

McLeod County Glencoe, Minnesota

Annual Financial Report and Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division



STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

State Auditor Julie Blaha

McLeod County Glencoe, Minnesota

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**McLeod County
Glencoe, Minnesota**

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Introductory Section

McLeod County Glencoe, Minnesota

Organization December 31, 2025

Office	Name	Term of Office		
		From	To	
Commissioners				
1st District	Nathan Schmalz	January 2021	January 2029	
2nd District	Doug Krueger	January 2015	January 2027	
3rd District	Paul Wright*	January 2009	January 2029	
4th District	Lori Cacka	January 2025	January 2029	
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	Hannah Tjoflat			
Information Technology Director	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, 2025, including the McLeod County Housing and Redevelopment Authority (HRA) discretely presented component unit as of and for the year ended June 30, 2025, 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, 2025, including the McLeod County HRA as of June 30, 2025, 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, 2025. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 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 – 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 Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2026, 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

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 15, 2026

Management's Discussion and Analysis

McLeod County Glencoe, Minnesota

Management's Discussion and Analysis December 31, 2025 (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, 2025. 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 \$238,193,253 (net position). Of this amount, \$55,291,510 (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 \$12,898,227 (5.7 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 \$36,631,342, or 127.7 percent, of total 2025 General Fund expenditures.
- Governmental funds' fund balances increased by \$3,924,178.

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 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

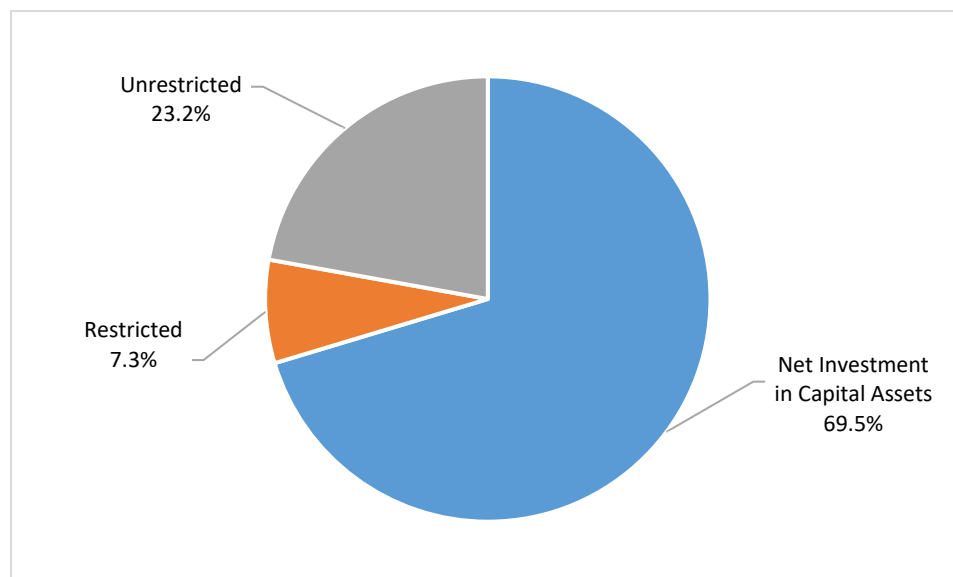
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The nonmajor governmental fund budget to actual schedule is presented immediately following the required supplementary information.

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 \$238,193,253 as of December 31, 2025. The net investment in capital assets is the largest portion of McLeod County's net position at 69.5 percent. These capital assets are used to provide services to citizens and are not available for future spending.

Approximately 7.3 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 23.2 percent, or \$55,291,510, is unrestricted and available to be used to meet the government's ongoing obligations to citizens and creditors.

Net Position



(Unaudited)

Net Position

Condensed Statement of Net Position	Governmental Activities 2025	Governmental Activities 2024	Discretely Presented Component Unit 2025	Discretely Presented Component Unit 2024
Current and other assets	\$ 95,017,221	\$ 91,401,302	\$ 800,580	\$ 913,490
Capital assets, net	176,517,202	171,683,815	2,605,468	2,465,965
Total Assets	<u>\$ 271,534,423</u>	<u>\$ 263,085,117</u>	<u>\$ 3,406,048</u>	<u>\$ 3,379,455</u>
Deferred outflows of resources	\$ 4,601,817	\$ 5,409,435	\$ -	\$ -
Current and other liabilities	\$ 4,419,692	\$ 4,473,612	\$ 109,739	\$ 105,406
Long-term liabilities – due within one year	3,114,199	4,701,038	263,067	261,623
Long-term liabilities – due in more than one year	22,072,422	23,978,731	1,161,000	1,424,248
Total Liabilities	<u>\$ 29,606,313</u>	<u>\$ 33,153,381</u>	<u>\$ 1,533,806</u>	<u>\$ 1,791,277</u>
Deferred inflows of resources	\$ 8,336,674	\$ 10,046,145	\$ -	\$ -
Net Position				
Net investment in capital assets	\$ 165,427,246	\$ 158,430,531	\$ 1,181,401	\$ 780,094
Restricted	17,474,497	18,436,113	40,637	-
Unrestricted	55,291,510	48,428,382	650,204	808,084
Total Net Position	<u><u>\$ 238,193,253</u></u>	<u><u>\$ 225,295,026</u></u>	<u><u>\$ 1,872,242</u></u>	<u><u>\$ 1,588,178</u></u>

Governmental Activities

McLeod County's governmental activities increased net position by \$12,898,227 during the current fiscal year. This increase is primarily due to an increase in interest earnings and budget savings from operations.

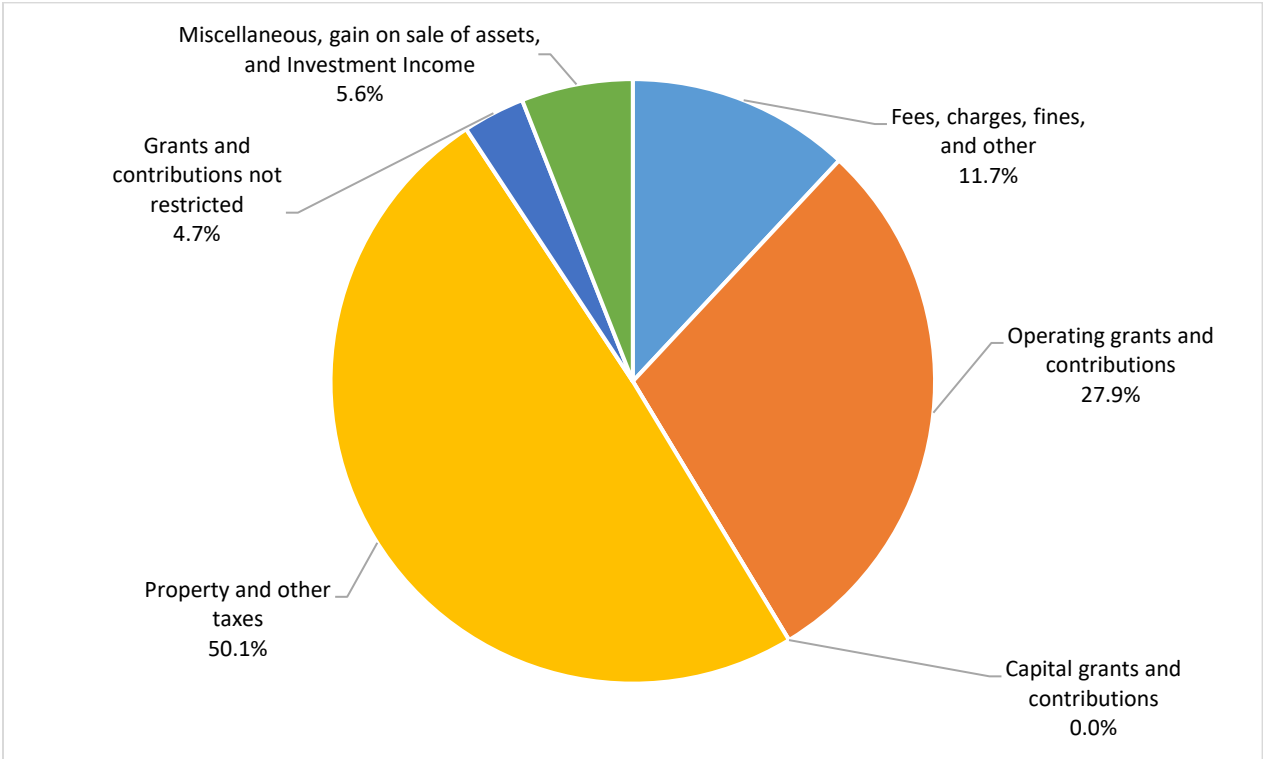
The McLeod County HRA is a discretely presented component unit of McLeod County. As of June 30, 2025, assets exceeded liabilities by \$1,872,242, and there was an increase in net position of \$284,064 from the prior year. The increase is primarily due to revenues in excess of expenses.

Changes in Net Position

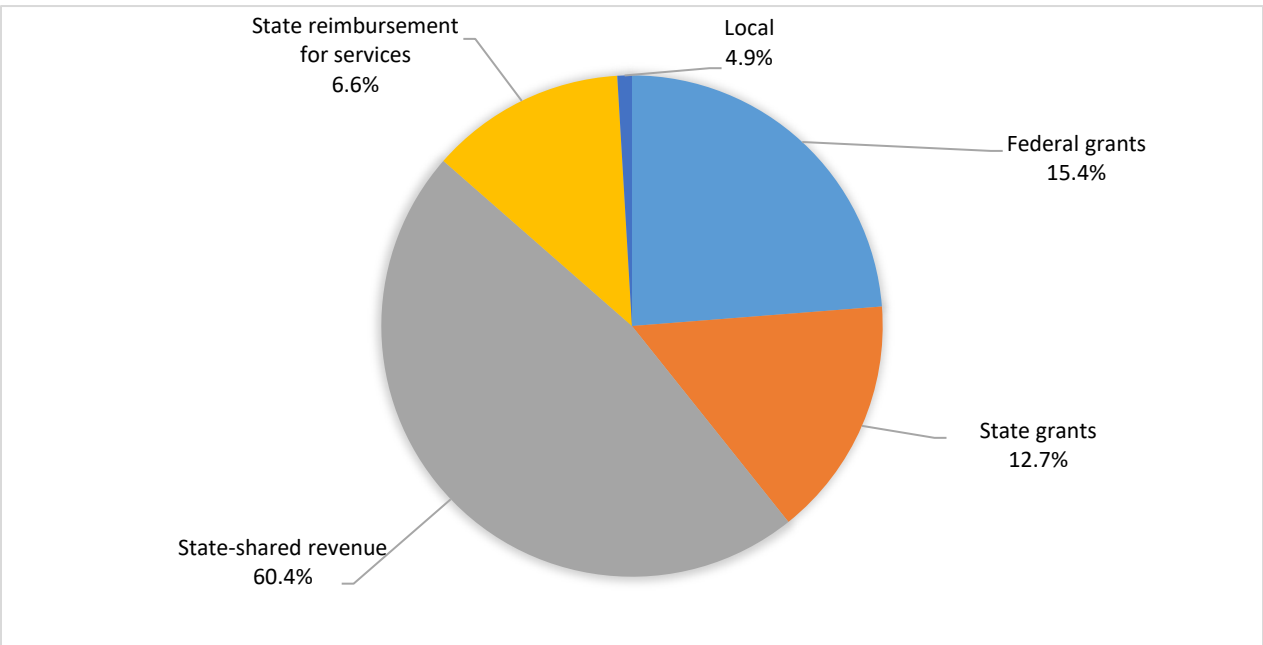
Condensed Statement of Activities	Governmental Activities 2025	Governmental Activities 2024	Discretely Presented Component Unit 2025	Discretely Presented Component Unit 2024
Revenues				
Program revenues				
Fees, charges, fines, and other	\$ 7,612,760	\$ 7,457,310	\$ 677,593	\$ 636,921
Operating grants and contributions	18,185,183	19,882,576	866,022	748,753
Capital grants and contributions	-	1,185,452	-	-
General revenues				
Property taxes	29,249,768	28,515,951	-	-
Other taxes	3,416,674	3,455,660	-	-
Grants and contributions not restricted to specific programs	3,091,516	3,464,113	-	-
Investment income	3,349,548	3,609,709	9,360	13,202
Gain on disposal of assets	-	-	-	97,643
Miscellaneous	269,129	198,128	28,148	500,435
Total Revenues	\$ 65,174,578	\$ 67,768,899	\$ 1,581,123	\$ 1,996,954
Expenses				
General government	\$ 12,791,578	\$ 13,015,996	\$ -	\$ -
Public safety	9,120,321	9,281,166	-	-
Highways and streets	10,152,072	9,398,619	-	-
Sanitation	1,844,131	1,843,743	-	-
Human services	12,868,956	12,096,514	-	-
Health	2,675,676	2,712,564	-	-
Culture and recreation	388,790	807,073	-	-
Conservation of natural resources	1,906,406	2,768,728	-	-
Economic development	122,960	112,884	-	-
Interest	405,461	354,294	-	-
HRA	-	-	1,297,059	1,172,668
Total Expenses	\$ 52,276,351	\$ 52,391,581	\$ 1,297,059	\$ 1,172,668
Increase (Decrease) in Net Position	\$ 12,898,277	\$ 15,377,318	\$ 284,064	\$ 824,286
Net Position – January 1	225,295,026	209,917,708	1,588,178	763,892
Net Position – December 31	\$ 238,193,253	\$ 225,295,026	\$ 1,872,242	\$ 1,588,178

The following charts show additional information on the revenues of McLeod County for the year ended December 31, 2025.

Revenues by Source – Governmental Activities



Intergovernmental Revenue



Financial Analysis

Governmental Funds

At the end of 2025, McLeod County's governmental funds reported a combined fund balance of \$80,359,655. This is an increase of \$3,924,178 from the beginning fund balance. The fund balance in the General Fund increased by \$1,868,129 due to revenues exceeding expenditures. The fund balance in the Road and Bridge Special Revenue Fund increased by \$2,051,926 due to timing of road construction projects. The fund balance in the Human Services Special Revenue Fund increased by \$180,014 due to revenues exceeding expenditures. The fund balance in the Solid Waste Special Revenue Fund increased by \$342,726 due to increased fee collections. The fund balance in the Ditch Special Revenue Fund decreased by \$11,624 due to work performed and debt payments.

General Fund Budgetary Highlights

In total, General Fund revenues for 2025 exceeded the amounts budgeted by \$2,774,666. Licenses 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 \$424,372 less than the final budget. This variance is primarily attributed to general government, public safety, health, and culture and recreation expenditures coming in less than budgeted.

Capital Assets and Long-Term Debt

Capital Assets

At the end of 2025, McLeod County had \$176,517,202 invested in capital assets, including land; construction in progress; infrastructure – right-of-way; buildings; machinery, furniture, and equipment; improvements other than buildings; infrastructure; and subscription-based information technology arrangements. The table below shows a summary of McLeod County's capital assets as of December 31.

Capital Assets (Net of Depreciation and Amortization)

Capital Assets	2025	2024
Land	\$ 3,709,401	\$ 3,709,401
Construction in progress	139,776	1,658,312
Infrastructure – right-of-way	4,562,511	4,562,511
Buildings	26,430,416	25,521,505
Machinery, furniture, and equipment	1,908,930	2,462,109
Improvements other than buildings	917,347	837,032
Infrastructure	137,895,070	132,932,945
Subscription-based information technology arrangements	953,751	-
Total	<u>\$ 176,517,202</u>	<u>\$ 171,683,815</u>

Major capital asset events during the year included the following:

- Built the Century Hall Building at the Fairgrounds.
- Added new office buildings and playground equipment at Piepenburg and Lake Marion Parks.
- Finished the Highway shop (GATS) in Glencoe.
- Infrastructure construction continued in 2025.

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 \$11,380,000. This is a decrease in bonded debt outstanding of \$2,905,000 due to the bond payments made. McLeod County had loans outstanding of \$1,334,533. This is a decrease in loans payable of \$244,165 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 \$209,849,097.

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 4.3 percent. McLeod County's unemployment rate is higher than the state unemployment rate of 3.0 percent and more than the United States unemployment rate of 4.2 percent.
- The property tax levy increased in 2025 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 2026 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 discretely presented component unit prepares separate financial statements. Complete financial statements of the HRA can be obtained by writing to the McLeod County HRA, 2200 – 23rd Street Northeast, Suite 2090, Willmar, Minnesota 56201.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

**McLeod County
Glencoe, Minnesota**

**Statement of Net Position
December 31, 2025
Including the Component Unit Information
As of June 30, 2025**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority</u>
<u>Assets</u>		
Cash and pooled investments	\$ 79,787,289	\$ 684,623
Petty cash and change funds	13,015	-
Departmental cash	11,188	-
Taxes receivable		
Delinquent	406,871	-
Special assessments receivable		
Delinquent	63,298	-
Noncurrent	3,248,684	-
Accounts receivable – net	362,505	7,224
Accrued interest receivable	266,006	-
Due from other governments	9,749,904	-
Inventories	425,679	-
Prepaid items	289,390	14,780
Net pension asset	393,392	-
Restricted assets		
Cash and pooled investments	-	93,953
Capital assets		
Non-depreciable	8,411,688	197,000
Depreciable – net of accumulated depreciation	168,105,514	2,408,468
Total Assets	\$ 271,534,423	\$ 3,406,048
<u>Deferred Outflows of Resources</u>		
Deferred pension outflows	\$ 4,538,251	\$ -
Deferred other postemployment benefits outflows	63,566	-
Total Deferred Outflows of Resources	\$ 4,601,817	\$ -

Exhibit 1*(Continued)*

**McLeod County
Glencoe, Minnesota**

**Statement of Net Position
December 31, 2025
Including the Component Unit Information
As of June 30, 2025**

	<u>Primary Government Governmental Activities</u>	<u>Component Unit Housing and Redevelopment Authority</u>
<u>Liabilities</u>		
Accounts payable	\$ 1,442,846	\$ 839
Salaries payable	847,561	-
Accrued payroll taxes	55,073	-
Accrued interest payable	157,430	-
Other accrued expenses	88,620	37,202
Contracts payable	545,978	-
Due to other governments	1,139,405	-
Unearned revenue	142,779	18,382
Liabilities payable from restricted assets (security deposits)	-	53,316
Long-term liabilities		
Due within one year	3,053,997	263,067
Due in more than one year	12,948,741	1,161,000
Other postemployment benefits liability		
Other postemployment benefits liability – due within one year	60,202	-
Other postemployment benefits liability – due in more than one year	1,043,606	-
Net pension liability	8,080,075	-
Total Liabilities	\$ 29,606,313	\$ 1,533,806
<u>Deferred Inflows of Resources</u>		
Deferred pension inflows	\$ 8,056,607	\$ -
Deferred other postemployment benefits inflows	280,067	-
Total Deferred Inflows of Resources	\$ 8,336,674	\$ -
<u>Net Position</u>		
Net investment in capital assets	\$ 165,427,246	\$ 1,181,401
Restricted for		
General government	771,926	-
Public safety	1,081,287	-
Highways and streets	5,743,646	-
Sanitation	4,466,677	-
Conservation of natural resources	1,981,495	-
Economic development	-	40,637
Debt service	3,429,466	-
Unrestricted	55,291,510	650,204
Total Net Position	\$ 238,193,253	\$ 1,872,242

Exhibit 2

**McLeod County
Glencoe, Minnesota**

**Statement of Activities
For the Year Ended December 31, 2025
Including the Component Unit Information
For the Year Ended June 30, 2025**

	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Primary Governmental Activities	Component Unit Housing and Redevelopment Authority
Functions/Programs					
Primary government					
Governmental activities					
General government	\$ 12,791,578	\$ 951,070	\$ 105,514	\$ (11,734,994)	
Public safety	9,120,321	547,310	929,302	(7,643,709)	
Highways and streets	10,152,072	238,915	9,460,082	(453,075)	
Sanitation	1,844,131	2,056,602	-	212,471	
Human services	12,868,956	1,062,895	6,041,803	(5,764,258)	
Health	2,675,676	1,033,507	1,405,558	(236,611)	
Culture and recreation	388,790	152,998	33,125	(202,667)	
Conservation of natural resources	1,906,406	1,569,463	209,799	(127,144)	
Economic development	122,960	-	-	(122,960)	
Interest	405,461	-	-	(405,461)	
Total Primary Government	\$ 52,276,351	\$ 7,612,760	\$ 18,185,183	\$ (26,478,408)	
Component unit					
Housing and Redevelopment Authority	\$ 1,297,059	\$ 677,593	\$ 866,022		\$ 246,556
General Revenues					
Property taxes				\$ 29,249,768	\$ -
Mortgage registry and deed tax				69,161	-
Local option sales tax				3,244,545	-
Wheelage tax				48	-
Payments in lieu of tax				102,920	-
Grants and contributions not restricted to specific programs				3,091,516	-
Investment income				3,349,548	9,360
Miscellaneous				269,129	28,148
Total general revenues				\$ 39,376,635	\$ 37,508
Change in net position				\$ 12,898,227	\$ 284,064
Net Position – Beginning				225,295,026	1,588,178
Net Position – Ending				\$ 238,193,253	\$ 1,872,242

Fund Financial Statements

Governmental Funds

Exhibit 3

**McLeod County
Glencoe, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2025**

	<u>General</u>	<u>Road and Bridge</u>
<u>Assets</u>		
Cash and pooled investments	\$ 40,928,498	\$ 18,637,635
Petty cash and change funds	12,790	-
Departmental cash	11,188	-
Taxes receivable		
Delinquent	232,434	62,571
Special assessments receivable		
Delinquent	16,804	-
Noncurrent	550,874	-
Accounts receivable – net	124,630	322
Accrued interest receivable	266,006	-
Due from other governments	446,470	8,088,482
Inventories	-	425,679
Prepaid items	289,390	-
Advances to other funds	2,172,500	-
Total Assets	\$ 45,051,584	\$ 27,214,689
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 591,252	\$ 375,992
Salaries payable	499,203	81,499
Accrued payroll taxes	28,777	6,189
Accrued interest payable	-	-
Other accrued expenses	62,806	6,068
Advances from other funds	-	-
Contracts payable	-	545,978
Due to other governments	32,218	902,447
Unearned revenue	142,779	-
Total Liabilities	\$ 1,357,035	\$ 1,918,173
Deferred Inflows of Resources		
Unavailable revenue	\$ 967,689	\$ 5,743,646

Human Services			Solid Waste			Ditch			Nonmajor Fund Debt Service			Total Governmental Funds		
\$	11,025,138	\$	4,460,334	\$	1,180,431	\$	3,555,253	\$	79,787,289					
	-		225		-		-		13,015					
	-		-		-		-		11,188					
	92,602		-		-		19,264		406,871					
	-		-		46,494		-		63,298					
	-		-		2,697,810		-		3,248,684					
	57,099		180,454		-		-		362,505					
	-		-		-		-		266,006					
	1,077,551		2,357		135,044		-		9,749,904					
	-		-		-		-		425,679					
	-		-		-		-		289,390					
	-		-		-		-		2,172,500					
\$	12,252,390	\$	4,643,370	\$	4,059,779	\$	3,574,517	\$	96,796,329					

\$	310,732	\$	150,771	\$	14,099	\$	-	\$	1,442,846
	260,970		5,889		-		-		847,561
	19,657		450		-		-		55,073
	-		-		12,379		-		12,379
	19,304		442		-		-		88,620
	-		-		2,172,500		-		2,172,500
	-		-		-		-		545,978
	152,844		65		51,831		-		1,139,405
	-		-		-		-		142,779
\$	763,507	\$	157,617	\$	2,250,809	\$	-	\$	6,447,141

\$	360,510	\$	19,076	\$	2,879,348	\$	19,264	\$	9,989,533
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Exhibit 3*(Continued)*

**McLeod County
Glencoe, Minnesota**

**Balance Sheet
Governmental Funds
December 31, 2025**

	<u>General</u>	<u>Road and Bridge</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 425,679
Prepaid items	289,390	-
Advances to other funds	2,172,500	-
Restricted for		
E-911	676,790	-
Law library	293,797	-
Recorder's equipment purchases	201,562	-
Restricted for law enforcement	401,283	-
Land records technology	51,525	-
Drug enforcement	3,214	-
Conservation	392,532	-
Debt service	-	-
Recorder's compliance	223,542	-
Restricted for road and bridge	-	545,978
Solid waste management	-	-
Aquatic invasive species	477,411	-
Escrow	1,500	-
Ditch maintenance and repair	-	-
Committed		
Transportation projects and improvements	-	10,707,846
Assigned for		
4H after school program	11,112	-
Election equipment	69,437	-
Aerial photos	14,084	-
Veterans van	36,765	-
New canine	12,192	-
ARMER radio enhancements	57,592	-
Law enforcement	192,569	-
Court services	105,326	-
License center equipment	72,081	-
Contracted projects	339,314	-
Highways and streets	-	7,873,367
Human services	-	-
Unassigned	36,631,342	-
Total Fund Balances	\$ 42,726,860	\$ 19,552,870
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 45,051,584	\$ 27,214,689

Human Services	Solid Waste	Ditch	Nonmajor Fund Debt Service	Total Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 425,679
-	-	-	-	289,390
-	-	-	-	2,172,500
-	-	-	-	676,790
-	-	-	-	293,797
-	-	-	-	201,562
-	-	-	-	401,283
-	-	-	-	51,525
-	-	-	-	3,214
-	-	-	-	392,532
-	-	-	3,555,253	3,555,253
-	-	-	-	223,542
-	-	-	-	545,978
-	4,466,677	-	-	4,466,677
-	-	-	-	477,411
-	-	-	-	1,500
-	-	1,111,552	-	1,111,552
-	-	-	-	10,707,846
-	-	-	-	11,112
-	-	-	-	69,437
-	-	-	-	14,084
-	-	-	-	36,765
-	-	-	-	12,192
-	-	-	-	57,592
-	-	-	-	192,569
-	-	-	-	105,326
-	-	-	-	72,081
-	-	-	-	339,314
-	-	-	-	7,873,367
11,128,373	-	-	-	11,128,373
-	-	(2,181,930)	-	34,449,412
\$ 11,128,373	\$ 4,466,677	\$ (1,070,378)	\$ 3,555,253	\$ 80,359,655
\$ 12,252,390	\$ 4,643,370	\$ 4,059,779	\$ 3,574,517	\$ 96,796,329

Exhibit 4

**McLeod County
Glencoe, Minnesota**

**Reconciliation of Governmental Funds Balance Sheet to the
Statement of Net Position—Governmental Activities
December 31, 2025**

Fund balance – total governmental funds (Exhibit 3)	\$ 80,359,655
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	\$ 176,517,202
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.	\$ 9,989,533
Net pension assets are not available to pay for current period expenditures and, therefore, are not reflected in the governmental funds.	\$ 393,392
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	\$ (145,051)
General obligation bonds	(11,380,000)
Unamortized premium on bonds	(194,173)
Loans payable	(1,334,533)
Subscription-based information technology arrangements	(635,783)
Compensated absences	(2,458,249)
Other postemployment benefits liability	(1,103,808)
Net pension liability	(8,080,075)
Long-term liabilities not reported in the governmental funds	\$ (25,331,672)
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	\$ 63,566
Deferred other postemployment benefits inflows	(280,067)
Total other postemployment benefits deferred outflows and inflows of resources	\$ (216,501)
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	\$ 4,538,251
Deferred pension inflows	(8,056,607)
Total pension deferred outflows and inflows of resources	\$ (3,518,356)
Net Position of Governmental Activities (Exhibit 1)	\$ 238,193,253

Exhibit 5

**McLeod County
Glencoe, Minnesota**

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2025**

	General	Road and Bridge
Revenues		
Taxes	\$ 17,225,203	\$ 7,757,687
Special assessments	145,169	-
Licenses and permits	113,011	12,850
Intergovernmental	5,633,404	10,064,916
Charges for services	2,300,449	225,400
Fines and forfeits	32,312	-
Gifts and contributions	34,825	-
Investment earnings	3,340,070	-
Miscellaneous	741,343	2,142
Total Revenues	\$ 29,565,786	\$ 18,062,995
Expenditures		
Current		
General government	\$ 13,539,628	\$ -
Public safety	9,800,019	-
Highways and streets	-	14,153,346
Sanitation	-	-
Human services	-	-
Health	2,873,994	-
Culture and recreation	639,433	-
Conservation of natural resources	968,851	-
Economic development	129,220	-
Intergovernmental		
Highways and streets	-	800,314
Culture and recreation	208,247	-
Debt service		
Principal	493,496	1,185,000
Interest	29,308	29,625
Administrative charges	-	-
Total Expenditures	\$ 28,682,196	\$ 16,168,285
Excess of Revenues Over (Under) Expenditures	\$ 883,590	\$ 1,894,710
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	-	-
Issuance of software subscriptions	954,404	-
Proceeds from the sale of capital assets	30,135	114,472
Total Other Financing Sources (Uses)	\$ 984,539	\$ 114,472
Net Change in Fund Balance	\$ 1,868,129	\$ 2,009,182
Fund Balance – January 1	40,858,731	17,500,944
Increase (decrease) in inventories	-	42,744
Fund Balance – December 31	\$ 42,726,860	\$ 19,552,870

Human Services		Solid Waste		Ditch		Nonmajor Fund Debt Service	Total Governmental Funds
\$	6,558,412	\$	-	\$	-	\$ 1,041,235	\$ 32,582,537
	-		-		1,303,724	-	1,448,893
	-		14,445		-	-	140,306
	6,045,809		126,400		-	11,835	21,882,364
	736,280		2,005,733		-	-	5,267,862
	-		-		-	-	32,312
	250		-		-	-	35,075
	-		-		9,478	-	3,349,548
	299,381		137,649		-	-	1,180,515
\$	13,640,132	\$	2,284,227	\$	1,313,202	\$ 1,053,070	\$ 65,919,412
\$	-	\$	-	\$	-	\$	13,539,628
	-		-		-	-	9,800,019
	-		-		-	-	14,153,346
	-		1,603,288		-	-	1,603,288
	13,460,118		-		-	-	13,460,118
	-		-		-	-	2,873,994
	-		-		-	-	639,433
	-		-		982,887	-	1,951,738
	-		-		-	-	129,220
	-		-		-	-	800,314
	-		-		-	-	208,247
	-		-		239,290	1,550,000	3,467,786
	-		-		102,649	350,628	512,210
	-		-		-	750	750
\$	13,460,118	\$	1,603,288	\$	1,324,826	\$ 1,901,378	\$ 63,140,091
\$	180,014	\$	680,939	\$	(11,624)	\$ (848,308)	\$ 2,779,321
\$	-	\$	-	\$	-	\$ 341,315	\$ 341,315
	-		(341,315)		-	-	(341,315)
	-		-		-	-	954,404
	-		3,102		-	-	147,709
\$	-	\$	(338,213)	\$	-	\$ 341,315	\$ 1,102,113
\$	180,014	\$	342,726	\$	(11,624)	\$ (506,993)	\$ 3,881,434
	10,948,359		4,123,951		(1,058,754)	4,062,246	76,435,477
	-		-		-	-	42,744
\$	11,128,373	\$	4,466,677	\$	(1,070,378)	\$ 3,555,253	\$ 80,359,655

Exhibit 6

**McLeod County
Glencoe, Minnesota**

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025**

Net change in fund balance – total governmental funds (Exhibit 5)	\$ 3,881,434
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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.

Deferred inflows of resources – unavailable revenues – December 31	\$ 9,989,533
Deferred inflows of resources – unavailable revenues – January 1	(10,680,652)

Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	\$ (691,119)
--	---------------------

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 or amortization expense. Also in the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 12,860,403
Net book value of disposed assets	(1,083)
Current year depreciation and amortization	(8,025,933)

Total adjustment to the government-wide statements for current year capital asset activity	\$ 4,833,387
--	---------------------

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.

Principal repayments – general obligation bonds	\$ 2,905,000
Principal repayments – AgBMP loans	69,290
Principal repayments – Minnesota Pollution Control Agency loans	174,875

Total adjustment to the government-wide statements for payments made on long-term liabilities	\$ 3,149,165
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Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position.

Principal payments on subscription-based information technology arrangements	\$ 318,621
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Subscriptions issued	\$ (954,404)
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Exhibit 6
(Continued)

McLeod County
Glencoe, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

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

Amortization of premiums on bonds	\$ 64,111
Change in accrued interest payable	43,388
Change in compensated absences	(239,280)
Change in other postemployment benefits liability	(83,781)
Change in net pension asset	393,392
Change in net pension liability	1,238,716
Change in deferred pension outflows	(800,476)
Change in deferred pension inflows	1,590,092
Change in deferred other postemployment benefits outflows	(7,142)
Change in deferred other postemployment benefits inflows	119,379
Change in inventories	42,744
Total adjustment to the government-wide statements for other activities not reported in governmental funds	\$ 2,361,143
Change in Net Position of Governmental Activities (Exhibit 2)	\$ 12,898,227

Fiduciary Funds

Exhibit 7

**McLeod County
Glencoe, Minnesota**

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2025**

	Social Welfare Private-Purpose	
	Trust Fund	Custodial Funds
<u>Assets</u>		
Cash and pooled investments	\$ 16,249	\$ 2,829,822
Departmental cash	-	36,352
Taxes receivable for other governments	-	406,871
Accounts receivable	-	2,330
Due from other governments	-	331,280
Total Assets	\$ 16,249	\$ 3,606,655
<u>Liabilities</u>		
Accounts payable	\$ -	\$ 3,693
Contracts payable	-	9,703
Salaries payable	-	11,844
Accrued expenses	-	768
Due to other governments	-	468,681
Unearned revenue	-	6,900
Total Liabilities	\$ -	\$ 501,589
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	\$ 16,249	\$ 3,105,066

Exhibit 8

**McLeod County
Glencoe, Minnesota**

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2025**

	Social Welfare Private-Purpose	
	Trust Fund	Custodial Funds
<u>Additions</u>		
Contributions		
Individuals	\$ 204,080	\$ 193
Other governments	-	6,430,782
Property tax collections	-	46,874,307
Licenses and fees collected	-	406,848
Issuance of lease	-	22,693
Investment earnings	94	33,611
Miscellaneous	-	345
Total Additions	\$ 204,174	\$ 53,768,779
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 218,533	\$ -
Payments for personnel and benefits	-	416,040
Payments of property tax to other entities	-	46,884,589
Payments for capital	-	27,922
Payments to individuals and other entities	-	5,400,251
Debt services	-	9,903
Administrative expense	-	178,414
Total Deductions	\$ 218,533	\$ 52,917,119
Change in net position	\$ (14,359)	\$ 851,660
Net Position – January 1	30,608	2,253,406
Net Position – December 31	\$ 16,249	\$ 3,105,066

McLeod County Glencoe, Minnesota

Notes to the Financial Statements

As of and for the Year Ended December 31, 2025

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, 2025. 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 of the County		
Component Unit	Component Unit Included in Reporting Entity Because	Separate Financial Statements
McLeod County Housing and Redevelopment Authority (HRA) provides services pursuant to Minn. Stat. §§ 469.001 - 469.047.	The County appoints the members, and the HRA is a financial burden.	McLeod County HRA 2200 – 23rd Street Northeast Suite 2090 Willmar, Minnesota 56201

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 and subscription arrangements 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, 2025. 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 2025, the County reported pooled investment earnings of \$3,340,070.

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.

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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 2025 and noncurrent special assessments payable in 2026 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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (such as roads, bridges, sidewalks, and similar items), and right-to-use assets acquired under subscription-based information technology arrangements 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 while right-to-use assets are amortized over the term of the subscription arrangement:

Estimated Useful Lives of Capital Assets

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
Right-to-use subscription arrangements	-	3

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave and sick leave that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is based on percentages predetermined by management based on historical information. The noncurrent portion consists of the remaining amount of vacation and 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. Acquisitions under subscription arrangements are reported as an other financing source at the present value of the future minimum payments as of the inception date.

Pension Plan

For purposes of measuring the net pension asset, 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 amortization, 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, and revised on February 18, 2025.

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 Balance

The Ditch Special Revenue Fund had a deficit fund balance of \$1,070,378 as of December 31, 2025, and 26 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:

Individual Ditch System Fund Balance

Count of Individual Ditches	Amount
39 ditches with positive fund balances	\$ 1,111,552
26 ditches with deficit fund balances	(2,181,930)
Total Fund Balance	<u>\$ (1,070,378)</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 Cash and Investments to the Basic Financial Statements as of December 31, 2025

Basic Financial Statement Accounts	Governmental Funds	Fiduciary Funds	Total
Cash and pooled investments	\$ 79,787,289	\$ 2,846,071	\$ 82,633,360
Petty cash and change funds	13,015	-	13,015
Departmental cash	11,188	36,352	47,540
Total	<u>\$ 79,811,492</u>	<u>\$ 2,882,423</u>	<u>\$ 82,693,915</u>

Cash and Investments	Amount
Deposits	\$ 66,583,744
Petty cash and change funds	13,015
Departmental cash	47,540
Investments	16,049,616
Total Deposits, Cash on Hand, and Investments	<u>\$ 82,693,915</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, 2025, 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, 2025, 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 of Investments

The following table presents the County's investment balances at December 31, 2025:

Investment Information as of December 31, 2025

Investments Measured at the Net Asset Value (NAV)	December 31, 2025
MAGIC Portfolio	\$ 10,049,616
MAGIC Term Series	6,000,000
Total	<u>\$ 16,049,616</u>

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, 2025, are as follows:

Governmental Activities' Receivables as of December 31, 2025

Receivables – Governmental Activities	Total Receivables – Net	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 406,871	\$ -
Special assessments	3,311,982	3,248,684
Accounts – net	362,505	-
Accrued interest	266,006	-
Due from other governments	9,749,904	-
Total Governmental Activities Receivables	<u>\$ 14,097,268</u>	<u>\$ 3,248,684</u>

The accounts receivable amount reflects an allowance of uncollectible accounts of \$503,215.

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Capital Assets

Capital asset activity for the year ended December 31, 2025, was as follows:

Changes in Capital Assets for the Year Ended December 31, 2025

Capital Assets	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,709,401	\$ -	\$ -	\$ 3,709,401
Construction in progress	1,658,312	139,776	(1,658,312)	139,776
Infrastructure – right-of-way	4,562,511	-	-	4,562,511
Total capital assets not depreciated	\$ 9,930,224	\$ 139,776	\$ (1,658,312)	\$ 8,411,688
Capital assets depreciated and amortized				
Buildings	\$ 43,021,702	\$ 2,404,108	\$ (189,483)	\$ 45,236,327
Machinery, furniture, and equipment	20,819,827	1,803,159	(1,045,990)	21,576,996
Improvements other than buildings	1,947,448	178,908	-	2,126,356
Infrastructure	206,037,449	9,027,985	-	215,065,434
Subscription-based information technology arrangements	-	964,779	-	964,779
Total capital assets depreciated and amortized	\$ 271,826,426	\$ 14,378,939	\$ (1,235,473)	\$ 284,969,892
Less: accumulated depreciation and amortization for				
Buildings	\$ 17,500,197	\$ 1,495,197	\$ (189,483)	\$ 18,805,911
Machinery, furniture, and equipment	18,357,718	2,355,255	(1,044,907)	19,668,066
Improvements other than buildings	1,110,416	98,593	-	1,209,009
Infrastructure	73,104,504	4,065,860	-	77,170,364
Subscription-based information technology arrangements	-	11,028	-	11,028
Total accumulated depreciation and amortization	\$ 110,072,835	\$ 8,025,933	\$ (1,234,390)	\$ 116,864,378
Total capital assets depreciated and amortized, net	\$ 161,753,591	\$ 6,353,006	\$ (1,083)	\$ 168,105,514
Governmental Activities Capital Assets, Net	\$ 171,683,815	\$ 6,492,782	\$ (1,659,395)	\$ 176,517,202

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities	Amount
General government	\$ 1,720,280
Public safety	842,135
Highways and streets, including depreciation of infrastructure assets	5,030,442
Sanitation	352,895
Human services	14,539
Health	420
Culture and recreation	46,033
Conservation of natural resources	19,189
Total Depreciation and Amortization Expense – Governmental Activities	<u>\$ 8,025,933</u>

Interfund Receivables, Payables, and Transfers

Advances From/To Other Funds

The composition of interfund balances as of December 31, 2025, is as follows:

Interfund Balances as of December 31, 2025

Receivable Fund	Payable Fund	Amount
General	Ditch	<u>\$ 2,172,500</u>

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

Interfund Transfers

Interfund transfers for the year ended December 31, 2025, consisted of the following:

Interfund Transfers for the Year Ended December 31, 2025

Fund Transferred From/To	Amount	Transfer Reason
Transfer to Debt Service Fund from Solid Waste Special Revenue Fund	<u>\$ 341,315</u>	Debt repayment

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Liabilities and Deferred Inflows of Resources

Payables

Payables as of December 31, 2025, were as follows:

Governmental Activities' Payables as of December 31, 2025

Payables	Amount
Accounts	\$ 1,442,846
Salaries	847,561
Accrued payroll taxes	55,073
Accrued interest	157,430
Other accrued expenses	88,620
Contracts	545,978
Due to other governments	1,139,405
Total Payables	<u>\$ 4,276,913</u>

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, 2025, are summarized by fund:

Deferred Inflows of Resources by Fund as of December 31, 2025

Governmental Funds	Special Assessments	Taxes	Grants	Other	Total
Major funds					
General	\$ 567,678	\$ 232,434	\$ 167,577	\$ -	\$ 967,689
Road and Bridge	-	62,571	5,681,075	-	5,743,646
Human Services	-	92,602	216,655	51,253	360,510
Solid Waste	-	-	-	19,076	19,076
Ditch	2,744,304	-	-	135,044	2,879,348
Nonmajor fund					
Debt Service	-	19,264	-	-	19,264
Total Unavailable Revenue	<u>\$ 3,311,982</u>	<u>\$ 406,871</u>	<u>\$ 6,065,307</u>	<u>\$ 205,373</u>	<u>\$ 9,989,533</u>

Subscription-Based Information Technology Arrangements

The County has entered into subscription-based contracts to use vendor-provided information technology. The subscription-based information technology arrangements (SBITA) provide the County with access to information technology software and associated capital assets in exchange for subscription payments. These SBITAs have been recorded at the present value of their future minimum payments as of the inception date. SBITA payments are paid from the General Fund and Road and Bridge Special Revenue Fund.

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Future Minimum SBITA Obligations and Present Value of Minimum SBITA Payments as of December 31, 2025

Year Ending December 31	Principal	Interest
2026	\$ 314,185	\$ 15,004
2027	321,598	7,590
Total	<u>\$ 635,783</u>	<u>\$ 22,594</u>

Long-Term Debt

Bonds and Loans Payable as of December 31, 2025

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2025
2014 General Obligation Bonds	2025	\$900,000- \$1,055,000	2.000- 2.125	\$ 9,785,000	\$ -
2016 General Obligation Drainage Bonds	2032	\$150,000- \$175,000	1.000- 2.000	2,490,000	1,120,000
2018 General Obligation Bonds	2039	\$405,000- \$655,000	2.750- 3.650	10,000,000	7,490,000
2019 General Obligation Bonds	2035	\$315,000- \$1,405,000	2.000- 5.000	9,040,000	2,770,000
Agricultural Best Management Practices (AgBMP) loans	2034	N/A	0.000	1,027,711	551,718
Minnesota Pollution Control Agency (MnPCA) loans	2033	N/A	0.000- 2.000	1,707,615	782,815
Total					<u>\$ 12,714,533</u>

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, 2025, was \$300,000; accumulated interest is \$13,536. Principal payments of \$33,561 were made in 2025.

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, 2025, was \$40,070; accumulated interest is \$871. Principal payments of \$4,296 were made in 2025.

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, 2025, was \$349,421; accumulated interest is \$4,112. Principal payments of \$37,481 were made in 2025.

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

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December 31, 2025, was \$287,926; accumulated interest is \$8,330. Principal payments of \$29,875 were made in 2025.

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 was made in 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, 2025, was \$730,198. Principal payments of \$69,663 were made in 2025.

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.

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Debt Service Requirements

Debt service requirements at December 31, 2025, were as follows:

Debt Service Requirements as of December 31, 2025

Year Ending December 31	General Obligation Drainage Bonds 2016 Principal	General Obligation Drainage Bonds 2016 Interest	General Obligation Bonds 2018 Principal	General Obligation Bonds 2018 Interest	General Obligation Bonds 2019 Principal	General Obligation Bonds 2019 Interest
2026	\$ 170,000	\$ 20,740	\$ 440,000	\$ 246,303	\$ 230,000	\$ 71,550
2027	165,000	18,020	450,000	234,065	245,000	59,675
2028	165,000	15,050	465,000	221,484	255,000	47,175
2029	160,000	12,080	475,000	207,253	270,000	38,100
2030	155,000	9,200	490,000	191,330	275,000	32,650
2031-2035	305,000	9,100	2,685,000	696,246	1,495,000	76,250
2036-2039	-	-	2,485,000	185,329	-	-
Total	\$ 1,120,000	\$ 84,190	\$ 7,490,000	\$ 1,982,010	\$ 2,770,000	\$ 325,400

Debt Service Requirements as of December 31, 2025

Year Ending December 31	AgBMP Loans Principal	AgBMP Loans Interest
2026	\$ 51,211	\$ -
2027	52,761	-
2028	55,905	-
2029	71,602	-
2030	81,066	-
2031-2034	239,173	-
Total	\$ 551,718	\$ -

Debt Service Requirements as of December 31, 2025

Year Ending December 31	Crow River Watershed Septic System Loans 2012 Principal	Crow River Watershed Septic System Loans 2012 Interest	High Island Creek Watershed Septic Loans 2013 Principal	High Island Creek Watershed Septic Loans 2013 Interest	Crow River Basin Septic System Loans 2015 Principal	Crow River Basin Septic System Loans 2015 Interest
2026	\$ 34,235	\$ 514	\$ 4,383	\$ 155	\$ 38,234	\$ 948
2027	-	-	4,470	67	18,692	187
Total	\$ 34,235	\$ 514	\$ 8,853	\$ 222	\$ 56,926	\$ 1,135

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Debt Service Requirements as of December 31, 2025

Year Ending December 31	Crow River Basin Septic System Loans 2016		SSTS Restoration Clean Water Project System Loans 2019	
	Principal	Interest	Principal	Interest
2026	\$ 30,475	\$ 2,358	\$ 69,663	\$ -
2027	31,089	1,746	69,663	-
2028	31,714	1,121	69,663	-
2029	32,220	484	69,663	-
2030	-	-	69,663	-
2031-2033	-	-	208,988	-
Total	\$ 125,498	\$ 5,709	\$ 557,303	\$ -

Debt Service Requirements as of December 31, 2025 Total Bonds and Loans Payable

Year Ending December 31	Total Principal	Total Interest
2026	\$ 1,068,201	\$ 342,568
2027	1,036,675	313,760
2028	1,042,282	284,830
2029	1,078,485	257,917
2030	1,070,729	233,180
2031-2035	4,933,161	781,596
2036-2039	2,485,000	185,329
Total	\$ 12,714,533	\$ 2,399,180

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2025, was as follows:

Changes in Long-Term Liabilities for the Year Ended December 31, 2025

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MnPCA loans	\$ 957,690	\$ -	\$ (174,875)	\$ 782,815	\$ 176,990
AgBMP loans	621,008	-	(69,290)	551,718	51,211
General obligation bonds	14,285,000	-	(2,905,000)	11,380,000	840,000
Bond premiums	258,284	-	(64,111)	194,173	-
Subscriptions payable	-	954,404	(318,621)	635,783	314,185
Compensated absences	2,218,969	239,280*	-	2,458,249	1,671,610
Long-Term Liabilities	\$ 18,340,951	\$ 1,193,684	\$ (3,531,897)	\$ 16,002,738	\$ 3,053,996

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

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Payments on MnPCA loans are made from the General Fund with special assessments. Payments on the 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.

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, 2024:

Employees Covered by the OPEB Benefit Terms as of the January 1, 2024, Actuarial Valuation

OPEB Participants	Total
Inactive employees or beneficiaries currently receiving benefit payments	7
Active plan participants	275
Total	282

Total OPEB Liability

The County's total OPEB liability of \$1,103,808 was measured as of January 1, 2025, and was determined by an actuarial valuation as of January 1, 2024. 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, 2025, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The actuarial cost method is entry age, level percentage of pay.
- The current inflation rate is 2.50 percent.
- The salary increases are 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.
- The health care cost trend rate is 6.25 as of January 1, 2025, grading to 5.00 percent over six years and then

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to 4.00 percent over the next 48 years.

- The current year discount rate is 3.70 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.

The actuarial assumptions are currently based on a combination of historical information and the most recent actuarial valuation as of January 1, 2024.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2025

OPEB Liability Changes	Amount
Total OPEB liability, balance at December 31, 2024	\$ 1,020,027
Service cost	\$ 90,131
Interest	40,222
Benefit payments	(46,572)
Net change	\$ 83,781
Total OPEB liability, balance at December 31, 2025	\$ 1,103,808

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, 2025

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	2.70%	\$ 1,190,900
Current	3.70%	1,103,808
1% Increase	4.70%	1,022,603

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:

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Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2025

Change in Discount Rate	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 978,378
Current	6.50% Decreasing to 5.00%	1,103,808
1% Increase	7.50% Decreasing to 6.00%	1,252,174

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

For the year ended December 31, 2025, the County recognized OPEB expense of \$19,021. 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, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 16,089	\$ 115,073
Differences between expected and actual economic experience	-	164,994
Employer contributions paid subsequent to the measurement date	47,477	-
Total	\$ 63,566	\$ 280,067

The \$47,477 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, 2026. 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, 2025

Year Ended December 31	OPEB Expense Amount
2026	\$ (104,854)
2027	(38,673)
2028	(46,708)
2029	(36,874)
2030	(36,869)

Changes in Actuarial Assumptions

The were no changes in actuarial assumptions that occurred in 2025.

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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.

The General Employees Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three years of credited service. No 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 a maximum of 1.50 percent. The 2025 annual increase was 1.25 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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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 a maximum of 2.50 percent. The 2025 annual increase was 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. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

The benefit provisions stated in the following paragraph of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not yet receiving them, are bound by the provisions in effect at the time they last terminated their public service.

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For 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 earned before July 1, 2025, and 2.20 percent of average salary for years of service earned on or after July 1, 2025.

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 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 and disability qualification requirements vary by plan.

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. Correctional Plan member and employer contribution rates increased 1.00 percent and 1.50 percent, respectively, on July 1, 2025.

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Member and Employer Required Contribution Rates

Pension Plan	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	6.83%	10.25%

Employer Contributions for the Year Ended December 31, 2025

Pension Plan	Contribution
General Employees Plan	\$ 1,301,231
Police and Fire Plan	445,844
Correctional Plan	159,240

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

Pension Costs

General Employees Plan

At December 31, 2025, the County reported a liability of \$6,128,764 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.1849 percent. It was 0.1826 percent measured as of June 30, 2024. The County recognized pension expense of (\$380,331) 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. This contribution meets the definition of a special funding situation. The County recognized an additional (\$22,677) 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, 2025

Total General Employees Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 6,128,764
State of Minnesota's proportionate share of the net pension liability associated with the County	147,845
Total	<u>\$ 6,276,609</u>

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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, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 583,937	\$ -
Changes in actuarial assumptions	147,668	1,410,207
Difference between projected and actual investment earnings	-	2,438,694
Changes in proportion	149,492	86,352
Contributions paid to PERA subsequent to the measurement date	660,034	-
Total	<u>\$ 1,541,131</u>	<u>\$ 3,935,253</u>

The \$660,034 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	\$ (716,023)
2027	(1,095,474)
2028	(807,018)
2029	(435,641)

Police and Fire Plan

At December 31, 2025, the County reported a liability of \$1,951,311 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.1665 percent. It was 0.1818 percent measured as of June 30, 2024. The County recognized pension expense of \$546,812 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2025. 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.

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Legislation requires the State of Minnesota to pay direct state aid of \$9 million on October 1. The direct state aid payment will increase by \$17.7 million, which began on October 1, 2025. Thereafter, by October 1 of each year, the state will pay \$26.7 million to the Police and Fire Fund until the fund is 110 percent funded for a minimum of three consecutive years. The County recognized an additional \$17,740 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 100 percent funded for three consecutive years. The County recognized \$14,989 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2025

Total Police and Fire Plan Net Pension Liability Associated with the County	Amount
The County's proportionate share of the net pension liability	\$ 1,951,311
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>67,642</u>
Total	<u>\$ 2,018,953</u>

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, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 901,568	\$ -
Changes in actuarial assumptions	1,479,720	2,444,912
Difference between projected and actual investment earnings	-	870,897
Changes in proportion	198,513	218,389
Contributions paid to PERA subsequent to the measurement date	<u>234,154</u>	<u>-</u>
Total	<u>\$ 2,813,955</u>	<u>\$ 3,534,198</u>

The \$234,154 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	\$ 476,528
2027	(414,136)
2028	(956,563)
2029	(67,670)
2030	7,444

Correctional Plan

At December 31, 2025, the County reported an asset of \$393,392 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.5947 percent. It was 0.5763 percent measured as of June 30, 2024. The County recognized pension expense of (\$626,270) for its proportionate share of the Correctional Plan's pension expense.

The County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Correctional Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 68,059	\$ -
Changes in actuarial assumptions	25,530	257,964
Difference between projected and actual investment earnings	-	329,192
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	89,576	-
Total	\$ 183,165	\$ 587,156

The \$89,576 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Correctional Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	\$ (54,004)
2027	(257,805)
2028	(124,753)
2029	(57,005)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2025, was (\$459,789).

Actuarial Assumptions

The total pension liability in the June 30, 2025, 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, 2025

Actuarial Assumptions	General Employees Plan	Police and Fire Plan	Correctional Plan
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 1.50 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, 2025, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 29, 2023. The experience study for the Police and Fire Plan and Correctional Plan was dated July 31, 2024. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

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

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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 2025, which remains consistent with 2024. 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 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 2025:

General Employees Plan

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

Police and Fire Plan

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.

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- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

Correctional Plan

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.

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- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.
- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions.

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, 2025

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability (Asset)	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 14,885,805	6.00%	\$ 5,112,849	6.00%	\$ 931,473
Current	7.00%	6,128,764	7.00%	1,951,311	7.00%	(393,392)
1% Increase	8.00%	(975,168)	8.00%	(644,810)	8.00%	(1,448,244)

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 Board members 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

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qualified plan under Section 401(a) of the Internal Revenue Code, and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 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. For the year ended December 31, 2025, the total employee and employer contributions were each \$11,819, which represents five percent of covered payroll.

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 \$1,000,000 per claim in 2025 and 2026. 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 Marshall, Minnesota, where McLeod County 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.

Current financial statements are available from the McLeod County Administration department.

Meeker-McLeod-Sibley Community Health Board

The Meeker-McLeod-Sibley Community Health Board was established pursuant to Minn. Stat. §§ 145A.09 to 145A.13, Minn. Stat. § 471.59, and a joint powers agreement, effective April 19, 1990. The Community Health Board consists of six members, two each from Meeker, McLeod, and Sibley Counties. The primary function of the joint venture is to provide health services and to promote efficiency and economy in the delivery of health services. The joint venture is financed primarily from state and federal grants.

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

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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 Pioneerland Regional Library 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 Belle Plaine, Hutchinson, Jordan, Prior Lake, Shakopee, and South Lake Minnetonka 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.

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

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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 2025.

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 2025, 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.

Yellow Medicine County Human Services has acted as fiscal agent for PACT since January 1, 2025. 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.

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 2025, 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.

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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 2025, McLeod County contributed \$19,514 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 CareerForce 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. 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.

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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 \$326,652 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, Mahnomen, Marshall, McLeod, Mille Lacs, Mower, Murray, Norman, Pennington, Pine, Pipestone, Polk, Pope, Red Lake, Redwood, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, Wilkin, and Wright Counties. Control 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 2025, 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 2025, there were 13 pay-as-you-go notes within the County. The tax increment collections during 2025 associated with these notes totaled \$479,600. McLeod County's portion of the captured tax capacity and related property taxes was approximately 30 percent, which is \$143,880.

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

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

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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, 2025, are summarized as follows:

Cash and Investments		Amount
Cash on deposit		
Restricted	\$	55,420
Unrestricted		443,281
Total cash on deposit	\$	498,701
Certificates of deposit, due within one year		
Restricted	\$	38,533
Unrestricted		241,342
Total certificates of deposit	\$	279,875
Total Cash and Investments	\$	778,576

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 \$778,576 as of June 30, 2025. The bank balance was \$903,707 as of June 30, 2025, 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;
- mutual funds through shares of registered investment companies through a mutual fund provided the mutual fund receives certain ratings depending on its investments;

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- 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					
Capital Assets	Beginning Balance	Additions	Disposals	Ending Balance	
Land	\$ 197,000	\$ -	\$ -	\$ 197,000	
Site improvements	277,908	84,960	-	362,868	
Buildings	4,284,679	219,189	-	4,503,868	
Furniture and equipment	541,981	-	-	541,981	
Total	\$ 5,301,568	\$ 304,149	\$ -	\$ 5,605,717	
Less: Accumulated depreciation	2,835,603	164,646	-	3,000,249	
Total	\$ 2,465,965	\$ 139,503	\$ -	\$ 2,605,468	

Long-Term Debt Payable

The following is a summary of long-term debt transactions for the year ended June 30, 2025:

Debt Payable						
Debt Payable	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	
Essential Function Housing Development Bond of 2021	\$ 1,685,000	\$ -	\$ (261,000)	\$ 1,424,000	\$ 263,000	
Assessments payable	871	-	(804)	67	67	
Total	\$ 1,685,871	\$ -	\$ (261,804)	\$ 1,424,067	\$ 263,067	

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 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

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calendar year. The HRA agrees to repay the funds to McLeod County after bond obligations have been fulfilled.

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, 2025, are as follows:

Debt Service Requirements

Year Ending June 30	Principal	Interest	Total
2026	\$ 263,067	\$ 16,855	\$ 279,922
2027	265,000	14,336	279,336
2028	268,000	11,377	279,377
2029	165,000	8,612	173,612
2030	123,000	6,571	129,571
2031-2035	340,000	13,159	353,159
Total	\$ 1,424,067	\$ 70,910	\$ 1,494,977

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.

Required Supplementary Information

Exhibit A-1

**McLeod County
Glencoe, Minnesota
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 17,432,146	\$ 17,432,146	\$ 17,225,203	\$ (206,943)
Special assessments	178,447	178,447	145,169	(33,278)
Licenses and permits	75,050	75,050	113,011	37,961
Intergovernmental	4,437,470	4,437,470	5,633,404	1,195,934
Charges for services	1,756,070	1,756,070	2,300,449	544,379
Fines and forfeits	10,200	10,200	32,312	22,112
Gifts and contributions	6,140	6,140	34,825	28,685
Investment earnings	2,001,310	2,001,310	3,340,070	1,338,760
Miscellaneous	894,287	894,287	741,343	(152,944)
Total Revenues	\$ 26,791,120	\$ 26,791,120	\$ 29,565,786	\$ 2,774,666
Expenditures				
Current				
General government				
Commissioners	\$ 371,155	\$ 371,155	\$ 334,320	\$ 36,835
County-wide	1,729,287	1,729,287	619,259	1,110,028
Courts	300,700	300,700	463,168	(162,468)
Law library	20,000	20,000	20,526	(526)
County administrator	1,296,131	1,296,131	1,377,332	(81,201)
County auditor-treasurer	877,533	877,533	819,500	58,033
County assessor	731,206	731,206	667,886	63,320
Elections	380,072	380,072	149,212	230,860
Data processing	2,268,472	2,268,472	2,800,191	(531,719)
Central services	234,000	234,000	171,732	62,268
Attorney	1,507,710	1,507,710	1,639,263	(131,553)
Recorder	623,027	623,027	589,047	33,980
Buildings	1,593,015	1,593,015	1,516,731	76,284
County insurance	475,944	475,944	488,497	(12,553)
Veterans service officer	414,959	414,959	404,079	10,880
Fairgrounds	689,811	689,811	802,929	(113,118)
Safety	9,100	9,100	11,461	(2,361)
ARMER radio systems	-	-	23,549	(23,549)
Other general government	250,000	250,000	640,946	(390,946)
Total general government	\$ 13,772,122	\$ 13,772,122	\$ 13,539,628	\$ 232,494
Public safety				
Sheriff	\$ 6,241,745	\$ 6,241,745	\$ 6,415,552	\$ (173,807)
Inmate account	34,963	34,963	35,431	(468)
Probation officer	462,246	462,246	248,520	213,726
County jail	2,868,665	2,868,665	2,778,893	89,772
Sentencing to Service	111,685	111,685	108,917	2,768
Juvenile detention	2,200	2,200	6,803	(4,603)
Sheriff posse	35,000	35,000	72,436	(37,436)
Emergency services	142,810	142,810	133,467	9,343
Total public safety	\$ 9,899,314	\$ 9,899,314	\$ 9,800,019	\$ 99,295
Health				
Nursing service	\$ 3,318,977	\$ 3,318,977	\$ 2,873,994	\$ 444,983

Exhibit A-1*(Continued)*

**McLeod County
Glencoe, Minnesota**

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Culture and recreation				
Historical society	\$ 89,100	\$ 89,100	\$ 89,100	\$ -
Other	43,400	43,400	42,500	900
Parks	506,750	506,750	474,708	32,042
Snowmobile trail grant	44,640	44,640	33,125	11,515
Total culture and recreation	\$ 683,890	\$ 683,890	\$ 639,433	\$ 44,457
Conservation of natural resources				
Soil and water conservation	\$ 82,750	\$ 82,750	\$ 82,750	\$ -
County extension	299,191	299,191	290,684	8,507
Environmental services	461,356	461,356	500,870	(39,514)
Aquatic invasive species	74,000	74,000	94,547	(20,547)
Total conservation of natural resources	\$ 917,297	\$ 917,297	\$ 968,851	\$ (51,554)
Economic development				
Housing and Redevelopment Authority	\$ 128,274	\$ 128,274	\$ 129,220	\$ (946)
Intergovernmental				
Culture and recreation				
Pioneerland Regional Library	\$ 208,247	\$ 208,247	\$ 208,247	\$ -
Debt service				
Principal	\$ 172,355	\$ 172,355	\$ 493,496	\$ (321,141)
Interest	6,092	6,092	29,308	(23,216)
Total debt service	\$ 178,447	\$ 178,447	\$ 522,804	\$ (344,357)
Total Expenditures	\$ 29,106,568	\$ 29,106,568	\$ 28,682,196	\$ 424,372
Excess of Revenues Over (Under)				
Expenditures	\$ (2,315,448)	\$ (2,315,448)	\$ 883,590	\$ 3,199,038
Other Financing Sources (Uses)				
Issuance of software subscriptions	\$ -	\$ -	\$ 954,404	\$ 954,404
Proceeds from the sale of capital assets	15,000	15,000	30,135	15,135
Total Other Financing Sources (Uses)	\$ 15,000	\$ 15,000	\$ 984,539	\$ 969,539
Net Change in Fund Balance	\$ (2,300,448)	\$ (2,300,448)	\$ 1,868,129	\$ 4,168,577
Fund Balance – January 1	40,858,731	40,858,731	40,858,731	-
Fund Balance – December 31	\$ 38,558,283	\$ 38,558,283	\$ 42,726,860	\$ 4,168,577

Exhibit A-2

**McLeod County
Glencoe, Minnesota**

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 7,396,784	\$ 7,396,784	\$ 7,757,687	\$ 360,903
Licenses and permits	13,000	13,000	12,850	(150)
Intergovernmental	10,904,400	10,904,400	10,064,916	(839,484)
Charges for services	69,000	69,000	225,400	156,400
Miscellaneous	4,000	4,000	2,142	(1,858)
Total Revenues	\$ 18,387,184	\$ 18,387,184	\$ 18,062,995	\$ (324,189)
Expenditures				
Current				
Highways and streets				
Administration	\$ 1,001,527	\$ 1,001,527	\$ 978,160	\$ 23,367
Geographic information systems	250,618	250,618	235,361	15,257
Maintenance	2,520,754	2,520,754	2,138,858	381,896
Engineering/construction	14,575,500	14,575,500	9,699,774	4,875,726
Equipment, maintenance, and shop	1,496,192	1,496,192	1,101,193	394,999
Total highways and streets	\$ 19,844,591	\$ 19,844,591	\$ 14,153,346	\$ 5,691,245
Intergovernmental				
Highways and streets	\$ 360,000	\$ 360,000	\$ 800,314	\$ (440,314)
Debt service				
Principal retirement	\$ 1,185,000	\$ 1,185,000	\$ 1,185,000	\$ -
Interest	29,625	29,625	29,625	-
Total debt service	\$ 1,214,625	\$ 1,214,625	\$ 1,214,625	\$ -
Total Expenditures	\$ 21,419,216	\$ 21,419,216	\$ 16,168,285	\$ 5,250,931
Excess of Revenues Over (Under)				
Expenditures	\$ (3,032,032)	\$ (3,032,032)	\$ 1,894,710	\$ 4,926,742
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	64,000	64,000	114,472	50,472
Net Change in Fund Balance	\$ (2,968,032)	\$ (2,968,032)	\$ 2,009,182	\$ 4,977,214
Fund Balance – January 1	17,500,944	17,500,944	17,500,944	-
Increase (decrease) in inventories	-	-	42,744	42,744
Fund Balance – December 31	\$ 14,532,912	\$ 14,532,912	\$ 19,552,870	\$ 5,019,958

**McLeod County
Glencoe, Minnesota**

**Budgetary Comparison Schedule
Human Services Special Revenue Fund
For the Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 6,669,998	\$ 6,669,998	\$ 6,558,412	\$ (111,586)
Intergovernmental	5,739,135	5,739,135	6,045,809	306,674
Charges for services	720,959	720,959	736,280	15,321
Gifts and contributions	-	-	250	250
Miscellaneous	430,397	430,397	299,381	(131,016)
Total Revenues	\$ 13,560,489	\$ 13,560,489	\$ 13,640,132	\$ 79,643
Expenditures				
Current				
Human services				
Income maintenance	\$ 3,554,542	\$ 3,554,542	\$ 3,251,457	\$ 303,085
Social services	10,503,830	10,503,830	10,208,661	295,169
Total Expenditures	\$ 14,058,372	\$ 14,058,372	\$ 13,460,118	\$ 598,254
Net Change in Fund Balance	\$ (497,883)	\$ (497,883)	\$ 180,014	\$ 677,897
Fund Balance – January 1	10,948,359	10,948,359	10,948,359	-
Fund Balance – December 31	\$ 10,450,476	\$ 10,450,476	\$ 11,128,373	\$ 677,897

Exhibit A-4

**McLeod County
Glencoe, Minnesota**

**Budgetary Comparison Schedule
Solid Waste Special Revenue Fund
For the Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Licenses and permits	\$ 6,800	\$ 6,800	\$ 14,445	\$ 7,645
Intergovernmental	104,000	104,000	126,400	22,400
Charges for services	1,583,800	1,583,800	2,005,733	421,933
Miscellaneous	30,000	30,000	137,649	107,649
Total Revenues	\$ 1,724,600	\$ 1,724,600	\$ 2,284,227	\$ 559,627
Expenditures				
Current				
Sanitation	1,829,913	1,829,913	1,603,288	226,625
Excess of Revenues Over (Under) Expenditures	\$ (105,313)	\$ (105,313)	\$ 680,939	\$ 786,252
Other Financing Sources (Uses)				
Transfers out	\$ (341,315)	\$ (341,315)	\$ (341,315)	\$ -
Proceeds from the sale of capital assets	-	-	3,102	3,102
Total Other Financing Sources (Uses)	\$ (341,315)	\$ (341,315)	\$ (338,213)	\$ 3,102
Net Change in Fund Balance	\$ (446,628)	\$ (446,628)	\$ 342,726	\$ 789,354
Fund Balance – January 1	4,123,951	4,123,951	4,123,951	-
Fund Balance – December 31	\$ 3,677,323	\$ 3,677,323	\$ 4,466,677	\$ 789,354

Exhibit A-5

**McLeod County
Glencoe, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2025**

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	\$ 90,131	\$ 87,506	\$ 106,158	\$ 103,066
Interest	40,222	25,686	24,531	24,280
Differences between expected and actual experience	-	(145,632)	-	(53,197)
Changes of assumption or other inputs	-	(112,477)	-	(15,683)
Benefit payments	(46,572)	(63,406)	(45,274)	(52,687)
Other changes	-	-	-	-
Net change in total OPEB liability	\$ 83,781	\$ (208,323)	\$ 85,415	\$ 5,779
Total OPEB Liability – Beginning	1,020,027	1,228,350	1,142,935	1,137,156
Total OPEB Liability – Ending	\$ 1,103,808	\$ 1,020,027	\$ 1,228,350	\$ 1,142,935
Covered-employee payroll	\$ 19,796,771	\$ 19,220,166	\$ 17,994,397	\$ 17,470,288
Total OPEB liability (asset) as a percentage of covered-employee payroll	5.58%	5.31%	6.83%	6.54%

	2021	2020	2019	2018
Total OPEB Liability				
Service cost	\$ 114,035	\$ 96,242	\$ 106,465	\$ 111,888
Interest	31,159	54,154	45,560	42,127
Differences between expected and actual experience	-	(267,261)	-	-
Changes of assumption or other inputs	56,324	(196,101)	(45,300)	-
Benefit payments	(49,179)	(61,564)	(42,693)	(46,369)
Other changes	-	-	-	-
Net change in total OPEB liability	\$ 152,339	\$ (374,530)	\$ 64,032	\$ 107,646
Total OPEB Liability – Beginning	984,817	1,359,347	1,295,315	1,187,669
Total OPEB Liability – Ending	\$ 1,137,156	\$ 984,817	\$ 1,359,347	\$ 1,295,315
Covered-employee payroll	\$ 15,477,416	\$ 14,990,233	\$ 16,067,024	\$ 15,599,052
Total OPEB liability (asset) as a percentage of covered-employee payroll	7.35%	6.57%	8.46%	8.30%

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

Exhibit A-6

**McLeod County
Glencoe, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2025**

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 (%)
2025	0.1849	\$ 6,128,764	\$ 147,845	\$ 6,276,609	\$ 16,659,742	36.79	90.78
2024	0.1826	6,751,989	174,593	6,926,582	15,439,841	43.73	89.08
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

The measurement date for each year is June 30.

Exhibit A-7

**McLeod County
Glencoe, Minnesota**

**Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2025**

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) (%)
2025	\$ 1,301,231	\$ 1,301,231	\$ -	\$ 17,349,745	7.50
2024	1,204,684	1,204,684	-	16,062,454	7.50
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

The County's year-end is December 31.

Exhibit A-8

**McLeod County
Glencoe, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2025**

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 (%)
2025	0.1665	\$ 1,951,311	\$ 67,642	\$ 2,018,953	\$ 2,431,492	80.25	91.78
2024	0.1818	2,391,143	91,149	2,482,292	2,515,790	95.05	90.17
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

The measurement date for each year is June 30.

N/A – Not Applicable

Exhibit A-9

**McLeod County
Glencoe, Minnesota**

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2025**

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) (%)
2025	\$ 445,844	\$ 445,844	\$ -	\$ 2,518,894	17.70
2024	440,166	440,166	-	2,486,814	17.70
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

The County's year-end is December 31.

**McLeod County
Glencoe, Minnesota**

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025**

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 (%)
2025	0.5947	\$ (393,392)	\$ 1,555,562	(25.29)	105.18
2024	0.5763	175,659	1,477,357	11.89	97.54
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

The measurement date for each year is June 30.

**McLeod County
Glencoe, Minnesota**

Schedule of Contributions

**PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025**

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) (%)
2025	\$ 159,240	\$ 159,240	\$ -	\$ 1,670,068	9.53
2024	132,574	132,574	-	1,515,132	8.75
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

The County's year-end is December 31.

McLeod County Glencoe, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2025

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 17, 2024, 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, 2025:

Excess of Expenditures Over Appropriations			
Fund	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Courts	\$ 463,168	\$ 300,700	\$ 162,468
Law library	20,526	20,000	526
County administrator	1,377,332	1,296,131	81,201
Data processing	2,800,191	2,268,472	531,719
Attorney	1,639,263	1,507,710	131,553
County insurance	488,497	475,944	12,553
Fairgrounds	802,929	689,811	113,118
Safety	11,461	9,100	2,361
Armer radio systems	23,549	-	23,549
Other general government	640,946	250,000	390,946
Public safety			
Sheriff	6,415,552	6,241,745	173,807
Inmate account	35,431	34,963	468
Juvenile detention	6,803	2,200	4,603
Sheriff posse	72,436	35,000	37,436
Conservation of natural resources			
Environmental services	500,870	461,356	39,514
Aquatic invasive species	94,547	74,000	20,547
Economic development			
Housing and Redevelopment Authority	129,220	128,274	946
Debt service			
Principal	493,496	172,355	321,141
Interest	29,308	6,092	23,216
Road and Bridge Special Revenue Fund			
Intergovernmental			
Highways and streets	800,314	360,000	440,314

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:

2025

None.

2024

- The health care trend rates were changed to better anticipate short- and long-term medical increases.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 3.70 percent.

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.

McLeod County Glencoe, Minnesota

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

2025

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.
- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

McLeod County Glencoe, Minnesota

2023

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

2022

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

2021

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

2020

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- 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

McLeod County Glencoe, Minnesota

annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

2019

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

2018

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

McLeod County Glencoe, Minnesota

2017

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

2016

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

Public Employees Police and Fire Plan

2025

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- Minor changes were made to form of payment assumptions for retirees.

McLeod County Glencoe, Minnesota

- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional \$9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional \$17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

2024

- The state contribution of \$9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional \$9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

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.

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- 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 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.

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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.

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.

McLeod County Glencoe, Minnesota

- 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

2025

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.
- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions.

McLeod County Glencoe, Minnesota

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.
- The benefit multiplier was changed from 1.9 percent to 2.2 percent for service earned after June 30, 2025.

2023

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

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- 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.
- 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.

McLeod County Glencoe, Minnesota

- 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.

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.

Exhibit B-1

**McLeod County
Glencoe, Minnesota**

**Budgetary Comparison Schedule
Debt Service Fund
For the Year Ended December 31, 2025**

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	\$ 1,051,106	\$ 1,051,106	\$ 1,041,235	\$ (9,871)
Intergovernmental	-	-	11,835	11,835
Total Revenues	\$ 1,051,106	\$ 1,051,106	\$ 1,053,070	\$ 1,964
Expenditures				
Debt service				
Principal	\$ 1,550,000	\$ 1,550,000	\$ 1,550,000	\$ -
Interest	350,628	350,628	350,628	-
Administrative charges	-	-	750	(750)
Total Expenditures	\$ 1,900,628	\$ 1,900,628	\$ 1,901,378	\$ (750)
Excess of Revenues Over (Under) Expenditures	\$ (849,522)	\$ (849,522)	\$ (848,308)	\$ 1,214
Other Financing Sources (Uses)				
Transfers in	341,315	341,315	341,315	-
Net Change in Fund Balance	\$ (508,207)	\$ (508,207)	\$ (506,993)	\$ 1,214
Fund Balance – January 1	4,062,246	4,062,246	4,062,246	-
Fund Balance – December 31	\$ 3,554,039	\$ 3,554,039	\$ 3,555,253	\$ 1,214

Fiduciary Funds

McLeod County Glencoe, Minnesota

Custodial Funds

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.

The Southwestern MN Adult Mental Health Consortium accounts for the collection and payment of funds of the Southwestern Minnesota Adult Mental Health Consortium.

Exhibit C-1

**McLeod County
Glencoe, Minnesota**

**Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2025**

	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Southwestern MN Adult Mental Health Consortium	Total Custodial Funds
<u>Assets</u>					
Cash and pooled investments	\$ 154,288	\$ 276,098	\$ 1,122,449	\$ 1,276,987	\$ 2,829,822
Departmental cash	27,227	9,125	-	-	36,352
Taxes receivable for other governments	-	406,871	-	-	406,871
Accounts receivable	2,330	-	-	-	2,330
Due from other governments	77	-	-	331,203	331,280
Total Assets	\$ 183,922	\$ 692,094	\$ 1,122,449	\$ 1,608,190	\$ 3,606,655
<u>Liabilities</u>					
Accounts payable	\$ 438	\$ 26	\$ 1,449	\$ 1,780	\$ 3,693
Contracts payable	-	-	-	9,703	9,703
Salaries payable	-	-	11,844	-	11,844
Accrued expenses	-	-	768	-	768
Due to other governments	183,484	285,197	-	-	468,681
Unearned revenue	-	-	-	6,900	6,900
Total Liabilities	\$ 183,922	\$ 285,223	\$ 14,061	\$ 18,383	\$ 501,589
<u>Net Position</u>					
Restricted for individuals, organizations, and other governments	\$ -	\$ 406,871	\$ 1,108,388	\$ 1,589,807	\$ 3,105,066

Exhibit C-2

**McLeod County
Glencoe, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2025**

	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Southwestern MN Adult Mental Health Consortium	Total Custodial Funds
Additions					
Contributions					
Individuals	\$ -	\$ -	\$ 193	\$ -	\$ 193
Other governments	-	-	808,335	5,622,447	6,430,782
Property tax collections	1,426,962	45,447,345	-	-	46,874,307
Licenses and fees collected	390,684	-	-	16,164	406,848
Issuance of lease	-	-	-	22,693	22,693
Investment earnings	-	-	190	33,421	33,611
Miscellaneous	-	-	-	345	345
Total Additions	\$ 1,817,646	\$ 45,447,345	\$ 808,718	\$ 5,695,070	\$ 53,768,779
Deductions					
Payments for personnel and benefits	\$ -	\$ -	\$ 416,040	\$ -	\$ 416,040
Payments of property tax to other entities	1,419,319	45,465,270	-	-	46,884,589
Payments for capital	-	-	-	27,922	27,922
Payments to individuals and other entities	398,327	-	(248)	5,002,172	5,400,251
Debt services	-	-	-	9,903	9,903
Administrative expense	-	-	178,414	-	178,414
Total Deductions	\$ 1,817,646	\$ 45,465,270	\$ 594,206	\$ 5,039,997	\$ 52,917,119
Change in net position	\$ -	\$ (17,925)	\$ 214,512	\$ 655,073	\$ 851,660
Net Position – January 1	-	424,796	893,876	934,734	2,253,406
Net Position – December 31	\$ -	\$ 406,871	\$ 1,108,388	\$ 1,589,807	\$ 3,105,066

Other Schedules

Exhibit D-1

**McLeod County
Glencoe, Minnesota**

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025**

	Total Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	\$ 9,057,538
Market value credit	331,850
Homelessness aid	81,113
Statewide affordable housing aid	48,908
Voter aid	24,162
Local cannabis aid	5,454
Out-of-home placement aid	3,126
Disparity reduction aid	60,750
County program aid	2,729,430
Police aid	369,560
E-911	230,303
Riparian protection aid	81,037
Aquatic invasive species	74,585
SCORE	126,400
Total appropriations and shared revenue	\$ 13,224,216
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 1,452,005
Payments	
Local	
Payments in lieu of taxes	\$ 102,920
Grants	
Local	
Highway	\$ 955,895
State	
Minnesota Department/Board of	
Corrections	\$ 185,905
Public Safety	49,000
Peace Officer Standards and Training	26,850
Health	306,515
Natural Resources	40,747
Human Services	1,518,174
Children, Youth, and Families	590,682
Water and Soil Resources	46,555
Veterans Affairs	20,000
Total state	\$ 2,784,428

Exhibit D-1*(Continued)***McLeod County
Glencoe, Minnesota****Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025**

	Total Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	\$ 446,667
Transportation	15,424
Treasury	336,448
Education	7,125
Health and Human Services	2,532,311
Homeland Security	24,925
Total federal	\$ 3,362,900
Total local, state, and federal grants	\$ 7,103,223
Total Intergovernmental Revenue	\$ 21,882,364

**McLeod County
Glencoe, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

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	222MN004W1003	\$ 117,149
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$309,519)	10.561	252MN101S2514	230,211
Passed Through Minnesota Department of Children, Youth, and Families SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$309,519)	10.561	252MN101S2514	<u>79,308</u>
Total U.S. Department of Agriculture			<u>\$ 426,668</u>
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety Highway Safety Cluster State and Community Highway Safety Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.600 20.608	Not Provided Not Provided	\$ 14,300 <u>1,124</u>
Total U.S. Department of Transportation			<u>\$ 15,424</u>
U.S. Department of the Treasury			
Direct COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<u>\$ 336,448</u>
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education – Grants for Infants and Families	84.181	Not Provided	<u>\$ 5,700</u>

Exhibit D-2*(Continued)*

**McLeod County
Glencoe, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

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 Human Services			
Marylee Allen Promoting Safe and Stable Families Program	93.556	2401MNFSS	\$ 8,036
Temporary Assistance for Needy Families	93.558	2501MNTANF	194,479
(Total Temporary Assistance for Needy Families 93.558 \$235,445)			
Child Support Services	93.563	2501MNSCSS	489,650
Child Support Services	93.563	2501MNICSS	103,261
(Total Child Support Services 93.563 \$750,885)			
Refugee and Entrant Assistance State/Replacement Designee			
Administered Programs	93.566	2501MNRDMA	1,333
CCDF Cluster			
Child Care and Development Block Grant	93.575	2501MNCCDF	11,392
(Total Child Care and Development Block Grant 93.575 \$13,415)			
Community-Based Child Abuse Prevention Grants	93.590	2402MNBCAP	3,967
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2401MNCWSS	3,788
Foster Care Title IV-E	93.658	2501MNFOST	96,148
(Total Foster Care Title IV-E 93.658 \$160,317)			
Social Services Block Grant	93.667	2501MNSOSR	170,160
(Total Social Services Block Grant 93.667 \$204,186)			
Children's Health Insurance Program	93.767	2405MN5021	179
Medicaid Cluster			
Grants to States for Medicaid	93.778	2505MN5ADM	1,215,812
Grants to States for Medicaid	93.778	2505MN5MAP	13,164
(Total Grants to States for Medicaid 93.778 \$1,228,976)			
Passed Through Minnesota Department of Children, Youth, and Families			
Child Support Services	93.563	2501MNSCSS	128,492
Child Support Services	93.563	2501MNICSS	29,482
(Total Child Support Services 93.563 \$750,885)			
CCDF Cluster			
Child Care and Development Block Grant	93.575	2501MNCCDF	2,023
(Total Child Care and Development Block Grant 93.575 \$13,415)			
Foster Care Title IV-E	93.658	2501MNFOST	64,169
(Total Foster Care Title IV-E 93.658 \$160,317)			
Social Services Block Grant	93.667	2501MNSOSR	34,026
(Total Social Services Block Grant 93.667 \$204,186)			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Medical Reserve Corps Small Grant Program	93.008	Not Provided	1,510
Early Hearing Detection and Intervention	93.251	H6100035	2,231
Temporary Assistance for Needy Families	93.558	Not Provided	40,966
(Total Temporary Assistance for Needy Families 93.558 \$235,445)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	36,837
Centers for Disease Control and Prevention Collaboration with Academia			
to Strengthen Public Health	93.967	NE11OE000048	11,942
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	32,385
Total U.S. Department of Health and Human Services			\$ 2,695,432

Exhibit D-2*(Continued)*

**McLeod County
Glencoe, Minnesota**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025**

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 Public Safety Emergency Management Performance Grants	97.042	A-EMPG-2025-MCLEODCO-046	<u>\$ 24,925</u>
Total Federal Awards			<u><u>\$ 3,504,597</u></u>

McLeod County did not pass any federal awards through to subrecipients during the year ended December 31, 2025.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 309,519
Total expenditures for Highway Safety Cluster	14,300
Total expenditures for CCDF Cluster	13,415
Total expenditures for Medicaid Cluster	1,228,976

McLeod County Glencoe, Minnesota

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2025

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 \$866,022 in federal awards expended by the McLeod County Housing and Redevelopment Authority component unit, because other auditors were engaged to perform a single audit in accordance with 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 award activity of McLeod County under programs of the federal government for the year ended December 31, 2025. 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 with recognition criteria following Uniform Guidance. Such expenditures are recognized following the cost principles contained in 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 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

Reconciling Items	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 3,362,900
Grants received more than 60 days after year-end, considered unavailable revenue in 2025	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (Assistance Listing Number 10.557)	31,356
MaryLee Allen Promoting Safe and Stable Families Program (Assistance Listing Number 93.556)	1,062
Temporary Assistance for Needy Families (Assistance Listing Number 93.558)	58,968
Child Support Services (Assistance Listing Number 93.563)	24,883
Community-Based Child Abuse Prevention Grants (Assistance Listing Number 93.590)	1,415
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	1,894
Foster Care Title IV-E (Assistance Listing Number 93.658)	7,628
Grants to States for Medicaid (Assistance Listing Number 93.778)	72,781
Medical Reserve Corps Small Grant Program (Assistance Listing Number 93.008)	129
Unavailable revenue in 2024, recognized as revenue in 2025	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (Assistance Listing Number 10.557)	(51,355)
Special Education – Grants for Infants and Families (Assistance Listing Number 84.181)	(1,425)
MaryLee Allen Promoting Safe and Stable Families Program (Assistance Listing Number 93.556)	(849)
Refugee and Entrant Assistance State/Replacement Designee Administered Programs (Assistance Listing 93.566)	(654)
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	(1,514)
Foster Care Title IV-E (Assistance Listing Number 93.658)	(2,622)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 3,504,597</u>

Management and Compliance Section



**Independent Auditor's 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***

Board of County Commissioners
McLeod County
Glencoe, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of 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, 2025, including the McLeod County Housing and Redevelopment Authority (HRA) discretely presented component unit as of and for the year ending June 30, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 15, 2026. Our report includes a reference to other auditors who audited the financial statements of the McLeod County HRA 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or 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 2025-001 through 2025-004, 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 2025-008. 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 the response.

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

September 15, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

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

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, 2025. 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, 2025.

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) discretely presented component unit for the year ended June 30, 2025, which expended \$866,022 in federal awards which are not included in McLeod County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2025. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of the McLeod County HRA because other auditors performed a single audit in accordance with the Uniform Guidance.

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 the 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 the 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 the 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 instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2025-005 and 2025-006. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on McLeod County's response to the noncompliance findings 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.

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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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 deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2025-005 and 2025-006 to be significant deficiencies.

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 findings 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

September 15, 2026

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

McLeod County Glencoe, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2025

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 the major federal programs:

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

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

Assistance Listing Number	Name of Federal Program or Cluster
21.027	COVID-19 – Coronavirus State and Local Fiscal Recovery Funds
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$1,000,000.

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

Section II – Financial Statement Findings

2025-001 Monitoring Internal Controls

Prior Year Finding Number: 2024-001

Year of Finding Origination: 2007

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: County 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: Management cannot be assured that internal controls are operating effectively and transactions are processed according to policy without monitoring the controls.

Cause: The County informed us that it lacks resources dedicated to establishing a formal process for assessing risks and monitoring those controls.

Recommendation: We recommend management formalize a plan to assess and monitor its controls on a regular basis at least annually. The County should also document the monitoring of these functions and areas 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

2025-002 Bank Reconciliations

Prior Year Finding Number: 2024-003

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: The bank reconciliations reviewed for 2025 contained reconciling items dating back to 2020 that have not been adjusted in the general ledger. In addition, one bank reconciliation was not completed in a timely manner.

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. The bank reconciliations for May, October, and December were reviewed for 2025.

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 it lacks resources dedicated to resolving outstanding items on the bank reconciliations.

Recommendation: We recommend the County review procedures in place over bank reconciliations to ensure reconciliations are completed in a timely manner. The County should make necessary adjustments to the general

McLeod County Glencoe, Minnesota

ledger in a timely manner to ensure bank balances reconcile to balances in the County's Daily Cash Book Balance report.

View of Responsible Official: Concur

2025-003 **Capital Asset Records**

Prior Year Finding Number: 2024-004

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.

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

2025-004 Physical and System Access

Prior Year Finding Number: N/A

Year of Finding Origination: 2025

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Physical and system access should be granted on an individual basis as determined by job responsibilities, provide for an adequate segregation of functions, and should be removed in a timely manner when access is no longer needed.

Condition: During review of the County's physical and system access, the following issues were noted:

- access for three former employees was not disabled in a timely manner;
- access for 14 staff in a significant software application was noted as being beyond the scope of the user's job duties and responsibilities; and
- access for nine employees to County space was not consistently limited based on job responsibilities, including allowing shared card access.

Context: During the year, 54 employees separated from employment with the County; a sample of 20 employees were tested for timely removal of access. A significant software application access report was reviewed to determine if adequate segregation of functions and responsibilities was maintained; some users were noted as having access beyond the scope of what was necessary for their positions. In testing of physical access for 29 employees, nine were identified as having access to spaces not required by their job responsibilities, in addition, shared card access was noted which does not allow specific identification to the accessed space.

Effect: When access to space and systems is not granted based on individual job responsibilities and monitored, it increases risks that malicious damage to information, fraud, and misstatements may occur, as well as unauthorized or unintended activity in the system, and could result in damage to equipment, theft, or unauthorized access to County data.

Cause: Management has not established a monitoring process to verify that accounts are disabled by the employee's termination date, verify that system access granted does not extend beyond the scope of job responsibilities, review and recertify space access, and track shared card access.

Recommendation: We recommend that the County establish and implement formal procedures to promptly notify Information Technology of employee terminations to ensure access is disabled in a timely manner, review system access to ensure access is appropriate based on job responsibilities, review and ensure space access is appropriate based on job responsibilities, and track specific usage of shared card access. The County should document completion and periodically monitor compliance with procedures.

View of Responsible Official: Concur

McLeod County

Glencoe, Minnesota

Section III – Federal Award Findings and Questioned Costs

2025-005 Procurement and Suspension and Debarment

Prior Year Finding Number: 2024-006

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, document, 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 with the contracting party.

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: \$217,587; known questioned costs were determined based on all payments to vendors with federal funds from this program that exceeded \$25,000 in 2025.

Context: This issue is reported for this major program; however, it impacts federal programs county-wide. 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. The vendors paid with federal funds from this program were not listed as suspended or debarred on SAM.gov at the time of audit. Total federal expenditures for this program were \$336,448.

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

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

Recommendation: We recommend the County review and approve their revised policy that includes the requirements specific to suspension and debarment and maintain documentation to demonstrate that vendors were not suspended, debarred, or otherwise excluded from conducting business with the County; the County should complete this documentation prior to entering into a covered transaction.

McLeod County

Glencoe, Minnesota

View of Responsible Official: Concur

2025-006 **Eligibility – METS**

Prior Year Finding Number: N/A

Year of Finding Origination: 2025

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Grants to States for Medicaid

Award Number and Year: 2505MN5ADM; 2025

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish, document, 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.

Title 42 U.S. *Code of Federal Regulations* §§ 435.911 and 435.945 require the state Medicaid agency to determine and verify eligibility of enrollees in Medicaid. The Minnesota Department of Human Services provides the Minnesota Health Care Programs Eligibility Policy Manual. The manual contains the Minnesota Department of Human Services eligibility policies for the Minnesota Health Care Programs, including the eligibility requirements of Grants to States for Medicaid. Specific eligibility requirements are included for participants' Social Security number verification. Minnesota Statutes, Section 256B.05, requires county agencies to administer Grants to States for Medicaid.

Condition: The Minnesota Department of Human Services maintains the computer system, METS, which is used by McLeod County to support the eligibility determination process. In a sample of 40 recipient files tested for eligibility, two recipients' coverage was not terminated in a timely manner after eligibility ended resulting in benefits being provided to ineligible recipients.

Questioned Costs: Not applicable. McLeod County administers the program, but benefits to clients in this program are paid by the State of Minnesota.

Context: The State of Minnesota and McLeod County split the eligibility determination process. Generally, McLeod County resolves eligibility issues when prompted by the system, while the State performs the initial review of the recipient files, including determining the information in METS is verified. Recipients receive benefits from the State.

The population consisted of 6,398 active METS recipients enrolled in the Grants to States for Medicaid in 2025; the sample size was 40 recipient files. The sample size was based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: The improper input or updating of information in METS and lack of verification or follow-up of eligibility determining factors increase the risk that program participants will receive benefits when they are not eligible.

McLeod County Glencoe, Minnesota

Cause: Program personnel responsible for resolving eligibility issues in METS did not ensure coverage was terminated in a timely manner after eligibility ended.

Recommendation: We recommend McLeod County implement additional procedures to provide reasonable assurance that all necessary documentation needed to support eligibility determinations exists and the program personnel properly input or update the documentation in METS and follow up on issues in a timely manner. In addition, McLeod County should consider providing further training to program personnel.

View of Responsible Official: Concur

Section IV – Other Findings and Recommendations

2025-007 Ditch Fund Balance Deficits

Prior Year Finding Number: 2024-008

Year of Finding Origination: 2009

Type of Finding: Management Practice

Criteria: Each County fund should be maintained with a positive fund balance to ensure financial obligations can be met.

Condition: As of December 31, 2025, the Ditch Special Revenue Fund had a deficit fund balance of \$1,070,378.

Context: As of December 31, 2025, 26 of the 65 individual ditch systems accounted for in the Ditch Special Revenue Fund had deficit balances totaling \$2,181,930. Ditch systems with deficit balances have been advanced cash from the General Fund to finance system costs. These advances will be paid back with interest at the established annual assessment interest rate of between one to four percent.

Effect: A negative fund balance indicates that measures may need to be taken to ensure that ditch systems can meet financial obligations.

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

Recommendation: We recommend the County continue to monitor the balance of the Ditch Special Revenue Fund and eliminate deficits as soon as practical for each individual ditch system.

View of Responsible Official: Acknowledge

2025-008 Contracting and Bidding Compliance

Prior Year Finding Number: N/A

Year of Finding Origination: 2005

Type of Finding: Minnesota Legal Compliance

Criteria: Minnesota Statutes, Section 471.345, subdivision 4, states that contracts estimated to exceed \$25,000 but not to exceed \$175,000, may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase, when possible, without advertising for bids or otherwise complying with the requirements of competitive bidding.

McLeod County Glencoe, Minnesota

Minnesota Statutes, Section 270C.66, states that before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain proof of compliance with the withholding requirements of Minn. Stat. § 290.92. This requirement can be satisfied through receipt of Form IC-134 from the Commissioner of Revenue certifying compliance.

Minnesota Statutes, Section 471.425, subdivision 4a, requires that each contract of a municipality must require the prime contractor to pay any subcontractor within ten days of the prime contractor's receipt of payment from the municipality or pay interest of one and one-half percent per month, or any part of a month, to the subcontractor or any undisputed amount not paid on time to the subcontractor.

Minnesota Statutes, Section 16C.285, states that for each construction contract in excess of \$50,000, awarded pursuant to a lowest responsible bidder or best value process, the successful contractor must submit verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3.

Condition: Testing of compliance with State of Minnesota contracting and bid laws identified the following instances of noncompliance for the nine contracts tested:

- One contract with expenditures in excess of \$50,000 and awarded through the formal bidding process, had no responsible contractor verification.
- One contract with expenditures between \$25,000 and \$175,000, awarded through direct quotations, only had one quotation that was received and on file.
- Six of the finalized contracts that included the employment of individuals for wages by the contractor were issued final payment prior to receiving the Minnesota Department of Revenue approved Form IC-134.
- Four contracts or quotations awarded through the formal bidding process or through direct quotations did not include the disclosure regarding the prompt payment to subcontractors.

Context: Nine contracts were selected for testing including two awarded through formal bidding, three awarded through direct quotations, and four open market purchases.

Effect: The County is not in compliance with Minn. Stat. §§ 471.345, 270C.66, 471.425, and 16C.285.

Cause: The County informed us they believed the projects were for professional services and, therefore, a contract was not necessary.

Recommendation: We recommend the County implement contracting procedures to ensure that all contracting and bidding is performed in accordance with applicable Minnesota statutes.

View of Responsible Official: Concur



Representation of McLeod County Glencoe, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2025

Finding Number: 2025-001

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 of developing and monitoring internal controls over the various accounting functions. The McLeod County Finance Director has drafted a monitoring internal controls policy and will bring it to the County Board for approval. The McLeod County Finance Director will continue to assess and monitor internal controls periodically and keep a record of audits performed.

Anticipated Completion Date:

This policy will be adopted in November 2026.

Finding Number: 2025-002

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. When the bank statement is different from the daily cash book, detailed notes are listed on the bank reconciliations.

Anticipated Completion Date:

The outstanding issues with the License Center checking account have been resolved as of June 2026.





Finding Number: 2025-003

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 2025 to look for discrepancies. The Finance department will be performing a physical audit in 2026 and will make a comparison with our MCIT property insurance list.

Anticipated Completion Date:

This issue should be resolved by December 31, 2026.

Finding Number: 2025-004

Finding Title: Physical and System Access

Name of Contact Person Responsible for Corrective Action:

Matt Troska, IT Director

Corrective Action Planned:

McLeod County recognizes the importance of inactivating computer access for terminated employees in a timely manner, limiting access to essential staff for County space, and limiting access to applications within the scope of the user's job duties and responsibilities. The IT Director has reminded staff of policy and expectations to ensure that accounts are being deactivated timely and that these activities must be logged into tickets. The IT department will use the account expires settings to ensure no access after termination date.

Anticipated Completion Date:

This has been shared with staff as of September 2026 and will be reviewed by the IT Director.



Finding Number: 2025-005

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 has drafted the procurement policy and will have the State Auditor's Office review it for compliance before it is taken to County Board for approval before December 31, 2026.

Finding Number: 2025-006

Finding Title: Eligibility – METS

Program: 93.778 Grants to States for Medicaid

Name of Contact Person Responsible for Corrective Action:

Berit Spors, Health and Human Services Director

Corrective Action Planned:

McLeod County recognizes the importance of proper information to be maintained in the METS system to ensure eligibility to qualified individuals for Medicaid. The two cases that were addressed were errors in the METS system caused by periodic date match. It would be helpful if DHS would issue discrepancy reports for the METS system similar to the MAXIS report to catch these errors. County Social Services staff will audit cases periodically to catch these errors in the systems.

Anticipated Completion Date:

These cases have been resolved as of September 2026.

**Finding Number: 2025-007****Finding Title: Ditch Fund Balance Deficits**Name of Contact Person Responsible for Corrective Action:

Janet Betsinger, 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.

Finding Number: 2025-008**Finding Title: Contracting and Bidding Compliance**Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

The McLeod County Procurement Policy will be adopted in 2026 to ensure procedures are followed before entering into a contract. The policy will be shared with all department heads and made available to all staff.

Anticipated Completion Date:

The procurement policy will be adopted before December 31, 2026.



Representation of McLeod County Glencoe, Minnesota

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2025

Finding Number: 2024-001

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 internal controls periodically throughout the year with limited time and resources.

Status: Not Corrected. The Finance Director has not drafted a policy or procedure for monitoring internal controls, but will work to get one in place.

Finding Number: 2024-002

Year of Finding Origination: 2016

Finding Title: Credit Card Procedures

Summary of Condition: During credit card testing, there were no signed Purchasing Card Account Forms or documentation of training on file for all 25 transactions tested.

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. 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.

Status: Fully Corrected. Corrective action was taken.

**Finding Number: 2024-003****Year of Finding Origination: 2022****Finding Title: Bank Reconciliations**

Summary of Condition: During a review of the County's May, October, and December 2024 bank reconciliations, the following issues were discovered:

- For one bank account, the reconciliation was not completed in a timely manner and reconciliations during 2024 contained reconciling items dating back to 2020 that have not been adjusted for in the general ledger; and
- Of the 33 bank reconciliations reviewed, three were not reconciled to the Daily Cash Book Balance report. Unreconciled differences were noted ranging from \$46 to \$326.

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.

Status: Not Corrected. The Finance Director worked with the License Center staff to get this resolved and it has been corrected as of the June 2026 bank reconciliation.

Finding Number: 2024-004**Year of Finding Origination: 2022****Finding Title: Capital Asset Records**

Summary of 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.

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 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.

Status: Not Corrected. The Finance Director will work with the Building Services manager to complete the physical audit and get this resolved for the 2026 audit.

**Finding Number: 2024-005****Year of Finding Origination: 2024****Finding Title: Material Audit Adjustment**

Summary of Condition: 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 to be in place to detect misstatements of the financial statements. McLeod County has made the appropriate corrections for the contracts to be charged to the COVID-19 – Coronavirus State and Local Fiscal Recovery grant.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2024-006**Year of Finding Origination: 2020****Finding Title: Procurement and Suspension and Debarment****Program: 21.027 COVID-19 — Coronavirus State and Local Fiscal Recovery Funds**

Summary of 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.

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 has drafted a procurement policy to include contract requirements to check for suspension and debarment that will be adopted in 2026.

Finding Number: 2024-007**Year of Finding Origination: 2024****Finding Title: Reporting****Program: 21.027 COVID-19 — Coronavirus State and Local Fiscal Recovery Funds**

Summary of Condition: During 2024, McLeod County identified an additional \$1,302,426 in COVID-19 – Coronavirus State and Local Fiscal Recovery Funds expenditures that were not included in the County's original Schedule of Expenditures of Federal Awards nor in the original population of expenditures provided for audit.

In addition, expenditures documented in the County's annual Project and Expenditure report through March 31, 2025, were understated by \$1,515,400, and expenditures documented in the County's annual Project and Expenditure report through March 31, 2024, were understated by \$374,095.



Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of internal controls over federal awards to be in compliance with federal statutes, regulations, and terms and conditions of the federal award. McLeod County has corrected the misstatements of contract payments that should have been originally charged to the COVID-19 Coronavirus State and Local Fiscal Recovery Funds expenditures.

Status: Fully Corrected. Corrective action was taken.

Finding Number: 2024-008

Year of Finding Origination: 2009

Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2024, 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. This will remain an ongoing finding.



Finding Number: 2016-003

Year of Finding Origination: 2016

Finding Title: Procurement and Suspension and Debarment – Written Procurement Policies and Procedures

Program: 93.778 Grants to States for Medicaid

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 has drafted a procurement policy to include contract requirements to check for suspension and debarment that will be adopted in 2026.

Finding Number: 2021-006

Year of Finding Origination: 2020

Finding Title: Procurement

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

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 has drafted a procurement policy to include contract requirements that will be adopted in 2026.

**Finding Number: 2022-006****Year of Finding Origination: 2020****Finding Title: Procurement****Program: 20.205 Highway Planning and Construction**

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 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 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 has drafted a procurement policy to include contract requirements that will be adopted in 2026.