State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

McLeod County
Glencoe, Minnesota

Year Ended December 31, 2021

Description of the Office of the State Auditor

The Office of the State Auditor (OSA) helps ensure financial integrity and accountability in local government financial activities. The OSA is the constitutional office that oversees more than $40 billion in annual financial activity by local governments and approximately $20 billion of federal funding financial activity.

The OSA performs around 90 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office maintains the following seven divisions:

- **Audit Practice**: Helps ensure fiscal integrity by conducting financial and compliance audits of local governments and the federal compliance audit of the State of Minnesota.

- **Constitution:** Connects with the public via external communication, media relations, legislative coordination, and public engagements for the State Auditor.

  This division also supports the State Auditor's service on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, the Minnesota Historical Society, and the Rural Finance Authority Board.

- **Government Information**: Collects, analyzes, and shares local government financial data to assist in policy and spending decisions; administers and supports financial tools including the Small Cities and Towns Accounting System (CTAS) software and infrastructure comparison tools.

- **Legal/Special Investigations**: Provides legal analysis and counsel to the OSA and responds to outside inquiries about Minnesota local law relevant to local government finances; investigates local government financial records in response to specific allegations of theft, embezzlement, or unlawful use of public funds or property.

- **Operations:** Ensures the office runs efficiently by providing fiscal management and technology support to the office.

- **Pension:** Analyzes investment, financial, and actuarial reporting for Minnesota's local public pension plans and monitors pension plan operations.

- **Tax Increment Financing (TIF)**: Promotes compliance and accountability in local governments' use of tax increment financing through education, reporting, and compliance reviews.

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McLeod County
Glencoe, Minnesota

Year Ended December 31, 2021

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

McLEOD COUNTY
GLENCOE, MINNESOTA

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GLENCOE, MINNESOTA

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GLENCOE, MINNESOTA

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INTRODUCTORY SECTION

McLEOD COUNTY
GLENCOE, MINNESOTA

ORGANIZATION
2021

Office	Name	Term of Office From	Term of Office To
Commissioners			
1st District	Nathan Schmalz	January 2021	January 2025
2nd District	Doug Krueger*	January 2015	January 2023
3rd District	Paul Wright	January 2009	January 2025
4th District	Daryl Luthens	January 2021	January 2025
5th District	Joe Nagel	January 2015	January 2023
Officers			
Elected			
Attorney	Michael K. Junge	May 1987	January 2023
Auditor-Treasurer (Interim)	Connie Kurtzweg	January 2019	January 2023
Recorder	Lynnette Schrupp	January 2003	January 2023
Sheriff	Tim Langenfeld	October 2020	January 2023
District Judge	Jody Winters	January 2017	January 2023
District Judge	Jessica Maher	August 1998	January 2023
Appointed			
Agriculture and Weed Inspector	Ryan Freitag		
Assessor	Sue Schulz		
Coroner	Dr. Quinn Strobl		
County Administrator	Sheila Murphy		
Court Administrator	Karen Messner		
Environmental Services Director	Marc Telecky		
Finance Director	Colleen Robeck		
Public Works Director	John Brunkhorst		
Health and Human Services Director	Berit Spors		
Information Technology Manager	Matthew Troska		
Regional Extension Director	Lori Vicich		
Surveyor	Jeff Rausch		
Veterans Service Officer	James Lauer		

*Chair

FINANCIAL SECTION

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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, 2021, including the McLeod County Housing and Redevelopment Authority (HRA) as of and for the year ended June 30, 2021, 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, Minnesota, as of December 31, 2021, including the McLeod County HRA as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the McLeod County HRA, the discretely presented component unit. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the McLeod County HRA, is based solely on the report of the other auditors.

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.

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Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and

- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2023, on our consideration of the 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 the 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 the County's internal control over financial reporting and compliance.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

April 11, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

McLEOD COUNTY
GLENCOE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021
(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, 2021. 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 $190,261,686 (net position). Of this amount, $37,786,479 (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 $10,639,537 (5.9 percent). The increase is a combination of capital asset purchases and budget savings from operations.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $21,525,897, or 106.7 percent, of total 2021 General Fund expenditures.

- Governmental funds' fund balances increased by $6,381,682.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

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

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

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

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

Fiduciary Funds

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

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

- Custodial Funds – used to account for assets held by the County in a fiduciary capacity for individuals or other governments.

Notes to the Financial Statements

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

Other Information

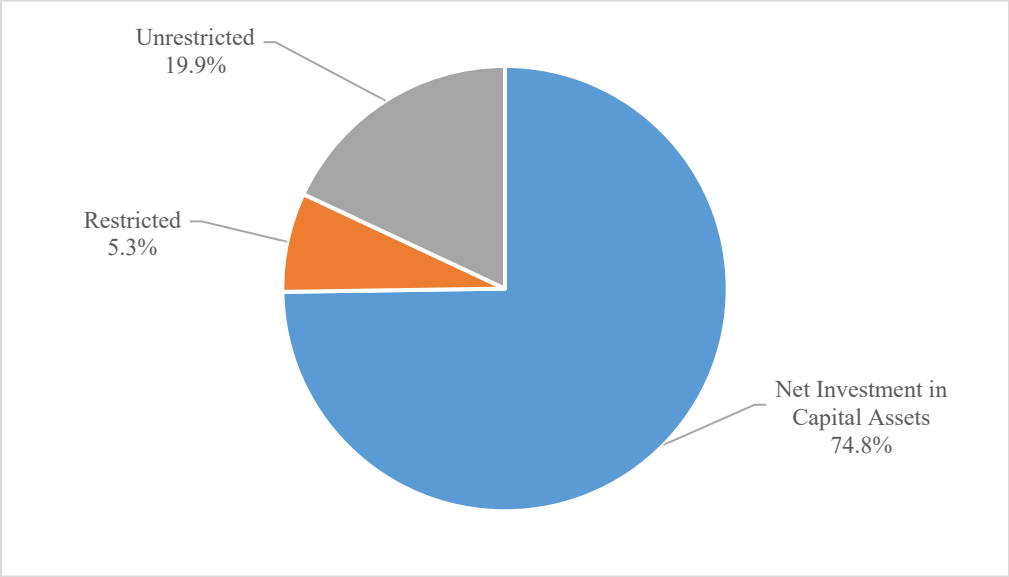
In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information. The nonmajor governmental fund budget to actual statement is presented immediately following the required supplementary information.

Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of McLeod County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $190,261,686 as of December 31, 2021. The net investment in capital assets is the largest portion of McLeod County's net position at 74.8 percent. These capital assets are used to provide services to citizens and are not available for future spending.

Approximately 5.3 percent of McLeod County's net position is subject to external restrictions on how they may be used and, therefore, are considered restricted. The remaining 19.9 percent, or $37,786,479, is unrestricted and available to be used to meet the government's ongoing obligations to citizens and creditors.

Net Position



Net Position

	Governmental Activities		Discretely Presented Component Unit	
	2021	2020	2021	2020
Current and other assets	$ 76,457,226	$ 67,811,136	$ 371,537	$ 300,165
Capital assets	160,809,175	160,746,783	2,361,894	2,487,354
Total Assets	$ 237,266,401	$ 228,557,919	$ 2,733,431	$ 2,787,519
Deferred outflows of resources	$ 8,786,011	$ 2,090,072	$ -	$ -
Current and other liabilities	$ 7,189,771	$ 5,003,017	$ 57,285	$ 57,394
Long-term liabilities – due within one year	3,847,684	3,705,490	222,111	213,212
Long-term liabilities – due in more than one year	32,987,805	39,346,920	2,026,266	2,246,786
Total Liabilities	$ 44,025,260	$ 48,055,427	$ 2,305,662	$ 2,517,392
Deferred inflows of resources	$ 11,765,466	$ 2,970,415	$ -	$ -
Net Position				
Net investment in capital assets	$ 142,253,337	$ 140,873,465	$ 161,782	$ 75,150
Restricted	10,221,870	11,410,983	25,636	-
Unrestricted	37,786,479	27,337,701	240,351	194,977
Total Net Position	$ 190,261,686	$ 179,622,149	$ 427,769	$ 270,127

GOVERNMENTAL ACTIVITIES

McLeod County's governmental activities increased net position by $10,639,537 during the current fiscal year. This increase is primarily due to an increase in capital assets and budget savings from operations.

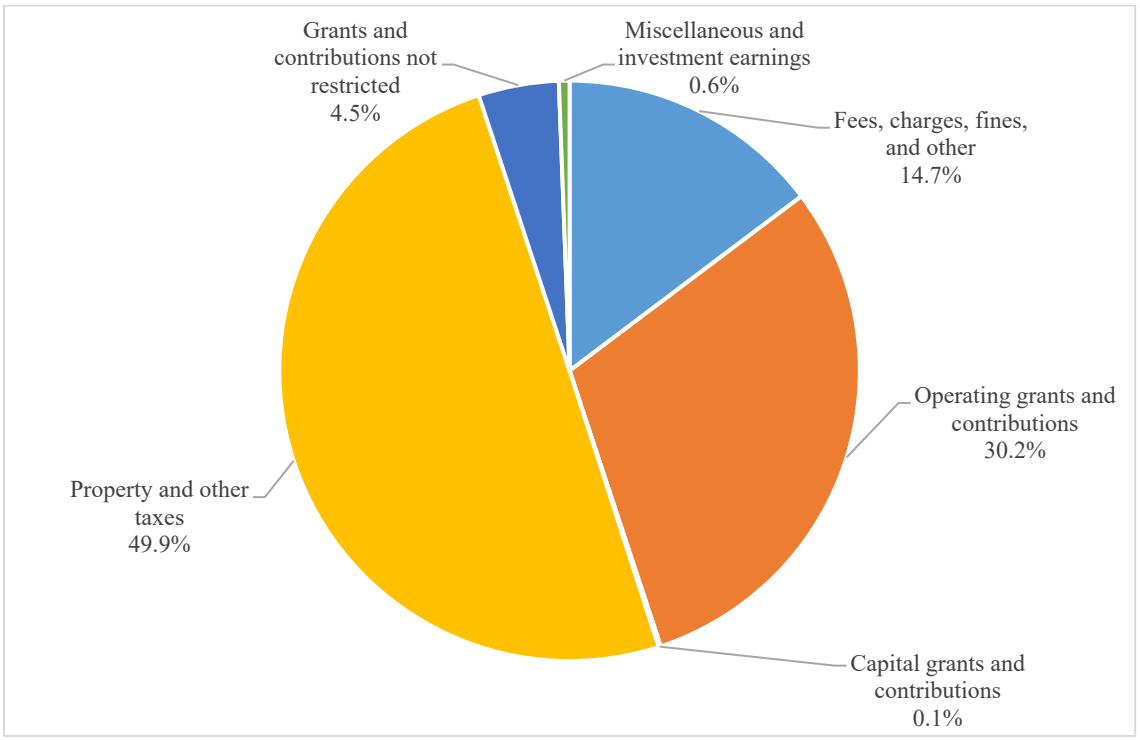
The McLeod County HRA is a discretely presented component unit of McLeod County. As of June 30, 2021, assets exceeded liabilities by $427,769, and there was an increase in net position of $157,642 from the prior year. The increase is primarily due to revenues in excess of expenses.

Changes in Net Position

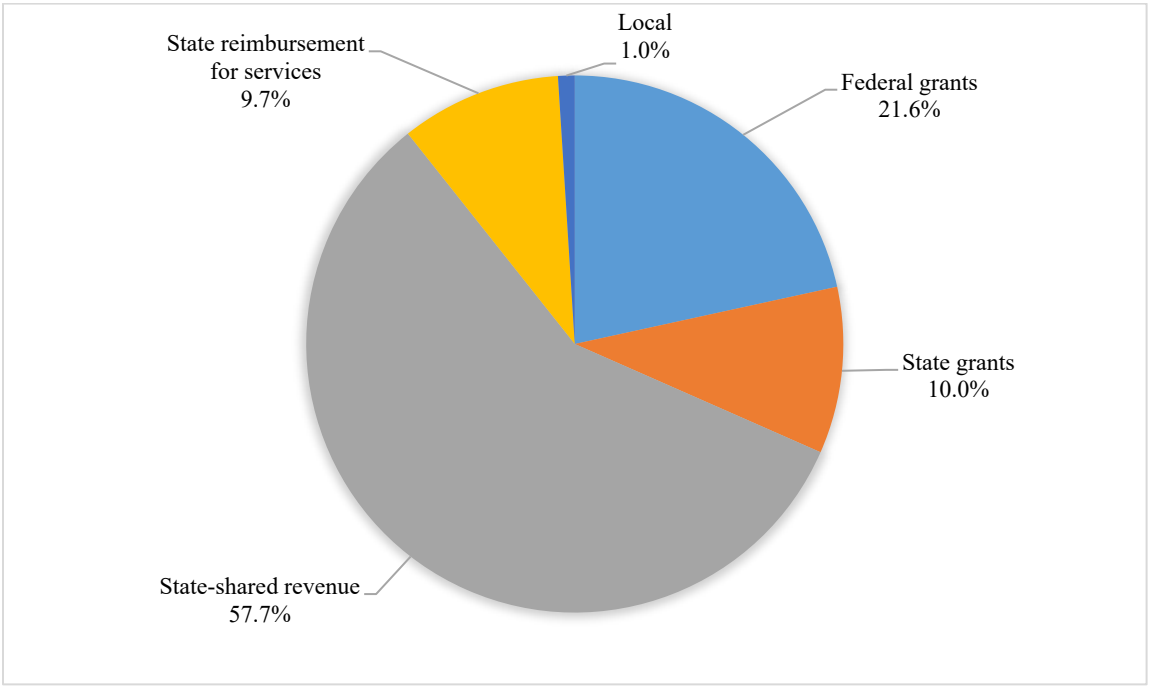
	Governmental Activities		Discretely Presented Component Unit	
	2021	2020	2021	2020
Revenues				
Program revenues				
Fees, charges, fines, and other	$ 8,223,214	$ 8,823,159	$ 563,569	$ 551,471
Operating grants and contributions	16,851,361	19,507,994	658,554	589,138
Capital grants and contributions	68,499	3,215,071	-	-
General revenues				
Property taxes	24,876,816	24,307,009	-	-
Other taxes	2,976,299	2,365,213	-	-
Grants and contributions not restricted to specific programs	2,500,152	2,546,000	-	-
Investment income	169,925	451,523	1,172	2,132
Gain on disposal of assets	-	154,745	-	-
Miscellaneous	160,422	102,225	11,285	3,525
Total Revenues	$ 55,826,688	$ 61,472,939	$ 1,234,580	$ 1,146,266
Expenses				
General government	$ 10,307,205	$ 11,304,934	$ -	$ -
Public safety	6,555,285	6,166,289	-	-
Highways and streets	8,576,285	11,549,335	-	-
Sanitation	1,916,366	2,281,381	-	-
Human services	11,059,007	11,232,490	-	-
Health	2,688,558	2,631,854	-	-
Culture and recreation	694,237	851,387	-	-
Conservation of natural resources	2,777,517	2,655,930	-	-
Economic development	4,299	11,207	-	-
Interest	608,392	973,863	-	-
HRA	-	-	1,076,938	1,051,682
Total Expenses	$ 45,187,151	$ 49,658,670	$ 1,076,938	$ 1,051,682
Increase (Decrease) in Net Position	$ 10,639,537	$ 11,814,269	$ 157,642	$ 94,584
Net Position – January 1	179,622,149	167,807,880	270,127	175,543
Net Position – December 31	$ 190,261,686	$ 179,622,149	$ 427,769	$ 270,127

The following charts show additional information on the revenues of McLeod County for the year ended December 31, 2021.

Revenues by Source – Governmental Activities



Intergovernmental Revenue



FINANCIAL ANALYSIS

Governmental Funds

At the end of 2021, McLeod County's governmental funds reported a combined fund balance of $59,781,527. This is an increase of $6,381,682 from the beginning fund balance. The fund balance in the General Fund increased by $2,535,204 due to revenues in excess of expenditures. The fund balance in the Road and Bridge Special Revenue Fund increased by $2,495,464 due to timing of road construction projects and increase in local option sales tax revenue. The fund balance in the Human Services Special Revenue Fund increased by $444,807 due to decreased expenditures. The fund balance in the Solid Waste Special Revenue Fund increased by $205,056 due to increased revenues. The fund balance in the Ditch Special Revenue Fund increased by $690,666 due to increased assessments and AgBMP loans. The fund balance in the Capital Projects Fund decreased by $121,174 due to increased capital outlay expenditures. There was also an increase in the nonmajor governmental funds of $131,659.

General Fund Budgetary Highlights

In total, General Fund revenues for 2021 exceeded the amounts budgeted by $645,353. Licenses and permits and intergovernmental revenue came in higher than anticipated. Total General Fund expenditures were $1,836,215 less than the final budget. This variance is primarily attributed to decreased general government, public safety, and health expenditures incurred during the year.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

At the end of 2021, McLeod County had $160,809,175 invested in capital assets, including land; construction in progress; infrastructure right-of-way; infrastructure; buildings; machinery, furniture, and equipment; and improvements other than buildings. The table below shows a summary of McLeod County's capital assets as of December 31.

Capital Assets
(Net of Depreciation)

	2021	2020
Land	$ 3,709,401	$ 3,955,141
Construction in progress	4,239,335	2,969,533
Infrastructure – right-of-way	4,437,032	4,405,291
Buildings	28,201,962	30,758,931
Machinery, furniture, and equipment	2,482,024	3,671,094
Improvements other than buildings	243,674	360,373
Infrastructure	117,495,747	114,626,420
Total	$ 160,809,175	$ 160,746,783

Major capital asset events during the year included the following:

- Courthouse boiler and chiller replacement in 2021.

- Infrastructure construction continued in 2021.

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

Long-Term Debt

At the end of the current fiscal year, McLeod County had bonded debt outstanding of $22,415,000. This is a decrease in bonded debt outstanding of $2,505,000 due to the bond payments made. McLeod County had loans outstanding of $1,717,966. This is an increase in loans payable of $93,030 from the beginning of the year. The increase was from the issuance of AgBMP loans and Minnesota Clean Water Partnership 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 $135,053,733.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for McLeod County is currently 3.0 percent. McLeod County's unemployment rate is the same as the state unemployment rate of 3.0 percent, and less than the United States unemployment rate of 3.9 percent.

- The property tax levy increased in 2021, 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 2022 fiscal year.

REQUESTS FOR INFORMATION

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

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

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 1

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government Governmental Activities	Housing and Redevelopment Authority Component Unit
Assets		
Cash and pooled investments	$ 63,879,360	$ 282,252
Petty cash and change funds	12,930	-
Departmental cash	6,497	-
Taxes receivable		
Delinquent	244,202	-
Special assessments receivable		
Delinquent	27,571	-
Noncurrent	3,308,595	-
Accounts receivable – net	443,153	11,767
Accrued interest receivable	13,138	-
Due from other governments	7,625,805	-
Inventories	602,802	-
Prepaid items	205,677	1,195
Restricted assets		
Cash and pooled investments	-	76,323
Capital assets		
Non-depreciable	12,385,768	197,000
Depreciable – net of accumulated depreciation	148,423,407	2,164,894
Net pension asset	87,496	-
Total Assets	**$ 237,266,401**	**$ 2,733,431**
Deferred Outflows of Resources		
Deferred pension outflows	$ 8,685,047	$ -
Deferred other postemployment benefits outflows	100,964	-
Total Deferred Outflows of Resources	**$ 8,786,011**	**$ -**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 1
(Continued)

STATEMENT OF NET POSITION
DECEMBER 31, 2021

	Primary Government Governmental Activities	Housing and Redevelopment Authority Component Unit
Liabilities		
Accounts payable	$ 1,599,203	$ 6,904
Salaries payable	682,561	-
Accrued payroll taxes	43,730	-
Accrued interest payable	310,455	-
Other accrued expenses	93,223	37,161
Retainage payable	107,681	-
Due to other governments	591,546	-
Unearned revenue	3,761,372	13,220
Long-term liabilities		
Due within one year	3,847,684	222,111
Due in more than one year	22,577,353	1,978,001
Net pension liability	9,273,296	-
Other postemployment benefits liability	1,137,156	-
Liabilities payable from restricted assets (security deposits)	-	48,265
Total Liabilities	**$ 44,025,260**	**$ 2,305,662**
Deferred Inflows of Resources		
Deferred pension inflows	$ 11,408,612	$ -
Deferred other postemployment benefits inflows	356,854	-
Total Deferred Inflows of Resources	**$ 11,765,466**	**$ -**
Net Position		
Net investment in capital assets	$ 142,253,337	$ 161,782
Restricted for		
General government	928,661	-
Public safety	432,716	-
Sanitation	3,272,826	-
Conservation of natural resources	1,561,644	-
Economic development	-	25,636
Capital projects	2,861,608	-
Debt service	1,164,415	-
Unrestricted	37,786,479	240,351
Total Net Position	**$ 190,261,686**	**$ 427,769**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

Functions/Programs	Expenses	Fees, Charges, Fines, and Other
Primary government		
Governmental activities		
General government	$ 10,307,205	$ 1,230,934
Public safety	6,555,285	258,418
Highways and streets	8,576,285	95,126
Sanitation	1,916,366	2,198,438
Human services	11,059,007	1,086,654
Health	2,688,558	809,313
Culture and recreation	694,237	131,878
Conservation of natural resources	2,777,517	2,412,453
Economic development	4,299	-
Interest	608,392	-
Total Primary Government	**$ 45,187,151**	**$ 8,223,214**
Component unit		
Housing and Redevelopment Authority	**$ 1,076,938**	**$ 563,569**
General Revenues		
Property taxes		
Mortgage registry and deed tax		
Local option sales tax		
Payments in lieu of tax		
Grants and contributions not restricted to specific programs		
Investment income		
Miscellaneous		
Total general revenues		
Change in net position		
Net Position – Beginning		
Net Position – Ending		

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

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Primary Government	
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Discretely Presented Component Unit
$ 43,470	$ -	$ (9,032,801)	
651,390	-	(5,645,477)	
9,516,864	68,499	1,104,204	
-	-	282,072	
5,531,350	-	(4,441,003)	
900,092	-	(979,153)	
24,783	-	(537,576)	
183,412	-	(181,652)	
-	-	(4,299)	
-	-	(608,392)	
$ 16,851,361	**$ 68,499**	**$ (20,044,077)**	
$ 658,554	**$ -**		**$ 145,185**
		$ 24,876,816	$ -
		77,064	-
		2,847,084	-
		52,151	-
		2,500,152	-
		169,925	1,172
		160,422	11,285
		$ 30,683,614	**$ 12,457**
		$ 10,639,537	**$ 157,642**
		179,622,149	**270,127**
		$ 190,261,686	**$ 427,769**

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUNDS

McLEOD COUNTY
GLENCOE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Road and Bridge	Human Services
Assets			
Cash and pooled investments	$ 31,841,065	$ 14,485,829	$ 8,761,469
Petty cash and change funds	12,605	100	-
Departmental cash	6,497	-	-
Taxes receivable			
Delinquent	139,362	37,573	53,409
Special assessments receivable			
Delinquent	12,319	-	-
Noncurrent	801,310	-	-
Accounts receivable – net	74,743	2,191	139,260
Accrued interest receivable	13,138	-	-
Due from other governments	504,883	5,658,312	981,098
Inventories	579	602,223	-
Prepaid items	205,677	-	-
Advances to other funds	1,190,050	-	-
Total Assets	**$ 34,802,228**	**$ 20,786,228**	**$ 9,935,236**
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	$ 243,921	$ 334,747	$ 279,547
Salaries payable	401,191	61,393	213,157
Accrued payroll taxes	22,498	4,458	16,253
Accrued interest payable	-	-	-
Other accrued expenses	72,324	4,456	15,931
Advances from other funds	-	-	-
Retainage payable	-	107,681	-
Due to other governments	326,402	10,438	42,855
Unearned revenue	3,552,861	208,511	-
Total Liabilities	**$ 4,619,197**	**$ 731,684**	**$ 567,743**
Deferred Inflows of Resources			
Unavailable revenue	**$ 1,178,685**	**$ 5,462,701**	**$ 343,786**

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

EXHIBIT 3

Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ 3,320,547	$ 1,444,427	$ 2,861,608	$ 1,164,415	$ 63,879,360
225	-	-	-	12,930
-	-	-	-	6,497
-	-	13,858	-	244,202
-	15,252	-	-	27,571
-	2,507,285	-	-	3,308,595
109,017	117,942	-	-	443,153
-	-	-	-	13,138
995	480,517	-	-	7,625,805
-	-	-	-	602,802
-	-	-	-	205,677
-	-	-	-	1,190,050
$ 3,430,784	**$ 4,565,423**	**$ 2,875,466**	**$ 1,164,415**	**$ 77,559,780**
$ 116,579	$ 624,409	$ -	$ -	$ 1,599,203
6,820	-	-	-	682,561
521	-	-	-	43,730
-	2,062	-	-	2,062
512	-	-	-	93,223
-	1,190,050	-	-	1,190,050
-	-	-	-	107,681
33,526	178,325	-	-	591,546
-	-	-	-	3,761,372
$ 157,958	**$ 1,994,846**	**$ -**	**$ -**	**$ 8,071,428**
$ -	**$ 2,707,795**	**$ 13,858**	**$ -**	**$ 9,706,825**

McLEOD COUNTY
GLENCOE, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2021

	General	Road and Bridge	Human Services
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)			
Fund Balances			
Nonspendable			
Inventories	$ 579	$ 602,223	$ -
Prepaid items	205,677	-	-
Advances to other funds	1,190,050	-	-
Restricted for			
E-911	428,564	-	-
Law library	215,737	-	-
Capital projects	-	-	-
Recorder's equipment purchases	199,287	-	-
Land records technology	49,924	-	-
Drug enforcement	4,152	-	-
Conservation	469,068	-	-
Debt service	-	-	-
Records compliance	462,213	-	-
Solid waste abatement	-	-	-
Aquatic invasive species	435,726	-	-
Escrow	1,500	-	-
Ditch maintenance and repair	-	-	-
Committed			
Transportation projects and improvements	-	3,751,403	-
Assigned for			
Capital projects	2,783,143	-	-
4H after school program	7,885	-	-
Election equipment	27,239	-	-
Aerial photos	42,110	-	-
Veterans van	9,128	-	-
New canine	41,563	-	-
ARMER radio enhancements	71,200	-	-
Law enforcement	316,632	-	-
Court services	108,344	-	-
License center equipment	49,002	-	-
Contracted projects	359,726	-	-
Highways and streets	-	10,238,217	-
Human services	-	-	9,023,707
Unassigned	21,525,897	-	-
Total Fund Balances	**$ 29,004,346**	**$ 14,591,843**	**$ 9,023,707**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 34,802,228**	**$ 20,786,228**	**$ 9,935,236**

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

EXHIBIT 3
(Continued)

Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ -	$ 602,802
-	-	-	-	205,677
-	-	-	-	1,190,050
-	-	-	-	428,564
-	-	-	-	215,737
-	-	2,861,608	-	2,861,608
-	-	-	-	199,287
-	-	-	-	49,924
-	-	-	-	4,152
-	-	-	-	469,068
-	-	-	1,164,415	1,164,415
-	-	-	-	462,213
3,272,826	-	-	-	3,272,826
-	-	-	-	435,726
-	-	-	-	1,500
-	1,190,165	-	-	1,190,165
-	-	-	-	3,751,403
-	-	-	-	2,783,143
-	-	-	-	7,885
-	-	-	-	27,239
-	-	-	-	42,110
-	-	-	-	9,128
-	-	-	-	41,563
-	-	-	-	71,200
-	-	-	-	316,632
-	-	-	-	108,344
-	-	-	-	49,002
-	-	-	-	359,726
-	-	-	-	10,238,217
-	-	-	-	9,023,707
-	(1,327,383)	-	-	20,198,514
$ 3,272,826	**$ (137,218)**	**$ 2,861,608**	**$ 1,164,415**	**$ 59,781,527**
$ 3,430,784	**$ 4,565,423**	**$ 2,875,466**	**$ 1,164,415**	**$ 77,559,780**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2021

Fund balance – total governmental funds (Exhibit 3)		**$ 59,781,527**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		160,809,175
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		9,706,825
Net pension assets are not available to pay for current period expenditures and, therefore, are not reflected in the governmental funds.		87,496
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	$ (308,393)	
General obligation bonds	(22,415,000)	
Unamortized premium on bonds	(802,446)	
Loans payable	(1,717,966)	
Compensated absences	(1,489,625)	
Other postemployment benefits liability	(1,137,156)	
Net pension liability	(9,273,296)	(37,143,882)
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	$ 100,964	
Deferred other postemployment benefits inflows	(356,854)	(255,890)
Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.		
Deferred pension outflows	$ 8,685,047	
Deferred pension inflows	(11,408,612)	(2,723,565)
Net Position of Governmental Activities (Exhibit 1)		**$ 190,261,686**

McLEOD COUNTY
GLENCOE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Road and Bridge	Human Services
Revenues			
Taxes	$ 14,504,015	$ 6,579,700	$ 5,350,810
Special assessments	171,035	-	-
Licenses and permits	111,229	12,707	-
Intergovernmental	4,181,180	9,221,655	5,356,064
Charges for services	1,789,463	74,154	695,230
Fines and forfeits	19,579	-	-
Gifts and contributions	21,709	-	30,225
Investment earnings	134,317	-	-
Miscellaneous	815,646	2,727	392,221
Total Revenues	**$ 21,748,173**	**$ 15,890,943**	**$ 11,824,550**
Expenditures			
Current			
General government	$ 8,642,661	$ -	$ -
Public safety	6,946,389	-	-
Highways and streets	-	12,251,661	-
Sanitation	-	-	-
Human services	-	-	11,379,743
Health	2,810,859	-	-
Culture and recreation	529,285	-	-
Conservation of natural resources	840,267	-	-
Economic development	4,299	-	-
Capital outlay	-	-	-
Intergovernmental			
Highways and streets	-	293,510	-
Culture and recreation	208,247	-	-
Debt service			
Principal	171,937	945,000	-
Interest	17,787	243,875	-
Total Expenditures	**$ 20,171,731**	**$ 13,734,046**	**$ 11,379,743**
Excess of Revenues Over (Under) Expenditures	**$ 1,576,442**	**$ 2,156,897**	**$ 444,807**

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

Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 1,439,095	$ 27,873,620
-	2,651,247	-	-	2,822,282
8,741	-	-	-	132,677
105,115	-	-	19,430	18,883,444
2,054,905	-	-	-	4,613,752
-	-	-	-	19,579
-	-	-	-	51,934
-	35,608	-	-	169,925
134,793	11,883	17,885	-	1,375,155
$ 2,303,554	**$ 2,698,738**	**$ 17,885**	**$ 1,458,525**	**$ 55,942,368**
$ -	$ -	$ 28,756	$ -	$ 8,671,417
-	-	-	-	6,946,389
-	-	-	-	12,251,661
1,529,910	-	-	-	1,529,910
-	-	-	-	11,379,743
-	-	-	-	2,810,859
-	-	-	-	529,285
-	1,925,227	-	-	2,765,494
-	-	-	-	4,299
-	-	110,303	-	110,303
-	-	-	-	293,510
-	-	-	-	208,247
-	377,987	-	1,390,000	2,884,924
-	58,155	-	505,454	825,271
$ 1,529,910	**$ 2,361,369**	**$ 139,059**	**$ 1,895,454**	**$ 51,211,312**
$ 773,644	**$ 337,369**	**$ (121,174)**	**$ (436,929)**	**$ 4,731,056**

McLEOD COUNTY
GLENCOE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	General	Road and Bridge	Human Services
Other Financing Sources (Uses)			
Transfers in	$ -	$ -	$ -
Transfers out	-	-	-
Loan issued	119,657	-	-
Proceeds from the sale of capital assets	840,005	63,446	-
Total Other Financing Sources (Uses)	**$ 959,662**	**$ 63,446**	**$ -**
Net Change in Fund Balance	**$ 2,536,104**	**$ 2,220,343**	**$ 444,807**
Fund Balance – January 1	**26,469,142**	**12,096,379**	**8,578,900**
Increase (decrease) in inventories	**(900)**	**275,121**	**-**
Fund Balance – December 31	**$ 29,004,346**	**$ 14,591,843**	**$ 9,023,707**

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

EXHIBIT 5
(Continued)

Solid Waste	Ditch	Capital Projects	Nonmajor Fund Debt Service	Total Governmental Funds
$ -	$ -	$ -	$ 568,588	$ 568,588
(568,588)	-	-	-	(568,588)
-	353,297	-	-	472,954
-	-	-	-	903,451
$ (568,588)	**$ 353,297**	**$ -**	**$ 568,588**	**$ 1,376,405**
$ 205,056	**$ 690,666**	**$ (121,174)**	**$ 131,659**	**$ 6,107,461**
3,067,770	**(827,884)**	**2,982,782**	**1,032,756**	**53,399,845**
-	**-**	**-**	**-**	**274,221**
$ 3,272,826	**$ (137,218)**	**$ 2,861,608**	**$ 1,164,415**	**$ 59,781,527**

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, 2021

Net change in fund balance – total governmental funds (Exhibit 5)		**$ 6,107,461**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, revenues not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment between the fund statements and the statement of activities is the increase or decrease in revenues deferred as unavailable.		
Unavailable revenue – December 31	$ 9,706,825	
Unavailable revenue – January 1	(9,752,159)	(45,334)
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	$ 8,748,325	
Net book value of disposed assets	(1,637,323)	
Current year depreciation	(7,048,610)	62,392
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Loan issued	$ (472,954)	
Principal repayments – general obligation bonds	2,505,000	
Principal repayments – AgBMP loans	207,987	
Principal repayments – Minnesota Pollution Control Agency loans	171,937	2,411,970

EXHIBIT 6
(Continued)

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2021

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Amortization of premiums on bonds	$ 181,387	
Change in accrued interest payable	35,492	
Change in compensated absences	(27,001)	
Change in other postemployment benefits liability	(152,339)	
Change in net pension asset	87,496	
Change in net pension liability	3,802,904	
Change in deferred pension outflows	6,644,154	
Change in deferred pension inflows	(8,867,719)	
Change in deferred other postemployment benefits outflows	51,785	
Change in deferred other postemployment benefits inflows	72,668	
Change in inventories	274,221	2,103,048
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 10,639,537**

FIDUCIARY FUNDS

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2021

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Assets		
Cash and pooled investments	$ 51,003	$ 1,432,666
Departmental cash	-	55,290
Taxes receivable for other governments	-	877,046
Accounts receivable	-	13,460
Due from other governments	-	69,254
Total Assets	**$ 51,003**	**$ 2,447,716**
Liabilities		
Accounts payable	$ 708	$ 26,594
Salaries payable	-	10,399
Accrued expenses	-	780
Due to other governments	-	690,957
Total Liabilities	**$ 708**	**$ 728,730**
Net Position		
Restricted for		
Individuals, organizations, and other governments	**$ 50,295**	**$ 1,718,986**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Additions		
Contributions		
Individuals	$ 268,770	$ 1,099
Other governments	-	694,692
Property tax collections	-	41,364,834
Licenses and fees collected	-	372,727
Investment earnings	31	59
Total Additions	**$ 268,801**	**$ 42,433,411**
Deductions		
Beneficiary payments to individuals	$ 257,860	$ -
Payments for personnel and benefits	-	368,351
Payments of property tax to other entities	-	41,506,606
Payments to individuals and other entities	-	198,092
Administrative expense	-	27,666
Total Deductions	**$ 257,860**	**$ 42,100,715**
Change in net position	**$ 10,941**	**$ 332,696**
Net Position	**39,354**	**1,386,290**
Net Position – December 31	**$ 50,295**	**$ 1,718,986**

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

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, 2021. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Discretely Presented Component Unit

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

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

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity (Continued)

Joint Ventures and Jointly-Governed Organizations

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

B. Basic Financial Statements

1. Government-Wide Statements

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

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

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements (Continued)

2. Fund Financial Statements

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

The County reports the following major governmental funds:

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

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

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

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

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

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

Additionally, the County reports the following fund types:

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide 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 capital leases are reported as other financing sources.

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Investments are reported at their fair value at December 31, 2021. A market approach is used to value all investments other than external investment pools, which are measured at the net asset or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. In 2021, the County reported pooled investment earnings of $134,317.

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

2. Receivables and Payables

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

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

1. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

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

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

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

Special assessments receivable consist of delinquent special assessments payable in the years 2012 to 2021 and noncurrent special assessments payable in 2021 and after. No provision has been made for an estimated uncollectible amount because such amount is not expected to be material.

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

1. Summary of Significant Accounting Policies

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

4. Capital Assets (Continued)

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

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

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

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid accumulated, vacation, comp time, vested sick leave balances, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is based on percentages predetermined by management based on historical information. The noncurrent portion consists of the remaining amount of vacation and vested sick leave. Compensated absences are liquidated through the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds.

1. Summary of Significant Accounting Policies

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

6. Long-Term Obligations

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

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

7. Pension Plan

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

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

only under the full accrual basis of accounting associated with pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue or reduction of expense) until that time. The County has three such items that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes and special assessment receivables, grant receivables, and other long-term receivables. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period the amount 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.

9. Unearned Revenue

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

10. Classification of Net Position

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

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

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position (Continued)

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

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

11. Classification of Fund Balance

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

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

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balance (Continued)

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

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

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

12. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund had a negative fund balance of $137,218 as of December 31, 2021, and 22 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:

41 ditches with positive fund balances	$	1,190,165
22 ditches with deficit fund balances		(1,327,383)
Total	$	(137,218)

3. Detailed Notes

A. Assets

1. Deposits and Investments

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

Governmental funds		
Cash and pooled investments	$	63,879,360
Petty cash and change funds		12,930
Departmental cash		6,497
Social Welfare Private-Purpose Trust Fund		
Cash and pooled investments		51,003
Custodial funds		
Cash and pooled investments		1,432,666
Departmental cash		55,290
Total Cash and Investments	$	65,437,746

Deposits	$	51,379,858
Petty cash and change funds		12,930
Departmental cash		61,787
Investments		13,983,171
Total Deposits, Cash on Hand, and Investments	$	65,437,746

3. Detailed Notes

A. Assets

1. Deposits and Investments (Continued)

a. Deposits

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

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

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, 2021, McLeod County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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

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

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

(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.

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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, 2021, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's investment balances at December 31, 2021, and information relating to potential investment risks:

	Concentration Risk Percent (%)	Carrying (Fair) Value
MAGIC Portfolio Fund – Public Financial Management	N/A	$ 13,983,171

3. Detailed Notes

A. Assets

1. Deposits and Investments

b. Investments (Continued)

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

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.

2. Receivables

Receivables as of December 31, 2021, are as follows:

	Governmental Activities	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 244,202	$ -
Special assessments	3,336,166	3,308,595
Accounts	443,153	-
Accrued interest	13,138	-
Due from other governments	7,625,805	-
Total Receivables	$ 11,662,464	$ 3,308,595

3. Detailed Notes

A. Assets

2. Receivables (Continued)

The accounts receivable amount reflects an allowance of uncollectible accounts of $523,625.

3. Capital Assets

Capital asset activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 3,955,141	$ -	$ 245,740	$ 3,709,401
Construction in progress	2,969,533	1,886,993	617,191	4,239,335
Infrastructure – right-of-way	4,405,291	31,741	-	4,437,032
Total capital assets not depreciated	$ 11,329,965	$ 1,918,734	$ 862,931	$ 12,385,768
Capital assets depreciated				
Buildings	$ 48,467,310	$ 382,658	$ 5,066,614	$ 43,783,354
Machinery, furniture, and equipment	18,668,669	660,340	616,573	18,712,436
Improvements other than buildings	1,470,958	-	115,739	1,355,219
Infrastructure	173,036,860	6,403,784	8,638	179,432,006
Total capital assets depreciated	$ 241,643,797	$ 7,446,782	$ 5,807,564	$ 243,283,015
Less: accumulated depreciation for				
Buildings	$ 17,708,379	$ 1,598,511	$ 3,725,498	$ 15,581,392
Machinery, furniture, and equipment	14,997,575	1,843,078	610,241	16,230,412
Improvements other than buildings	1,110,585	75,731	74,771	1,111,545
Infrastructure	58,410,440	3,531,290	5,471	61,936,259
Total accumulated depreciation	$ 92,226,979	$ 7,048,610	$ 4,415,981	$ 94,859,608
Total capital assets depreciated, net	$ 149,416,818	$ 398,172	$ 1,391,583	$ 148,423,407
Governmental Activities Capital Assets, Net	$ 160,746,783	$ 2,316,906	$ 2,254,514	$ 160,809,175

3. Detailed Notes

A. Assets

3. Capital Assets (Continued)

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

Governmental Activities		
General government	$	1,589,507
Public safety		596,462
Highways and streets, including depreciation of infrastructure assets		4,296,732
Sanitation		404,526
Human services		98,732
Health		12,585
Culture and recreation		41,143
Conservation of natural resources		8,923
Total Depreciation Expense – Governmental Activities	$	7,048,610

B. Interfund Receivables, Payables, and Transfers

1. Advances From/To Other Funds

The composition of interfund balances as of December 31, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
General	Ditch	$ 1,190,050

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2021, consisted of the following:

Transfer to Debt Service Fund from Solid Waste Special Revenue Fund	$ 568,588	Debt repayment

3. Detailed Notes (Continued)

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2021, were as follows:

	Governmental Activities
Accounts	$ 1,599,203
Salaries	682,561
Accrued payroll taxes	43,730
Accrued interest	310,455
Other accrued expenses	93,223
Retainage	107,681
Due to other governments	591,546
Total Payables	$ 3,428,399

2. Construction Commitments

The County has active construction projects as of December 31, 2021. The projects include the following:

	Spent-to-Date	Remaining Commitment
Xerox Tax/Cama Project	$ 56,427	$ 371,073
CSAH 15	1,886,993	107,681
Total	$ 1,943,420	$ 478,754

3. 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, 2021, are summarized by fund:

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

3. Deferred Inflows of Resources – Unavailable Revenue (Continued)

	Special Assessments	Taxes	Grants	Other	Total
Major governmental funds					
General	$ 813,629	$ 139,362	$ 141,646	$ 84,048	$ 1,178,685
Road and Bridge	-	37,573	5,418,737	6,391	5,462,701
Human Services	-	53,409	258,033	32,344	343,786
Ditch	2,522,537	-	-	185,258	2,707,795
Capital Projects	-	13,858	-	-	13,858
Total	$ 3,336,166	$ 244,202	$ 5,818,416	$ 308,041	$ 9,706,825

4. Long-Term Debt

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2021
2014 General Obligation Bonds	2025	$900,000 - $1,055,000	2.000 - 2.125	$ 9,785,000	$ 3,485,000
2016 General Obligation Drainage Bonds	2032	$150,000 - $175,000	1.000 - 2.000	2,490,000	1,800,000
2018 General Obligation Bonds	2039	$405,000 - $655,000	2.750 - 3.650	10,000,000	9,185,000
2019 General Obligation Bonds	2035	$315,000 - $1,405,000	2.000 - 5.000	9,040,000	7,945,000
AgBMP loans	2031	N/A	0.000	767,975	541,756
Minnesota Pollution Control Agency (MnPCA) loans	2032	N/A	0.000 - 2.000	2,396,438	1,176,210
Total					$ 24,132,966

In 2008, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Watershed septic system loans. According to the agreement, the County can borrow as much as $298,000. In 2010, the loan amount was amended by an additional $50,000. The total amount disbursed through December 31, 2021, was $298,000; accumulated interest is $13,017. Principal payments of $17,064 were made in 2021.

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

In 2009, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Watershed septic system loans. According to the agreement, the County can borrow as much as $300,000. In 2013, the loan amount was amended by an additional $27,589. The total amount disbursed through December 31, 2021, was $327,589; accumulated interest is $15,476. Principal payments of $35,998 were made in 2021.

In 2011, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Buffalo Creek Watershed septic system loans. According to the agreement, the County can borrow as much as $200,000. The total amount disbursed through December 31, 2021, was $199,494; accumulated interest is $9,514. Principal payments of $21,714 were made in 2021.

In 2012, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Watershed septic system loans. According to the agreement, the County can borrow as much as $300,000. The total amount disbursed through December 31, 2021, was $300,000; accumulated interest is $13,536. Principal payments of $30,993 were made in 2021.

In 2013, the County entered into a loan agreement with the Minnesota Pollution Control Agency for High Island Creek Watershed septic system loans. According to the agreement, the County can borrow as much as $120,000. The total amount disbursed through December 31, 2021, was $40,070; accumulated interest is $871. Principal payments of $3,967 were made in 2021.

In 2015, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Basin septic system loans. According to the agreement, the County can borrow as much as $350,000. The total amount disbursed through December 31, 2021, was $349,421; accumulated interest is $4,112. Principal payments of $34,612 were made in 2021.

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

In 2016, the County entered into a loan agreement with the Minnesota Pollution Control Agency for Crow River Basin septic system loans. According to the agreement, the County can borrow as much as $300,000. The total amount disbursed through December 31, 2021, was $287,926; accumulated interest is $8,330. Principal payments of $27,589 were made in 2021.

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

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

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

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

In 2019, the County entered into a loan agreement with the Minnesota Pollution Control Agency for the McLeod County Subsurface Sewage Treatment Systems (SSTS) Restoration Clean Water Project. According to the agreement, the County can borrow as much as $1,200,000. The total amount disbursed through December 31, 2021, was $411,730. Repayments are expected to begin in 2022.

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

In 2019 and 2021, the County entered into loan agreements with the Minnesota Department of Agriculture for the Agriculture Best Management Practices loan program. The purpose of this program is to encourage agriculture best management practices that prevent or reduce runoff from feedlots, farm fields, and other pollution programs. Repayment began in 2020 with scheduled repayments ranging in total from $22,156 to $59,545. Final repayment is scheduled for 2031.

5. Debt Service Requirements

Debt service requirements at December 31, 2021, were as follows:

Year Ending December 31	Crow River Watershed Septic System Loans (2009) Principal	Interest
2022	$ 36,721	$ 1,301
2023	37,460	563
Total	$ 74,181	$ 1,864

Year Ending December 31	Buffalo Creek Watershed Septic System Loans (2011) Principal	Interest	Crow River Watershed Septic System Loans (2012) Principal	Interest
2022	$ 22,150	$ 1,014	$ 31,615	$ 3,134
2023	22,595	569	32,251	2,499
2024	11,469	115	32,899	1,850
2025	-	-	33,561	1,189
2026	-	-	34,235	514
Total	$ 56,214	$ 1,698	$ 164,561	$ 9,186

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	High Island Creek Watershed Septic System Loans (2013) Principal	Interest	Crow River Watershed Septic System Loans (2015) Principal	Interest
2022	$ 4,047	$ 491	$ 35,308	$ 3,874
2023	4,128	409	36,018	3,164
2024	4,211	326	36,742	2,440
2025	4,296	242	37,481	1,702
2026	4,383	155	38,234	948
2027	4,470	67	18,692	187
Total	$ 25,535	$ 1,690	$ 202,475	$ 12,315

Year Ending December 31	Crow River Watershed Septic System Loans (2016) Principal	Interest	AgBMP Loans Principal	Interest
2022	$ 28,144	$ 4,690	$ 59,733	$ -
2023	28,710	4,125	71,144	-
2024	29,287	3,547	76,613	-
2025	29,875	2,959	58,198	-
2026	30,475	2,358	35,332	-
2027 - 2031	95,023	3,350	181,575	-
2032 - 2033	-	-	59,161	-
Total	$ 241,514	$ 21,029	$ 541,756	$ -

Year Ending December 31	General Obligation Bonds (2014) Principal	Interest	General Obligation Drainage Bonds (2016) Principal	Interest
2022	$ 845,000	$ 64,550	$ 170,000	$ 30,600
2023	860,000	46,963	170,000	28,390
2024	880,000	28,475	170,000	26,180
2025	900,000	9,563	170,000	23,460
2026	-	-	170,000	20,740
2027 - 2031	-	-	800,000	60,450
2032	-	-	150,000	3,000
Total	$ 3,485,000	$ 149,551	$ 1,800,000	$ 192,820

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources

5. Debt Service Requirements (Continued)

Year Ending December 31	General Obligation Bonds (2018) Principal	General Obligation Bonds (2018) Interest	General Obligation Bonds (2019) Principal	General Obligation Bonds (2019) Interest
2022	$ 415,000	$ 293,259	$ 1,190,000	$ 306,300
2023	420,000	281,777	1,260,000	245,050
2024	430,000	270,090	1,320,000	180,550
2025	430,000	258,265	1,405,000	112,425
2026	440,000	246,303	230,000	71,550
2027 - 2031	2,385,000	1,029,044	1,330,000	204,650
2032 - 2036	2,770,000	601,268	1,210,000	49,200
2037 - 2039	1,895,000	105,394	-	-
Total	$ 9,185,000	$ 3,085,400	$ 7,945,000	$ 1,169,725

Year Ending December 31	Total Principal	Total Interest
2022	$ 2,837,718	$ 709,213
2023	2,942,306	613,509
2024	2,991,221	513,573
2025	3,068,411	409,805
2026	982,659	342,568
2027 - 2031	4,814,760	1,297,748
2032 - 2036	4,189,161	653,468
2037 - 2039	1,895,000	105,394
Total	$ 23,721,236	$ 4,645,278

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

3. Detailed Notes

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
MnPCA loans	$ 1,228,490	$ 119,657	$ 171,937	$ 1,176,210	$ 157,985
AgBMP loans	396,446	353,297	207,987	541,756	59,733
General obligation bonds	24,920,000	-	2,505,000	22,415,000	2,620,000
Bond premium	983,833	-	181,387	802,446	-
Compensated absences	1,462,624	940,170	913,169	1,489,625	1,009,966
Long-Term Liabilities	$ 28,991,393	$ 1,413,124	$ 3,979,480	$ 26,425,037	$ 3,847,684

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

D. Other Postemployment Benefits (OPEB)

1. Plan Description

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

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

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

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

1. Plan Description (Continued)

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

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

2. Total OPEB Liability

The County's total OPEB liability of $1,137,156 was measured as of January 1, 2021, and was determined by an actuarial valuation as of January 1, 2020. The OPEB liability is liquidated through the General Fund and the Road and Bridge, Human Services, and Solid Waste Special Revenue Funds.

The total OPEB liability for the fiscal year-end December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Graded by service years and contract group ranging from 11.25 percent for one year of service (12.25 for public safety) to 3.25 percent for 27 or more years of service
Health care cost trend	6.25 percent as of January 1, 2021, grading to 5.00 percent over five years and then to 4.00 percent over the next 48 years

The current year discount rate is 2.00 percent, which is a change from the prior year rate of 2.90 percent. For the current valuation, the discount rate was selected from the 20-Year Municipal Bond Yield.

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

The actuarial assumptions are currently based on historical information.

3. Detailed Notes

D. Other Postemployment Benefits (OPEB) (Continued)

3. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2020	$ 984,817
Changes for the year	
Service cost	$ 114,035
Interest	31,159
Changes of assumptions or other inputs	56,324
Differences between expected and actual experience	-
Benefit payments	(49,179)
Net change	$ 152,339
Balance at December 31, 2021	$ 1,137,156

4. OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 1,220,069
Current	2.00	1,137,156
1% Increase	3.00	1,058,013

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:

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

4. OPEB Liability Sensitivity (Continued)

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 999,280
Current	6.25% Decreasing to 5.00%	1,137,156
1% Increase	7.25% Decreasing to 6.00%	1,301,414

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

For the year ended December 31, 2021, the County recognized OPEB expense of $27,886. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 48,277	$ 165,955
Differences between expected and actual economic experience	-	190,899
Employer contributions paid subsequent to the measurement date	52,687	-
Total	$ 100,964	$ 356,854

The $52,687 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Detailed Notes

D. Other Postemployment Benefits (OPEB)

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

Year Ending December 31	Amount
2022	$ (64,621)
2023	(64,621)
2024	(64,621)
2025	(64,617)
2026	(58,139)
Thereafter	8,042

6. Change in Actuarial Assumptions

The following change in actuarial assumptions occurred in 2021:

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

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

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

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

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January.

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

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

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

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

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2020.

In 2021, the County and members were required to contribute the following percentages of annual covered salary:

	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

The County's contributions for the year ended December 31, 2021, to the pension plans were:

General Employees Plan	$ 1,009,573
Police and Fire Plan	343,971
Correctional Plan	104,429

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

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

d. Pension Costs

General Employees Plan

At December 31, 2021, the County reported a liability of $8,058,335 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1887 percent. It was 0.1813 percent measured as of June 30, 2020. The County recognized pension expense of $94,103 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $30,192 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's expense related to its contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031.

The County's proportionate share of the net pension liability	$	8,058,335
State of Minnesota's proportionate share of the net pension liability associated with the County		246,132
Total	$	8,304,467

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:

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 48,459	$ 245,489
Changes in actuarial assumptions	4,920,252	172,286
Difference between projected and actual investment earnings	-	7,011,845
Changes in proportion	332,748	170,269
Contributions paid to PERA subsequent to the measurement date	515,551	-
Total	$ 5,817,010	$ 7,599,889

The $515,551 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (367,135)
2023	(65,222)
2024	37,427
2025	(1,903,500)

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2021, the County reported a liability of $1,214,961 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2021, 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, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.1574 percent. It was 0.1574 percent measured as of June 30, 2020. The County recognized pension expense of ($69,396) for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2021. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1, 2020, and to pay $9 million by October 1 of each subsequent year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $14,166 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

The County's proportionate share of the net pension liability	$	1,214,961
State of Minnesota's proportionate share of the net pension liability associated with the County		54,629
Total	$	1,269,590

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $14,166 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 233,429	$ -
Changes in actuarial assumptions	1,785,675	640,061
Difference between projected and actual investment earnings	-	2,322,647
Changes in proportion	53,566	84,065
Contributions paid to PERA subsequent to the measurement date	180,891	-
Total	$ 2,253,561	$ 3,046,773

The $180,891 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2022	$ (826,385)
2023	(133,508)
2024	(157,396)
2025	(247,733)
2026	390,919

Correctional Plan

At December 31, 2021, the County reported an asset of $87,496 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2021, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2020, through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2021, the County's proportion was 0.5326 percent. It was 0.4855 percent measured as of June 30, 2020. The County recognized pension expense of ($189,592) for its proportionate share of the Correctional Plan's pension expense.

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

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 46,716
Changes in actuarial assumptions	547,699	7,336
Difference between projected and actual investment earnings	-	707,446
Changes in proportion	11,351	452
Contributions paid to PERA subsequent to the measurement date	55,426	-
Total	$ 614,476	$ 761,950

The $55,426 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2022	$ (23,392)
2023	(2,066)
2024	13,498
2025	(190,940)

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2021, was ($164,885).

e. Actuarial Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

	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	6.50%	6.50%	6.50%

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, 2021, valuation 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 June 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of the inflation and investment assumptions dated June 24, 2021, was utilized.

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 6.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

f. Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent in 2021, which is a decrease of one percent from 2020. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2021:

General Employees Plan

- 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.

Police and Fire Plan

- 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).

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

- 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.

Correctional Plan

- 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.

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

g. Changes in Actuarial Assumptions and Plan Provisions

Correctional Plan (Continued)

- 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.

3. Detailed Notes

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)	Discount Rate	Net Pension Liability (Asset)
1% Decrease	5.50%	$ 16,434,891	5.50%	$ 3,857,296	5.50%	$ 910,592
Current	6.50	8,058,335	6.50	1,214,961	6.50	(87,496)
1% Increase	7.50	1,184,861	7.50	(951,099)	7.50	(879,584)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

2. Defined Contribution Plan

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

3. Detailed Notes

E. Pension Plans

2. Defined Contribution Plan (Continued)

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

Total contributions by dollar amount and percentage of covered payroll made by McLeod County during the year ended December 31, 2021, were:

	Employee	Employer
Contribution amount	$ 10,508	$ 10,508
Percentage of covered payroll	5.00%	5.00%

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.

4. Risk Management (Continued)

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $500,000 per claim in 2021 and 2022. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

5. Summary of Significant Contingencies and Other Items

A. Secondary Liability for Bonds

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

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

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

5. Summary of Significant Contingencies and Other Items

A. Secondary Liability for Bonds (Continued)

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

B. Contingent Liabilities

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

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

C. Conduit Debt Obligation

The County has issued Commercial Development Revenue Bonds (Southwest Initiative Foundation) for the purpose of financing all or a portion of the costs of acquisition of land and the construction of an administration building. The bonds are secured by the financed property and are payable solely from the revenue of the project. The bonds do not constitute a charge, lien, or encumbrance, legal or equitable, upon any property or funds of the County, nor is the County subject to any liability thereon. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The amount of outstanding principal was $925,000 as of June 30, 2021.

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently, its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; and Southwest Health

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Southwestern Minnesota Adult Mental Health Consortium Board (Continued)

and Human Services, representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties. The Board is headquartered in Windom, Minnesota. Des Moines Valley Health and Human Services (DVHHS) acts a fiscal agent.

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

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

Meeker-McLeod-Sibley Community Health Board

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

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

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.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Pioneerland Regional Library System (Continued)

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

Southwest Metro Drug Task Force

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

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

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

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties, under the authority of Minn. Stat. § 471.59. Beltrami, Clearwater, and Hubbard Counties were later added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

PrimeWest Health (Continued)

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 2021.

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

Putting All Communities Together for Families Collaborative

Putting All Communities Together for Families Collaborative (PACT) was established in 1996 by a joint powers agreement among Kandiyohi, Meeker, Renville, and Yellow Medicine Counties. Effective January 1, 2011, an additional joint powers agreement was entered into to add McLeod County as a fifth county partner to PACT. As a result, the name was changed from PACT 4 Families Collaborative to PACT for Families Collaborative. The joint powers agreements were established to provide coordinated services to children and families. McLeod County has no operational or financial control over the Collaborative. In 2021, McLeod County contributed $54,977 to PACT.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Putting All Communities Together for Families Collaborative (Continued)

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

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

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

Trailblazer Joint Powers Board

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

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 2021, McLeod County made contributions of $71,487.

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures

Trailblazer Joint Powers Board (Continued)

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

Supporting Hands Nurse Family Partnership Board

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

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2021, McLeod County contributed $66,355 to the partnership.

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

5. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

McLeod and Sibley Joint Self-Insurance Pool

The McLeod, Sibley, Trailblazer Joint Self-Insurance Pool was established in 2016 under the authority of Minn. Stat. § 471.59. The purpose of the Pool is to provide for the reciprocal assumption of risk among members with respect to the provision of health benefits to each member's eligible current and former employees and their qualified dependents. Effective January 1, 2020, Trailblazer is no longer a member.

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

Central Minnesota Jobs and Training Services, Inc.

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

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

E. Jointly-Governed Organizations

Minnesota Counties Computer Cooperative

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created 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 did not incur any expenditures related to the MCCC.

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Aitkin, Becker, Big Stone, Clay, Cottonwood, Douglas, Grant, Kittson, Koochiching, Lake of the Woods, Mahnomen, Marshall, McLeod, Mille Lacs, Mower, Murray, Norman, Pennington, Pine, Pipestone, Polk, Pope, Red Lake, Redwood, Roseau, Stevens, Todd, Traverse, Wadena, Watonwan, Wilkin, and Wright Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee, which is composed of 12 appointees, each with an alternate, who are appointed annually by each respective County Board they represent. Each county also appoints a delegate and alternate to the Board of Directors. McLeod County's responsibility does not extend beyond making these appointments.

South Central Minnesota Emergency Communications Board

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

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

Blue Earth County acts as the fiscal agent for the Board. During 2021, McLeod County did not contribute to the Board. Financial information can be obtained at the Blue Earth County Justice Center, 401 Carver Road, Mankato, Minnesota 56002.

5. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

McLeod County Soil and Water Conservation District

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

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

McLeod County has not entered into any property tax abatement agreements under Minn. Stat. § 469.1813 with local businesses (which meets the criteria for disclosure under GASB Statement 77). Under this statute, the County may grant property tax abatements not to exceed (1) ten percent of the net tax capacity of the political subdivision for the taxes payable year with which the abatement applies; or (2) $200,000, whichever is greater, for the purpose of attracting or retaining business within their jurisdictions. The abatements may be granted to any business located within or promises to relocate to the County.

The Cities of Glencoe, Hutchinson, and Winsted in McLeod County have entered into tax increment financing agreements (which meet the criteria for disclosure under GASB Statement 77, Tax Abatement Disclosures). The cities' authority to enter into these agreements comes from Minn. Stat. ch. 469 for the purpose of encouraging private development, redevelopment, renovation and renewal, growth in low-to-moderate income housing, and economic development within a city. During 2021, there were 14 pay-as-you-go notes within the County. The tax increment collections during 2021 associated with these notes totaled $598,110. McLeod County's portion of the captured tax capacity and related property taxes was approximately 30 percent, which is $179,433.

G. Subsequent Event

During 2021, McLeod County was allocated $6.9 million from the American Rescue Plan Act. In August 2021, the County received $3.49 million of the $6.9 million. The balance of the funds was distributed in 2022.

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

A. Summary of Significant Accounting Policies

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

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

Capital Assets

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

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.

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

B. Cash and Investments

The HRA's cash and investments at June 30, 2021, are summarized as follows:

Cash on deposit		
Restricted	$	41,431
Unrestricted		208,877
Total cash on deposit	$	250,308
Certificates of deposit, due within one year		
Restricted	$	34,892
Unrestricted		73,375
Total certificates of deposit	$	108,267
Total Cash and Investments	$	358,575

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 $250,308 as of June 30, 2021. The bank balance was $247,648 as of June 30, 2021, which was covered by insurance from the FDIC.

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

Investments

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

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

B. Cash and Investments

Investments (Continued)

- 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.

C. Capital Assets

The following is a summary of capital assets transactions:

	June 30, 2020	Additions	Disposals	June 30, 2021
Land	$ 197,000	$ -	$ -	$ 197,000
Site improvements	277,908	-	-	277,908
Buildings	4,351,104	-	-	4,351,104
Total	$ 4,826,012	$ -	$ -	$ 4,826,012
Accumulated depreciation	2,338,658	125,460	-	2,464,118
Totals	$ 2,487,354	$ (125,460)	$ -	$ 2,361,894

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

D. Long-Term Debt Payable

The following is a summary of long-term debt transactions for the year ended June 30, 2021:

	2020	Issued	Payments	2021
Essential Function Housing Development Bond of 1996	$ 469,148	$ -	$ 56,617	$ 412,531
Essential Function Housing Development Bond of 1997	501,645	-	55,323	446,322
Essential Function Housing Development Bond of 1998	558,331	-	46,460	511,871
Essential Function Housing Development Bond of 2017	854,715	-	45,232	809,483
Promissory note payable	24,987	-	7,994	16,993
Assessments payable	3,378	-	466	2,912
Totals	$ 2,412,204	$ -	$ 212,092	$ 2,200,112

The Essential Function Housing Development Revenue Bond of 1996 matures on September 1, 2027. The bond currently bears an interest rate of 4.10 percent per annum. The rate is renegotiated according to the market interest rate and is thereafter adjustable periodically over the life of the bond. Principal and interest are payable monthly. The bond is secured by all real and personal property as well as by all revenues of the housing project. If the net revenues from operations are insufficient to meet the bond obligations, the HRA may request funds from the McLeod County General Fund by ordering a County-wide tax levy not to exceed $120,000. The HRA agrees to repay the funds to McLeod County from any subsequent excess cash flows.

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

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

D. Long-Term Debt Payable (Continued)

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

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

The promissory note is payable to Security Bank and Trust Co. for driveway upgrades. The debt matures on June 1, 2023, and bears interest at the rate of 4.05 percent. Payments of $738, including principal and interest, are payable monthly beginning July 1, 2018.

The assessment is payable to the City of Brownton for street upgrades. The debt matures October 15, 2026, and bears interest at the rate of 7.50 percent. Payments of $360, including principal and interest, are payable semi-annually beginning May 15, 2007.

The estimated debt service requirements as of June 30, 2021, are as follows:

Years Ending	Principal	Interest	Total
2022	$ 222,111	$ 85,573	$ 307,684
2023	231,381	76,303	307,684
2024	225,594	84,101	309,695
2025	227,654	97,258	324,912
2026	239,711	85,202	324,913
2027 - 2031	763,565	257,366	1,020,931
2032 - 2035	290,096	51,727	341,823
Totals	$ 2,200,112	$ 737,530	$ 2,937,642

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

E. Risk Management

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

F. Subsequent Event

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

REQUIRED SUPPLEMENTARY INFORMATION

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 14,709,738	$ 14,709,738	$ 14,504,015	$ (205,723)
Special assessments	156,892	156,892	171,035	14,143
Licenses and permits	82,400	82,400	111,229	28,829
Intergovernmental	3,361,195	3,361,195	4,181,180	819,985
Charges for services	1,889,463	1,889,463	1,789,463	(100,000)
Fines and forfeits	21,600	21,600	19,579	(2,021)
Gifts and contributions	6,540	6,540	21,709	15,169
Investment earnings	185,780	185,780	134,317	(51,463)
Miscellaneous	689,212	689,212	815,646	126,434
Total Revenues	**$ 21,102,820**	**$ 21,102,820**	**$ 21,748,173**	**$ 645,353**
Expenditures				
Current				
General government				
Commissioners	$ 357,028	$ 357,028	$ 302,139	$ 54,889
County-wide	511,100	511,100	892,709	(381,609)
Courts	388,400	388,400	350,655	37,745
Law library	12,000	12,000	16,564	(4,564)
County administrator	1,015,972	1,015,972	1,067,477	(51,505)
County auditor-treasurer	601,199	601,199	557,060	44,139
County assessor	494,588	494,588	488,003	6,585
Elections	171,256	171,256	92,851	78,405
Data processing	1,362,609	1,362,609	1,220,095	142,514
Central services	223,350	223,350	192,586	30,764
Attorney	921,969	921,969	851,413	70,556
Recorder	841,340	841,340	483,987	357,353
Buildings	1,175,947	1,175,947	1,068,912	107,035
County insurance	521,772	521,772	184,566	337,206
Veterans service officer	220,631	220,631	267,624	(46,993)
Fairgrounds	546,465	546,465	311,788	234,677
Safety	8,700	8,700	7,215	1,485
Armer radio systems	-	-	1,268	(1,268)
Other general government	-	-	285,749	(285,749)
Total general government	**$ 9,374,326**	**$ 9,374,326**	**$ 8,642,661**	**$ 731,665**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 4,630,172	$ 4,630,172	$ 4,206,593	$ 423,579
Inmate account	15,651	15,651	14,645	1,006
Probation officer	406,700	406,700	397,458	9,242
County jail	2,246,656	2,246,656	2,061,506	185,150
Sentencing to Service	63,620	63,620	70,965	(7,345)
Juvenile detention	2,362	2,362	3,163	(801)
Sheriff posse	34,000	34,000	27,931	6,069
Emergency services	159,625	159,625	164,128	(4,503)
Total public safety	**$ 7,558,786**	**$ 7,558,786**	**$ 6,946,389**	**$ 612,397**
Health				
Nursing service	**$ 3,202,058**	**$ 3,202,058**	**$ 2,810,859**	**$ 391,199**
Culture and recreation				
Historical society	$ 85,100	$ 85,100	$ 79,100	$ 6,000
Other	40,390	40,390	39,490	900
Parks	461,254	461,254	385,912	75,342
Snowmobile trail grant	44,640	44,640	24,783	19,857
Total culture and recreation	**$ 631,384**	**$ 631,384**	**$ 529,285**	**$ 102,099**
Conservation of natural resources				
Soil and water conservation	$ 82,750	$ 82,750	$ 82,750	$ -
County extension	285,410	285,410	248,521	36,889
Drainage ditch mapping	25,088	25,088	8,157	16,931
Agriculture ditch inspector	-	-	4,000	(4,000)
Environmental services	428,609	428,609	346,194	82,415
Other	-	-	119,657	(119,657)
Aquatic invasive species	40,000	40,000	30,988	9,012
Total conservation of natural resources	**$ 861,857**	**$ 861,857**	**$ 840,267**	**$ 21,590**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Economic development				
Housing and Redevelopment Authority	**$ 14,396**	**$ 14,396**	**$ 4,299**	**$ 10,097**
Intergovernmental				
Culture and recreation				
Pioneerland Regional Library	**$ 208,247**	**$ 208,247**	**$ 208,247**	**$ -**
Debt service				
Principal	$ 144,348	$ 144,348	$ 171,937	$ (27,589)
Interest	12,544	12,544	17,787	(5,243)
Total debt service	**$ 156,892**	**$ 156,892**	**$ 189,724**	**$ (32,832)**
Total Expenditures	**$ 22,007,946**	**$ 22,007,946**	**$ 20,171,731**	**$ 1,836,215**
Excess of Revenues Over (Under) Expenditures	**$ (905,126)**	**$ (905,126)**	**$ 1,576,442**	**$ 2,481,568**
Other Financing Sources (Uses)				
Loan issued	$ 20	$ 20	$ 119,657	$ 119,637
Proceeds from the sale of capital assets	15,000	15,000	840,005	825,005
Total Other Financing Sources (Uses)	**$ 15,020**	**$ 15,020**	**$ 959,662**	**$ 944,642**
Net Change in Fund Balance	**$ (890,106)**	**$ (890,106)**	**$ 2,536,104**	**$ 3,426,210**
Fund Balance – January 1	**26,469,142**	**26,469,142**	**26,469,142**	**-**
Increase (decrease) in inventories	**-**	**-**	**(900)**	**(900)**
Fund Balance – December 31	**$ 25,579,036**	**$ 25,579,036**	**$ 29,004,346**	**$ 3,425,310**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,604,353	$ 5,604,353	$ 6,579,700	$ 975,347
Licenses and permits	14,000	14,000	12,707	(1,293)
Intergovernmental	4,322,998	4,322,998	9,221,655	4,898,657
Charges for services	116,000	116,000	74,154	(41,846)
Miscellaneous	2,000	2,000	2,727	727
Total Revenues	**$ 10,059,351**	**$ 10,059,351**	**$ 15,890,943**	**$ 5,831,592**
Expenditures				
Current				
Highways and streets				
Administration	$ 881,866	$ 881,866	$ 855,224	$ 26,642
Geographic information systems	205,483	205,483	194,710	10,773
Maintenance	1,862,561	1,862,561	1,861,331	1,230
Engineering/construction	7,978,098	7,978,098	8,612,460	(634,362)
Equipment, maintenance, and shop	1,148,606	1,148,606	727,936	420,670
Total highways and streets	**$ 12,076,614**	**$ 12,076,614**	**$ 12,251,661**	**$ (175,047)**
Intergovernmental				
Highways and streets	**$ 275,000**	**$ 275,000**	**$ 293,510**	**$ (18,510)**
Debt service				
Principal retirement	$ 945,000	$ 945,000	$ 945,000	$ -
Interest	243,875	243,875	243,875	-
Total debt service	**$ 1,188,875**	**$ 1,188,875**	**$ 1,188,875**	**$ -**
Total Expenditures	**$ 13,540,489**	**$ 13,540,489**	**$ 13,734,046**	**$ (193,557)**
Excess of Revenues Over (Under) Expenditures	**$ (3,481,138)**	**$ (3,481,138)**	**$ 2,156,897**	**$ 5,638,035**
Other Financing Sources (Uses)				
Proceeds from the sale of capital assets	15,000	15,000	63,446	48,446
Net Change in Fund Balance	**$ (3,466,138)**	**$ (3,466,138)**	**$ 2,220,343**	**$ 5,686,481**
Fund Balance – January 1	**12,096,379**	**12,096,379**	**12,096,379**	**-**
Increase (decrease) in inventories	**-**	**-**	**275,121**	**275,121**
Fund Balance – December 31	**$ 8,630,241**	**$ 8,630,241**	**$ 14,591,843**	**$ 5,961,602**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 5,456,894	$ 5,456,894	$ 5,350,810	$ (106,084)
Intergovernmental	6,411,600	6,411,600	5,356,064	(1,055,536)
Charges for services	755,520	755,520	695,230	(60,290)
Gifts and contributions	-	-	30,225	30,225
Miscellaneous	372,819	372,819	392,221	19,402
Total Revenues	**$ 12,996,833**	**$ 12,996,833**	**$ 11,824,550**	**$ (1,172,283)**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,935,517	$ 2,935,517	$ 2,715,275	$ 220,242
Social services	9,786,131	9,786,131	8,664,468	1,121,663
Transit authority	174,930	174,930	-	174,930
Total Expenditures	**$ 12,896,578**	**$ 12,896,578**	**$ 11,379,743**	**$ 1,516,835**
Net Change in Fund Balance	**$ 100,255**	**$ 100,255**	**$ 444,807**	**$ 344,552**
Fund Balance – January 1	**8,578,900**	**8,578,900**	**8,578,900**	**-**
Fund Balance – December 31	**$ 8,679,155**	**$ 8,679,155**	**$ 9,023,707**	**$ 344,552**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
SOLID WASTE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Licenses and permits	$ 6,800	$ 6,800	$ 8,741	$ 1,941
Intergovernmental	104,000	104,000	105,115	1,115
Charges for services	1,798,800	1,798,800	2,054,905	256,105
Miscellaneous	28,002	28,002	134,793	106,791
Total Revenues	**$ 1,937,602**	**$ 1,937,602**	**$ 2,303,554**	**$ 365,952**
Expenditures				
Current				
Sanitation				
Recycling	1,439,413	1,439,413	1,529,910	(90,497)
Excess of Revenues Over (Under) Expenditures	**$ 498,189**	**$ 498,189**	**$ 773,644**	**$ 275,455**
Other Financing Sources (Uses)				
Transfers out	(568,588)	(568,588)	(568,588)	-
Net Change in Fund Balance	**$ (70,399)**	**$ (70,399)**	**$ 205,056**	**$ 275,455**
Fund Balance – January 1	**3,067,770**	**3,067,770**	**3,067,770**	**-**
Fund Balance – December 31	**$ 2,997,371**	**$ 2,997,371**	**$ 3,272,826**	**$ 275,455**

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-5

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2021

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

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

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

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
2021	0.1887 %	$ 8,058,335	$ 246,132	$ 8,304,467	$ 13,585,384	59.32 %	87.00 %
2020	0.1813	10,869,764	335,202	11,204,966	12,908,086	84.21	79.06
2019	0.1847	10,211,649	317,486	10,529,135	13,609,500	75.03	80.23
2018	0.1858	10,307,422	338,111	10,645,533	12,492,080	82.51	79.53
2017	0.1855	11,844,630	151,818	11,996,448	11,954,653	99.08	75.90
2016	0.1907	15,477,661	202,136	15,679,797	11,831,093	130.82	68.91
2015	0.1915	9,925,635	N/A	9,925,635	11,250,920	88.22	78.19

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2021

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 1,009,573	$ 1,009,573	$ -	$ 13,460,971	7.50 %
2020	967,542	967,542	-	12,900,560	7.50
2019	1,020,711	1,020,711	-	13,609,480	7.50
2018	946,401	946,401	-	12,618,680	7.50
2017	908,763	908,763	-	12,116,840	7.50
2016	897,080	897,080	-	11,961,067	7.50
2015	874,063	874,063	-	11,654,176	7.50

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021

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
2021	0.1574 %	$ 1,214,961	$ 54,629	$ 1,269,590	$ 1,938,288	62.68 %	93.66 %
2020	0.1574	2,074,700	48,874	2,123,574	1,737,446	119.41	87.19
2019	0.1617	1,721,460	N/A	1,721,460	1,839,499	93.58	89.26
2018	0.1606	1,711,831	N/A	1,711,831	1,692,506	101.14	88.84
2017	0.1500	2,025,718	N/A	2,025,718	1,544,352	131.17	85.43
2016	0.1580	6,340,815	N/A	6,340,815	1,518,114	417.68	63.88
2015	0.1610	1,829,337	N/A	1,829,337	1,474,333	124.08	86.61

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2021

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 343,971	$ 343,971	$ -	$ 1,943,341	17.70 %
2020	319,433	319,433	-	1,804,706	17.70
2019	311,795	311,795	-	1,839,499	16.95
2018	274,479	274,479	-	1,694,315	16.20
2017	265,884	265,884	-	1,641,259	16.20
2016	242,953	242,953	-	1,499,709	16.20
2015	241,151	241,151	-	1,488,585	16.20

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021

Measurement Date	Employer's Proportion of the Net Pension Liability/ Asset	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	0.5326 %	$ (87,496)	$ 1,177,643	(7.43) %	101.61 %
2020	0.4855	131,736	1,056,395	12.47	96.67
2019	0.4600	63,687	1,051,874	6.05	98.17
2018	0.4710	77,465	962,023	8.05	97.64
2017	0.4700	1,399,503	929,737	150.53	67.89
2016	0.4700	1,716,975	880,368	195.03	58.16
2015	0.4900	75,754	874,521	8.66	96.95

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2021

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2021	$ 104,429	$ 104,429	$ -	$ 1,193,477	8.75 %
2020	96,537	96,537	-	1,103,280	8.75
2019	92,039	92,039	-	1,051,874	8.75
2018	83,740	83,740	-	957,029	8.75
2017	84,894	84,894	-	970,217	8.75
2016	78,909	78,909	-	901,819	8.75
2015	75,862	75,862	-	866,990	8.75

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

McLEOD COUNTY
GLENCOE, MINNESOTA

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2021

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 15, 2020, the Board approved the budgets for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Solid Waste Special Revenue Fund, and the Debt Service Fund. A budget is not adopted for the Ditch Special Revenue Fund because it is based on special assessments which cannot be determined.

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

2. Excess of Expenditures Over Appropriations

The following funds and departments had expenditures exceeding appropriations for the year ended December 31, 2021:

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current			
General government			
County-wide	$ 892,709	$ 511,100	$ 381,609
Law library	16,564	12,000	4,564
County administrator	1,067,477	1,015,972	51,505
Veterans service officer	267,624	220,631	46,993
Armer radio systems	1,268	-	1,268
Other general government	285,749	-	285,749

2. Excess of Expenditures Over Appropriations (Continued)

	Expenditures	Budget	Excess
Major governmental funds			
General Fund			
Current (Continued)			
Public safety			
Sentencing to Service	70,965	63,620	7,345
Juvenile detention	3,163	2,362	801
Emergency services	164,128	159,625	4,503
Conservation of natural resources			
Agriculture ditch inspector	4,000	-	4,000
Other	119,657	-	119,657
Debt service			
Principal	171,937	144,348	27,589
Interest	17,787	12,544	5,243
Road and Bridge Special Revenue Fund			
Current			
Highways and streets			
Engineering/construction	8,612,460	7,978,098	634,362
Intergovernmental			
Highways and streets	293,510	275,000	18,510
Solid Waste Special Revenue Fund			
Current			
Sanitation			
Recycling	1,529,910	1,439,413	90,497

3. Other Postemployment Benefits Funded Status

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

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

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

2021

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

4. Other Postemployment Benefits – Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

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.

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

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.

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

General Employees Retirement Plan

2020 (Continued)

- 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.

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

General Employees Retirement Plan

2020 (Continued)

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

2019

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

2018

- The mortality projection scale was changed from Scale MP-2015 to Scale MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

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

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

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

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

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

General Employees Retirement Plan

2018 (Continued)

- 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.

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.

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

General Employees Retirement Plan

2016 (Continued)

- 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

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.

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

Public Employees Police and Fire Plan

2021 (Continued)

- Assumed rates of retirement were changed as recommended in the July 14, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.

- Assumed rates of disability were increased for ages 25 - 44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.

- Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020

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

2019

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

2018

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

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

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

Public Employees Police and Fire Plan

2018 (Continued)

- 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.

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

Public Employees Police and Fire Plan

2017 (Continued)

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

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

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

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

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

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

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

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

Public Employees Police and Fire Plan

2016 (Continued)

- 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

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.

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

Public Employees Local Government Correctional Service Retirement Plan

2021 (Continued)

- 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.

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

Public Employees Local Government Correctional Service Retirement Plan

2018 (Continued)

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

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

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

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

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

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

2017

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

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

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

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

2016

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

- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

SUPPLEMENTARY INFORMATION

McLEOD COUNTY
GLENCOE, MINNESOTA

NONMAJOR GOVERNMENTAL FUND

DEBT SERVICE FUND

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT B-1

BUDGETARY COMPARISON SCHEDULE
DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2021

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,463,959	$ 1,463,959	$ 1,439,095	$ (24,864)
Intergovernmental	-	-	19,430	19,430
Total Revenues	**$ 1,463,959**	**$ 1,463,959**	**$ 1,458,525**	**$ (5,434)**
Expenditures				
Debt service				
Principal	$ 1,390,000	$ 1,390,000	$ 1,390,000	$ -
Interest	505,454	505,454	505,454	-
Total Expenditures	**$ 1,895,454**	**$ 1,895,454**	**$ 1,895,454**	**$ -**
Excess of Revenues Over (Under) Expenditures	**$ (431,495)**	**$ (431,495)**	**$ (436,929)**	**$ (5,434)**
Other Financing Sources (Uses)				
Transfers in	558,193	558,193	568,588	10,395
Net Change in Fund Balance	**$ 126,698**	**$ 126,698**	**$ 131,659**	**$ 4,961**
Fund Balance – January 1	**1,032,756**	**1,032,756**	**1,032,756**	**-**
Fund Balance – December 31	**$ 1,159,454**	**$ 1,159,454**	**$ 1,164,415**	**$ 4,961**

FIDICUARY FUNDS

McLEOD COUNTY
GLENCOE, MINNESOTA

CUSTODIAL FUNDS

The Forfeited Tax Fund accounts for proceeds from the sale of tax-forfeited land collected by the County to be distributed to local governments within the County. This fund had no activity for 2021.

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

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

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

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
DECEMBER 31, 2021

	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Total Custodial Funds
Assets				
Cash and pooled investments	$ 180,450	$ 453,500	$ 798,716	$ 1,432,666
Departmental cash	55,290	-	-	55,290
Taxes receivable for other governments	-	877,046	-	877,046
Accounts receivable	13,460	-	-	13,460
Due from other governments	28,908	-	40,346	69,254
Total Assets	**$ 278,108**	**$ 1,330,546**	**$ 839,062**	**$ 2,447,716**
Liabilities				
Accounts payable	$ -	$ -	$ 26,594	$ 26,594
Salaries payable	-	-	10,399	10,399
Accrued expenses	-	-	780	780
Due to other governments	235,740	453,500	1,717	690,957
Total Liabilities	**$ 235,740**	**$ 453,500**	**$ 39,490**	**$ 728,730**
Net Position				
Restricted for Individuals, organizations, and other governments	**$ 42,368**	**$ 877,046**	**$ 799,572**	**$ 1,718,986**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT C-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS – CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2021

	State Revenue	Taxes and Penalties	McLeod County Soil and Water Conservation District	Total Custodial Funds
Additions				
Contributions				
Individuals	$ -	$ -	$ 1,099	$ 1,099
Other governments	-	-	694,692	694,692
Property tax collections	1,865,024	39,499,810	-	41,364,834
Licenses and fees collected	372,727	-	-	372,727
Investment earnings	-	-	59	59
Total Additions	**$ 2,237,751**	**$ 39,499,810**	**$ 695,850**	**$ 42,433,411**
Deductions				
Payments for personnel and benefits	$ -	$ -	$ 368,351	$ 368,351
Payments of property tax to other entities	2,048,229	39,458,377	-	41,506,606
Payments to individuals and other entities	148,170	-	49,922	198,092
Administrative expense	-	-	27,666	27,666
Total Deductions	**$ 2,196,399**	**$ 39,458,377**	**$ 445,939**	**$ 42,100,715**
Change in net position	**$ 41,352**	**$ 41,433**	**$ 249,911**	**$ 332,696**
Net Position – January 1	**1,016**	**835,613**	**549,661**	**1,386,290**
Net Position – December 31	**$ 42,368**	**$ 877,046**	**$ 799,572**	**$ 1,718,986**

OTHER SCHEDULES

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Total Governmental Funds
Appropriations and Shared Revenue	
State	
Highway users tax	$ 5,335,938
LRIP	2,350,000
Market value credit	335,055
Market value credit – mobile home	1,973
PERA pension contribution	58,524
Disparity reduction aid	60,750
County program aid	2,058,400
Police aid	231,346
E-911	311,189
Riparian protection aid	80,691
Aquatic invasive species	75,314
Total appropriations and shared revenue	**$ 10,899,180**
Reimbursement for Services	
State	
Minnesota Department of Human Services	**$ 1,826,799**
Payments	
Local	
Payments in lieu of taxes	**$ 52,151**
Grants	
Local	
Highway	**$ 137,048**
State	
Minnesota Department/Board of	
Corrections	$ 88,210
Transportation	12,901
Health	199,876
Natural Resources	28,690
Human Services	1,426,561
Water and Soil Resources	22,000
Veterans Affairs	10,000
Pollution Control Agency	105,115
Total state	**$ 1,893,353**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2021

	Total Governmental Funds
Grants (Continued)	
Federal	
Department of	
Agriculture	$ 416,170
Transportation	1,336,869
Education	3,051
Health and Human Services	2,318,823
Total federal	**$ 4,074,913**
Total local, state, and federal grants	**$ 6,105,314**
Total Intergovernmental Revenue	**$ 18,883,444**

McLEOD COUNTY
GLENCOE, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	Not Provided	$ 143,648
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2514	202,541
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	212MN101S2520	10,771
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $213,312)			
Total U.S. Department of Agriculture			**$ 356,960**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	HSIP-4321 (216)	$ 55,598
Passed Through City of Glencoe, Minnesota			
Highway Safety Cluster		A-ENFRC21-2021-	
State and Community Highway Safety	20.600	GLENCOPD-027	1,271
Total U.S. Department of Transportation			**$ 56,869**
U.S. Department of Education			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Special Education – Grants for Infants and Families	84.181	Not Provided	**$ 3,051**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPSS	$ 9,762
Temporary Assistance for Needy Families	93.558	2101MNTANF	200,777
(Total Temporary Assistance for Needy Families 93.558 $235,394)			
Child Support Enforcement	93.563	2001MNCEST	383,706
Child Support Enforcement	93.563	2101MNCSES	128,641
(Total Child Support Enforcement 93.563 $512,347)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2101MNRCMA	421
CCDF Cluster			
Child Care and Development Block Grant	93.575	2101MNCCDF	9,181
Community-Based Child Abuse Prevention Grants	93.590	1901MNBCAP	6,370
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWSS	5,819
COVID-19 – Stephanie Tubbs Jones Child Welfare Services Program	93.645	2001MNCWC3	3,223
(Total Stephanie Tubbs Jones Child Welfare Services Program 93.645 $9,042)			

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Foster Care – Title IV-E	93.658	2101MNFOST	249,567
Social Services Block Grant	93.667	2101MNSOSR	192,496
Children's Health Insurance Program	93.767	2105MN5021	981
Medicaid Cluster			
Medical Assistance Program	93.778	2105MN5ADM	879,316
Medical Assistance Program	93.778	2105MN5MAP	22,395
(Total Medical Assistance Program 93.778 $901,711)			
Passed Through Meeker-McLeod-Sibley Community Health Services			
Early Hearing Detection and Intervention	93.251	Not Provided	1,925
COVID-19 – Immunization Cooperative Agreements	93.268	Not Provided	88,883
COVID-19 – Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Not Provided	81,965
Temporary Assistance for Needy Families	93.558	Not Provided	34,617
(Total Temporary Assistance for Needy Families 93.558 $235,394)			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	Not Provided	22,827
Maternal and Child Health Services Block Grant to the States	93.994	Not Provided	47,790
Total U.S. Department of Health and Human Services			**$ 2,370,662**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2021-MCLEODCO-047	**$ 11,193**
Total Federal Awards			**$ 2,798,735**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 213,312
Total expenditures for Highway Planning and Construction Cluster	55,598
Total expenditures for Highway Safety Cluster	1,271
Total expenditures for CCDF Cluster	9,181
Total expenditures for Medicaid Cluster	901,711

McLeod County did not pass any federal awards through to subrecipients during the year ended December 31, 2021.

McLEOD COUNTY
GLENCOE, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021

1. Summary of Significant Accounting Policies

   A. Reporting Entity

   The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by McLeod County. The County's reporting entity is defined in Note 1 to the financial statements. The schedule does not include $658,554 in federal awards expended by the McLeod County Housing and Redevelopment Authority component unit. The component unit is legally separate from the primary government and expended less than $750,000 of federal awards for the year ended June 30, 2021; therefore, 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).

   B. Basis of Presentation

   The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of McLeod County under programs of the federal government for the year ended December 31, 2021. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of McLeod County, it is not intended to and does not present the financial position, changes in net position, or cash flows of McLeod County.

   Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. De Minimis Cost Rate

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

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 4,074,913
Grants received more than 60 days after year-end, unavailable in 2021	
Promoting Safe and Stable Families	607
Temporary Assistance for Needy Families	112,443
Community-Based Child Abuse Prevention Grants	2,704
Stephanie Tubbs Jones Child Welfare Services Program	2,994
Children's Health Insurance Program	680
Medical Assistance Program	132
Emergency Management Performance Grants	11,193
Unavailable in 2020, recognized as revenue in 2021	
Special Supplemental Nutrition Program for Women, Infants, and Children	(59,210)
Highway Planning and Construction	(1,280,000)
Promoting Safe and Stable Families	(907)
Temporary Assistance for Needy Families	(58,444)
Stephanie Tubbs Jones Child Welfare Services Program	(2,577)
Block Grants for Prevention and Treatment of Substance Abuse	(5,793)
Expenditures Per Schedule of Expenditures of Federal Awards	$ 2,798,735

MANAGEMENT AND COMPLIANCE SECTION

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
McLeod County
Glencoe, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of McLeod County, Minnesota, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 11, 2023. Our report includes a reference to other auditors who audited the financial statements of the McLeod County Housing and Redevelopment Authority, the discretely presented component unit, for the year ended June 30, 2021, 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 a deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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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 2021-005 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 2021-001 through 2021-004 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 practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

McLeod County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

April 11, 2023

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

Board of County Commissioners
McLeod County
Glencoe, Minnesota

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited McLeod County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of McLeod County's major federal programs for the year ended December 31, 2021. McLeod County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, McLeod County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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Other Matter – Federal Expenditures Not Included in the Compliance Audit

McLeod County's basic financial statements include the operations of the McLeod County Housing and Redevelopment Authority (HRA) component unit, which expended $658,554 in federal awards which are not included in McLeod County's Schedule of Expenditures of Federal Awards during the year ended December 31, 2021. Our compliance audit, described in the Opinion on Each Major Federal Program section, does not include the operations of the McLeod County HRA component unit because the component unit is legally separate from the primary government, and because it expended less than $750,000 of federal awards for the year ended June 30, 2021, it was not subject to Uniform Guidance audit requirements.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding McLeod County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances; and

- obtain an understanding of McLeod County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of McLeod County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-006. 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 finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. McLeod County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-006 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 finding identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. McLeod County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

April 11, 2023

McLEOD COUNTY
GLENCOE, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over major programs:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

The major federal programs are:

Assistance Listing Number	Name of Federal Program or Cluster
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
93.563	Child Support Enforcement
93.778	Medicaid Cluster

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

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

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

2021-001 Accounting Policies and Procedures
Prior Year Finding Number: 2020-001
Repeat Finding Since: 1999
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

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

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

Context: Written policies and procedures over significant financial operations help in providing consistency over time and guidance to new officials and staff. The County implemented a new payroll processing system at the beginning of 2022.

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

Cause: The County has developed many policies and procedures relating to other transaction cycles but has not had the time to complete the documentation. The County informed us that it was waiting to complete the documentation and update of its accounting policies and procedures until after the new payroll processing system and a paperless accounts payable policy were implemented.

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

View of Responsible Official: Concur

2021-002 Monitoring Internal Controls
Prior Year Finding Number: 2020-002
Repeat Finding Since: 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 internal controls for each transaction cycle/account balance, monitoring those controls on a regular basis, and documenting the monitoring activity performed.

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

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

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

Cause: The County has limited time and resources.

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

View of Responsible Official: Concur

2021-003 Credit Card Procedures
Prior Year Finding Number: 2020-003
Repeat Finding Since: 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 a credit card policy, which is further detailed in a Purchasing Card (P-Card) Program Procedures Manual, including management and internal control procedures. Internal control procedures over the use of credit cards include a system for tracking all credit cards issued by the County as well as requiring all employees who have been issued a County credit card to sign a Purchasing Card Cardholder Agreement form acknowledging they have read the credit card policy. In addition, the County's Credit Card Policy requires departments wishing to obtain a credit card to complete a Request for Credit Card form. County Board approval is necessary for a department to obtain a credit card.

Condition: The County is not ensuring procedures are being followed requiring employees with a County credit card to be properly trained, as well as obtaining County Board approval over the use of credit cards.

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

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

Cause: The Finance Department is not enforcing the County's credit card policy by not requiring departments to return completed documents supporting proper training of employees and County Board approval over the use of credit cards.

Recommendation: We recommend the County follow the Board-approved credit card policy and ensure that all individuals who have been issued a County credit card have a signed Purchasing Card Cardholder Agreement form on file, as well as a signed Request for Credit Card form for departments authorized to use credit cards.

View of Responsible Official: Concur

2021-004 Segregation of Duties
Prior Year Finding Number: 2020-004
Repeat Finding Since: 2020
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

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

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

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

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

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

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

View of Responsible Official: Acknowledge

2021-005 Material Audit Adjustment
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
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 a combination of deficiencies, in internal control 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.

Condition: A material audit adjustment was identified that resulted in significant changes to the County's financial statements.

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

Effect: The following audit adjustment was reviewed and approved by management and is reflected in the financial statements:

- the Human Services Fund due from other governments, intertgovernmental revenue, and miscellaneous revenue increased by $587,410, $568,525, and $18,885, respectively, to record receivables not included on the trial balance.

Cause: This activity was overlooked by staff when financial statements were prepared.

Recommendation: We recommend the County implement additional procedures over financial reporting that include a comprehensive review of balances, disclosures, and supporting documentation by a qualified individual to ensure the information is complete and accurate so the County's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

2021-006 Procurement
Prior Year Finding Number: 2020-008
Repeat Finding Since: 2020
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Significant Deficiency and Other Matter

Federal Agency: U.S. Department of Health and Human Services
Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program
Award Number and Year: 212MN101S2514, 212MN101S2520; 2021

Pass-Through Agency: Minnesota Department of Human Services

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. In addition, Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. Lastly, federal regulations provided in Title 2 U.S. *Code of Federal Regulations* § 200.318(i) state that the non-federal entity must maintain records sufficient to detail the history of procurement.

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.

Questioned Costs: None.

Context: This issue was discovered during the audit of the State Administrative Matching Grants for the Supplemental Nutrition Assistance Program; however, it impacts federal programs entity-wide. Written policies and procedures that reflect the specific components of federal regulations improve controls to help ensure compliance with federal award requirements. The contract noted above was purchased through the State of Minnesota's cooperative purchasing venture.

The sample size was based on the guidance from chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Written policies and procedures that are not updated to reflect the Uniform Guidance procurement requirements increase the risk of noncompliance with federal program requirements. Not documenting the history of procurement is not in compliance with Title 2 U.S. *Code of Federal Regulations* § 200.318(i).

Cause: The County did not update its procurement policies for the Uniform Guidance. In addition, we were informed that the County considers price, availability, and other services when making technology purchases through the State of Minnesota's cooperative purchasing venture; however, this consideration is not documented.

Recommendation: We recommend the County include the specific components of Title 2 U.S. *Code of Federal Regulations* § 200.318 requirements in its written procurement policies and procedures. We also recommend the County document the history of procurement when purchasing through the State of Minnesota's cooperative purchasing venture.

View of Responsible Official: Acknowledge

IV. OTHER FINDINGS AND RECOMMENDATIONS

2021-007 Ditch Fund Balance Deficits
Prior Year Finding Number: 2020-011
Repeat Finding Since: 2009
Type of Finding: Management Practices

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

Condition: As of December 31, 2021, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balances.

Context: Twenty-two of the 63 individual ditch systems had deficit unassigned fund balances as of December 31, 2021, totaling $1,327,383, the largest being $352,450. Negative ditch fund balances are not unusual.

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

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

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

View of Responsible Official: Acknowledge

REPRESENTATION OF McLEOD COUNTY
GLENCOE, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2021-001
Finding Title: Accounting Policies and Procedures

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

McLeod County has staff actively working on drafting these policies and procedures. A new payroll software implementation began in January 2022, and a new Payroll Policy and Procedures was approved in August of 2022 by the McLeod County Board of Commissioners. McLeod County anticipates updating the accounts payable policy in coordination with the implementation of a paperless accounts payable system by June 30, 2023.

Finding Number: 2021-002
Finding Title: Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action:

Sheila Murphy, County Administrator

Corrective Action Planned:

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

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Anticipated Completion Date:

The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources. McLeod County Finance and Administration staff will be drafting a policy and procedure for audit sampling for review and approval by The McLeod County Board of Commissioners, for completion and recommendation of approval by September 30, 2023.

Finding Number: 2021-003
Finding Title: Credit Card Procedures

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

McLeod County will have this completed by June 30, 2023. McLeod County is working on updating its policy and procedures for credit cards to make it more efficient and assure compliance. The updated policy and procedure will be submitted to the Board of Commissioners for McLeod County for review and approval by June 30, 2023.

Finding Number: 2021-004
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

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Anticipated Completion Date:

McLeod County will resolve this issue by June 30, 2023.

Finding Number: 2021-005
Finding Title: Material Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

The Finance Director will work with the Human Services Fiscal Officer to ensure that all receivable revenue is recorded.

Anticipated Completion Date:

McLeod County will resolve this issue by April 1, 2023.

Finding Number: 2021-006
Finding Title: Procurement
Program: 10.561 State Administrative Matching Grants for the Supplemental Nutrition Assistance Program

Name of Contact Person Responsible for Corrective Action:

Colleen Robeck, Finance Director

Corrective Action Planned:

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

Anticipated Completion Date:

McLeod County will resolve this issue by August 31, 2023.

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Finding Number: 2021-007
Finding Title: Ditch Fund Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Connie Kurtzweg, Auditor-Treasurer

Corrective Action Planned:

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

Anticipated Completion Date:

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

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REPRESENTATION OF McLEOD COUNTY
GLENCOE, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021

Finding Number: 2020-001
Year of Finding Origination: 1999
Finding Title: Accounting Policies and Procedures

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

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

Status: Partially Corrected. McLeod County implemented a new payroll software system beginning January 1, 2022, and adopted a new payroll policy and procedure as of August, 2022. This part of the audit finding has been corrected.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No __X__

Finding Number: 2020-002
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 documented the significant internal controls, performed monitoring of those controls on a regular basis, or documented the monitoring activity.

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

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Status: Not Corrected. The McLeod County Administrator continues to assess and monitor the internal controls periodically throughout the year with limited time and resources. McLeod County Finance and Administration staff will be drafting a policy and procedure for audit sampling for review and approval by the McLeod County Board of Commissioners, for completion and recommendation of approval by September 30, 2023.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-003
Year of Finding Origination: 2016
Finding Title: Credit Card Procedures

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

Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of following the credit card policy and ensuring that all individuals who have been issued a County credit card be tracked by the County Administrator's Office. New agreement forms will be sent to the departments that need to be updated. McLeod County will revise the procedures to be less cumbersome.

Status: Not Corrected. McLeod County is working on updating its policy and procedures for credit cards to make it more efficient and assure compliance. The updated policy and procedure will be submitted to the Board of Commissioners for McLeod County for review and approval by June 30, 2023.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-004
Year of Finding Origination: 2020
Finding Title: Segregation of Duties

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

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

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Status: Not Corrected. McLeod County has a plan for corrective action, through adjusted internal controls and methods which will be implemented by June 30, 2023.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-005
Year of Finding Origination: 2020
Finding Title: Bank Reconciliations

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

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

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 bank reconciliations are done on a monthly basis. All bank reconciliations are typically completed on a regular basis; some accounts were reviewed on a quarterly basis if they had low activity, this will be resolved by performing monthly reconciliations for all accounts.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-006
Year of Finding Origination: 2020
Finding Title: Professional Services Contract

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

Summary of Corrective Action Previously Reported: McLeod County recognizes the importance of compliance with our purchasing policy and Minnesota Statutes to obtain proposals for contracted services. This was a unique situation with limited time to spend COVID-19 funding and had approval from the Board of Commissioners to hire this service for accounting of the Coronavirus Relief Funds. All decisions

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were made in good faith, and made upon directive available at the time of funding with short distribution deadlines. McLeod County will follow policy and Minnesota Statutes for service contracts going forward in all situations.

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-007
Year of Finding Origination: 2020
Finding Title: System Access

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

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

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-008
Year of Finding Origination: 2020
Finding Title: Procurement Policy
Program: Highway Planning and Construction (Assistance Listing No. 20.205)

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.

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.

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Status: Not Corrected. McLeod County is actively working on a revised procurement policy to resolve this audit finding and will have it completed by September 30, 2023.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

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

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

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

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

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

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Finding Number: 2020-010
Year of Finding Origination: 2020
Finding Title: Administration of COVID-19 Federal Funds

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

- The County paid $54,400 to the CPA firm for "professional services rendered." The outside CPA firm's invoice to the County was not itemized to detail the specific services provided or the hourly rate charged.

- Checks from the bank account were signed by the County Administrator.

- The activity of the federal funds was not all recorded in the County's general ledger.

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

Status: Fully Corrected. Corrective action was taken.
Was corrective action taken significantly different than the action previously reported?
Yes _____ No X

Finding Number: 2020-011
Year of Finding Origination: 2009
Finding Title: Ditch Fund Balance Deficits

Summary of Condition: As of December 31, 2020, the County had individual ditch systems where liabilities and deferred inflows of resources exceeded assets, resulting in individual deficit fund balances.

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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. McLeod County has attempted to bring all ditch systems to a positive balance, including Board of Commissioners' action to approve loans from the General Fund to maintain a positive cash balance for individual ditches and the levying of special assessments for ditch cost repairs. However, the levy, at times, is spread out over several years to keep the repayment cost down for the landowners. Also, after assessments have been levied for the year, some ditches have required emergency repairs critical to the drainage system.

Was corrective action taken significantly different than the action previously reported?
Yes _____ No __X__

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