

# State of Minnesota



## Office of the State Auditor

Julie Blaha  
State Auditor

Audit Practice Division

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### **McLeod County Glencoe, Minnesota**

Annual Financial Report and  
Management and Compliance Report

Year Ended December 31, 2024

# McLeod County Glencoe, Minnesota

## Table of Contents

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Organization		1
<b>Financial Section</b>		
Independent Auditor's Report		2
Management's Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	13
Statement of Activities	2	15
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide	4	21
Statement of Net Position—Governmental Activities		
Statement of Revenues, Expenditures, and Changes in Fund Balance — Governmental	5	22
Funds		
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund	6	24
Balance of Governmental Funds to the Government-Wide Statement of Activities —		
Governmental Activities		
Fiduciary Funds		
Statement of Fiduciary Net Position	7	25
Statement of Changes in Fiduciary Net Position	8	26
Notes to the Financial Statements		27
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	68
Road and Bridge Special Revenue Fund	A-2	70
Human Services Special Revenue Fund	A-3	71
Solid Waste Special Revenue Fund	A-4	72
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment	A-5	73
Benefits		
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	75
Schedule of Contributions	A-7	76
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	77
Schedule of Contributions	A-9	78

# McLeod County Glencoe, Minnesota

## Table of Contents

	<u>Exhibit</u>	<u>Page</u>
Required Supplementary Information (Continued)		
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-10	79
Schedule of Contributions	A-11	80
Notes to the Required Supplementary Information		81
Supplementary Information		
Nonmajor Governmental Fund		93
Budgetary Comparison Schedule – Debt Service Fund	B-1	94
Fiduciary Funds		
Custodial Funds		95
Combining Statement of Fiduciary Net Position	C-1	96
Combining Statement of Changes in Fiduciary Net Position	C-2	97
Other Schedules		
Schedule of Intergovernmental Revenue	D-1	99
Schedule of Expenditures of Federal Awards	D-2	101
Notes to the Schedule of Expenditures of Federal Awards		103
<b>Management and Compliance Section</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		105
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance		107
Schedule of Findings and Questioned Costs		111
Corrective Action Plan		119
Summary Schedule of Prior Audit Findings		123

## **Introductory Section**

# McLeod County Glencoe, Minnesota

Organization  
December 31, 2024

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

\*Chair

## **Financial Section**



## Independent Auditor's Report

Board of County Commissioners  
McLeod County  
Glencoe, Minnesota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLeod County, Minnesota, as of and for the year ended December 31, 2024, including the McLeod County Housing and Redevelopment Authority (HRA) component unit as of and for the year ended June 30, 2024, 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, 2024, including the McLeod County HRA as of June 30, 2024, 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, 2024. 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 the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise McLeod County's basic financial statements. The Budgetary Comparison Schedule – 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 26, 2025, 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

September 26, 2025

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

## **Management's Discussion and Analysis**

# **McLeod County Glencoe, Minnesota**

## **Management's and Discussion Analysis December 31, 2024 (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, 2024. 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 \$225,295,026 (net position). Of this amount, \$48,428,382 (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 \$15,377,318 (7.3 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 \$33,580,433, or 119.5 percent, of total 2024 General Fund expenditures.
- Governmental funds' fund balances increased by \$4,130,450.

### **Overview of the Financial Statements**

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

### **Government-Wide Financial Statements**

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

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

Both government-wide financial statements report the primary government's governmental activities. Governmental activities include functions of the County that are principally supported by taxes and

intergovernmental revenues. The governmental activities of the County include: general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

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

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

## **Fund Financial Statements**

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

### **Governmental Funds**

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

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

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

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

- General Fund – used to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Funds – used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue funds include Road and Bridge, Human Services, Solid Waste, and Ditch.
- Debt Service Fund – used to account for the accumulation of resources for, and the payment of, principal, interest, and related costs of general long-term debt.

### **Fiduciary Funds**

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

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

## Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found immediately following the exhibits.

## Other Information

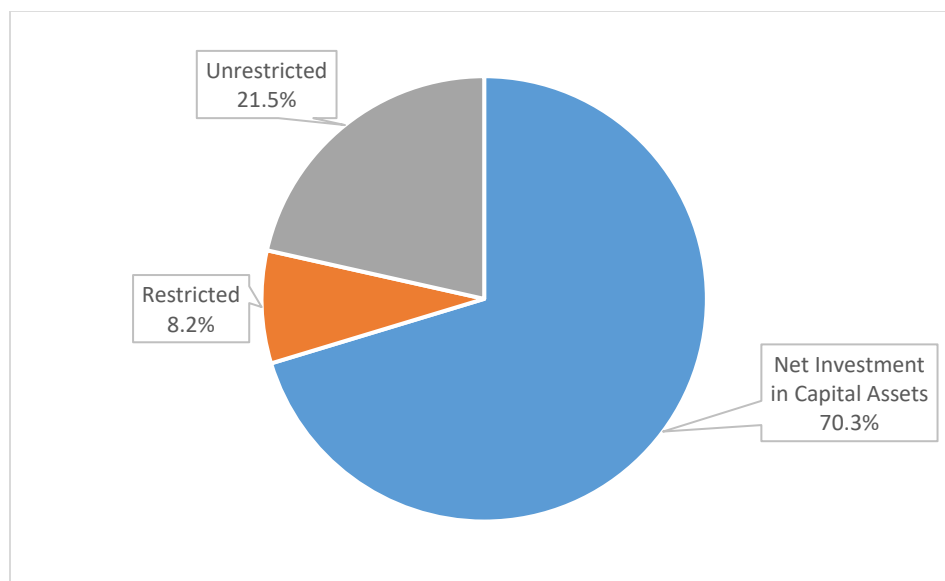
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The nonmajor governmental fund budget to actual schedule is presented immediately following the required supplementary information.

## 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 \$225,295,026 as of December 31, 2024. The net investment in capital assets is the largest portion of McLeod County's net position at 70.3 percent. These capital assets are used to provide services to citizens and are not available for future spending.

Approximately 8.2 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 21.5 percent, or \$48,428,382, is unrestricted and available to be used to meet the government's ongoing obligations to citizens and creditors.

**Net Position**



## Statement of Net Position

	Governmental Activities		Discretely Presented Component Unit	
	2024	2023	2024	2023
Current and other assets	\$ 91,401,302	\$ 92,367,008	\$ 913,490	\$ 689,213
Capital assets, net	171,683,815	164,227,391	2,465,965	2,111,858
Total Assets	\$ 263,085,117	\$ 256,594,399	\$ 3,379,455	\$ 2,801,071
Deferred outflows of resources	\$ 5,409,435	\$ 8,110,680	\$ -	\$ -
Current and other liabilities	\$ 4,473,612	\$ 9,323,680	\$ 105,406	\$ 91,527
Long-term liabilities – due within one year	4,701,038	4,045,410	261,623	259,579
Long-term liabilities – due in more than one year	23,978,731	31,347,515	1,424,248	1,686,073
Total Liabilities	\$ 33,153,381	\$ 44,716,605	\$ 1,791,277	\$ 2,037,179
Deferred inflows of resources	\$ 10,046,145	\$ 9,371,438	\$ -	\$ -
Net Position				
Net investment in capital assets	\$ 158,430,531	\$ 148,162,719	\$ 780,094	\$ 166,206
Restricted	18,436,113	15,776,598	-	12,117
Unrestricted	48,428,382	46,677,719	808,084	585,569
Total Net Position	\$ 225,295,026	\$ 210,617,036	\$ 1,588,178	\$ 763,892

### Governmental Activities

McLeod County's governmental activities increased net position by \$15,377,318 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, 2024, assets exceeded liabilities by \$1,588,178, and there was an increase in net position of \$824,286 from the prior year. The increase is primarily due to revenue received from McLeod County for housing upgrades.

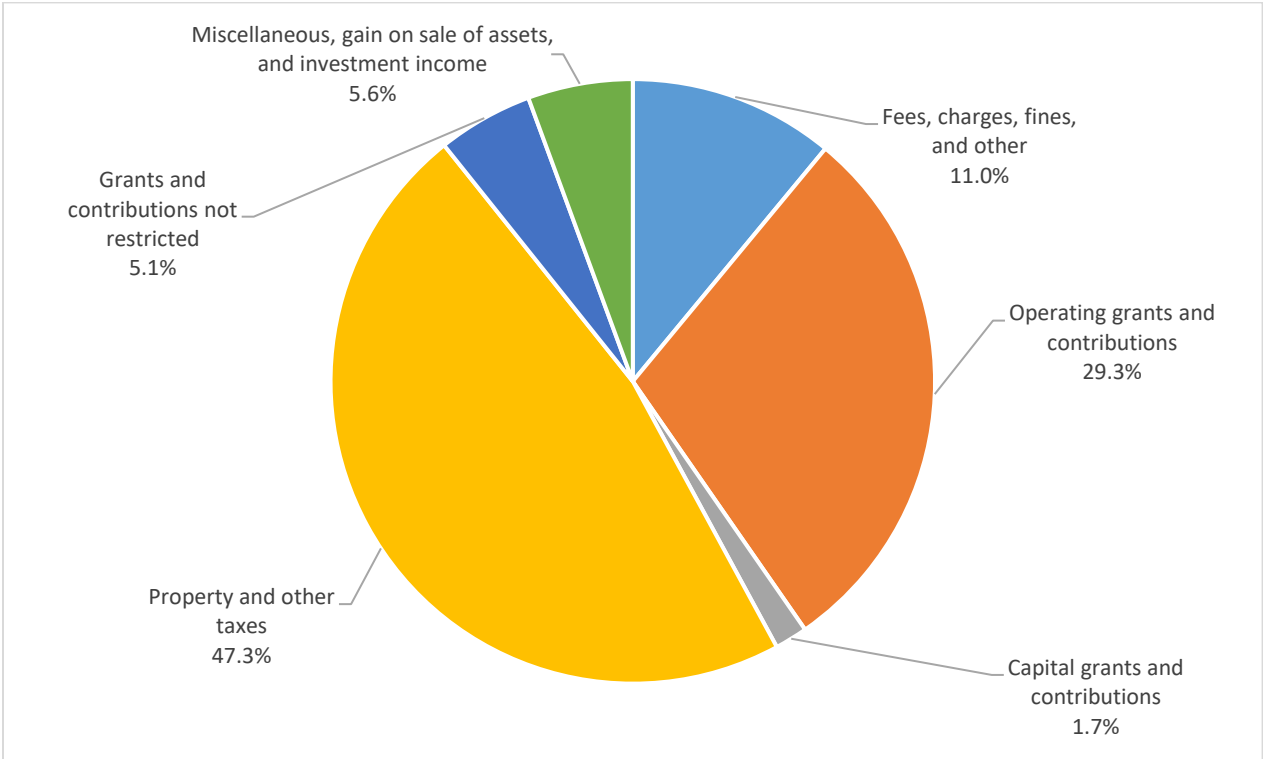
## Changes in Net Position

	Governmental Activities		Discretely Presented Component Unit	
	2024	2023*	2024	2023
Revenues				
Program revenues				
Fees, charges, fines, and other	\$ 7,457,310	\$ 7,406,070	\$ 636,921	\$ 601,115
Operating grants and contributions	19,882,576	18,206,994	748,753	648,554
Capital grants and contributions	1,185,452	-	-	-
General revenues				
Property taxes	28,515,951	27,192,135	-	-
Other taxes	3,455,660	3,374,568	-	-
Grants and contributions not restricted to specific programs	3,464,113	2,060,096	-	-
Investment income	3,609,709	3,506,213	13,202	1,970
Gain on disposal of assets	-	-	97,643	-
Miscellaneous	198,128	188,579	500,435	2,007
Total Revenues	\$ 67,768,899	\$ 61,934,655	\$ 1,996,954	\$ 1,253,646
Expenses				
General government	\$ 13,015,996	\$ 13,096,985	\$ -	\$ -
Public safety	9,281,166	11,260,860	-	-
Highways and streets	9,398,619	8,295,097	-	-
Sanitation	1,843,743	2,676,749	-	-
Human services	12,096,514	12,117,804	-	-
Health	2,712,564	2,600,413	-	-
Culture and recreation	807,073	698,010	-	-
Conservation of natural resources	2,768,728	2,513,205	-	-
Economic development	112,884	121,522	-	-
Interest	354,294	441,638	-	-
HRA	-	-	1,172,668	1,051,786
Total Expenses	\$ 52,391,581	\$ 53,822,283	\$ 1,172,668	\$ 1,051,786
Increase (Decrease) in Net Position	\$ 15,377,318	\$ 8,112,372	\$ 824,286	\$ 201,860
Net Position – January 1, as restated	209,917,708	202,504,664	763,892	562,032
Net Position – December 31	\$ 225,295,026	\$ 210,617,036	\$ 1,588,178	\$ 763,892

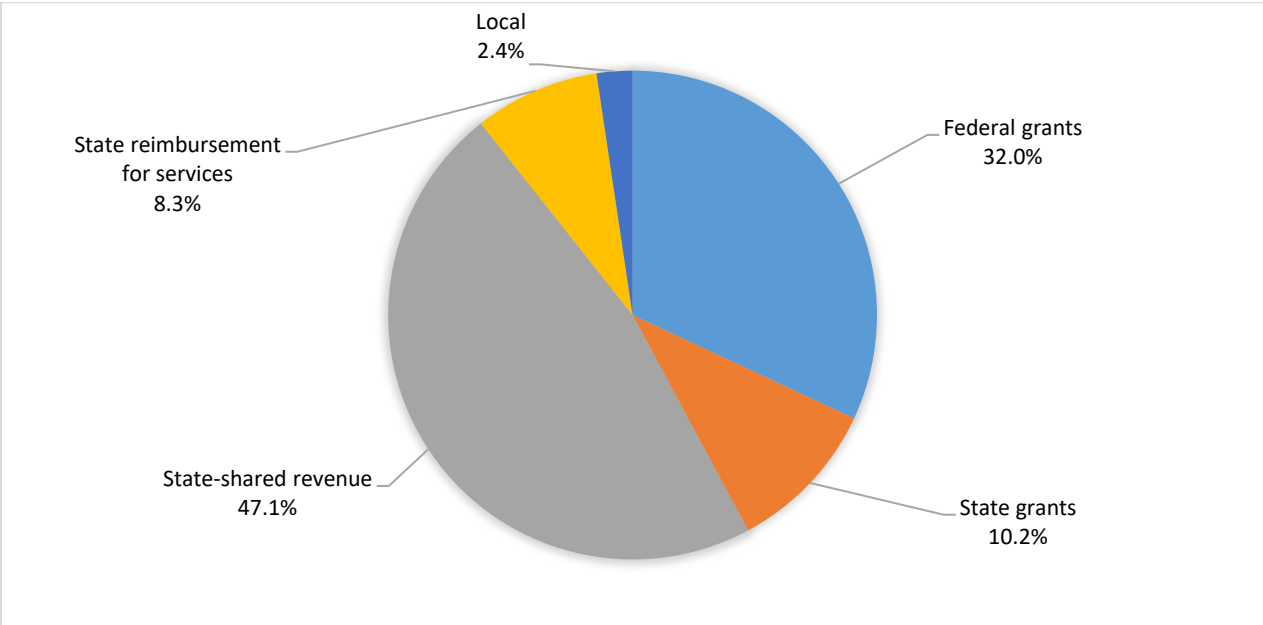
\*2023 amounts were not restated for Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*, as such, the statements may not be comparable. See Note 1 in the Notes to the Financial Statements.

The following charts show additional information on the revenues of McLeod County for the year ended December 31, 2024.

**Revenues by Source – Governmental Activities**



**Intergovernmental Revenue**





## Financial Analysis

### Governmental Funds

At the end of 2024, McLeod County's governmental funds reported a combined fund balance of \$76,435,477. This is an increase of \$4,130,450 from the beginning fund balance. The fund balance in the General Fund increased by \$4,348,005 due to increased interest revenue. The fund balance in the Road and Bridge Special Revenue Fund decreased by \$865,212 due to timing of road construction projects. The fund balance in the Human Services Special Revenue Fund increased by \$860,075 due to increased intergovernmental revenue and cost savings from operations. The fund balance in the Solid Waste Special Revenue Fund decreased by \$198,945 due to capital asset purchases. The fund balance in the Ditch Special Revenue Fund decreased by \$92,882 due to special assessments collected.

### General Fund Budgetary Highlights

In total, General Fund revenues for 2024 exceeded the amounts budgeted by \$6,990,304. 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 \$676,641 less than the final budget. This variance is primarily attributed to general government, health, and conservation spending less on capital purchases and savings from operations.

### Capital Assets and Long-Term Debt

#### Capital Assets

At the end of 2024, McLeod County had \$171,683,815 invested in capital assets, including land; construction in progress; infrastructure – right-of-way; buildings; machinery, furniture, and equipment; improvements other than buildings; and infrastructure. The table below shows a summary of McLeod County's capital assets as of December 31.

#### Capital Assets – (Net of Depreciation)

	2024	2023
Land	\$ 3,709,401	\$ 3,709,401
Construction in progress	1,658,312	2,616,944
Infrastructure – right-of-way	4,562,511	4,562,511
Buildings	25,521,505	27,063,432
Machinery, furniture, and equipment	2,462,109	1,230,442
Improvements other than buildings	837,032	172,879
Infrastructure	132,932,945	124,871,782
Total	<u>\$ 171,683,815</u>	<u>\$ 164,227,391</u>

Major capital asset events during the year included the following:

- Solid Waste purchased a new Baler in 2024.
- Fairgrounds continued work on a new Ag Building project in 2024.
- Fairgrounds did electrical upgrades.
- Infrastructure construction continued in 2024.

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 \$14,285,000. This is a decrease in bonded debt outstanding of \$2,800,000 due to the bond payments made. McLeod County had loans outstanding of \$1,578,698. This is a decrease in loans payable of \$252,070 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 \$183,435,623.

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

## **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for McLeod County is currently 3.3 percent. McLeod County's unemployment rate is slightly higher than the state unemployment rate of 2.8 percent, and less than the United States unemployment rate of 4.0 percent.
- The property tax levy increased in 2024 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 2025 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of McLeod County's finances for those with an interest in government finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the McLeod County Administrator, 520 Chandler Avenue North, Glencoe, Minnesota 55336.

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

## **Basic Financial Statements**

## **Government-Wide Financial Statements**

**McLeod County  
Glencoe, Minnesota**

***Exhibit 1***

**Statement of Net Position  
December 31, 2024  
Including the Component Unit Information  
As of June 30, 2024**

	<b>Primary Government Governmental Activities</b>	<b>Housing and Redevelopment Authority Component Unit</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 77,382,860	\$ 829,250
Petty cash and change funds	13,015	-
Departmental cash	46,733	-
Taxes receivable		
Delinquent	425,886	-
Special assessments receivable		
Delinquent	33,050	-
Noncurrent	3,364,371	-
Accounts receivable – net	518,163	21,277
Accrued interest receivable	257,964	-
Due from other governments	8,675,977	-
Inventories	382,935	-
Prepaid items	300,348	11,731
Restricted assets		
Cash and pooled investments	-	51,232
Capital assets		
Non-depreciable	9,930,224	197,000
Depreciable – net of accumulated depreciation	161,753,591	2,268,965
<b>Total Assets</b>	<b>\$ 263,085,117</b>	<b>\$ 3,379,455</b>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred pension outflows	\$ 5,338,727	\$ -
Deferred other postemployment benefits outflows	70,708	-
<b>Total Deferred Outflows of Resources</b>	<b>\$ 5,409,435</b>	<b>\$ -</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit 1  
(Continued)**

**Statement of Net Position  
December 31, 2024  
Including the Component Unit Information  
As of June 30, 2024**

	<u>Primary Government Governmental Activities</u>	<u>Housing and Redevelopment Authority Component Unit</u>
<b><u>Liabilities</u></b>		
Accounts payable	\$ 1,347,319	\$ 6,251
Salaries payable	788,028	-
Accrued payroll taxes	51,301	-
Accrued interest payable	209,241	-
Other accrued expenses	84,636	39,615
Contracts payable	181,156	-
Retainage payable	293,710	-
Due to other governments	1,029,565	-
Unearned revenue	488,656	8,308
Liabilities payable from restricted assets (security deposits)	-	51,232
Long-term liabilities		
Due within one year	4,653,627	261,623
Due in more than one year	13,687,324	1,424,248
Net pension liability	9,318,791	-
Other postemployment benefits liability – due within one year	47,411	-
Other postemployment benefits liability – due in more than one year	972,616	-
<b>Total Liabilities</b>	<b>\$ 33,153,381</b>	<b>\$ 1,791,277</b>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred pension inflows	\$ 9,646,699	\$ -
Deferred other postemployment benefits inflows	399,446	-
<b>Total Deferred Inflows of Resources</b>	<b>\$ 10,046,145</b>	<b>\$ -</b>
<b><u>Net Position</u></b>		
Net investment in capital assets	\$ 158,430,531	\$ 780,094
Restricted for		
General government	716,786	-
Public safety	1,322,745	-
Highways and streets	6,295,326	-
Sanitation	4,123,951	-
Conservation of natural resources	2,079,426	-
Debt service	3,897,879	-
Unrestricted	48,428,382	808,084
<b>Total Net Position</b>	<b>\$ 225,295,026</b>	<b>\$ 1,588,178</b>

**McLeod County  
Glencoe, Minnesota**

**Statement of Activities  
For the Year Ended December 31, 2024  
Including the Component Unit Information  
For the Year Ended June 30, 2024**

	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
<b><u>Functions/Programs</u></b>		
<b>Primary government</b>		
<b>Governmental activities</b>		
General government	\$ 13,015,996	\$ 1,144,683
Public safety	9,281,166	547,046
Highways and streets	9,398,619	176,837
Sanitation	1,843,743	2,184,650
Human services	12,096,514	890,750
Health	2,712,564	1,105,698
Culture and recreation	807,073	155,140
Conservation of natural resources	2,768,728	1,252,506
Economic development	112,884	-
Interest	354,294	-
<b>Total Primary Government</b>	<b>\$ 52,391,581</b>	<b>\$ 7,457,310</b>
<b>Component unit</b>		
Housing and Redevelopment Authority	<b>\$ 1,172,668</b>	<b>\$ 636,921</b>

**General Revenues**

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

**Total general revenues**

**Change in net position**

**Net Position – Beginning, as previously reported  
Restatement (Note 1)**

**Net Position – Beginning, as restated**

**Net Position – Ending**

**Exhibit 2**

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Discretely Presented Component Unit
\$ 186,038	\$ -	\$ (11,685,275)	
991,900	-	(7,742,220)	
7,684,273	1,185,452	(352,057)	
-	-	340,907	
6,224,874	-	(4,980,890)	
3,988,433	-	2,381,567	
25,732	-	(626,201)	
781,326	-	(734,896)	
-	-	(112,884)	
-	-	(354,294)	
<b>\$ 19,882,576</b>	<b>\$ 1,185,452</b>	<b>\$ (23,866,243)</b>	
<b>\$ 748,753</b>	<b>\$ -</b>		<b>\$ 213,006</b>
		\$ 28,515,951	\$ -
		64,316	-
		3,287,201	-
		37	-
		104,106	-
		3,464,113	-
		3,609,709	13,202
		-	97,643
		198,128	500,435
		<b>\$ 39,243,561</b>	<b>\$ 611,280</b>
		<b>\$ 15,377,318</b>	<b>\$ 824,286</b>
		\$ 210,617,036	\$ 763,892
		(699,328)	-
		<b>\$ 209,917,708</b>	<b>\$ 763,892</b>
		<b>\$ 225,295,026</b>	<b>\$ 1,588,178</b>



## **Fund Financial Statements**

## **Governmental Funds**

**McLeod County  
Glencoe, Minnesota**

**Balance Sheet  
Governmental Funds  
December 31, 2024**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 39,528,109	\$ 17,537,315
Petty cash and change funds	12,790	-
Departmental cash	8,541	-
Taxes receivable		
Delinquent	244,129	61,040
Special assessments receivable		
Delinquent	24,527	-
Noncurrent	465,266	-
Accounts receivable – net	164,888	100
Accrued interest receivable	257,964	-
Due from other governments	399,570	6,764,753
Inventories	-	382,935
Prepaid items	300,348	-
Advances to other funds	2,488,000	-
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 43,894,132</b>	<b>\$ 24,746,143</b>
	<hr/>	<hr/>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 468,864	\$ 332,996
Salaries payable	476,844	65,548
Accrued payroll taxes	27,841	5,003
Accrued interest payable	-	-
Other accrued expenses	61,620	4,905
Advances from other funds	-	-
Contracts payable	55,293	125,863
Retainage payable	79,273	214,437
Due to other governments	574,400	200,981
Unearned revenue	488,656	-
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 2,232,791</b>	<b>\$ 949,733</b>
	<hr/>	<hr/>
<b>Deferred Inflows of Resources</b>		
Unavailable revenue	<b>\$ 802,610</b>	<b>\$ 6,295,466</b>
	<hr/>	<hr/>

**Exhibit 3**

<b>Human Services</b>	<b>Solid Waste</b>	<b>Ditch</b>	<b>Nonmajor Fund Debt Service</b>	<b>Total Governmental Funds</b>
\$ 10,656,671	\$ 4,229,164	\$ 1,369,355	\$ 4,062,246	\$ 77,382,860
-	225	-	-	13,015
-	38,192	-	-	46,733
96,645	-	-	24,072	425,886
-	-	8,523	-	33,050
-	-	2,899,105	-	3,364,371
151,262	118,830	83,083	-	518,163
-	-	-	-	257,964
1,292,291	3,306	216,057	-	8,675,977
-	-	-	-	382,935
-	-	-	-	300,348
-	-	-	-	2,488,000
<b>\$ 12,196,869</b>	<b>\$ 4,389,717</b>	<b>\$ 4,576,123</b>	<b>\$ 4,086,318</b>	<b>\$ 93,889,302</b>
\$ 312,615	\$ 129,845	\$ 102,999	\$ -	\$ 1,347,319
239,938	5,698	-	-	788,028
18,021	436	-	-	51,301
-	-	20,802	-	20,802
17,684	427	-	-	84,636
-	-	2,488,000	-	2,488,000
-	-	-	-	181,156
-	-	-	-	293,710
171,481	9,059	73,644	-	1,029,565
-	-	-	-	488,656
<b>\$ 759,739</b>	<b>\$ 145,465</b>	<b>\$ 2,685,445</b>	<b>\$ -</b>	<b>\$ 6,773,173</b>
<b>\$ 488,771</b>	<b>\$ 120,301</b>	<b>\$ 2,949,432</b>	<b>\$ 24,072</b>	<b>\$ 10,680,652</b>

**McLeod County  
Glencoe, Minnesota**

**Balance Sheet  
Governmental Funds  
December 31, 2024**

	<u>General</u>	<u>Road and Bridge</u>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b> (Continued)		
<b>Fund Balances</b>		
<b>Nonspendable</b>		
Inventories	\$ -	\$ 382,935
Prepaid items	300,348	-
Advances to other funds	2,488,000	-
<b>Restricted for</b>		
E-911	648,027	-
Restricted for General Fund	14,529	-
Law library	276,369	-
Recorder's equipment purchases	200,269	-
Restricted for law enforcement	672,521	-
Land records technology	44,481	-
Drug enforcement	2,197	-
Conservation	416,499	-
Debt service	-	-
Recorder's compliance	179,638	-
Solid waste abatement	-	-
Aquatic invasive species	497,373	-
Escrow	1,500	-
Ditch maintenance and repair	-	-
<b>Committed</b>		
Transportation projects and improvements	-	9,698,621
<b>Assigned for</b>		
Capital projects	409,755	-
4H after school program	9,932	-
Election equipment	45,275	-
Aerial photos	14,084	-
Veterans van	29,693	-
New canine	8,914	-
ARMER radio enhancements	71,141	-
Law enforcement	245,455	-
Court services	102,683	-
License center equipment	73,795	-
Contracted projects	525,820	-
Highways and streets	-	7,419,388
Human services	-	-
<b>Unassigned</b>	33,580,433	-
<b>Total Fund Balances</b>	<b>\$ 40,858,731</b>	<b>\$ 17,500,944</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 43,894,132</b>	<b>\$ 24,746,143</b>

**Exhibit 3**  
**(Continued)**

<b>Human Services</b>	<b>Solid Waste</b>	<b>Ditch</b>	<b>Nonmajor Fund Debt Service</b>	<b>Total Governmental Funds</b>
\$ -	\$ -	\$ -	\$ -	\$ 382,935
-	-	-	-	300,348
-	-	-	-	2,488,000
-	-	-	-	648,027
-	-	-	-	14,529
-	-	-	-	276,369
-	-	-	-	200,269
-	-	-	-	672,521
-	-	-	-	44,481
-	-	-	-	2,197
-	-	-	-	416,499
-	-	-	4,062,246	4,062,246
-	-	-	-	179,638
-	4,123,951	-	-	4,123,951
-	-	-	-	497,373
-	-	-	-	1,500
-	-	1,165,554	-	1,165,554
-	-	-	-	9,698,621
-	-	-	-	409,755
-	-	-	-	9,932
-	-	-	-	45,275
-	-	-	-	14,084
-	-	-	-	29,693
-	-	-	-	8,914
-	-	-	-	71,141
-	-	-	-	245,455
-	-	-	-	102,683
-	-	-	-	73,795
-	-	-	-	525,820
-	-	-	-	7,419,388
10,948,359	-	-	-	10,948,359
-	-	(2,224,308)	-	31,356,125
<b>\$ 10,948,359</b>	<b>\$ 4,123,951</b>	<b>\$ (1,058,754)</b>	<b>\$ 4,062,246</b>	<b>\$ 76,435,477</b>
<b>\$ 12,196,869</b>	<b>\$ 4,389,717</b>	<b>\$ 4,576,123</b>	<b>\$ 4,086,318</b>	<b>\$ 93,889,302</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit 4**

**Reconciliation of Governmental Funds Balance Sheet to  
The Government-Wide Statement of Net Position—Governmental Activities  
December 31, 2024**

<b>Fund balance – total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>76,435,477</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		171,683,815
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		10,680,652
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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	\$ (188,439)	
General obligation bonds	(14,285,000)	
Unamortized premium on bonds	(258,284)	
Loans payable	(1,578,698)	
Compensated absences	(2,218,969)	
Other postemployment benefits liability	(1,020,027)	
Net pension liability	(9,318,791)	(28,868,208)

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	\$ 70,708	
Deferred other postemployment benefits inflows	(399,446)	(328,738)

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	\$ 5,338,727	
Deferred pension inflows	(9,646,699)	(4,307,972)

<b>Net Position of Governmental Activities (Exhibit 1)</b>	<b>\$</b>	<b>225,295,026</b>
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**McLeod County  
Glencoe, Minnesota**

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

	General	Road and Bridge
<b>Revenues</b>		
Taxes	\$ 16,745,273	\$ 7,089,645
Special assessments	163,399	-
Licenses and permits	85,023	13,950
Intergovernmental	8,479,984	9,053,339
Charges for services	2,484,881	166,612
Fines and forfeits	90,491	-
Gifts and contributions	10,548	-
Investment earnings	3,531,632	-
Miscellaneous	671,618	321
<b>Total Revenues</b>	<b>\$ 32,262,849</b>	<b>\$ 16,323,867</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 13,930,030	\$ -
Public safety	9,471,109	-
Highways and streets	-	15,683,778
Sanitation	-	-
Human services	-	-
Health	2,763,886	-
Culture and recreation	576,868	-
Conservation of natural resources	834,088	-
Economic development	114,454	-
<b>Intergovernmental</b>		
Highways and streets	-	360,295
Culture and recreation	208,247	-
<b>Debt service</b>		
Principal	184,269	1,125,000
Interest	8,279	87,375
Administrative charge	-	-
<b>Total Expenditures</b>	<b>\$ 28,091,230</b>	<b>\$ 17,256,448</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 4,171,619</b>	<b>\$ (932,581)</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	-	-
Proceeds from the sale of capital assets	176,386	-
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 176,386</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ 4,348,005</b>	<b>\$ (932,581)</b>
<b>Fund Balance – January 1</b>	<b>36,510,726</b>	<b>18,366,156</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>67,369</b>
<b>Fund Balance – December 31</b>	<b>\$ 40,858,731</b>	<b>\$ 17,500,944</b>



**Exhibit 5**

<b>Human Services</b>	<b>Solid Waste</b>	<b>Ditch</b>	<b>Nonmajor Fund Debt Service</b>	<b>Total Governmental Funds</b>
\$ 6,541,452	\$ -	\$ -	\$ 1,443,043	\$ 31,819,413
-	-	1,555,917	-	1,719,316
-	12,200	-	-	111,173
6,026,506	128,601	596,885	17,393	24,302,708
580,230	1,943,766	-	-	5,175,489
-	-	-	-	90,491
250	-	-	-	10,798
-	-	78,077	-	3,609,709
310,464	108,383	301	-	1,091,087
<b>\$ 13,458,902</b>	<b>\$ 2,192,950</b>	<b>\$ 2,231,180</b>	<b>\$ 1,460,436</b>	<b>\$ 67,930,184</b>
\$ -	\$ -	\$ -	\$ -	\$ 13,930,030
-	-	-	-	9,471,109
-	-	-	-	15,683,778
-	1,875,432	-	-	1,875,432
12,598,827	-	-	-	12,598,827
-	-	-	-	2,763,886
-	-	-	-	576,868
-	-	1,996,142	-	2,830,230
-	-	-	-	114,454
-	-	-	-	360,295
-	-	-	-	208,247
-	-	237,801	1,505,000	3,052,070
-	-	90,119	391,740	577,513
-	-	-	750	750
<b>\$ 12,598,827</b>	<b>\$ 1,875,432</b>	<b>\$ 2,324,062</b>	<b>\$ 1,897,490</b>	<b>\$ 64,043,489</b>
<b>\$ 860,075</b>	<b>\$ 317,518</b>	<b>\$ (92,882)</b>	<b>\$ (437,054)</b>	<b>\$ 3,886,695</b>
\$ -	\$ -	\$ -	\$ 516,463	\$ 516,463
-	(516,463)	-	-	(516,463)
-	-	-	-	176,386
<b>\$ -</b>	<b>\$ (516,463)</b>	<b>\$ -</b>	<b>\$ 516,463</b>	<b>\$ 176,386</b>
<b>\$ 860,075</b>	<b>\$ (198,945)</b>	<b>\$ (92,882)</b>	<b>\$ 79,409</b>	<b>\$ 4,063,081</b>
<b>10,088,284</b>	<b>4,322,896</b>	<b>(965,872)</b>	<b>3,982,837</b>	<b>72,305,027</b>
-	-	-	-	67,369
<b>\$ 10,948,359</b>	<b>\$ 4,123,951</b>	<b>\$ (1,058,754)</b>	<b>\$ 4,062,246</b>	<b>\$ 76,435,477</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit 6**

**Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balance of Governmental Funds to the  
Government-Wide Statement of Activities—Governmental Activities  
For the Year Ended December 31, 2024**

<b>Net change in fund balance – total governmental funds (Exhibit 5)</b>	<b>\$</b>	<b>4,063,081</b>
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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.

Unavailable revenue – December 31	\$ 10,680,652	
Unavailable revenue – January 1	<u>(10,969,321)</u>	(288,669)

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

Expenditures for general capital assets and infrastructure	\$ 15,046,663	
Net book value of disposed assets	(152,422)	
Current year depreciation	<u>(7,437,817)</u>	7,456,424

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	\$ 2,800,000	
Principal repayments – AgBMP loans	67,801	
Principal repayments – Minnesota Pollution Control Agency loans	<u>184,269</u>	3,052,070

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

Amortization of premiums on bonds	\$ 181,388	
Change in accrued interest payable	42,581	
Change in compensated absences	(50,821)	
Change in other postemployment benefits liability	208,323	
Change in net pension liability	4,021,524	
Change in deferred pension outflows	(2,676,364)	
Change in deferred pension inflows	(535,977)	
Change in deferred other postemployment benefits outflows	(24,881)	
Change in deferred other postemployment benefits inflows	(138,730)	
Change in inventories	<u>67,369</u>	<u>1,094,412</u>

<b>Change in Net Position of Governmental Activities (Exhibit 2)</b>	<b>\$</b>	<b><u>15,377,318</u></b>
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## **Fiduciary Funds**

**McLeod County  
Glencoe, Minnesota**

***Exhibit 7***

**Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2024**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
	<hr/>	<hr/>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 30,608	\$ 2,282,124
Departmental cash	-	28,135
Taxes receivable for other governments	-	424,796
Accounts receivable	-	8,987
Due from other governments	-	359,830
	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 30,608</b>	<b>\$ 3,103,872</b>
	<hr/>	<hr/>
<b><u>Liabilities</u></b>		
Accounts payable	\$ -	\$ 40,949
Salaries payable	-	11,647
Accrued expenses	-	1,713
Due to other governments	-	462,968
Unearned revenue	-	333,189
	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 850,466</b>
	<hr/>	<hr/>
<b><u>Net Position</u></b>		
Restricted for		
Individuals, organizations, and other governments	<b>\$ 30,608</b>	<b>\$ 2,253,406</b>
	<hr/>	<hr/>

**McLeod County  
Glencoe, Minnesota**

**Exhibit 8**

**Statement of Changes in Fiduciary Net Position  
Fiduciary Funds  
For the Year Ended December 31, 2024**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
	<hr/>	<hr/>
<b><u>Additions</u></b>		
Contributions		
Individuals	\$ 161,239	\$ 747
Other governments	-	3,161,181
Property tax collections	-	43,924,694
Licenses and fees collected	-	373,403
Issuance of lease	-	4,454
Investment earnings	68	1,685
Miscellaneous	-	3,807
	<hr/>	<hr/>
<b>Total Additions</b>	<b>\$ 161,307</b>	<b>\$ 47,469,971</b>
	<hr/>	<hr/>
<b><u>Deductions</u></b>		
Beneficiary payments to individuals	\$ 162,994	\$ -
Payments for personnel and benefits	-	419,842
Payments of property tax to other entities	-	43,992,178
Payments to individuals and other entities	-	2,808,870
Debt services	-	322,890
Administrative expense	-	204,817
	<hr/>	<hr/>
<b>Total Deductions</b>	<b>\$ 162,994</b>	<b>\$ 47,748,597</b>
	<hr/>	<hr/>
<b>Special Item</b>		
Transfer of fiduciary activities from Des Moines Valley Health and Human Services to McLeod County	<b>\$ -</b>	<b>\$ 1,326,419</b>
	<hr/>	<hr/>
<b>Change in net position</b>	<b>\$ (1,687)</b>	<b>\$ 1,047,793</b>
	<hr/>	<hr/>
<b>Net Position – January 1</b>	<b>32,295</b>	<b>1,205,613</b>
	<hr/>	<hr/>
<b>Net Position – December 31</b>	<b>\$ 30,608</b>	<b>\$ 2,253,406</b>
	<hr/>	<hr/>

# McLeod County Glencoe, Minnesota

## Notes to the Financial Statements As of and for the Year Ended December 31, 2024

### 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, 2024. 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

## McLeod County Glencoe, Minnesota

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activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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

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

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues. 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

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

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

### **Measurement Focus and Basis of Accounting**

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as needed. Similarly, within unrestricted fund balance, committed amounts are reduced first, followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

#### **Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the County Finance Office for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2024. External investment pools 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 2024, the County reported pooled investment earnings of \$3,531,632.

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



# McLeod County

## Glencoe, Minnesota

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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 2024 and noncurrent special assessments payable in 2025 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, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements.

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

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

## McLeod County Glencoe, Minnesota

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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:

### 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

### 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, 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.

### Long-Term Obligations

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

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

### Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds.

# McLeod County

## Glencoe, Minnesota

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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 associated with revenue received after the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period the amount becomes available. The County also reports deferred inflows of resources associated with pension and OPEB benefits. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

### Unearned Revenue

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

### Classification of Net Position

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

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

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

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

### Classification of Fund Balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which McLeod County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

## McLeod County Glencoe, Minnesota

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expected to be converted to cash.

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

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

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

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

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

### Minimum Fund Balance

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

### Use of Estimates

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

### Change in Accounting Principles

During the year ended December 31, 2024, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 100, *Accounting Changes and Error Corrections*, which provides clarification on

# McLeod County

## Glencoe, Minnesota

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the categories and prescribed accounting for changes in accounting principles, changes in accounting estimates, changes to or within the financial reporting entity, and corrections of errors in previously issued financial statements. Additional disclosures are included for the current year restatement as a result of GASB Statement 100.

The County also adopted new accounting guidance by implementing provisions of GASB Statement No. 101, *Compensated Absences*, which establishes new criteria for accounting and financial reporting for the compensated absences liability. The implementation of this statement resulted in changing the calculation of the compensated absences liability recorded in the long-term liabilities of the government-wide financial statements. Beginning net position was decreased by \$699,328 for the implementation of this standard.

### Special Item

On January 1, 2024, McLeod County became the fiscal host for the Southwestern Minnesota Adult Mental Health Consortium Board. This activity is reported as a custodial fund, and the net position of \$1,326,419 was transferred to McLeod County from Des Moines Valley Health and Human Services, the previous fiscal host.

## Note 2 – Stewardship, Compliance, and Accountability

### Deficit Fund Equity

The Ditch Special Revenue Fund had a deficit fund balance of \$1,058,754 as of December 31, 2024, and 23 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

#### Summary of Ditch Systems

42 ditches with positive fund balances	\$ 1,165,554
23 ditches with deficit fund balances	<u>(2,224,308)</u>
Total Fund Balance	<u>\$ (1,058,754)</u>

### Excess of Expenditures Over Budget

For the General Fund or major special revenue funds, any excess of expenditures over budget are discussed in the notes to the required supplementary information. The following is a summary of the individual fund that had expenditures in excess of budget for the year ended December 31, 2024, that is not included in the notes to the required supplementary information:

#### Expenditures

	Actual	Final Budget	Excess
Debt Service Fund			
Administrative charges	<u>\$ 750</u>	<u>\$ -</u>	<u>\$ 750</u>

# McLeod County Glencoe, Minnesota

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## Note 3 – Detailed Notes

### Assets

#### Deposits and Investments

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

**Reconciliation of the County's Total Deposits and Investments to the  
Basic Financial Statements as of December 31, 2024**

Governmental activities	
Cash and pooled investments	\$ 77,382,860
Petty cash and change funds	13,015
Departmental cash	46,733
Social Welfare Private-Purpose Trust Fund	
Cash and pooled investments	30,608
Custodial funds	
Cash and pooled investments	<u>2,282,124</u>
Total Cash and Investments	<u>\$ 79,755,340</u>
Deposits	\$ 60,161,537
Petty cash and change funds	13,015
Departmental cash	74,868
Investments	<u>19,505,920</u>
Total Deposits, Cash on Hand, and Investments	<u>\$ 79,755,340</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 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, 2024, McLeod County's deposits were not exposed to custodial credit risk.

# McLeod County

## Glencoe, Minnesota

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### 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.

### 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, 2024, 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.

## McLeod County Glencoe, Minnesota

It is the County's policy that U.S. agency securities may be held without limit.

### Fair Value Measurement

The following table presents the County's investment balances at December 31, 2024:

#### Cash and Investment Information as of December 31, 2024

	Carrying (Fair) Value
MAGIC Portfolio	\$ 13,505,920
MAGIC Term Series	6,000,000

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

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

### Receivables

Receivables as of December 31, 2024, are as follows:

#### Governmental Activities' Receivables as of December 31, 2024

	Governmental Activities	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	\$ 425,886	\$ -
Special assessments	3,397,421	3,364,371
Accounts – net	518,163	-
Accrued interest	257,964	-
Due from other governments	8,675,977	-
Total Governmental Activities	\$ 13,275,411	\$ 3,364,371



## McLeod County Glencoe, Minnesota

The accounts receivable amount reflects an allowance of uncollectible accounts of \$365,258.

### Capital Assets

Capital asset activity for the year ended December 31, 2024, was as follows:

#### Changes in Capital Assets for the Year Ended December 31, 2024

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 3,709,401	\$ -	\$ -	\$ 3,709,401
Construction in progress	2,616,944	1,600,679	(2,559,311)	1,658,312
Infrastructure – right-of-way	4,562,511	-	-	4,562,511
Total capital assets not depreciated	\$ 10,888,856	\$ 1,600,679	\$ (2,559,311)	\$ 9,930,224
Capital assets depreciated				
Buildings	\$ 44,128,029	\$ 32,840	\$ (1,139,167)	\$ 43,021,702
Machinery, furniture, and equipment	18,385,393	3,344,228	(909,794)	20,819,827
Improvements other than buildings	1,399,290	741,897	(193,739)	1,947,448
Infrastructure	194,151,119	11,886,330	-	206,037,449
Total capital assets depreciated	\$ 258,063,831	\$ 16,005,295	\$ (2,242,700)	\$ 271,826,426
Less: accumulated depreciation for				
Buildings	\$ 17,064,597	\$ 1,463,657	\$ (1,028,057)	\$ 17,500,197
Machinery, furniture, and equipment	17,154,951	2,071,249	(868,482)	18,357,718
Improvements other than buildings	1,226,411	77,744	(193,739)	1,110,416
Infrastructure	69,279,337	3,825,167	-	73,104,504
Total accumulated depreciation	\$ 104,725,296	\$ 7,437,817	\$ (2,090,278)	\$ 110,072,835
Total capital assets depreciated, net	\$ 153,338,535	\$ 8,567,478	\$ (152,422)	\$ 161,753,591
Governmental Activities Capital Assets, Net	\$ 164,227,391	\$ 10,168,157	\$ (2,711,733)	\$ 171,683,815

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

#### Depreciation Expense Charged to Functions/Programs

Governmental Activities	
General government	\$ 1,628,881
Public safety	748,740
Highways and streets, including depreciation of infrastructure assets	4,655,665
Sanitation	337,190
Human services	14,539
Health	420
Culture and recreation	33,193
Conservation of natural resources	19,189
Total Depreciation Expense – Governmental Activities	<u>\$ 7,437,817</u>

# McLeod County

## Glencoe, Minnesota

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### Interfund Receivables, Payables, and Transfers

#### Advances From/To Other Funds

The composition of interfund balances as of December 31, 2024, is as follows:

#### **Interfund Balances as of December 31, 2024**

Receivable Fund	Payable Fund	Amount
General	Ditch	<u>\$ 2,488,000</u>

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

#### Interfund Transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following:

#### **Interfund Transfers for the Year Ended December 31, 2024**

Transfer to Debt Service Fund from Solid Waste Special Revenue Fund	<u>\$ 516,463</u>	Debt repayment
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### Liabilities and Deferred Inflows of Resources

#### Payables

Payables as of December 31, 2024, were as follows:

#### **Accounts Payable Balances as of December 31, 2024**

	Governmental Activities
Accounts	\$ 1,347,319
Salaries	788,028
Accrued payroll taxes	51,301
Accrued interest	209,241
Other accrued expenses	84,636
Contracts	181,156
Retainage	293,710
Due to other governments	<u>1,029,565</u>
Total Payables	<u>\$ 3,984,956</u>

# McLeod County Glencoe, Minnesota

## Construction Commitments

The County has active construction projects as of December 31, 2024. The projects include the following:

### Active Construction Commitments as of December 31, 2024

	Spent-to-Date	Remaining Commitment
New Ag Building	\$ 1,581,029	\$ 160,116
Piepenburg Electrical	45,000	83,720
Courthouse Card Access	32,283	8,848
Total	\$ 1,658,312	\$ 252,684

## 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, 2024, are summarized by fund:

### Deferred Inflows of Resources by Fund as of December 31, 2024

	Special Assessments	Taxes	Grants	Other	Total
Major funds					
General	\$ 489,793	\$ 244,129	\$ 60,215	\$ 8,473	\$ 802,610
Road and Bridge	-	61,040	6,234,426	-	6,295,466
Human Services	-	96,644	306,739	85,388	488,771
Solid Waste	-	-	-	120,301	120,301
Ditch	2,907,628	-	-	41,804	2,949,432
Nonmajor fund					
Debt Service	-	24,072	-	-	24,072
Total	\$ 3,397,421	\$ 425,885	\$ 6,601,380	\$ 255,966	\$ 10,680,652

# McLeod County Glencoe, Minnesota

## Long-Term Debt

### Bonds and Loans Payable as of December 31, 2024

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2024
2014 General Obligation Bonds	2025	\$900,000- \$1,055,000	2.000- 2.125	\$ 9,785,000	\$ 900,000
2016 General Obligation Drainage Bonds	2032	\$150,000- \$175,000	1.000- 2.000	2,490,000	1,290,000
2018 General Obligation Bonds	2039	\$405,000- \$655,000	2.750- 3.650	10,000,000	7,920,000
2019 General Obligation Bonds	2035	\$315,000- \$1,405,000	2.000- 5.000	9,040,000	4,175,000
Agricultural Best Management Practices (AgBMP) loans	2034	N/A	0.000	1,027,711	621,008
Minnesota Pollution Control Agency (MnPCA) loans	2033	N/A	0.000- 2.000	1,943,472	957,690
Total					<u>\$ 15,863,698</u>

In 2011, the County entered into a loan agreement with the MnPCA for Buffalo Creek Watershed septic system loans. According to the agreement, the County can borrow as much as \$200,000. The total amount disbursed through December 31, 2024, was \$199,494; accumulated interest is \$9,514. Principal payments of \$11,468 were made in 2024. This loan was repaid in its entirety during 2024.

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, 2024, was \$300,000; accumulated interest is \$13,536. Principal payments of \$32,899 were made in 2024.

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, 2024, was \$40,070; accumulated interest is \$871. Principal payments of \$4,211 were made in 2024.

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, 2024, was \$349,421; accumulated interest is \$4,112. Principal payments of \$36,742 were made in 2024.

In 2016, the County entered into a loan agreement with the MnPCA for Crow River Basin septic system loans. According to the agreement, the County can borrow as much as \$300,000. The total amount disbursed through December 31, 2024, was \$287,926; accumulated interest is \$8,330. Principal payments of \$29,287 were made in 2024.

In 2014, the County issued \$9,785,000 of General Obligation Bonds. Repayment began in 2015 with scheduled

## McLeod County Glencoe, Minnesota

repayments ranging from \$900,000 to \$1,055,000, and interest rates ranging from 2.000 percent to 2.125 percent. Final repayment is scheduled for 2025.

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

In 2018, the County issued \$10,000,000 of General Obligation Bonds. Repayment began in 2021 with scheduled repayments ranging from \$405,000 to \$655,000, and interest rates ranging from 2.750 percent to 3.650 percent. Final repayment is scheduled for 2039.

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

In 2019, the County entered into a loan agreement with the MnPCA for the McLeod County Subsurface Sewage Treatment Systems (SSTS) Restoration Clean Water Project. According to the agreement, the County can borrow as much as \$1,200,000. The total amount disbursed through December 31, 2024, was \$730,198. Principal payments of \$69,663 were made in 2024.

In 2019, 2021, 2022, 2023, and 2024, the County entered into loan agreements with the Minnesota Department of Agriculture for the AgBMP loan program. The purpose of this program is to encourage agriculture best management practices that prevent or reduce runoff from feedlots, farm fields, and other pollution programs. Repayment began in 2020 with scheduled repayments ranging in total from \$22,966 to \$84,146. Final repayment is scheduled for 2034.

### Debt Service Requirements

Debt service requirements at December 31, 2024, were as follows:

#### Debt Service Requirements as of December 31, 2024

Year Ending December 31	General Obligation Bonds (2014)		General Obligation Drainage Bonds (2016)	
	Principal	Interest	Principal	Interest
2025	\$ 900,000	\$ 9,563	\$ 170,000	\$ 23,460
2026	-	-	170,000	20,740
2027	-	-	165,000	18,020
2028	-	-	165,000	15,050
2029	-	-	160,000	12,080
2030-2032	-	-	460,000	18,300
Total	\$ 900,000	\$ 9,563	\$ 1,290,000	\$ 107,650

# McLeod County Glencoe, Minnesota

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	General Obligation Bonds (2018)		General Obligation Bonds (2019)	
	Principal	Interest	Principal	Interest
2025	\$ 430,000	\$ 258,265	\$ 1,405,000	\$ 112,425
2026	440,000	246,303	230,000	71,550
2027	450,000	234,065	245,000	59,675
2028	465,000	221,484	255,000	47,175
2029	475,000	207,253	270,000	38,100
2030-2034	2,605,000	786,471	1,455,000	105,750
2035-2039	3,055,000	286,434	315,000	3,150
Total	\$ 7,920,000	\$ 2,240,275	\$ 4,175,000	\$ 437,825

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	AgBMP Loans	
	Principal	Interest
2025	\$ 69,290	\$ -
2026	51,211	-
2027	52,761	-
2028	55,905	-
2029	71,602	-
2030-2034	320,239	-
Total	\$ 621,008	\$ -

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	Crow River Watershed Septic System Loans (2012)	
	Principal	Interest
2025	\$ 33,561	\$ 1,189
2026	34,235	514
Total	\$ 67,796	\$ 1,703

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	High Island Creek Watershed Septic System Loans (2013)		Crow River Basin Septic System Loans (2015)	
	Principal	Interest	Principal	Interest
2025	\$ 4,296	\$ 242	\$ 37,481	\$ 1,702
2026	4,383	155	38,234	948
2027	4,470	67	18,692	187
Total	\$ 13,149	\$ 464	\$ 94,407	\$ 2,837

# McLeod County Glencoe, Minnesota

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	Crow River Basin Septic System Loans (2016)		SSTS Restoration Clean Water Project System Loans (2019)	
	Principal	Interest	Principal	Interest
2025	\$ 29,875	\$ 2,959	\$ 69,663	\$ -
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	-
2030-2033	-	-	278,650	-
Total	\$ 155,373	\$ 8,668	\$ 626,965	\$ -

## Debt Service Requirements as of December 31, 2024

Year Ending December 31	Total	
	Principal	Interest
2025	\$ 3,149,166	\$ 409,805
2026	1,068,201	342,568
2027	1,036,675	313,760
2028	1,042,282	284,830
2029	1,078,485	257,917
2030-2034	5,118,889	910,521
2035-2039	3,370,000	289,584
Total	\$ 15,863,698	\$ 2,808,985

### Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2024, was as follows:

### Changes in Long-Term Liabilities for the Year Ended December 31, 2024

	Beginning Balance, as restated**	Additions	Reductions	Ending Balance	Due Within One Year
MnPCA loans	\$ 1,141,959	\$ -	\$ (184,269)	\$ 957,690	\$ 174,876
AgBMP loans	688,809	-	(67,801)	621,008	69,290
General obligation bonds	17,085,000	-	(2,800,000)	14,285,000	2,905,000
Bond premiums	439,672	-	(181,388)	258,284	-
Compensated absences	2,168,148	50,821*	-	2,218,969	1,504,461
Long-Term Liabilities	\$ 21,523,588	\$ 50,821	\$ (3,233,458)	\$ 18,340,951	\$ 4,653,627

\*This represents a net change.

\*\*See Change in Accounting Principles in Note 1.

Payments on MnPCA loans are made from the General Fund with special assessments. Payments on the 2014, 2018, and 2019 General Obligation Bonds are made from the Debt Service Fund with property tax receipts.

# McLeod County

## Glencoe, Minnesota

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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**

Inactive employees or beneficiaries currently receiving benefit payments	7
Active plan participants	<u>275</u>
Total	<u><u>282</u></u>

#### Total OPEB Liability

The County's total OPEB liability of \$1,020,027 was measured as of January 1, 2024, 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, 2024, was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

#### **OPEB Actuarial Assumptions and Other Inputs**

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Graded by service years and contract group ranging from 10.25 percent for one year of service (11.75 for public safety) to 3.00 percent for 27 or more years of service
Health care cost trend	6.50 percent as of January 1, 2024, grading to 5.00 percent over six years and then to 4.00 percent over the next 48 years



## McLeod County Glencoe, Minnesota

The current year discount rate is 3.7 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 historical information.

### Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balance at December 31, 2023	\$ 1,228,350
Changes for the year	
Service cost	\$ 87,506
Interest	25,686
Assumption changes	(112,477)
Difference between expected and actual experience	(145,632)
Benefit payments	(63,406)
Net change	\$ (208,323)
Balance at December 31, 2024	\$ 1,020,027

### 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, 2024

	Discount Rate	Total OPEB Liability
1% Decrease	2.7%	\$ 1,100,101
Current	3.7%	1,020,027
1% Increase	4.7%	945,212

## McLeod County Glencoe, Minnesota

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

### Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2024

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 912,396
Current	6.50% Decreasing to 5.00%	1,020,027
1% Increase	7.50% Decreasing to 6.00%	1,146,348

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

For the year ended December 31, 2024, the County recognized OPEB expense of \$1,856. 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, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	\$ 24,136	\$ 167,866
Differences between expected and actual economic experience	-	231,580
Employer contributions paid subsequent to the measurement date	46,572	-
Total	<u>\$ 70,708</u>	<u>\$ 399,446</u>

The \$46,572 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, 2025. 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, 2024

Year Ended December 31	OPEB Expense Amount
2025	\$ (111,332)
2026	(104,854)
2027	(38,673)
2028	(46,708)
2029	(36,874)
Thereafter	(36,869)

# McLeod County

## Glencoe, Minnesota

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### Changes in Actuarial Assumptions

- 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.

### 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, and 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.

## **McLeod County Glencoe, Minnesota**

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General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. The 2024 annual increase was 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. The 2024 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.

For General Employees Plan members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90, and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. For Police and Fire Plan and Correctional Plan members, normal retirement age is 55, and for members who were hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90. Disability benefits and disability qualification requirements vary by plan.

# McLeod County

## Glencoe, Minnesota

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### [Contributions](#)

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2023.

#### **Member and Employer Required Contribution Rates**

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

#### **Employer Contributions for the Year Ended December 31, 2024**

General Employees Plan	\$ 1,204,684
Police and Fire Plan	440,166
Correctional Plan	132,574

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

### [Pension Costs](#)

#### [General Employees Plan](#)

At December 31, 2024, the County reported a liability of \$6,751,989 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.1826 percent. It was 0.1810 percent measured as of June 30, 2023. The County recognized pension expense of \$625,172 for its proportionate share of the General Employees Plan's pension expense.

The State of Minnesota contributed \$170.1 million to the General Employees Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$310,654 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Plan.

Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional \$4,861 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

# McLeod County Glencoe, Minnesota

## General Employees Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

The County's proportionate share of the net pension liability	\$ 6,751,989
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>174,593</u>
Total	<u>\$ 6,926,582</u>

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

## General Employees Plan Deferred Outflows of Resources and Deferred Inflows of Resources As of December 31, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 634,235	\$ -
Changes in actuarial assumptions	33,699	2,538,781
Difference between projected and actual investment earnings	-	1,957,722
Changes in proportion	68,687	247,072
Contributions paid to PERA subsequent to the measurement date	<u>608,283</u>	<u>-</u>
Total	<u>\$ 1,344,904</u>	<u>\$ 4,743,575</u>

The \$608,283 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

## General Employees Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024

Year Ended December 31	Pension Expense Amount
2025	\$ (2,268,526)
2026	(418,543)
2027	(802,385)
2028	(517,500)

### Police and Fire Plan

At December 31, 2024, the County reported a liability of \$2,391,143 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The

## McLeod County Glencoe, Minnesota

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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.1818 percent. It was 0.1717 percent measured as of June 30, 2023. The County recognized pension expense of \$486,883 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed \$19.4 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. Additionally, the State of Minnesota contributed \$9 million of supplemental state aid to the Police and Fire Plan for the Plan's fiscal year ended June 30, 2024. Legislation 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 90 percent funded for three consecutive years, or July 1, 2048, whichever is earlier. This contribution also does not meet the definition of a special funding situation. The County recognized \$51,612 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.

Legislation also requires the State of Minnesota to pay direct state aid of \$9 million on October 1 each year until full funding is reached for three consecutive years, or July 1, 2048, whichever is earlier. This contribution meets the definition of a special funding situation. The County recognized an additional \$10,195 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

### Police and Fire Plan Employer's Share of the Net Pension Liability and the State's Related Liability As of December 31, 2024

The County's proportionate share of the net pension liability	\$ 2,391,143
State of Minnesota's proportionate share of the net pension liability associated with the County	91,149
Total	<u>\$ 2,482,292</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, 2024

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 883,809	\$ -
Changes in actuarial assumptions	2,366,619	3,325,698
Difference between projected and actual investment earnings	-	752,263
Changes in proportion	330,628	7,639
Contributions paid to PERA subsequent to the measurement date	218,684	-
Total	<u>\$ 3,799,740</u>	<u>\$ 4,085,600</u>

## McLeod County Glencoe, Minnesota

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The \$218,684 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

### **Police and Fire Plan Schedule of Amortization of Deferred Outflows and Inflows of Resources As of December 31, 2024**

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2025	\$ (59,521)
2026	579,126
2027	(288,870)
2028	(819,310)
2029	84,031

### **Correctional Plan**

At December 31, 2024, the County reported a liability of \$175,659 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2024, the County's proportion was 0.5763 percent. It was 0.5618 percent measured as of June 30, 2023. The County recognized pension expense of \$263,621 for its proportionate share of the Correctional Plan's pension expense.

The State of Minnesota contributed \$5.3 million to the Correctional Plan in the plan fiscal year ended June 30, 2024. This contribution was a one-time direct state aid that does not meet the definition of a special funding situation. The County recognized \$30,293 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 Correctional Plan.



## McLeod County Glencoe, Minnesota

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

**Correctional Plan**  
**Deferred Outflows of Resources and Deferred Inflows of Resources**  
**As of December 31, 2024**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 123,251	\$ -
Changes in actuarial assumptions	-	579,303
Difference between projected and actual investment earnings	-	229,911
Changes in proportion	4,384	8,310
Contributions paid to PERA subsequent to the measurement date	66,448	-
Total	\$ 194,083	\$ 817,524

The \$66,448 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

Year Ended December 31	Pension Expense Amount
2025	\$ (630,711)
2026	98,933
2027	(92,456)
2028	(65,655)

### Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2024, was \$1,375,676.

# McLeod County

## Glencoe, Minnesota

### Actuarial Assumptions

The total pension liability in the June 30, 2024, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

#### **Actuarial Assumptions for the Year Ended June 30, 2024**

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2024, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2024, was utilized.

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

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

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

### Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2024, which remains consistent with 2023. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be

## McLeod County Glencoe, Minnesota

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available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

### Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2024:

#### General Employees Plan

- 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.

#### Police and Fire Plan

- 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).

# McLeod County

## Glencoe, Minnesota

### Correctional Plan

- 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.

### 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, 2024

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.00%	\$ 14,747,430	6.00%	\$ 5,650,777	6.00%	\$1,427,441
Current	7.00%	6,751,989	7.00%	2,391,143	7.00%	175,659
1% Increase	8.00%	175,009	8.00%	(285,667)	8.00%	(821,581)

### 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](http://www.mnpera.org).

### Defined Contribution Plan

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

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

## McLeod County Glencoe, Minnesota

Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually.

### Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2024

	Employee	Employer
Contribution amount	\$ 11,431	\$ 11,431
Percentage of covered payroll	5.00%	5.00%

### Restricted Net Position

Certain funds of the County are classified as restricted on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations. These legal restrictions include:

#### Governmental Activities' Restricted Net Position

Escrow	\$ 1,500
General Fund	14,529
Land records technology	44,481
Recorder's compliance	179,638
Recorder's equipment purchases	200,269
Law library	276,369
Drug enforcement	2,197
E-911	648,027
Law enforcement	672,521
Highways and streets	6,295,326
Solid waste abatement	4,123,951
Conservation	416,499
Aquatic invasive species	497,373
Ditch maintenance and repair	1,165,554
Debt service	3,897,879
Total Restricted Net Position	<u>\$ 18,436,113</u>

### 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.

## **McLeod County Glencoe, Minnesota**

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The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2024 and \$1,000,000 in 2025. 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.

### **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

## **McLeod County Glencoe, Minnesota**

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Marshall, Minnesota. 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.

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

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

### **Pioneerland Regional Library System**

McLeod County, along with 32 cities and nine other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional library service. The Pioneerland Library System is governed by the Pioneerland Library System Board composed of 35 members appointed by member cities and counties. During the year, McLeod County contributed \$208,247 to the System.

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

### **Southwest Metro Drug Task Force**

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

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

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

# McLeod County

## Glencoe, Minnesota

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### 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. In 2008, Beltrami, Clearwater, and Hubbard Counties joined the partnership. In 2023, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Nobles, Redwood, Swift, and Yellow Medicine Counties were added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

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

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

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. McLeod County did not make any contributions to PrimeWest Health in 2024.

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 2024, 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



## **McLeod County Glencoe, Minnesota**

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be responsible for safekeeping the funds of PACT.

Yellow Medicine County Human Services has acted as fiscal agent for PACT since January 1, 2024. 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 2024, McLeod County did not make any contributions.

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

### **Supporting Hands Nurse Family Partnership Board**

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2024, McLeod County contributed \$25,369 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.

## **McLeod County Glencoe, Minnesota**

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Stat. § 471.59. The purpose of the Pool is to provide for the reciprocal assumption of risk among members with respect to the provision of health benefits to each member's eligible current and former employees and their qualified dependents. Effective January 1, 2020, Trailblazer is no longer a member.

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

### **Central Minnesota Jobs and Training Services, Inc.**

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

CMJTS's mission is to strengthen Central Minnesota communities through leadership in workforce excellence. Funding is to be provided through block grants from the U.S. Department of Labor. One County Commissioner from each participating county is appointed to the Board.

### **Jointly-Governed Organizations**

#### **Minnesota Counties Computer Cooperative**

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created the Minnesota Counties Computer Cooperative (MCCC) to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. During the year, McLeod County incurred \$215,055 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.

## **McLeod County Glencoe, Minnesota**

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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 2024, 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.

### **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 2024, there were 16 pay-as-you-go agreements within the County. The tax increment collections during 2024 associated with these agreements totaled \$687,975. McLeod County's portion of the captured tax capacity and related property taxes was approximately 30 percent, which is \$206,393.

## **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.

# McLeod County

## Glencoe, Minnesota

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### 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 June 30, 2024**

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

### Use of Estimates

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

### Cash and Investments

The HRA's cash and investments at June 30, 2024, are summarized as follows:

#### **Cash and Investments June 30, 2024**

Cash on deposit	
Restricted	\$ 14,470
Unrestricted	594,145
Total cash on deposit	<u>\$ 608,615</u>
Certificates of deposit, due within one year	
Restricted	\$ 36,762
Unrestricted	235,105
Total certificates of deposit	<u>\$ 271,867</u>
Total Cash and Investments	<u>\$ 880,482</u>

### Deposits

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

The carrying amount of the HRA's deposits with financial institutions was \$880,482 as of June 30, 2024. The bank balance was \$878,006 as of June 30, 2024, which was covered by qualified collateral.

## McLeod County Glencoe, Minnesota

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

### Investments

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

- securities which are direct obligations or are guaranteed or insured issues of the United States or its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota statutes;
- mutual funds through shares of registered investment companies through a mutual fund provided the mutual fund receives certain ratings depending on its investments;
- general obligations of the State of Minnesota or any of its municipalities, and certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- bankers’ acceptances of United States banks;
- 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:

	<b>Capital Assets June 30, 2024</b>			
	Beginning Balance	Additions	Disposals	Ending Balance
Land	\$ 197,000	\$ -	\$ -	\$ 197,000
Site improvements	277,908	-	-	277,908
Buildings	4,351,104	-	(66,425)	4,284,679
Furniture and equipment	-	541,981	-	541,981
Total	\$ 4,826,012	\$ 541,981	\$ (66,425)	\$ 5,301,568
Less: accumulated depreciation	2,714,154	133,444	(11,995)	2,835,603
Total	\$ 2,111,858	\$ 408,537	\$ (54,430)	\$ 2,465,965

# McLeod County Glencoe, Minnesota

## Long-Term Debt Payable

The following is a summary of long-term debt transactions for the year ended June 30, 2024:

<b>Debt Payable</b>						
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year	
Essential Function Housing Development Bond of 2021	\$ 1,944,000	\$ -	\$ (259,000)	\$ 1,685,000	\$ 261,000	
Assessments payable	1,652	-	(781)	871	623	
<b>Total</b>	<b>\$ 1,945,652</b>	<b>\$ -</b>	<b>\$ (259,781)</b>	<b>\$ 1,685,871</b>	<b>\$ 261,623</b>	

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 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, 2024, are as follows:

<b>Debt Service Requirements</b>				
Year Ending December 31	Principal	Interest	Total	
2025	\$ 261,623	\$ 18,999	\$ 280,622	
2026	263,248	16,855	280,103	
2027	265,000	14,336	279,336	
2028	268,000	11,377	279,377	
2029	165,000	8,612	173,612	
2030-2034	402,000	19,197	421,197	
2035	61,000	534	61,534	
<b>Total</b>	<b>\$ 1,685,871</b>	<b>\$ 89,910</b>	<b>\$ 1,775,781</b>	

## 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**

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-1**

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

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget</b>
<b>Revenues</b>				
Taxes	\$ 17,017,811	\$ 17,017,811	\$ 16,745,273	\$ (272,538)
Special assessments	122,887	122,887	163,399	40,512
Licenses and permits	72,900	72,900	85,023	12,123
Intergovernmental	4,560,837	4,560,837	8,479,984	3,919,147
Charges for services	1,762,702	1,762,702	2,484,881	722,179
Fines and forfeits	12,300	12,300	90,491	78,191
Gifts and contributions	6,040	6,040	10,548	4,508
Investment earnings	801,150	801,150	3,531,632	2,730,482
Miscellaneous	915,918	915,918	671,618	(244,300)
<b>Total Revenues</b>	<b>\$ 25,272,545</b>	<b>\$ 25,272,545</b>	<b>\$ 32,262,849</b>	<b>\$ 6,990,304</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 356,758	\$ 356,758	\$ 320,651	\$ 36,107
County-wide	2,889,000	2,889,000	1,835,420	1,053,580
Courts	313,300	313,300	458,336	(145,036)
Law library	18,500	18,500	16,595	1,905
County administrator	1,284,482	1,284,482	1,260,079	24,403
County auditor-treasurer	833,619	833,619	802,602	31,017
County assessor	612,525	612,525	585,970	26,555
Elections	287,890	287,890	250,503	37,387
Data processing	2,198,338	2,198,338	2,156,086	42,252
Central services	260,850	260,850	190,469	70,381
Attorney	1,125,837	1,125,837	1,469,220	(343,383)
Recorder	585,234	585,234	579,319	5,915
Buildings	1,294,630	1,294,630	1,348,046	(53,416)
County insurance	521,772	521,772	328,764	193,008
Veterans service officer	394,949	394,949	384,903	10,046
Fairgrounds	588,873	588,873	361,613	227,260
Safety	9,100	9,100	9,541	(441)
Armer radio systems	-	-	21,633	(21,633)
Other general government	900,000	900,000	1,550,280	(650,280)
<b>Total general government</b>	<b>\$ 14,475,657</b>	<b>\$ 14,475,657</b>	<b>\$ 13,930,030</b>	<b>\$ 545,627</b>
<b>Public safety</b>				
Sheriff	\$ 5,649,058	\$ 5,649,058	\$ 6,059,906	\$ (410,848)
Inmate account	22,563	22,563	27,819	(5,256)
Probation officer	438,384	438,384	488,121	(49,737)
County jail	2,654,267	2,654,267	2,633,528	20,739
Sentencing to Service	103,791	103,791	102,291	1,500
Juvenile detention	2,200	2,200	400	1,800
Sheriff posse	35,000	35,000	43,901	(8,901)
Emergency services	157,550	157,550	115,143	42,407
<b>Total public safety</b>	<b>\$ 9,062,813</b>	<b>\$ 9,062,813</b>	<b>\$ 9,471,109</b>	<b>\$ (408,296)</b>
<b>Health</b>				
Nursing service	\$ 3,221,723	\$ 3,221,723	\$ 2,763,886	\$ 457,837



**McLeod County  
Glencoe, Minnesota**

**Exhibit A-1**  
*(Continued)*

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

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Culture and recreation</b>				
Historical society	\$ 89,100	\$ 89,100	\$ 89,100	\$ -
Other	43,400	43,400	42,500	900
Parks	463,676	463,676	419,536	44,140
Snowmobile trail grant	44,640	44,640	25,732	18,908
<b>Total culture and recreation</b>	<b>\$ 640,816</b>	<b>\$ 640,816</b>	<b>\$ 576,868</b>	<b>\$ 63,948</b>
<b>Conservation of natural resources</b>				
Soil and water conservation	\$ 82,750	\$ 82,750	\$ 82,750	\$ -
County extension	260,947	260,947	258,629	2,318
Agriculture ditch inspector	-	-	4,000	(4,000)
Environmental services	508,176	508,176	480,391	27,785
Other	-	-	-	-
Aquatic invasive species	74,000	74,000	8,318	65,682
<b>Total conservation of natural resources</b>	<b>\$ 925,873</b>	<b>\$ 925,873</b>	<b>\$ 834,088</b>	<b>\$ 91,785</b>
<b>Economic development</b>				
Housing and Redevelopment Authority	\$ 109,855	\$ 109,855	\$ 114,454	\$ (4,599)
<b>Intergovernmental</b>				
<b>Culture and recreation</b>				
Pioneerland Regional Library	\$ 208,247	\$ 208,247	\$ 208,247	\$ -
<b>Debt service</b>				
Principal	\$ 114,608	\$ 114,608	\$ 184,269	\$ (69,661)
Interest	8,279	8,279	8,279	-
<b>Total debt service</b>	<b>\$ 122,887</b>	<b>\$ 122,887</b>	<b>\$ 192,548</b>	<b>\$ (69,661)</b>
<b>Total Expenditures</b>	<b>\$ 28,767,871</b>	<b>\$ 28,767,871</b>	<b>\$ 28,091,230</b>	<b>\$ 676,641</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ (3,495,326)</b>	<b>\$ (3,495,326)</b>	<b>\$ 4,171,619</b>	<b>\$ 7,666,945</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of capital assets	15,000	15,000	176,386	161,386
<b>Net Change in Fund Balance</b>	<b>\$ (3,480,326)</b>	<b>\$ (3,480,326)</b>	<b>\$ 4,348,005</b>	<b>\$ 7,828,331</b>
<b>Fund Balance – January 1</b>	<b>36,510,726</b>	<b>36,510,726</b>	<b>36,510,726</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 33,030,400</b>	<b>\$ 33,030,400</b>	<b>\$ 40,858,731</b>	<b>\$ 7,828,331</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-2**

**Budgetary Comparison Schedule  
Road and Bridge Special Revenue Fund  
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,579,259	\$ 6,579,259	\$ 7,089,645	\$ 510,386
Licenses and permits	13,000	13,000	13,950	950
Intergovernmental	12,247,124	12,247,124	9,053,339	(3,193,785)
Charges for services	98,000	98,000	166,612	68,612
Miscellaneous	1,000	1,000	321	(679)
<b>Total Revenues</b>	<b>\$ 18,938,383</b>	<b>\$ 18,938,383</b>	<b>\$ 16,323,867</b>	<b>\$ (2,614,516)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 930,565	\$ 930,565	\$ 851,234	\$ 79,331
Geographic information systems	307,242	307,242	296,674	10,568
Maintenance	2,330,623	2,330,623	1,732,691	597,932
Engineering/construction	16,462,051	16,462,051	10,999,926	5,462,125
Equipment, maintenance, and shop	1,683,634	1,683,634	1,803,253	(119,619)
<b>Total highways and streets</b>	<b>\$ 21,714,115</b>	<b>\$ 21,714,115</b>	<b>\$ 15,683,778</b>	<b>\$ 6,030,337</b>
<b>Intergovernmental</b>				
Highways and streets	\$ 300,000	\$ 300,000	\$ 360,295	\$ (60,295)
<b>Debt service</b>				
Principal retirement	\$ 1,125,000	\$ 1,125,000	\$ 1,125,000	\$ -
Interest	87,375	87,375	87,375	-
<b>Total debt service</b>	<b>\$ 1,212,375</b>	<b>\$ 1,212,375</b>	<b>\$ 1,212,375</b>	<b>\$ -</b>
<b>Total Expenditures</b>	<b>\$ 23,226,490</b>	<b>\$ 23,226,490</b>	<b>\$ 17,256,448</b>	<b>\$ 5,970,042</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (4,288,107)</b>	<b>\$ (4,288,107)</b>	<b>\$ (932,581)</b>	<b>\$ 3,355,526</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from the sale of capital assets	94,500	94,500	-	(94,500)
<b>Net Change in Fund Balance</b>	<b>\$ (4,193,607)</b>	<b>\$ (4,193,607)</b>	<b>\$ (932,581)</b>	<b>\$ 3,261,026</b>
<b>Fund Balance – January 1</b>	<b>18,366,156</b>	<b>18,366,156</b>	<b>18,366,156</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>67,369</b>	<b>67,369</b>
<b>Fund Balance – December 31</b>	<b>\$ 14,172,549</b>	<b>\$ 14,172,549</b>	<b>\$ 17,500,944</b>	<b>\$ 3,328,395</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-3**

**Budgetary Comparison Schedule  
Human Services Special Revenue Fund  
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 6,669,998	\$ 6,669,998	\$ 6,541,452	\$ (128,546)
Intergovernmental	5,769,274	5,769,274	6,026,506	257,232
Charges for services	605,420	605,420	580,230	(25,190)
Gifts and contributions	-	-	250	250
Miscellaneous	430,147	430,147	310,464	(119,683)
<b>Total Revenues</b>	<b>\$ 13,474,839</b>	<b>\$ 13,474,839</b>	<b>\$ 13,458,902</b>	<b>\$ (15,937)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 3,348,225	\$ 3,348,225	\$ 3,096,869	\$ 251,356
Social services	10,415,265	10,415,265	9,501,828	913,437
Transit authority	176,000	176,000	130	175,870
<b>Total Expenditures</b>	<b>\$ 13,939,490</b>	<b>\$ 13,939,490</b>	<b>\$ 12,598,827</b>	<b>\$ 1,340,663</b>
<b>Net Change in Fund Balance</b>	<b>\$ (464,651)</b>	<b>\$ (464,651)</b>	<b>\$ 860,075</b>	<b>\$ 1,324,726</b>
<b>Fund Balance – January 1</b>	<b>10,088,284</b>	<b>10,088,284</b>	<b>10,088,284</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 9,623,633</b>	<b>\$ 9,623,633</b>	<b>\$ 10,948,359</b>	<b>\$ 1,324,726</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-4**

**Budgetary Comparison Schedule  
Solid Waste Special Revenue Fund  
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 6,800	\$ 6,800	\$ 12,200	\$ 5,400
Intergovernmental	104,000	104,000	128,601	24,601
Charges for services	1,583,800	1,583,800	1,943,766	359,966
Miscellaneous	30,000	30,000	108,383	78,383
<b>Total Revenues</b>	<b>\$ 1,724,600</b>	<b>\$ 1,724,600</b>	<b>\$ 2,192,950</b>	<b>\$ 468,350</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Recycling	2,216,881	2,216,881	1,875,432	341,449
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (492,281)</b>	<b>\$ (492,281)</b>	<b>\$ 317,518</b>	<b>\$ 809,799</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(516,463)	(516,463)	(516,463)	-
<b>Net Change in Fund Balance</b>	<b>\$ (1,008,744)</b>	<b>\$ (1,008,744)</b>	<b>\$ (198,945)</b>	<b>\$ 809,799</b>
<b>Fund Balance – January 1</b>	<b>4,322,896</b>	<b>4,322,896</b>	<b>4,322,896</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 3,314,152</b>	<b>\$ 3,314,152</b>	<b>\$ 4,123,951</b>	<b>\$ 809,799</b>

**McLeod County  
Glencoe, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios  
Other Postemployment Benefits  
December 31, 2024**

	<u>2024</u>	<u>2023</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 87,506	\$ 106,158
Interest	25,686	24,531
Differences between expected and actual experience	(145,632)	-
Changes of assumption or other inputs	(112,477)	-
Benefit payments	<u>(63,406)</u>	<u>(45,274)</u>
<b>Net change in total OPEB liability</b>	<b>\$ (208,323)</b>	<b>\$ 85,415</b>
<b>Total OPEB Liability – Beginning</b>	<b><u>1,228,350</u></b>	<b><u>1,142,935</u></b>
<b>Total OPEB Liability – Ending</b>	<b><u>\$ 1,020,027</u></b>	<b><u>\$ 1,228,350</u></b>
 Covered-employee payroll	 \$ 19,220,166	 \$ 17,994,397
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 5.31%	 6.83%

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

**Exhibit A-5**

<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
\$ 103,066	\$ 114,035	\$ 96,242	\$ 106,465	\$ 111,888
24,280	31,159	54,154	45,560	42,127
(53,197)	-	(267,261)	-	-
(15,683)	56,324	(196,101)	(45,300)	-
(52,687)	(49,179)	(61,564)	(42,693)	(46,369)
<b>\$ 5,779</b>	<b>\$ 152,339</b>	<b>\$ (374,530)</b>	<b>\$ 64,032</b>	<b>\$ 107,646</b>
<b>1,137,156</b>	<b>984,817</b>	<b>1,359,347</b>	<b>1,295,315</b>	<b>1,187,669</b>
<b>\$ 1,142,935</b>	<b>\$ 1,137,156</b>	<b>\$ 984,817</b>	<b>\$ 1,359,347</b>	<b>\$ 1,295,315</b>
\$ 17,470,288	\$ 15,477,416	\$ 14,990,233	\$ 16,067,024	\$ 15,599,052
6.54%	7.35%	6.57%	8.46%	8.30%

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-6**

**Schedule of Proportionate Share of Net Pension Liability  
PERA General Employees Retirement Plan  
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with 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
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
2015	0.1915	9,925,635	N/A	9,925,635	11,250,920	88.22	78.19

The measurement date for each year is June 30.

N/A – Not Applicable

**McLeod County  
Glencoe, Minnesota**

***Exhibit A-7***

**Schedule of Contributions  
PERA General Employees Retirement Plan  
December 31, 2024**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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
2015	874,063	874,063	-	11,654,176	7.50

The County's year-end is December 31.



**McLeod County  
Glencoe, Minnesota**

**Exhibit A-8**

**Schedule of Proportionate Share of Net Pension Liability  
PERA Public Employees Police and Fire Plan  
December 31, 2024**

Measurement Date	Employer's Proportion of the Net Pension Liability/Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with 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
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
2015	0.1610	1,829,337	N/A	1,829,337	1,474,333	124.08	86.61

The measurement date for each year is June 30.

N/A – Not Applicable

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-9**

**Schedule of Contributions  
PERA Public Employees Police and Fire Plan  
December 31, 2024**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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
2015	241,151	241,151	-	1,488,585	16.20

The County's year-end is December 31.

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-10**

**Schedule of Proportionate Share of Net Pension Liability  
PERA Public Employees Local Government Correctional Service Retirement Plan  
December 31, 2024**

<b>Measurement Date</b>	<b>Employer's Proportion of the Net Pension Liability/ Asset</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) (a)</b>	<b>Covered Payroll (b)</b>	<b>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</b>
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
2015	0.4900	75,754	874,521	8.66	96.95

The measurement date for each year is June 30.

**McLeod County  
Glencoe, Minnesota**

**Exhibit A-11**

**Schedule of Contributions  
PERA Public Employees Local Government Correctional Service Retirement Plan  
December 31, 2024**

<b>Year Ending</b>	<b>Statutorily Required Contributions (a)</b>	<b>Actual Contributions in Relation to Statutorily Required Contributions (b)</b>	<b>Contribution (Deficiency) Excess (b - a)</b>	<b>Covered Payroll (c)</b>	<b>Actual Contributions as a Percentage of Covered Payroll (b/c)</b>
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
2015	75,862	75,862	-	866,990	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, 2024**

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### **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 19, 2023, 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.

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, 2024:

### Excess of Expenditures Over Appropriations

	Expenditures	Final Budget	Excess
General Fund			
Current			
General government			
Courts	\$ 458,336	\$ 313,300	\$ 145,036
Attorney	1,469,220	1,125,837	343,383
Buildings	1,348,046	1,294,630	53,416
Safety	9,541	9,100	441
Armer radio systems	21,633	-	21,633
Other general government	1,550,280	900,000	650,280
Public safety			
Sheriff	6,059,906	5,649,058	410,848
Inmate account	27,819	22,563	5,256
Probation officer	488,121	438,384	49,737
Sheriff posse	43,901	35,000	8,901
Conservation of natural resources			
Agriculture ditch inspector	4,000	-	4,000
Economic development			
Housing and Redevelopment Authority	114,454	109,855	4,599
Debt service			
Principal	184,269	114,608	69,661
Road and Bridge Fund			
Current			
Highways and streets			
Equipment, maintenance, and shop	1,803,253	1,683,634	119,619
Intergovernmental			
Highways and streets	360,295	300,000	60,295

## 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

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### 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:

#### 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

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## 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

#### 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.

#### 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.



## McLeod County Glencoe, Minnesota

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### 2022

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

### 2021

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

### 2020

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

## McLeod County Glencoe, Minnesota

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

### 2017

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

## McLeod County Glencoe, Minnesota

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### 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

### 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.
- 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.

## **McLeod County Glencoe, Minnesota**

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### 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.

### 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.

## McLeod County Glencoe, Minnesota

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- 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.
- 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.

## McLeod County Glencoe, Minnesota

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### 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

### 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.

## **McLeod County Glencoe, Minnesota**

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### 2021

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

## McLeod County Glencoe, Minnesota

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- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

### 2017

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 35 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

### 2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.



## **Supplementary Information**

**McLeod County  
Glencoe, Minnesota**

**Nonmajor Governmental Fund**

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

**McLeod County  
Glencoe, Minnesota**

**Exhibit B-1**

**Budgetary Comparison Schedule  
Debt Service Fund  
For the Year Ended December 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,465,441	\$ 1,465,441	\$ 1,443,043	\$ (22,398)
Intergovernmental	-	-	17,393	17,393
<b>Total Revenues</b>	<b>\$ 1,465,441</b>	<b>\$ 1,465,441</b>	<b>\$ 1,460,436</b>	<b>\$ (5,005)</b>
<b>Expenditures</b>				
<b>Debt service</b>				
Principal	\$ 1,505,000	\$ 1,505,000	\$ 1,505,000	\$ -
Interest	391,740	391,740	391,740	-
Administrative charges	-	-	750	(750)
<b>Total Expenditures</b>	<b>\$ 1,896,740</b>	<b>\$ 1,896,740</b>	<b>\$ 1,897,490</b>	<b>\$ (750)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (431,299)</b>	<b>\$ (431,299)</b>	<b>\$ (437,054)</b>	<b>\$ (5,755)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	516,463	516,463	516,463	-
<b>Net Change in Fund Balance</b>	<b>\$ 85,164</b>	<b>\$ 85,164</b>	<b>\$ 79,409</b>	<b>\$ (5,755)</b>
<b>Fund Balance – January 1</b>	<b>3,982,837</b>	<b>3,982,837</b>	<b>3,982,837</b>	<b>-</b>
<b>Fund Balance – December 31</b>	<b>\$ 4,068,001</b>	<b>\$ 4,068,001</b>	<b>\$ 4,062,246</b>	<b>\$ (5,755)</b>

# **McLeod County Glencoe, Minnesota**

## **Custodial Funds**

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

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

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

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

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

**McLeod County  
Glencoe, Minnesota**

**Exhibit C-1**

**Combining Statement of Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
December 31, 2024**

	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Southwestern MN Adult Mental Health Consortium	Total Custodial Funds
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 154,384	\$ 254,510	\$ 923,767	\$ 949,463	\$ 2,282,124
Departmental cash	15,202	12,933	-	-	28,135
Taxes receivable for other governments	-	424,796	-	-	424,796
Accounts receivable	4,927	-	-	4,060	8,987
Due from other governments	98	-	-	359,732	359,830
<b>Total Assets</b>	<b>\$ 174,611</b>	<b>\$ 692,239</b>	<b>\$ 923,767</b>	<b>\$ 1,313,255</b>	<b>\$ 3,103,872</b>
<b><u>Liabilities</u></b>					
Accounts payable	\$ 148	\$ 140	\$ 15,501	\$ 25,160	\$ 40,949
Salaries payable	-	-	11,647	-	11,647
Accrued expenses	-	-	1,713	-	1,713
Due to other governments	174,463	267,303	1,030	20,172	462,968
Unearned revenue	-	-	-	333,189	333,189
<b>Total Liabilities</b>	<b>\$ 174,611</b>	<b>\$ 267,443</b>	<b>\$ 29,891</b>	<b>\$ 378,521</b>	<b>\$ 850,466</b>
<b><u>Net Position</u></b>					
Restricted for Individuals, organizations, and other governments	<u>\$ -</u>	<u>\$ 424,796</u>	<u>\$ 893,876</u>	<u>\$ 934,734</u>	<u>\$ 2,253,406</u>

**McLeod County  
Glencoe, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position  
Fiduciary Funds – Custodial Funds  
For the Year Ended December 31, 2024**

	<u>Forfeited Tax</u>	<u>State Revenue</u>
<b>Additions</b>		
Contributions		
Individuals	\$ -	\$ -
Other governments	-	-
Property tax collections	-	1,224,990
Licenses and fees collected	-	335,969
Issuance of lease	-	-
Investment earnings	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
<b>Total Additions</b>	<b>\$ -</b>	<b>\$ 1,560,959</b>
	<hr/>	<hr/>
<b>Deductions</b>		
Payments for personnel and benefits	\$ -	\$ -
Payments of property tax to other entities	93,510	1,171,335
Payments to individuals and other entities	-	390,814
Debt services	-	-
Administrative expense	-	-
	<hr/>	<hr/>
<b>Total Deductions</b>	<b>\$ 93,510</b>	<b>\$ 1,562,149</b>
	<hr/>	<hr/>
<b>Special Item</b>		
Transfer of fiduciary activities from Des Moines Valley Human Services to McLeod County	<hr/> \$ -	<hr/> \$ -
	<hr/>	<hr/>
<b>Change in net position</b>	<b>\$ (93,510)</b>	<b>\$ (1,190)</b>
	<hr/>	<hr/>
<b>Net Position – January 1</b>	<b>93,510</b>	<b>1,190</b>
	<hr/>	<hr/>
<b>Net Position – December 31</b>	<b>\$ -</b>	<b>\$ -</b>
	<hr/> <hr/>	<hr/> <hr/>

**Exhibit C-2**

<b>Taxes and Penalties</b>	<b>McLeod County Soil and Water Conservation District</b>	<b>Southwestern MN Adult Mental Health Consortium</b>	<b>Total Custodial Funds</b>
\$ -	\$ 747	\$ -	\$ 747
-	858,584	2,302,597	3,161,181
42,699,704	-	-	43,924,694
-	-	37,434	373,403
-	-	4,454	4,454
-	97	1,588	1,685
-	1,649	2,158	3,807
<b>\$ 42,699,704</b>	<b>\$ 861,077</b>	<b>\$ 2,348,231</b>	<b>\$ 47,469,971</b>
\$ -	\$ 419,842	\$ -	\$ 419,842
42,727,333	-	-	43,992,178
-	1,030	2,417,026	2,808,870
-	-	322,890	322,890
-	204,817	-	204,817
<b>\$ 42,727,333</b>	<b>\$ 625,689</b>	<b>\$ 2,739,916</b>	<b>\$ 47,748,597</b>
\$ -	\$ -	\$ 1,326,419	\$ 1,326,419
\$ (27,629)	\$ 235,388	\$ 934,734	\$ 1,047,793
452,425	658,488	-	1,205,613
<b>\$ 424,796</b>	<b>\$ 893,876</b>	<b>\$ 934,734</b>	<b>\$ 2,253,406</b>

## **Other Schedules**



**McLeod County  
Glencoe, Minnesota**

**Exhibit D-1**

**Schedule of Intergovernmental Revenue  
For the Year Ended December 31, 2024**

	<b>Total Governmental Funds</b>
<hr/>	
<b>Appropriations and Shared Revenue</b>	
<b>State</b>	
Highway users tax	\$ 7,287,643
Market value credit	341,978
Homelessness aid	74,715
Statewide affordable housing aid	114,903
Voter aid	35,976
Local cannabis aid	2,114
Out-of-home placement aid	6,143
Disparity reduction aid	60,750
County program aid	2,709,747
Police aid	315,296
E-911	230,302
Riparian protection aid	81,000
Aquatic invasive species	74,653
SCORE	128,601
	<hr/>
<b>Total appropriations and shared revenue</b>	<b>\$ 11,463,821</b>
	<hr/>
<b>Reimbursement for Services</b>	
<b>State</b>	
Minnesota Department of Transportation	\$ 77,317
Minnesota Department of Human Services	1,940,298
	<hr/>
<b>Total reimbursement for services</b>	<b>\$ 2,017,615</b>
	<hr/>
<b>Payments</b>	
<b>Local</b>	
Payments in lieu of taxes	\$ 104,106
	<hr/>
<b>Grants</b>	
<b>Local</b>	
General government	\$ 15,655
Highway	454,349
	<hr/>
<b>Total local</b>	<b>\$ 470,004</b>
	<hr/>
<b>State</b>	
Minnesota Department/Board of	
Corrections	\$ 361,718
Public Safety	149,221
Peace Officer Standards and Training	27,368
Health	316,166
Natural Resources	33,320
Human Services	1,562,194
Water and Soil Resources	21,200
Veterans Affairs	11,000
	<hr/>
<b>Total state</b>	<b>\$ 2,482,187</b>
	<hr/>

**McLeod County  
Glencoe, Minnesota**

***Exhibit D-1***  
***(Continued)***

**Schedule of Intergovernmental Revenue  
For the Year Ended December 31, 2024**

	<b>Total Governmental Funds</b>
<b>Grants (Continued)</b>	
<b>Federal</b>	
Department of Agriculture	\$ 418,156
Justice	20,291
Transportation	1,205,512
Treasury	2,971,678
Education	665
Health and Human Services	2,656,071
Homeland Security	492,602
<b>Total federal</b>	<b>\$ 7,764,975</b>
<b>Total local, state, and federal grants</b>	<b>\$ 10,717,166</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 24,302,708</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit D-2**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through Meeker-McLeod-Sibley Community Health Services WIC Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	\$ 149,930
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2514	288,589
<b>Total U.S. Department of Agriculture</b>			<b>\$ 438,519</b>
<b>U.S. Department of Justice</b>			
Direct			
State Criminal Alien Assistance Program	16.606		\$ 3,535
Bulletproof Vest Partnership Program	16.607		4,176
Body Worn Camera Policy and Implementation	16.835		12,580
<b>Total U.S. Department of Justice</b>			<b>\$ 20,291</b>
<b>U.S. Department of Transportation</b>			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction	20.205	1052136	\$ 116,941
Highway Planning and Construction	20.205	1050947	860,000
COVID-19 – Highway Planning and Construction (Total Highway Planning and Construction 20.205 \$1,185,452)	20.205	1052136	208,511
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC24-2024-MCLEODSD-059	15,445
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC24-2024-MCLEODSD-059	1,792
<b>Total U.S. Department of Transportation</b>			<b>\$ 1,202,689</b>
<b>U.S. Department of the Treasury</b>			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		<b>\$ 2,971,678</b>
<b>U.S. Department of Education</b>			
Passed Through Meeker-McLeod-Sibley Community Health Services Special Education – Grants for Infants and Families	84.181	Not Provided	<b>\$ 2,090</b>

**McLeod County  
Glencoe, Minnesota**

**Exhibit D-2**  
**(Continued)**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2024**

<b>Federal Grantor Pass-Through Agency Program or Cluster Title</b>	<b>Assistance Listing Number</b>	<b>Pass-Through Grant Numbers</b>	<b>Expenditures</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services			
Marylee Allen Promoting Safe and Stable Families Program	93.556	2301MNFSS	\$ 7,080
Temporary Assistance for Needy Families	93.558	2401MNTANF	221,730
(Total Temporary Assistance for Needy Families 93.558 \$247,099)			
Child Support Services	93.563	2301MNCSES / 2301MNCEST	474,980
Child Support Services	93.563	2301MNCSES	235,566
(Total Child Support Services 93.563 \$710,546)			
Refugee and Entrant Assistance State/Replacement Designee			
Administered Programs	93.566	2401MNRDMA	2,203
CCDF Cluster			
Child Care and Development Block Grant	93.575	2401MNCDF	10,214
Community-Based Child Abuse Prevention Grants	93.590	2302MNBCAP	7,725
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2301MNCWSS	3,028
Foster Care Title IV-E	93.658	2401MNFOST	173,503
Social Services Block Grant	93.667	2401MNSOSR	202,409
Children's Health Insurance Program	93.767	2305MN5021	488
Medicaid Cluster			
Medical Assistance Program	93.778	2405MN5ADM	1,127,122
Medical Assistance Program	93.778	2405MN5MAP	14,675
(Total Medical Assistance Program 93.778 \$1,141,797)			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Medical Reserve Corps Small Grant Program	93.008	Not Provided	1,921
Early Hearing Detection and Intervention	93.251	Not Provided	1,800
COVID-19 – Immunization Cooperative Agreements	93.268	Not Provided	4,268
Activities to Support State, Tribal, Local, and Territorial (STLT) Health			
Department Response to Public Health or Healthcare Crises	93.391	Not Provided	1,378
Temporary Assistance for Needy Families	93.558	Not Provided	25,369
(Total Temporary Assistance for Needy Families 93.558 \$247,099)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	39,844
Centers for Disease Control and Prevention Collaboration With			
Academia to Strengthen Public Health	93.967	Not Provided	10,633
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	55,476
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 2,621,412</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2024-MCLEODCO-093	\$ 15,730
<b>Total Federal Awards</b>			<b>\$ 7,272,409</b>
<b>Totals by Cluster</b>			
Total expenditures for SNAP Cluster			\$ 288,589
Total expenditures for Highway Safety Cluster			15,445
Total expenditures for CCDF Cluster			10,214
Total expenditures for Medicaid Cluster			1,141,797

McLeod County did not pass any federal awards through to subrecipients during the year ended December 31, 2024.

# **McLeod County Glencoe, Minnesota**

## **Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2024**

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### **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 \$748,753 in federal awards expended by the McLeod County Housing and Redevelopment Authority component unit. The component unit is legally separate from the primary government, and, because it expended less than \$750,000 of federal awards for the year ended June 30, 2024, it was not subject to the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of McLeod County under programs of the federal government for the year ended December 31, 2024. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of McLeod County, it is not intended to and does not present the financial position, changes in net position, or cash flows of McLeod County.

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the 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 ten percent de minimis indirect cost rate nor the 15 percent de minimis indirect cost rate, as applicable, allowed under the Uniform Guidance.

**McLeod County  
Glencoe, Minnesota**

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**Note 3 – Reconciliation to Schedule of Intergovernmental Revenue**

**Reconciliation to Schedule of Intergovernmental Revenue**

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,764,975
Grants received more than 60 days after year-end, considered unavailable revenue in 2024	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (AL No. 10.557)	51,355
Special Education – Grants for Infants and Families (AL No. 84.141)	1,425
Marylee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	849
Refugee and Entrant Assistance State/Replacement Designee Administered Programs (AL No. 93.566)	654
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	1,514
Foster Care Title IV-E (AL No. 93.658)	2,622
Unavailable revenue in 2023, recognized as revenue in 2024	
WIC Special Supplemental Nutrition Program for Women, Infants, and Children (AL No. 10.557)	(30,991)
Highway Planning and Construction (AL No. 20.205)	(2,823)
Marylee Allen Promoting Safe and Stable Families Program (AL No. 93.556)	(1,097)
Temporary Assistance for Needy Families (AL No. 93.558)	(38,109)
Stephanie Tubbs Jones Child Welfare Services Program (AL No. 93.645)	(1,092)
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (AL No. 97.036)	(175,380)
Emergency Management Performance Grants (AL No. 97.042)	(29,208)
Differences between expenditures incurred in previous years and related reimbursements	<u>(272,285)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 7,272,409</u>

## **Management and Compliance Section**



**Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards***

Independent Auditor's Report

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, 2024, including the McLeod County Housing and Redevelopment Authority (HRA) component unit as of and for the year ending June 30, 2024, 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 26, 2025. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be a material weakness and significant deficiencies.

*A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2024-005 to be a material weakness.*



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. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2024-001 through 2024-004 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, nothing came to our attention that caused us to believe that McLeod County failed to comply with the provisions of the contracting – bid laws, 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*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

## **Other 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

/s/Chad Struss

Chad Struss, CPA  
Deputy State Auditor

September 26, 2025



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

Independent Auditor's Report

Board of County Commissioners  
McLeod County  
Glencoe, Minnesota

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

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, 2024. 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.

***Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds***

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, McLeod County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds for the year ended December 31, 2024.

***Unmodified Opinion on the Other Major Federal Program***

In our opinion, McLeod County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2024.

***Basis for Qualified and Unmodified Opinions***

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 qualified and unmodified opinions 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.

***Matter Giving Rise to Qualified Opinion on COVID-19 – Coronavirus State and Local Fiscal Recovery Funds***

As described in the accompanying Schedule of Findings and Questioned Costs, McLeod County did not comply with requirements regarding Assistance Listing No. 21.027 COVID-19 – Coronavirus State and Local Fiscal Recovery Funds as described in finding number 2024-007 for Reporting.

Compliance with such requirements is necessary, in our opinion, for McLeod County to comply with the requirements applicable to that program.

***Other Matter – Federal Expenditure Not Included in the Compliance Audit***

McLeod County's basic financial statements include the operations of the McLeod County Housing and Redevelopment Authority (HRA) component unit as of June 30, 2024, which expended \$748,753 in federal awards which are not included in McLeod County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2024. Our compliance audit, described in the Qualified and Unmodified Opinions section, does not include the operations of the McLeod County HRA because the component unit is legally separate from the primary government, and, because it expended less than \$750,000 of federal awards for the year ended June 30, 2024, it was not subject to the Uniform Guidance audit requirements.

***Responsibilities of Management for Compliance***

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

***Auditor's Responsibilities for the Audit of Compliance***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2024-006. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on McLeod County's response to the noncompliance 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 a material weakness and a significant deficiency.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-007 to be a material weakness.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2024-006 to be a significant deficiency.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on McLeod County's response to the internal control over compliance 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 26, 2025

*/s/Chad Struss*

Chad Struss, CPA  
Deputy State Auditor

# McLeod County Glencoe, Minnesota

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2024

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

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

#### Federal Awards

Internal control over the major federal programs:

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

Type of auditor’s report issued on compliance for the major federal programs: **Unmodified, except for COVID-19 – Coronavirus State and Local Fiscal Recovery Funds, which is qualified.**

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: \$750,000.

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

### Section II – Financial Statement Findings

#### 2024-001 Monitoring Internal Controls

Prior Year Finding Number: 2023-001

Year of Finding Origination: 2007

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

**Criteria:** Management is responsible for developing and monitoring its internal controls over the various accounting cycles. The monitoring process includes performing an annual risk assessment of existing controls over significant functions of its accounting system used to produce financial information, documenting the significant

## McLeod County Glencoe, Minnesota

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internal controls for each transaction cycle/account balance, monitoring those controls on a regular basis, and documenting the monitoring activity performed.

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

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

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

**Cause:** The County has limited time and resources.

**Recommendation:** We recommend the County formalize a plan to assess and monitor its controls on a regular basis at least annually. Significant functions and internal controls include areas such as cash, capital assets, major funding sources, expenditure processing, and payroll. The County should 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

### 2024-002      Credit Card Procedures

**Prior Year Finding Number:** 2023-002

**Year of Finding Origination:** 2016

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Significant Deficiency

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

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

**Context:** Pursuant to the Credit Card Policy and Procedures, the authorized P-Card Administrators are the Finance Director and the County Administrator, who are responsible for operating the County's p-card program, including providing training. The policy also states that department heads or their designee are responsible for ensuring that supervisors and employees abide by all applicable policies and procedures. The County updated its Credit Card Policy and Procedures during 2024.

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

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

# McLeod County

## Glencoe, Minnesota

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

**View of Responsible Official:** Concur

**2024-003      Bank Reconciliations**

**Prior Year Finding Number:** 2023-003

**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:** 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.

**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.

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

**Cause:** The County informed us that:

- For the one bank account, the bank reconciliation task was recently reassigned; and
- Unreconciled differences are due to the client recording interest on an annual basis instead of monthly as it is earned.

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

**View of Responsible Official:** Concur



# McLeod County

## Glencoe, Minnesota

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### 2024-004      Capital Asset Records

**Prior Year Finding Number:** 2023-004

**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

### 2024-005      Material Audit Adjustment

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Financial Reporting

**Severity of Deficiency:** Material Weakness

**Criteria:** 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 of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or combination of deficiencies, in internal control such that there is a

## McLeod County Glencoe, Minnesota

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reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

**Condition:** Audit adjustments were identified that resulted in significant changes to the County's financial statements.

**Context:** The inability to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented. These adjustments were found in the audit; however, independent external auditors cannot be considered part of the County's internal control.

**Effect:** The following audit adjustments were reviewed and approved by management and are reflected in the financial statements:

- The General Fund required adjustments to decrease contracts payable by \$94,517, retainage payable by \$145,745, and capital outlay expenditures by \$240,262 to reverse prior year payables.
- The General Fund required an adjustment of \$1,380,510 to decrease unearned revenue and increase intergovernmental revenue to recognize revenue earned for meeting grant obligations for the COVID-19 – Coronavirus State and Local Fiscal Recovery Funds grant which reflect audited cumulative expenditures.

**Cause:** Staff overlooked the reversal of prior year contracts and retainage payable when financial statements were prepared. In addition, the County accounted for funds as obligated instead of expended because of additional projects that are ongoing.

**Recommendation:** We recommend the County review internal controls currently in place and design and implement procedures to improve internal controls over financial reporting which will prevent, or detect and correct, misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by a qualified individual to identify potential misstatements.

**View of Responsible Official:** Concur

### Section III – Federal Award Findings and Questioned Costs

#### 2024-006      Procurement and Suspension and Debarment

**Prior Year Finding Number:** 2023-005

**Year of Finding Origination:** 2020

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Significant Deficiency and Other Matter

**Federal Agency:** U.S. Department of the Treasury

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

**Award Number and Year:** SLFRP3474, 2021

**Pass-Through Agency:** N/A – Federal Direct

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

## McLeod County Glencoe, Minnesota

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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:** None.

**Context:** The County has revised its procurement policies to include components of federal procurement requirements related to suspension and debarment; these are pending review and approval by the Board of County Commissioners. The vendors paid with federal funds from this program were not listed as suspended or debarred on SAM.gov at the time of audit.

**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 include the specific components of federal procurement requirements in its written procurement policies and procedures.

**View of Responsible Official:** Concur

**2024-007      Reporting**

**Prior Year Finding Number:** N/A

**Year of Finding Origination:** 2024

**Type of Finding:** Internal Control Over Compliance and Compliance

**Severity of Deficiency:** Material Weakness and Modified Opinion

**Federal Agency:** U.S. Department of the Treasury

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

**Award Number and Year:** SLFRP3474, 2021

**Pass-Through Agency:** N/A – Federal Direct

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

## McLeod County Glencoe, Minnesota

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Title 2 U.S. *Code of Federal Regulations* § 200.510(b) states that the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with § 200.502, basis for determining federal awards expended.

In addition, the U.S. Department of the Treasury requires recipients of funds to submit Project and Expenditure reports that include, by project, current period obligations, cumulative obligations, current period expenditures, and cumulative expenditures. The frequency of reporting is dependent on the size of the entity and amount of funding received.

**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 SEFA 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.

**Questioned Costs:** None.

**Context:** The U.S. Department of the Treasury relies on accurate reporting of program costs to ensure grant funds are spent in accordance with program requirements. McLeod County is required to submit annual Project and Expenditure reports; the County submitted annual reports in both April 2024 and April 2025.

**Effect:** Federal expenditures provided to the auditors were not fairly reported in the SEFA. In addition, the County did not accurately report expenditures on its Project and Expenditure reports as of March 31, 2025, and March 31, 2024.

**Cause:** Due to human error, the County reported funds as obligated instead of expended because of additional projects that are ongoing.

**Recommendation:** We recommend the County implement controls that ensure proper identification of federal expenditures in accordance with program requirements and that federal program reports are accurate. We also recommend the County submit revised Project and Expenditure reports as of March 31, 2025, and March 31, 2024.

**View of Responsible Official:** Concur

### Section IV – Other Findings and Recommendations

#### 2024-008 Ditch Fund Balance Deficits

**Prior Year Finding Number:** 2023-007

**Year of Finding Origination:** 2009

**Type of Finding:** Management Practice

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

## McLeod County Glencoe, Minnesota

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**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.

**Context:** As of December 31, 2024, 23 of the 65 ditch systems had deficit fund balances totaling \$2,224,308; the largest individual deficit is \$379,400.

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

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

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

**View of Responsible Official:** Acknowledge



## Representation of McLeod County Glencoe, Minnesota

Corrective Action Plan  
For the Year Ended December 31, 2024

### **Finding Number: 2024-001**

### **Finding Title: Monitoring Internal Controls**

#### Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

#### Corrective Action Planned:

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

#### Anticipated Completion Date:

McLeod County Finance and Administration staff will be drafting a policy and procedure for audit sampling for review and approval by the McLeod County Board of Commissioners, for completion and recommendation of approval by December 31, 2025.

### **Finding Number: 2024-002**

### **Finding Title: Credit Card Procedures**

#### Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

#### Corrective Action Planned:

McLeod County recognizes the importance of following the credit card policy and ensuring that all individuals who have been issued a county credit card be tracked by the County Administrator's Office. Per the updated credit card policy, all department card holders need to sign an updated P-Card User Agreement ensuring they have been trained and have read the credit card policy.

#### Anticipated Completion Date:

McLeod County will have all department card holders complete the P-Card User Agreements by September 30, 2025.



**Finding Number: 2024-003**

**Finding Title: Bank Reconciliations**

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

McLeod County recognizes the importance of bank reconciliation to ensure the accuracy of McLeod County Funds and will ensure that the bank reconciliations are done monthly.

Anticipated Completion Date:

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

**Finding Number: 2024-004**

**Finding Title: Capital Asset Records**

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

This issue should be resolved by December 31, 2025.

**Finding Number: 2024-005**

**Finding Title: Material Audit Adjustment**

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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.





Anticipated Completion Date:

This issue will be resolved by December 31, 2025.

**Finding Number: 2024-006**

**Finding Title: Procurement and Suspension and Debarment**

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

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

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

**Finding Number: 2024-007**

**Finding Title: Reporting**

**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 awards to be in compliance with federal statutes, regulations, and terms and conditions of the federal award. McLeod County has corrected the misstatements of contracts payments that should have been originally charged to the COVID-19 Coronavirus State and Local Fiscal Recovery Funds expenditures.

Anticipated Completion Date:

This issue will be resolved by December 31, 2025.







**Finding Number: 2024-008**

**Finding Title: Ditch Fund Balance Deficits**

Name of Contact Person Responsible for Corrective Action:

Connie Kurtzweg, Auditor-Treasurer

Corrective Action Planned:

McLeod County recognizes the importance of having fund balance available to provide for the repair and maintenance costs of a county drainage system. The principal understanding is that each drainage system belongs to the property owners located within that watershed. McLeod County Commissioners manage the drainage system in their respective districts, though the funds do not belong to the county. Annually in October, the Commissioners hold a public ditch meeting according to M.S. 103E.705, subd. 6, to determine a repair and maintenance assessment levy to be levied on each county drainage system in the new year. Four criteria are used to determine the assessment levy: 1) fund balance, 2) previous expenditures, 3) future expenditures, and 4) outstanding loan balances. Nevertheless, after the assessment is levied on a drainage system, emergency tile, culvert, bridge and ditch repairs happen or natural disasters, which are unforeseen.

These emergency ditch repairs are critical to the operation of a drainage system. The Commissioners realize M.S. 103E. 735, subd. 1, gives the authority to establish a fund balance not to exceed 20 percent of the assessed benefits for the drainage system or \$100,000, whichever is larger. McLeod County will continue to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future.

Anticipated Completion Date:

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



## Representation of McLeod County Glencoe, Minnesota

Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2024

**Finding Number: 2023-001**

**Year of Finding Origination: 2007**

**Finding Title: Monitoring Internal Controls**

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

**Summary of Corrective Action Previously Reported:** McLeod County recognizes the importance for developing and monitoring the internal controls over the various accounting functions. The McLeod County Finance Director continues to assess and monitor the internal controls periodically throughout the year with limited time and resources.

**Status:** Not Corrected. McLeod County Finance and Administration staff will be drafting a policy and procedure for audit sampling for review and approval by the McLeod County Board of Commissioners, for completion and recommendation of approval by December 31, 2025.

**Finding Number: 2023-002**

**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 the three 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:** Not Corrected. The McLeod County Finance Director will ensure that all department card holders will update the new P-Card User Agreement forms by September 30, 2025.



**Finding Number: 2023-003**

**Year of Finding Origination: 2022**

**Finding Title: Bank Reconciliations**

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

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

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

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

**Finding Number: 2023-004**

**Year of Finding Origination: 2022**

**Finding Title: Capital Assets Records**

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

**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 McLeod County Finance Director compared the capital asset list to the MCIT property insurance list for buildings and vehicles in 2024. McLeod County will continue to send out asset lists for each department to review and will perform a full audit of vehicles and machinery in 2025.

**Finding Number:** 2023-005

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

**Finding Number:** 2023-006

**Year of Finding Origination:** 2022

**Finding Title:** Contracting and Bidding Compliance

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

**Summary of Corrective Action Previously Reported:** McLeod County has a copy of all approved financial policies in a shared drive that all employees can access. This was shared with all Department Heads to share with their staff.

**Status:** Fully Corrected. Corrective action was taken.

**Finding Number:** 2023-007

**Year of Finding Origination:** 2009

**Finding Title:** Ditch Fund Balance Deficits

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

**Summary of Corrective Action Previously Reported:** McLeod County recognizes the importance of having fund balance available to provide for the repair and maintenance costs of a county drainage system. The principal understanding is that each drainage system belongs to the property owners located within that watershed.



McLeod County Commissioners manage the drainage system in their respective districts, though the funds do not belong to the county. Annually in October, the Commissioners hold a public ditch meeting according to M.S. 103E.705, subd. 6, to determine a repair and maintenance assessment levy to be levied on each county drainage system in the new year. Four criteria are used to determine the assessment levy: 1) fund balance, 2) previous expenditures, 3) future expenditures, and 4) outstanding loan balances. Nevertheless, after the assessment is levied on a drainage system, emergency tile, culvert, bridge and ditch repairs happen or natural disasters, which are unforeseen.

These emergency ditch repairs are critical to the operation of a drainage system. The Commissioners realize M.S. 103E. 735, subd. 1, gives the authority to establish a fund balance not to exceed 20 percent of the assessed benefits for the drainage system or \$100,000, whichever is larger. McLeod County will continue to monitor the fund balances of the drainage systems and work toward eliminating the deficits in the future.

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

**Finding Number:** 2016-003

**Year of Finding Origination:** 2016

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

**Program:** 93.778 Medical Assistance Program

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

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

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

**Finding Number:** 2021-006

**Year of Finding Origination:** 2020

**Finding Title:** Procurement

**Program:** 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 Finance department is finishing up the procurement policy and will have the State Auditor's Office review it for compliance before it is taken to County Board for approval in 2025.

**Finding Number:** 2022-006

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