Human Services	1,986,431
Water and Soil Resources	87,582
Pollution Control Agency	111,402
Secretary of State	9,299
	\$ 2,897,631
Total state	\$ 2,897,631

**McLeod County
Glencoe, Minnesota**

**Exhibit D-1
(Continued)**

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2023**

	Total Governmental Funds
Grants (Continued)	
Federal	
Department of Agriculture	\$ 398,596
Justice	52,578
Transportation	19,436
Treasury	1,625,817
Education	1,392
Health and Human Services	2,336,722
Homeland Security	1,628
Total federal	\$ 4,436,169
Total local, state, and federal grants	\$ 7,406,032
Total Intergovernmental Revenue	\$ 18,672,046

**McLeod County
Glencoe, Minnesota**

Exhibit D-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 134,375
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	23MN101S2514	295,212
Total U.S. Department of Agriculture			\$ 429,587
U.S. Department of Justice			
Direct			
State Criminal Alien Assistance Program	16.606		\$ 7,664
Bulletproof Vest Partnership Program	16.607		8,856
Body Worn Camera Policy and Implementation	16.835		36,058
Total U.S. Department of Justice			\$ 52,578
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC23-2023-MCLEODSD-012	\$ 10,347
National Priority Safety Programs	20.616	A-ENFRC23-2023-MCLEODSD-012	3,200
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC23-2023-MCLEODSD-012	5,889
Total U.S. Department of Transportation			\$ 19,436
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		\$ 1,525,817
COVID-19 – Local Assistance and Tribal Consistency Fund	21.032		100,000
Total U.S. Department of the Treasury			\$ 1,625,817
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education – Grants for Infants and Families	84.181	Not Provided	\$ 1,392

**McLeod County
Glencoe, Minnesota**

**Exhibit D-2
(Continued)**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Health COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	NU50CK000508	\$ 10,492
Passed Through Minnesota Department of Human Services MaryLee Allen Promoting Safe and Stable Families Program	93.556	2201MNFPS	4,387
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$214,474)	93.558	2301MNTANF	179,857
Child Support Services	93.563	2301MNCES	507,015
Child Support Services (Total Child Support Services 93.563 \$623,040)	93.563	2301MNCSES	116,025
Refugee and Entrant Assistance – State/Replacement Designee Administered Programs	93.566	2301MNRMA	979
CCDF Cluster			
Child Care and Development Block Grant	93.575	2301MNCDF	9,231
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	9,066
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	6,957
Foster Care – Title IV-E	93.658	2301MNFOS	122,202
Social Services Block Grant	93.667	2301MNSOSR	213,864
COVID-19 – Elder Abuse Prevention Interventions Program	93.747	2101MNAPC6	4,464
Children's Health Insurance Program	93.767	2305MN5021	1,232
Medicaid Cluster			
Medical Assistance Program	93.778	2305MN5ADM	1,036,379
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,054,715)	93.778	2305MN5MAP	18,336
Passed Through Meeker-McLeod-Sibley Community Health Services			
Universal Newborn Hearing and Screening	93.251	Not Provided	2,100
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Not Provided	6,591
Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	Not Provided	869
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$214,474)	93.558	Not Provided	34,617
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	26,219
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	Not Provided	2,113
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	39,153
Total U.S. Department of Health and Human Services			\$ 2,352,148

**McLeod County
Glencoe, Minnesota**

**Exhibit D-2
(Continued)**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing 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	R29CG70CBLA21	\$ 1,628
Passed Through Minnesota Department of Public Safety Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	PW1246	175,380
Emergency Management Performance Grants	97.042	A-EMPG-2022-MCLEODCO-048	<u>29,208</u>
Total U.S. Department of Homeland Security			\$ <u>206,216</u>
Total Federal Awards			\$ <u><u>4,687,174</u></u>
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 295,212
Total expenditures for Highway Safety Cluster			13,547
Total expenditures for CCDF Cluster			9,231
Total expenditures for Medicaid Cluster			1,054,715

McLeod County did not pass any federal awards through to subrecipients during the year ended December 31, 2023.

McLeod County Glencoe, Minnesota

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

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. The schedule does not include \$648,554 in federal awards expended by the McLeod County Housing and Redevelopment Authority component unit. The component unit is legally separate from the primary government, and, because it expended less than \$750,000 of federal awards for the year ended June 30, 2023, it was not subject to 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).

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, 2023. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule of Expenditures of Federal Awards 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.

Note 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**

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 4,436,169
Grants received more than 60 days after year-end, considered unavailable revenue in 2023	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (AL No. 10.557)	30,991
Highway Planning and Construction (AL No. 20.205)	2,823
Promoting Safe and Stable Families (AL No. 93.556)	1,097
Temporary Assistance for Needy Families (AL No. 93.558)	38,109
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	1,092
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (AL No. 97.036)	175,380
Emergency Management Performance Grants (AL No. 97.042)	29,208
Unavailable revenue in 2022, recognized as revenue in 2023	
Highway Planning and Construction (AL No. 20.205)	(2,823)
Promoting Safe and Stable Families (AL No. 93.556)	(1,414)
Temporary Assistance for Needy Families (AL No. 93.558)	(9,242)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(2,520)
Foster Care – Title IV-E (AL No. 93.658)	(9,080)
Medical Assistance Program (AL No. 93.778)	(2,616)
	\$ 4,687,174
Expenditures per Schedule of Expenditures of Federal Awards	\$ 4,687,174

Note 4 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)

During the current year, McLeod County has identified \$272,284 of 2022 expenditures to be applied to the Disaster Grants – Public Assistance (Presidentially Declared Disasters), Assistance Listing No. 97.036. These expenditures were not identified in the 2022 Schedule of Expenditures of Federal Awards in error. Because they are not current year expenditures, they are not included in the 2023 Schedule of Expenditures of Federal Awards.

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 *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, 2023, including the McLeod County Housing and Redevelopment Authority as of and for the year ending June 30, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated December 13, 2024. 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, 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.

Report on 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 opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We identified

certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 through 2023-004, that we consider to be significant deficiencies.

Report on 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, we noted that McLeod County failed to comply with the provisions of the contracting – bid laws section 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, as described in the Schedule of Findings and Questioned Costs as item 2023-006. Also, 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 depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Items

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

McLeod County's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on McLeod County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and 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

December 13, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

Board of County Commissioners
McLeod County
Glencoe, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited McLeod County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of McLeod County's major federal programs for the year ended December 31, 2023. 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.

In our opinion, McLeod County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of McLeod County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of McLeod County's compliance with the compliance requirements referred to above.

Other Matter – Federal Expenditure Not Included in the Compliance Audit

McLeod County's basic financial statements include the operations of the McLeod County Housing and Redevelopment Authority (HRA) component unit, which expended \$648,554 in federal awards which are not included in McLeod County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2023. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of the McLeod County HRA component unit because the component unit is legally separate from the

primary government, and, because it expended less than \$750,000 of federal awards for the year ended June 30, 2023, it was not subject to the Uniform Guidance audit requirements.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to McLeod County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on McLeod County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about McLeod County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding McLeod County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and
- obtain an understanding of McLeod County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances, 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 McLeod County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an 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 2023-005. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on McLeod County's response to the noncompliance finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. McLeod County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a deficiency in internal control over compliance that we consider to be a significant deficiency.

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 a 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 a 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 attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2023-005 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on McLeod County's response to the internal control over compliance finding identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. McLeod County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

December 13, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

McLeod County Glencoe, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

Section 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 generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major federal programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

Type of auditor’s report issued on compliance for major federal programs: **Unmodified**

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

Identification of major federal programs:

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.563	Child Support Services

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

McLeod County qualified as a low-risk auditee? **No**

Section II – Financial Statement Findings

2023-001 Monitoring Internal Controls

Prior Year Finding Number: 2022-001

Year of Finding Origination: 2007

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

McLeod County Glencoe, Minnesota

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 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 formalize a plan to assess and monitor its controls on a regular basis, no less than annually. Significant functions and internal controls include 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

2023-002 Credit Card Procedures

Prior Year Finding Number: 2022-002

Year of Finding Origination: 2016

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Counties have authority to make purchases using credit cards, and the County Board has adopted Credit Card Policy and Procedures, including management and internal control procedures. The Credit Card Policy and Procedures state that training will be provided before the issuance of the p-card and require the purchasing card applicant and department head to sign a Purchasing Card Account Form for all employees issued a credit card.

Condition: During credit card testing, there were no signed Purchasing Card Account Forms or documentation of training on file for the three transactions tested.

Context: Pursuant to the Credit Card Policy and Procedures, the authorized P-Card Administrators are the Finance Director and the County Administrator, who are responsible for operating the County's p-card program, including providing training. The policy also states that department heads or their designee are responsible for ensuring that supervisors and employees abide by all applicable policies and procedures.

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

Cause: The County informed us that training and documentation of that training has not yet been performed. In addition, the County stated that it still utilizes p-cards at the department level as opposed to assigning the p-card to a specific employee.

McLeod County

Glencoe, Minnesota

Recommendation: We recommend the County follow the Board-approved Credit Card Policy and Procedures and ensure all individuals are provided training prior to being allowed to use County p-cards and to obtain signed Purchasing Card Account Forms. In addition, if the County is to continue to allow department p-cards, we recommend the County revise its Credit Card Policy and Procedures to clarify approvals and procedures over them.

View of Responsible Official: Concur

2023-003 Bank Reconciliations

Prior Year Finding Number: 2022-004

Year of Finding Origination: 2022

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

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

Condition: During a review of the County's May, October, and December 2023 bank reconciliations, the following issues were discovered:

- for one month of one of the County's accounts, no reconciliation was completed, and four other monthly reconciliations for this account were not completed in a timely manner;
- for one bank account, all reconciliations during 2023 were not completed in a timely manner;
- one bank account was not included on the Daily Cash Book Balance report until October 2023; and
- of the 33 bank reconciliations reviewed, six were not reconciled to the Daily Cash Book Balance report. Unreconciled differences were noted ranging from \$5 to \$549,533.

Context: The Daily Cash Book Balance report is utilized by the County to document the book balance, or balance recorded in the general ledger, of the County's bank accounts. As of October 23, 2023, all County bank accounts are included on the Daily Cash Book Balance report.

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

Cause: The County informed us that:

- for one bank account, an employee was unsure how to complete the bank reconciliations, and another employee was able to assist and complete all reconciliations late in 2023;
- for one bank account, quarterly statements were provided to the County instead of monthly statements, which made the reconciliation process less routine; and
- unreconciled differences are due to timing of when information is available and transactions are recorded.

McLeod County

Glencoe, Minnesota

Recommendation: We recommend the County review procedures in place over bank reconciliations to ensure reconciliations are completed in a timely manner, and corrections are made as needed to ensure bank balances reconcile to book balances as noted in the Daily Cash Book Balance report.

View of Responsible Official: Concur

2023-004 **Capital Asset Records**

Prior Year Finding Number: 2022-005

Year of Finding Origination: 2022

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: The County is required by generally accepted accounting principles to account for and depreciate its capital assets over their estimated useful lives. Capital assets acquired or removed from service throughout the year should be included as additions or deletions to the County's capital asset records and properly recorded for financial reporting following generally accepted accounting principles.

Condition: The County currently maintains capital asset records in a centralized capital asset system, except for roads and bridges. The County enters additions and deletions into this system, and the system calculates depreciation based on the County's policy for estimated useful lives. Differences were noted between the capital asset and accumulated depreciation amounts included for financial reporting and the amounts recorded in the capital asset system. For the 2023 audit, the County made adjustments to capital asset balances after comparing to insured assets; however, an inventory was not completed to ensure insurance information was correct.

Context: Capital assets, including infrastructure assets, are reported on the statement of net position, and depreciation expense for those assets is reported on the statement of activities. The County established accounting policies for capital assets, including capitalization thresholds, useful lives, and the designation of specific general ledger account codes to record the purchases and construction costs of capital assets. County personnel analyze capital outlay and maintenance expenditure accounts for additions and remove items sold or discarded during the year.

Effect: The County's financial statements do not reflect its capital asset records. When accounting records are not reconciled on a regular basis, there is an increased risk of errors or irregularities that will not be detected in a timely manner.

Cause: The County does not have procedures in place to reconcile its financial statements to its capital asset records on a regular basis.

Recommendation: We recommend the County implement procedures to reconcile capital assets recorded in its financial statements to its capital asset records on a recurring basis. The County should investigate and correct any differences noted in a timely manner to ensure its capital asset records are complete and accurately presented in the financial statements.

View of Responsible Official: Concur

McLeod County

Glencoe, Minnesota

Section III – Federal Award Findings and Questioned Costs

2023-005 Procurement and Suspension and Debarment

Prior Year Finding Number: 2022-006

Year of Finding Origination: 2020

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of the Treasury

Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

Award Number and Year: SLFRP3474; 2021

Pass-Through Agency: N/A – Federal Direct

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.

Federal requirements prohibit non-federal entities from contracting with or making subawards under covered transactions to parties that are suspended or debarred. Title 2 U.S. *Code of Federal Regulations* § 180.300 describes a required verification process. Prior to entering into the transaction, one of the following must be performed: (1) checking SAM.gov exclusions, (2) collecting a certification, or (3) adding a clause or condition to the covered transaction.

Condition: The County did not verify that vendors were not debarred, suspended, or otherwise excluded from participation in federal assistance programs or activities before entering into the covered transactions.

Questioned Costs: None.

Context: The County has revised its procurement policies to include components of federal procurement requirements related to suspension and debarment; these are pending review and approval by the Board of County Commissioners.

Effect: Failure to verify vendors are not suspended, debarred, or otherwise excluded may result in the County entering into a transaction with a vendor that is not authorized to provide goods and services.

Cause: The County's written procurement policy does not include requirements specific to suspension and debarment.

Recommendation: We recommend the County include the specific components of federal procurement requirements in its written procurement policies and procedures.

View of Responsible Official: Acknowledge

McLeod County Glencoe, Minnesota

Section IV – Other Findings and Recommendations

2023-006 Contracting and Bidding Compliance

Prior Year Finding Number: 2022-007

Year of Finding Origination: 2022

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 471.345, subdivision 3, states that contracts estimated to exceed \$175,000 must be made using sealed bids solicited by public notice.

Condition: Testing of compliance with the State of Minnesota contracting and bid laws identified, for one of the two contracts tested over \$175,000, the County entered into an agreement without advertising for bids or using sealed bids.

Context: The County awarded the agreement based on quotations rather than soliciting sealed bids.

Effect: Noncompliance with Minn. Stat. § 471.345.

Cause: The County made the purchase utilizing the State of Minnesota's cooperative purchasing venture and considered quotations provided through this venture sufficient for compliance.

Recommendation: We recommend the County implement procedures to ensure that contracting and bidding is performed in accordance with applicable statutes for all future contracts, including providing additional training as necessary.

View of Responsible Official: Concur

2023-007 Ditch Fund Balance Deficits

Prior Year Finding Number: 2022-008

Year of Finding Origination: 2009

Type of Finding: Management Practice

Criteria: Each individual ditch system within the Ditch Special Revenue Fund should be maintained with a positive fund balance to meet its financial obligations.

Condition: As of December 31, 2023, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balances.

Context: As of December 31, 2023, 21 of the 63 ditch systems had deficit fund balances totaling \$2,407,765; the largest individual deficit is \$1,043,438.

Effect: Ditch systems with deficit fund balances indicate that the County may need to take measures to ensure the ditch systems 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.

McLeod County Glencoe, Minnesota

Recommendation: We recommend the County continue to monitor the balances of the ditch systems and eliminate deficit fund balances by approving necessary special assessments as soon as practical for each system.

View of Responsible Official: Acknowledge



**Representation of McLeod County
Glencoe, Minnesota**

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001

Finding Title: Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

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 March 31, 2025.

Finding Number: 2023-002

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. Per the updated credit card policy, all department card holders need to sign an updated P-Card User Agreement ensuring they have been trained and have read the credit card policy.

Anticipated Completion Date:

McLeod County will have all department card holders complete the P-Card User Agreements by December 31, 2024.





Finding Number: 2023-003

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 the bank reconciliations are done monthly. The License Center bank account has been added to the Daily Cash Book Balance Report in October 2023.

Anticipated Completion Date:

McLeod County has completed all bank reconciliations in 2024 monthly. When the bank statement is different from the daily cash book, detailed notes are listed on the bank reconciliations.

Finding Number: 2023-004

Finding Title: Capital Asset Records

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of having accurate records for capital assets. Each year the Finance office sends out asset lists to each department for review. The McLeod County Finance Director compared the capital asset list to the MCIT insurance list for buildings and vehicles in 2024 to look for discrepancies. The finance department will be performing a physical audit in 2025 and will do a comparison with our MCIT property insurance list.

Anticipated Completion Date:

This issue should be resolved by March 31, 2025.

Finding Number: 2023-005

Finding Title: Procurement and Suspension and Debarment

Program: 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

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 is 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 Finance department is finishing up the procurement policy and will have the State Auditor's Office review it for compliance before it is taken to County Board for approval by March 31, 2025.

Finding Number: 2023-006

Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County has a copy of all approved financial policies in a shared drive that all employees can access. This was shared with all Department Heads to share with their staff.

Anticipated Completion Date:

This was completed in 2024.

Finding Number: 2023-007

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 outweigh 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, 2023**

Finding Number: 2022-001
Year of Finding Origination: 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 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 Finance Director continues to assess and monitor the internal controls periodically throughout the year with limited time and resources.

Status: Not Corrected. 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 March 31, 2025.

Finding Number: 2022-002
Year of Finding Origination: 2016
Finding Title: Credit Card Procedures

Summary of Condition: The County is not ensuring staff follow procedures requiring employees with a county credit card to receive proper training and sign a P-Card User Agreement.

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. McLeod County has adopted an updated Credit Card policy in September 2023 that is less cumbersome than the original policy.

Status: Not Corrected. The McLeod County Finance Director will ensure that all department card holders will update the new P-Card User Agreement forms by December 31, 2024.

Finding Number: 2022-003
Year of Finding Origination: 2021
Finding Title: Material Audit Adjustments

Summary of Condition: Material audit adjustments were identified that resulted in significant changes to the County's financial statements.



Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of internal controls over financial reporting and works towards implementing policies and procedures to catch these misstatements in the future. The Finance Director will work with the Human Services Fiscal Officer to ensure that the medical assistance recoveries are netted against the expenses. The Finance Director will work with the Auditor-Treasurer to ensure all ditch accounts are in balance.

Status: Fully Corrected.

Finding Number: 2022-004

Year of Finding Origination: 2022

Finding Title: Bank Reconciliations

Summary of Condition: During a review of the County’s May, October, and December 2022 bank reconciliations, the following issues were discovered:

- one bank account had reconciliations completed; however, neither the preparer nor the reviewer initialed and dated when the reconciliations were completed;
- the May reconciliation for another bank account was not completed in a timely manner. In addition, this bank account is not included on the Daily Cash Book Balance report; and
- of the 36 bank reconciliations reviewed, 11 were not reconciled to the Daily Cash Book Balance report. Unreconciled differences were noted ranging from \$2,947 to \$435,815.

Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of bank reconciliation to ensure the accuracy of McLeod County Funds and will ensure that the bank reconciliations are done monthly. The License Center bank account has been added to the Daily Cash Book Balance Report in 2023.

Status: Not Corrected. McLeod County does monthly bank reconciliations. The ACH bank account is a money in and money out account that was not previously reconciled. This has been resolved and the bank reconciliations are initialed and dated by the preparer and reviewer. The License Center bank account has been added to the Daily Cash Book and is reconciled monthly by the License Center. There will always be variances between the bank account and the daily cash book due to timing of deposits and payments. McLeod County has notes on the differences on the signed reconciliations.

Finding Number: 2022-005

Year of Finding Origination: 2022

Finding Title: Capital Assets Records

Summary of Condition: The County currently maintains capital asset records in a centralized capital asset system, except for roads and bridges. Additions and deletions are entered into this system, and depreciation is calculated by the system based on the County’s policy of estimated useful lives. Differences were noted between the capital asset and accumulated depreciation amounts included for financial reporting and the amounts recorded in the capital asset system.

Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of having accurate records for capital assets. Each year the Finance office sends out asset lists to each department for review. The finance department will be performing a physical audit in 2024 and will do a comparison with our MCIT property insurance list.





Status: Not Corrected. The McLeod County Finance Director compared the capital asset list to the MCIT property insurance list for buildings and vehicles in 2024. McLeod County will continue to send out asset lists for each department to review and will perform a full audit of vehicles and machinery in 2025.

Finding Number: 2022-006

Year of Finding Origination: 2020

Finding Title: Procurement and Suspension and Debarment

Program: 20.205 Highway Planning and Construction, 21.027 COVID-19 — Coronavirus State and Local Fiscal Recovery Funds

Summary of 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. In addition, in the sample of two covered transactions tested, the verification for suspension and debarment was not performed before entering into the covered transactions.

Summary of Corrective Action Previously Reported: 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 is 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.

Status: Not Corrected. McLeod County Finance department is finishing up the procurement policy and will have the State Auditor’s Office review it for compliance before it is taken to County Board for approval in 2025.

Finding Number: 2022-007

Year of Finding Origination: 2022

Finding Title: Contracting and Bidding Compliance

Summary of Condition: Testing of compliance with the State of Minnesota contracting and bid laws identified the following instances of noncompliance for one of the three contracts over \$175,000 tested:

- the County entered into an agreement without advertising for bids or using sealed bids;
- the County did not obtain payment or performance bonds at the time the agreement was signed;
- the County did not obtain a certificate from the Commissioner of Revenue, Minnesota Form IC-134, Contractor Affidavit, before making final payment on the project as required by Minnesota statutes; and
- the disclosure regarding prompt payment to subcontractors was not included in the contract.

Summary of Corrective Action Previously Reported: McLeod County will make our Financial Policies accessible to all employees by storing them in a central location to ensure that contracting and bidding is performed in accordance with applicable statutes for all future contracts. All new staff will be directed to read our Financial Policies.

Status: Not Corrected. McLeod County has a copy of all financial policies on a shared drive for all employees to access. This has been shared with the Department Heads for their employees to access the policies.





Finding Number: 2022-008

Year of Finding Origination: 2009

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2022, 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 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.

Status: Not Corrected. There is currently no resolution to this corrective action: the emergent needs of the ditch system outweigh the ability to resolve this issue as stated above.

Finding Number: 2016-003

Year of Finding Origination: 2016

**Finding Title: Procurement and Suspension and Debarment – Written Procurement Policies and Procedures
Program: Medical Assistance Program 93.778**

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

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

Status: Not Corrected. McLeod County Finance department is finishing up the procurement policy and will have the State Auditor’s Office review it for compliance before it is taken to County Board for approval in 2025.

Finding Number: 2021-006

Year of Finding Origination: 2020

Finding Title: Procurement

Program: State Administrative Matching Grants for Supplemental Nutrition Assistance Program 10.561

Summary of 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. In the sample of two contracts tested for





compliance with federal procurement requirements, one did not have documentation supporting the reason for the vendor selection.

Summary of Corrective Action Previously Reported: 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.

Status: Not Corrected. McLeod County Finance department is finishing up the procurement policy and will have the State Auditor's Office review it for compliance before it is taken to County Board for approval in 2025.