# Steele County

Financial Statements and
Supplementary Information

December 31, 2025

## Steele County

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# Independent Auditors' Report

To the County Board of Commissioners of
Steele County

**Report on the Audit of the Financial Statements**

***Opinions***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Steele County, Minnesota (the County), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the reports 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 business-type activities, each major fund and the aggregate remaining fund information of the County as of December 31, 2025 and the respective changes in financial position and, where applicable, cash flows 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 Minnesota Prairie County Alliance and South Country Health Alliance, in which Steele County has equity interests. Such equity interests represent 7.3%, 7.9% and 0.8%, respectively, of the assets, net position and revenue of Steele County's governmental activities. The statements for South Country Health Alliance were prepared in accordance with the financial reporting provisions of the Department of Health of the State of Minnesota. We have applied audit procedures on the conversion adjustments to the financial statements of South Country Health Alliance, which conform those financial statements to accounting principles generally accepted in the United States of America. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Minnesota Prairie County Alliance and South Country Health Alliance (prior to conversion adjustments) are based solely on the reports of the other auditors.

***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards).* Our responsibilities under those standards are further described in the Auditors' 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. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards.*

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

***Responsibilities of Management for the Financial Statements***

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

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

***Auditors' 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 auditors' 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 GAAS 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 GAAS 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.
- 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 required supplementary information, as listed in the table of contents 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, 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. Our opinions on the basic financial statements are not affected by this missing information.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 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 September 3, 2026 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.

Baker Tilly US, LLP

Eau Claire, Wisconsin
September 3, 2026

# BASIC FINANCIAL STATEMENTS

**Steele County**
Statement of Net Position
December 31, 2025

| | Governmental Activities | Business-Type Activities | Total |
|---|---|---|---|
| **Assets and Deferred Outflows of Resources** | | | |
| **Assets** | | | |
| Cash and investments | $ 63,483,687 | $ 2,318,002 | $ 65,801,689 |
| Taxes receivable | 403,648 | - | 403,648 |
| Special assessments receivable | 414,543 | - | 414,543 |
| Accounts receivable | 230,243 | 137,850 | 368,093 |
| Loans receivable | 113,821 | - | 113,821 |
| Leases receivable | 12,694 | 5,368 | 18,062 |
| Interest receivable | 393,264 | - | 393,264 |
| Due from other governmental units | 13,202,859 | 23 | 13,202,882 |
| Inventories and prepaid items | 429,789 | 1,102 | 430,891 |
| Restricted cash and investments | - | 3,081,315 | 3,081,315 |
| Net pension asset | 628,950 | - | 628,950 |
| Capital assets: | | | |
| Construction in progress | 3,641,719 | 3,280,529 | 6,922,248 |
| Land and right of way | 4,962,580 | 451,250 | 5,413,830 |
| Other capital assets, net of depreciation/amortization | 115,680,525 | 2,487,869 | 118,168,394 |
| Investment in joint ventures | 15,956,050 | - | 15,956,050 |
| Total assets | 219,554,372 | 11,763,308 | 231,317,680 |
| **Deferred Outflows of Resources** | | | |
| Other postemployment benefit related amounts | 293,727 | 7,206 | 300,933 |
| Pension related amounts | 3,684,041 | 19,546 | 3,703,587 |
| Total deferred outflows of resources | 3,977,768 | 26,752 | 4,004,520 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | | | |
| **Liabilities** | | | |
| Accounts payable | 655,735 | 550,874 | 1,206,609 |
| Accrued liabilities and deposits | 965,289 | 22,593 | 987,882 |
| Due to other governments | 322,833 | 16,796 | 339,629 |
| Unearned revenues | 7,225 | - | 7,225 |
| Noncurrent liabilities: | | | |
| Due within one year | 2,310,345 | 27,646 | 2,337,991 |
| Due in more than one year | 3,437,066 | 3,103,227 | 6,540,293 |
| Net pension liability | 6,035,194 | 145,795 | 6,180,989 |
| OPEB liability | 893,201 | 21,917 | 915,118 |
| Lease liabilities, due within one year | 148,712 | - | 148,712 |
| Subscription liabilities, due within one year | 333,441 | - | 333,441 |
| Lease liabilities, due in more than one year | 391,681 | - | 391,681 |
| Subscription liabilities, due in more than one year | 64,947 | - | 64,947 |
| Total liabilities | 15,565,669 | 3,888,848 | 19,454,517 |
| **Deferred Inflows of Resources** | | | |
| Unearned revenues | 184,174 | 5,004 | 189,178 |
| Other postemployment benefit related amounts | 216,333 | 5,308 | 221,641 |
| Pension related amounts | 6,802,939 | 75,167 | 6,878,106 |
| Total deferred inflows of resources | 7,203,446 | 85,479 | 7,288,925 |
| **Net Position** | | | |
| Net investment in capital assets | 119,102,369 | 6,219,648 | 125,322,017 |
| Restricted for: | | | |
| General government | 141,421 | - | 141,421 |
| Recorder equipment | 230,672 | - | 230,672 |
| Public safety | 596,591 | - | 596,591 |
| Health | 506,487 | - | 506,487 |
| Highways and streets | 26,886,793 | - | 26,886,793 |
| Conservation of natural resources | 179,111 | - | 179,111 |
| Affordable housing | 468,014 | - | 468,014 |
| Debt service | 1,333,690 | - | 1,333,690 |
| Ditch | 833,472 | - | 833,472 |
| Pension | 628,950 | - | 628,950 |
| Unrestricted | 49,855,455 | 1,596,085 | 51,451,540 |
| Total net position | $ 200,763,025 | $ 7,815,733 | $ 208,578,758 |

*See notes to financial statements*

## Steele County

Statement of Activities
Year Ended December 31, 2025

| Functions/Programs | Expenses | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|---|---|---|---|---|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-Type Activity | Total |
| **Governmental Activities** | | | | | | | |
| General government | $ 10,926,638 | $ 1,649,627 | $ 388,375 | $ 855,717 | $ (8,032,919) | $ - | $ (8,032,919) |
| Public safety | 12,093,051 | 1,712,562 | 395,463 | - | (9,985,026) | - | (9,985,026) |
| Public works | 10,813,612 | 1,235,332 | 3,796,757 | 7,057,770 | 1,276,247 | - | 1,276,247 |
| Sanitation | 992,051 | 945,730 | 202,891 | - | 156,570 | - | 156,570 |
| Health and human services | 10,047,822 | 1,176,503 | 2,342,267 | - | (6,529,052) | - | (6,529,052) |
| Culture, recreation and education | 1,257,840 | 21,562 | - | - | (1,236,278) | - | (1,236,278) |
| Conservation and development | 886,554 | 238,622 | - | - | (647,932) | - | (647,932) |
| Interest and fiscal charges | 125,594 | - | - | - | (125,594) | - | (125,594) |
| Total governmental activities | 47,143,162 | 6,979,938 | 7,125,753 | 7,913,487 | (25,123,984) | - | (25,123,984) |
| **Business-Type Activity** | | | | | | | |
| Solid waste | 2,036,221 | 1,788,430 | - | - | - | (247,791) | (247,791) |
| Total business-type activity | 2,036,221 | 1,788,430 | - | - | - | (247,791) | (247,791) |
| Total primary government | $ 49,179,383 | $ 8,768,368 | $ 7,125,753 | $ 7,913,487 | (25,123,984) | (247,791) | (25,371,775) |
| **General Revenues** | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | 29,156,236 | - | 29,156,236 |
| Property taxes, levied for debt service | | | | | 1,032,064 | - | 1,032,064 |
| Other taxes | | | | | 4,704,568 | - | 4,704,568 |
| Intergovernmental revenues not restricted to specific programs | | | | | 4,510,277 | - | 4,510,277 |
| Gifts and contributions | | | | | 99,356 | - | 99,356 |
| Investment income | | | | | 4,046,933 | 30,698 | 4,077,631 |
| Gain on disposal of capital assets | | | | | 194,742 | - | 194,742 |
| Miscellaneous | | | | | 1,717,758 | 25,368 | 1,743,126 |
| Total general revenues | | | | | 45,461,934 | 56,066 | 45,518,000 |
| Change in net position | | | | | 20,337,950 | (191,725) | 20,146,225 |
| **Net Position, Beginning** | | | | | 180,425,075 | 8,007,458 | 188,432,533 |
| **Net Position, Ending** | | | | | $ 200,763,025 | $ 7,815,733 | $ 208,578,758 |

*See notes to financial statements*

## Steele County

Balance Sheet -
Governmental Funds
December 31, 2025

| | General Fund | Special Revenue: Road and Bridge | Special Revenue: Ditch | Special Revenue: Opioid Settlement | Special Revenue: Homelessness & Housing | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and investments | $ 33,806,204 | $ 24,889,837 | $ 837,737 | $ 502,573 | $ 468,014 | $ 1,319,833 | $ 1,659,489 | $ 63,483,687 |
| Receivables: | | | | | | | | |
| Taxes | 337,260 | 36,460 | - | - | - | 19,938 | 9,990 | 403,648 |
| Special assessments | 58,686 | - | 355,857 | - | - | - | - | 414,543 |
| Accounts | 230,243 | - | - | - | - | - | - | 230,243 |
| Leases | - | 12,694 | - | - | - | - | - | 12,694 |
| Loans | 113,821 | - | - | - | - | - | - | 113,821 |
| Interest | 393,264 | - | - | - | - | - | - | 393,264 |
| Due from other governments | 256,551 | 12,939,822 | 6,486 | - | - | - | - | 13,202,859 |
| Inventories and prepaid items | 266,261 | 148,769 | - | - | - | - | 14,759 | 429,789 |
| Advances to other funds | 264,633 | - | - | - | - | - | - | 264,633 |
| Total assets | $ 35,726,923 | $ 38,027,582 | $ 1,200,080 | $ 502,573 | $ 468,014 | $ 1,339,771 | $ 1,684,238 | $ 78,949,181 |
| **Liabilities, Deferred Inflows of Resources and Fund Balances** | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Accounts payable | $ 194,906 | $ 52,758 | $ 1,523 | $ - | $ - | $ 1,750 | $ 21,678 | $ 272,615 |
| Construction contracts payable | 77,237 | 200,771 | - | - | - | - | 105,112 | 383,120 |
| Accrued liabilities and deposits | 897,535 | 63,422 | - | - | - | - | - | 960,957 |
| Due to other governments | 86,857 | 135,524 | 100,452 | - | - | - | - | 322,833 |
| Advances from other funds | - | - | 264,633 | - | - | - | - | 264,633 |
| Unearned revenues | 7,225 | - | - | - | - | - | - | 7,225 |
| Total liabilities | 1,263,760 | 452,475 | 366,608 | - | - | 1,750 | 126,790 | 2,211,383 |
| **Deferred Inflows of Resources** | | | | | | | | |
| Unearned revenues | 172,167 | 12,007 | - | - | - | - | - | 184,174 |
| Unavailable revenues | 356,028 | 12,266,095 | 359,100 | - | - | 16,868 | 7,371 | 13,005,462 |
| Total deferred inflows of resources | 528,195 | 12,278,102 | 359,100 | - | - | 16,868 | 7,371 | 13,189,636 |
| **Fund Balances** | | | | | | | | |
| Nonspendable | 620,846 | 148,769 | - | - | - | - | 14,759 | 784,374 |
| Restricted | 1,149,504 | 14,650,098 | 474,372 | 502,573 | 468,014 | 1,321,153 | - | 18,565,714 |
| Committed | 587,597 | 510,991 | - | - | - | - | - | 1,098,588 |
| Assigned | 1,473,104 | 9,987,147 | - | - | - | - | 1,535,318 | 12,995,569 |
| Unassigned | 30,103,917 | - | - | - | - | - | - | 30,103,917 |
| Total fund balances | 33,934,968 | 25,297,005 | 474,372 | 502,573 | 468,014 | 1,321,153 | 1,550,077 | 63,548,162 |
| Total liabilities, deferred inflows of resources and fund balances | $ 35,726,923 | $ 38,027,582 | $ 1,200,080 | $ 502,573 | $ 468,014 | $ 1,339,771 | $ 1,684,238 | $ 78,949,181 |

*See notes to financial statements*

## Steele County

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

| | | |
|---|---|---|
| **Total Fund Balance, Governmental Funds** | | $ 63,548,162 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in government activities are not financial resources and, therefore, are not reported in the fund statements. See Note 2. | | 124,284,824 |
| Delinquent taxes, special assessments and certain accounts receivable are reported as unavailable revenue in the fund financial statements and are recognized as revenue when earned in the government-wide financial statements See Note 2. | | 13,005,462 |
| Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. These amounts are the net effect of these differences: | | |
| (Premium)/discount on debt | | (148,562) |
| The net pension asset does not relate to current financial resources and is not reported in the governmental funds. | | 628,950 |
| Some deferred outflows of resources do not relate to current financial resources and are not reported in the governmental funds. | | |
| Deferred outflows, pension related amounts | | 3,684,041 |
| Deferred outflows, OPEB related amounts | | 293,727 |
| Some deferred inflows of resources do not relate to current financial resources and are not reported in the governmental funds. | | |
| Deferred inflows, pension related amounts | | (6,802,939) |
| Deferred inflows, OPEB related amounts | | (216,333) |
| Investments in joint ventures are not financial resources and, therefore, are not reported in the funds. | | 15,956,050 |
| Long-term liabilities, including bonds and notes payable, are not due in the current period and, therefore, are not reported in the fund statements. | | |
| Long-term liabilities at year end consist of: | | |
| General obligation bonds payable | $ (3,990,000) | |
| Accrued interest on debt | (4,332) | |
| Lease liabilities | (540,393) | |
| Subscription liabilities | (398,388) | |
| Net pension liability | (6,035,194) | |
| Other postemployment benefits liability | (893,201) | |
| Compensated absences | (1,608,849) | (13,470,357) |
| **Total Net Position, Governmental Activities** | | $ 200,763,025 |

*See notes to financial statements*

**Steele County**

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2025

| | General Fund | Special Revenue: Road and Bridge | Special Revenue: Ditch | Special Revenue: Opioid Settlement | Special Revenue: Homelessness & Housing | Debt Service | Capital Projects | Total Governmental Funds |
|---|---|---|---|---|---|---|---|---|
| **Revenues** | | | | | | | | |
| Property taxes | $ 25,724,370 | $ 2,531,075 | $ - | $ - | $ - | $ 1,032,064 | $ 999,340 | $ 30,286,849 |
| Other taxes | 53,554 | 4,516,094 | - | - | - | - | - | 4,569,648 |
| Special assessments | - | - | 271,647 | - | - | - | - | 271,647 |
| Intergovernmental | 6,099,076 | 6,218,755 | - | - | 198,434 | 108,656 | 2,194,953 | 14,819,874 |
| Licenses and permits | 255,046 | 7,200 | - | - | - | - | - | 262,246 |
| Fines and forfeitures | 2,620 | - | - | - | - | - | - | 2,620 |
| Public charges for services | 3,970,411 | 1,215,264 | - | - | - | - | - | 5,185,675 |
| Investment income (including unrealized losses) | 4,039,269 | 648 | 8,137 | - | 11,958 | - | - | 4,060,012 |
| Miscellaneous | 2,128,851 | 8,524 | - | 87,972 | - | - | 266,535 | 2,491,882 |
| Total revenues | 42,273,197 | 14,497,560 | 279,784 | 87,972 | 210,392 | 1,140,720 | 3,460,828 | 61,950,453 |
| **Expenditures** | | | | | | | | |
| Current: | | | | | | | | |
| General government | 10,265,182 | - | - | - | - | - | - | 10,265,182 |
| Public safety | 12,517,878 | - | - | - | - | - | - | 12,517,878 |
| Public works | - | 7,211,634 | - | - | - | - | - | 7,211,634 |
| Health and human services | 10,067,167 | - | - | 55,782 | 128,000 | - | - | 10,250,949 |
| Sanitation | 992,051 | - | - | - | - | - | - | 992,051 |
| Culture, recreation and education | 1,115,693 | - | - | - | - | - | - | 1,115,693 |
| Conservation and development | 576,972 | - | 313,756 | - | - | - | - | 890,728 |
| Capital outlay | 410,742 | 922,168 | - | - | - | - | 7,532,948 | 8,865,858 |
| Debt service: | | | | | | | | |
| Principal retirement | 478,790 | 1,688 | - | - | - | 945,000 | - | 1,425,478 |
| Interest and fiscal charges | 36,628 | 62 | - | - | - | 146,950 | - | 183,640 |
| Total expenditures | 36,461,103 | 8,135,552 | 313,756 | 55,782 | 128,000 | 1,091,950 | 7,532,948 | 53,719,091 |
| Excess (deficiency) of revenues over expenditures | 5,812,094 | 6,362,008 | (33,972) | 32,190 | 82,392 | 48,770 | (4,072,120) | 8,231,362 |
| **Other Financing Sources (Uses)** | | | | | | | | |
| Leases issued | 271,651 | - | - | - | - | - | - | 271,651 |
| Transfers in | 4,761 | - | - | - | - | - | 1,828,570 | 1,833,331 |
| Transfers out | (1,828,570) | - | - | (4,761) | - | - | - | (1,833,331) |
| Proceeds from sale of capital assets | - | 167,483 | - | - | - | - | 27,259 | 194,742 |
| Total other financing sources (uses) | (1,552,158) | 167,483 | - | (4,761) | - | - | 1,855,829 | 466,393 |
| Net change in fund balances | 4,259,936 | 6,529,491 | (33,972) | 27,429 | 82,392 | 48,770 | (2,216,291) | 8,697,755 |
| **Fund Balances, Beginning** | 29,675,032 | 18,809,248 | 508,344 | 475,144 | 385,622 | 1,272,383 | 3,766,368 | 54,892,141 |
| Change in inventories | - | (41,734) | - | - | - | - | - | (41,734) |
| **Fund Balances, Ending** | $ 33,934,968 | $ 25,297,005 | $ 474,372 | $ 502,573 | $ 468,014 | $ 1,321,153 | $ 1,550,077 | $ 63,548,162 |

*See notes to financial statements*

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

| | |
|---|---|
| **Net Change in Fund Balances, Total Governmental Funds** | $ 8,697,755 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. The following differ in their presentation in the two statements: | |
| Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements. | 8,865,858 |
| Some items reported as capital outlay were not capitalized | (73,956) |
| Current expenditures capitalized in the government-wide statements | 2,168,685 |
| Depreciation/amortization is reported in the government-wide statements | (8,455,179) |
| Net book value of assets disposed of | (128,043) |
| Delinquent taxes, special assessments and certain accounts receivable are reported as unavailable revenue in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. This is the amount recognized as revenue on the fund statement that was recognized in the government-wide statement in prior years. | 4,783,335 |
| Debt issued provides current financial resources to governmental funds, but issuing debt increases 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. | |
| Leases issued | (271,651) |
| Principal payments | 945,000 |
| Leases paid | 161,323 |
| Subscriptions paid | 323,610 |
| The change in inventory is reported as a change in fund balance in the fund financial statements, but is an (increase)/reduction in expense in the government-wide statements. | (41,734) |
| Governmental funds report the effect of debt premiums when debt is issued, where as these amounts are reported as deferred inflows of resources and amortized in the Statement of Activities. | |
| Debt premium | 56,501 |
| Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. These amounts are for the following: | |
| Compensated absences | 160,766 |
| Accrued interest on debt | 1,545 |
| Net pension liability/asset (and pension related deferred outflows/inflows of resources) | 2,589,879 |
| Other postemployment benefit liability (and related deferred outflows/inflows of resources) | 1,676 |
| The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides or uses current financial resources are not reported in the fund statements. | 552,580 |
| **Change in Net Position of Governmental Activities** | $ 20,337,950 |

*See notes to financial statements*

## Steele County

Statement of Net Position -
Enterprise Fund
December 31, 2025

| | Solid Waste |
|---|---|
| **Assets and Deferred Outflows of Resources** | |
| **Current Assets** | |
| Cash and investments | $ 2,318,002 |
| Accounts receivable | 137,850 |
| Lease receivable | 5,368 |
| Due from other governments | 23 |
| Inventories | 1,102 |
| Total current assets | 2,462,345 |
| **Noncurrent Assets** | |
| Restricted cash and investments | 3,081,315 |
| Capital assets: | |
| Construction in progress | 3,280,529 |
| Land and right of way | 451,250 |
| Property and equipment | 13,046,911 |
| Accumulated depreciation | (10,559,042) |
| Total noncurrent assets | 9,300,963 |
| Total assets | 11,763,308 |
| **Deferred Outflows of Resources** | |
| OPEB related amounts | 7,206 |
| Pension related amounts | 19,546 |
| Total deferred outflows of resources | 26,752 |
| **Liabilities, Deferred Inflows of Resources and Net Position** | |
| **Current Liabilities** | |
| Accounts payable | 550,874 |
| Accrued expenses and deposits | 22,593 |
| Due to other governments | 16,796 |
| Current portion of compensated absences | 27,646 |
| Total current liabilities | 617,909 |
| **Noncurrent Liabilities** | |
| Compensated absences | 5,662 |
| OPEB liability | 21,917 |
| Net pension liability | 145,795 |
| Landfill long-term care costs | 3,097,565 |
| Total noncurrent liabilities | 3,270,939 |
| Total liabilities | 3,888,848 |
| **Deferred Inflows of Resources** | |
| OPEB related amounts | 5,308 |
| Pension related amounts | 75,167 |
| Lease related amounts | 5,004 |
| Total deferred inflows of resources | 85,479 |
| **Net Position** | |
| Net investment in capital assets | 6,219,648 |
| Unrestricted | 1,596,085 |
| Total net position | $ 7,815,733 |

*See notes to financial statements*

## Steele County

Statement of Revenues, Expenses and Changes in Net Position -
Enterprise Fund
Year Ended December 31, 2025

| | Solid Waste |
|---|---|
| **Operating Revenues** | |
| Charges for services | $ 1,788,430 |
| Miscellaneous revenues | 25,368 |
| Total operating revenues | 1,813,798 |
| **Operating Expenses** | |
| Solid waste disposal | 764,861 |
| Supervision and labor | 557,119 |
| Benefits | 36,500 |
| Other services and charges | 61,398 |
| Depreciation | 616,343 |
| Total operating expenses | 2,036,221 |
| Operating income (loss) | (222,423) |
| **Nonoperating Revenues** | |
| Investment income | 30,698 |
| Change in net position | (191,725) |
| **Net Position, Beginning** | 8,007,458 |
| **Net Position, Ending** | $ 7,815,733 |

*See notes to financial statements*

## Steele County

Statement of Cash Flows -
Enterprise Fund
Year Ended December 31, 2025

| | Solid Waste |
|---|---|
| **Cash Flows From Operating Activities** | |
| Cash received from customers | $ 1,790,827 |
| Cash paid to suppliers for goods and services | (630,173) |
| Cash paid to employees for services | (557,119) |
| Net cash flows from operating activities | 603,535 |
| **Cash Flows From Investing Activities** | |
| Interest on investments | 30,698 |
| **Cash Flows From Capital and Related Financing Activities** | |
| Acquisition and construction of capital assets | (3,072,169) |
| Net change in cash and cash equivalents | (2,437,936) |
| **Cash and Cash Equivalents, Beginning** | 7,837,253 |
| **Cash and Cash Equivalents, Ending** | $ 5,399,317 |
| **Reconciliation of Operating Loss to Net Cash Flows From Operating Activities** | |
| Operating Loss | $ (222,423) |
| Adjustments to reconcile operating income to net cash flows from operating activities: | |
| Noncash items included in operating income: | |
| Depreciation | 616,343 |
| Landfill closure liability | 292,008 |
| Change in assets, liabilities and deferred outflows and inflows of resources: | |
| Receivables | (19,748) |
| Materials, supplies and prepaid items | 389 |
| Accounts payable and due to other governments | (34,096) |
| Accrued expenses | 13,401 |
| Due to other funds | (985) |
| Deferred inflows, leases | (2,800) |
| Postemployment retirement benefit liability and related deferrals | 2,235 |
| Pension related deferrals and liability | (40,789) |
| Net cash flows from operating activities | $ 603,535 |
| **Reconciliation of Cash and Cash Equivalents** | |
| Cash and investments per Statement of Net Position | $ 2,318,002 |
| Noncurrent restricted cash | 3,081,315 |
| **Cash and Cash Equivalents, Ending** | $ 5,399,317 |
| **Noncash Capital, Investing and Financing Activities** | |
| Capital related accounts payable | $ 517,751 |

*See notes to financial statements*

## Steele County

Statement of Fiduciary Net Position
December 31, 2025

| | Private-Purpose Trust | Custodial Funds |
|---|---|---|
| **Assets** | | |
| Cash and investments | $ 216,620 | $ 2,384,785 |
| Taxes receivable, other governments | - | 769,600 |
| Due from other governments | - | 89,719 |
| Prepaid items | - | 84,515 |
| Total assets | 216,620 | 3,328,619 |
| **Liabilities** | | |
| Accounts payable | - | 38,482 |
| Accrued security deposits | 11,615 | - |
| Accrued wages | - | 108,025 |
| Due to individuals and other governments | - | 617,058 |
| Unearned revenues | - | 42,415 |
| Total liabilities | 11,615 | 805,980 |
| **Deferred Inflows of Resources** | | |
| Taxes collected in advance of levy | - | 177,625 |
| **Net Position** | | |
| Restricted for individuals, organizations or other governments | $ 205,005 | $ 2,345,014 |

*See notes to financial statements*

## Steele County

Statement of Changes in Fiduciary Net Position
Year Ended December 31, 2025

| | Private-Purpose Trust | Custodial Funds |
|---|---|---|
| **Additions** | | |
| Property tax collections for other governments | $ - | $ 54,185,236 |
| License and fees collected for state | - | 1,607,370 |
| Intergovernmental revenues | - | 3,676,265 |
| Charges for services | - | 120,113 |
| Contributions, individuals | - | 152,647 |
| Investment earnings | 3,611 | - |
| Miscellaneous | - | 56,467 |
| Total additions | 3,611 | 59,798,098 |
| **Deductions** | | |
| Payments of property tax to other governments | - | 53,980,333 |
| Payments to state | - | 1,631,207 |
| Public safety expenditures | - | 3,779,409 |
| Beneficiary payments to individuals | - | 152,647 |
| Total deductions | - | 59,543,596 |
| Change in fiduciary net position | 3,611 | 254,502 |
| **Net Position, Beginning** | 201,394 | 2,090,512 |
| **Net Position, Ending** | $ 205,005 | $ 2,345,014 |

*See notes to financial statements*

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## 1. Summary of Significant Accounting Policies

The accounting policies of Steele County, Minnesota (the County) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

### Reporting Entity

The County was established February 20, 1855 and is an organized county having the powers, duties and privileges granted counties by Minn. Statute ch. 373. 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. The County Auditor, elected on a County-wide basis, serves as the clerk of the board of commissioners but has no vote.

This report includes all of the funds of the County. The reporting entity for the County consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The County has not identified any organizations that meet this criteria.

### Government-Wide and Fund Financial Statements

#### Government-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities, which generally are financed through taxes, intergovernmental revenues and other nonexchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to functions in the statement of activities. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

### Fund Financial Statements

Financial statements of the County are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues and expenditures/expenses.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary fund statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

a. Total assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues or expenditures of that individual governmental fund or enterprise fund are at least 10% of the corresponding total for all governmental or enterprise funds.

b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.

c. In addition, any other governmental or enterprise fund that the County believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The County reports the following major governmental funds:

#### General Fund

General Fund accounts for the County's primary operating activities. It is used to account for and report all financial resources except those required to be accounted for in another fund.

#### Road and Bridge Special Revenue Fund

Road and Bridge Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted, committed or assigned to expenditures relating to public works for the establishment, location, vacation, construction, reconstruction, improvement and maintenance of county state-aid highways, county highways and county bridges.

#### Ditch Special Revenue Fund

Ditch Special Revenue Fund is used to account for and report resources restricted, committed or assigned for the financing of construction and maintenance of the County's ditches.

#### Opioid Settlement Special Revenue Fund

Opioid Settlement Fund is used to account for and report financial resources that are restricted from the National Opioid Settlement Fund for forward-looking strategies, programming and services to abate the opioid endemic.

**Homeless Prevention and Housing Affordability Special Revenue Fund**

Homeless Prevention and Housing Affordability Special Revenue fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures relating to homeless prevention and housing affordability programs in the County.

**Debt Service Fund**

Debt Service Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest and related costs.

**Capital Projects Fund**

Capital Projects Fund is used to account for and report financial resources that are restricted, committed or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Steele County reports the following major enterprise fund:

**Solid Waste Fund**

Solid Waste Fund accounts for and reports the operation of solid waste activities, including landfill and recycling. The fund also accounts for funds being accumulated for closure and postclosure care costs associated with the landfill.

In addition, Steele County reports the following fund types:

**Private-Purpose Trust Fund**

Private-Purpose Trust Fund is used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations or other governments.

Cemetery Investment

**Custodial Funds**

Custodial funds are used to account for and report assets controlled by the County and the assets are for the benefit of individuals, private organizations and/or other governmental units.

Taxes and Penalties
Consolidated Dispatch
Jail Canteen
PACE Loans
State Collections

## Measurement Focus, Basis of Accounting and Financial Statement Presentation

### Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. 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 are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

### Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded as receivables in the year levied. They are recognized as revenues when collected in the current year and in the first 60 days of the succeeding year.

Intergovernmental aids and grants are recognized as revenues in the period the County is entitled to the resources and the amounts are available. Amounts owed to the County, which are not available, are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund and fiduciary financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

### Deposits and Investments

For purposes of the statement of cash flows, the County considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Minnesota statutes authorize the County board to designate a depository for public funds and to invest in certificates of deposit. Minnesota statutes require that all deposits be covered by insurance, surety bond or collateral.

Investments are limited to:

a. Bonds, notes, bills, mortgages and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities or organizations created by Congress, except mortgage-backed securities defined as "high risk" by Minnesota statutes.

b. State and local securities that meet specified bond ratings by a national rating service.

c. Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.

d. Mutual fund through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments.

e. Banker's acceptances of United States banks.

f. Repurchase agreements, securities lending agreements, joint powers investment trusts and guaranteed investment contracts, with certain restrictions.

The County has adopted an investment policy. This policy follows the state statutes for allowable investments and contains the following guidelines:

**Custodial Credit Risk** - The policy states that full collateralization will be required on all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposits. The County follows state statutes related to this risk.

**Credit Risk** - The investment policy addresses credit risk through the investment restrictions detailed above.

**Concentration of Credit Risk** - The policy requires diversification of the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

**Interest Rate Risk** - The investment policy specifies the portfolio will be structured so that securities mature as needed for ongoing operations, thereby avoiding the need to sell securities in the open market. The average maturity shall not exceed five years from the date of purchase. The County was not in compliance with their policy as $18,223,283 of investments have maturities exceeding five years from year end as disclosed in Note 2.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note 2. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is generally allocated to the General Fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

The 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. Statute 471.59. The County's MAGIC portfolio investment is reported at amortized cost. Shares of the County's MAGIC term series investment are purchased to mature upon pre-determined dates and are reported at a net asset value. Financial information for the MAGIC Fund can be obtained online at https://www.magicfund.org/forms-and-documents/.

See Note 2 for further information.

**Receivables**

The County levies and collects property taxes and special assessments for all governmental units within the County. Property tax collections and payments to other governmental units are accounted for in custodial funds.

The County is required to distribute the collections to the various governmental units three times each year on a schedule prescribed in Minn. Statute 276.

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 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 allowance for uncollectible delinquent taxes has been provided because of the County's demonstrated ability to recover any losses through the sale of the applicable property.

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2025. At December 31, 2025, the outstanding MinnPACE loans to be collected by the County are $2,221,655.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account, which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

### Inventories and Prepaid Items

Inventory, if material, is valued at cost based on first-in, first-out and consists of supplies held for consumption. Reported inventories are offset by nonspendable fund balance in the fund financial statements to indicate they are not available, spendable resources.

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

### Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

### Capital Assets

#### Government-Wide Statements

Capital assets, which include property, plant and equipment (including right-to-use lease and subscription assets), are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an estimated useful life in excess of one year and an initial cost of $5,000 or more, except for infrastructure, which is capitalized at a threshold of $100,000 or more. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

| | Years |
|---|---|
| Machinery and equipment | 3-15 |
| Improvements | 20-30 |
| Buildings | 25-75 |
| Roads and bridges (infrastructure) | 25-75 |

Lease and subscription assets are typically amortized over the lease term.

### Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

## Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

## Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts.

Vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2025 are determined on the basis of current salary rates and include salary related payments.

## Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year-end is shown as an increase or decrease in the liability section of the statement of net position.

## Leases

The County is a lessor because it leases capital assets to other entities. As a lessor, the County reports a lease receivable and corresponding deferred inflow of resources in both the fund financial statements and government-wide financial statements. The County continues to report and depreciate the capital assets being leased as capital assets of the primary government.

The County is a lessee because it leases capital assets from other entities. As a lessee, the County reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) on the government-wide financial statements and proprietary fund statements. In the governmental fund financial statements, the County recognizes lease proceeds and capital outlay at initiation of the lease and the outflow of resources for the lease liability as a debt service payment.

### Subscription-Based Information Technology Arrangements

The County reports a subscription liability and an intangible right-to-use capital asset (known as the subscription asset) on the government-wide financial statements and proprietary fund statements. In the governmental fund financial statements, the County recognizes subscription proceeds and capital outlay at initiation of the subscription and the outflow of resources for the subscription liability as a debt service payment.

### Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net assets that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

### Equity Classifications

#### Government-Wide Statements

Equity is classified as net position and displayed in three components:

a. **Net Investment in Capital Assets** - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

b. **Restricted Net Position** - Consists of net position with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. **Unrestricted Net Position** - All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

#### Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. **Restricted** - Consists of fund balances with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority. Fund balance amounts are committed through a formal action (resolution) of the County Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed required the same formal action of the County board that originally created the commitment.

d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following: 1) the County Board or County Treasurer, who has been delegated that authority by Board resolution and 2) all remaining positive spendable amounts in governmental funds, other than the General Fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

e. **Unassigned** - Includes residual positive fund balance within the General Fund, which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The County considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the County would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The County Board has approved a minimum fund balance policy. The target is to maintain a General Fund assigned plus unassigned fund balance that does not fall below a minimum of 45%, or exceed a maximum of 55%, of subsequent years' budgeted expenditures. Surpluses will be considered for one-time expenditures that are nonrecurring in nature. At December 31, 2025, the combined assigned and unassigned fund balance in the General Fund was approximately 79.9% of the subsequent year's budgeted expenditures.

**Pension**

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. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the total OPEB liability and OPEB expense, the County's single-employer defined benefit retiree healthcare plan recognizes benefit payments when due and payable in accordance with the benefit terms.

## 2. Detailed Notes on All Funds

### Deposits and Investments

The County maintains a cash and investment pool that is available for use by all funds. Each fund's portion in this pool is displayed on statement of net position and balance sheet as cash and investments.

| | Carrying Value | Statement Balances | Associated Risks |
|---|---|---|---|
| Deposits | $ 2,300,080 | $ 2,197,214 | Custodial credit |
| Negotiable CD's | 14,734,872 | 14,734,872 | Custodial credit, credit, concentration of credit, interest rate |
| MAGIC portfolio | 10,718,666 | 10,952,943 | Credit, interest rate |
| U.S. agencies, implicitly guaranteed | 13,142,617 | 13,142,617 | Custodial credit, credit, concentration of credit, interest rate |
| U.S. agencies, explicitly guaranteed | 4,500,664 | 4,500,664 | Custodial credit, interest rate |
| Municipal bonds | 26,085,585 | 26,085,585 | Custodial credit, credit, concentration of credit, interest rate |
| Petty cash | 1,925 | - | N/A |
| Total cash and investments | $ 71,484,409 | $ 71,613,895 | |

| | |
|---|---|
| Reconciliation to the financial statements: | |
| Per statement of net position: | |
| Unrestricted cash and investments | $ 65,801,689 |
| Restricted cash and investments | 3,081,315 |
| Per statement of fiduciary net position: | |
| Private-purpose trust | 216,620 |
| Custodial funds | 2,384,785 |
| Total cash and investments | $ 71,484,409 |

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts and $250,000 for demand deposit amounts (interest-bearing and non-interest bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposits.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). SIPC membership provides account protection up to a maximum of $500,000 per customer, of which $250,000 may be in cash. Additionally, through UBS Financial Services, Inc., accounts have additional securities coverage of up to a firm aggregate of $500 million.

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

- Quoted market prices
- Matrix pricing models

| | December 31, 2025 | | | |
|---|---|---|---|---|
| **Investment Type** | **Level 1** | **Level 2** | **Level 3** | **Total** |
| Negotiable CD's | $ - | $ 14,734,872 | $ - | $ 14,734,872 |
| U.S. agencies, implicitly guaranteed | - | 13,142,617 | - | 13,142,617 |
| U.S. agencies, explicitly guaranteed | - | 4,500,664 | - | 4,500,664 |
| Municipal bonds | - | 26,085,585 | - | 26,085,585 |
| Total | $ - | $ 58,463,738 | $ - | $ 58,463,738 |

**Custodial Credit Risk**

Deposits - Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to the County. The County does not have any deposits exposed to custodial credit risk.

Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County does not have any investments exposed to custodial credit risk.

**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

As of December 31, 2025, the County's investments were rated as follows:

| **Investment Type** | **Standard & Poors** | **Moody's Investor Service** |
|---|---|---|
| Municipal bonds | AAA, AA+, AA-, AA, A+, A | AAA, AA3, AA2, AA1, A3, A2, A1 |

The County also had the following unrated investments:

Minnesota Association of Governments Investing for Counties (MAGIC)
U.S. agencies, implicitly guaranteed
Negotiable certificates of deposit

### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

As of December 31, 2025, the investment portfolio was concentrated as follows:

| Issuer | Investment Type | Percentage of Portfolio |
|---|---|---|
| Federal National Mortgage Association | U.S. agencies - implicitly guaranteed | 11.52 % |
| Federal Home Loan Mortgage Corporation | U.S. agencies - implicitly guaranteed | 7.63 % |

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2025, the County's investments were as follows:

| | | Maturity in Years | | |
|---|---|---|---|---|
| Investment Type | Bank Balance | Less Than 1 Year | 1-5 Years | Greater Than 5 Years |
| Negotiable CD's | $ 14,734,872 | $ 7,372,434 | $ 7,362,438 | $ - |
| U.S. agencies, implicitly guaranteed | 13,142,617 | 746,855 | 5,326,939 | 7,068,823 |
| U.S. agencies, explicitly guaranteed | 4,500,664 | 1,364,658 | 1,503,017 | 1,632,989 |
| Municipal bonds | 26,085,585 | 3,421,344 | 13,142,770 | 9,521,471 |
| MAGIC | 10,952,943 | 10,952,943 | - | - |
| Total | $ 69,416,681 | $ 23,858,234 | $ 27,335,164 | $ 18,223,283 |

See Note 1 for further information on deposit and investment policies.

### Receivables

All receivables are expected to be collected within one year except for $92,157 of loans receivable in the general fund, $6,679 of leases in the road and bridge fund and $90,838 special assessments in the ditch fund.

Governmental funds report *unavailable* or *unearned revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

| | Unearned | Unavailable |
|---|---|---|
| Property taxes receivable | $ - | $ 320,898 |
| Special assessments receivable | - | 414,543 |
| Due from other governments | - | 12,245,714 |
| Interest receivable | - | 19,357 |
| Loans receivable | - | 2,206 |
| Accounts receivable | - | 2,744 |
| Leases receivable | 12,007 | - |
| Grants received in advance of period to be spent | 172,167 | - |
| Grants received in advance of incurring allowable expenditures | 7,225 | - |
| Total unavailable/unearned revenue for governmental funds | $ 191,399 | $ 13,005,462 |
| Unearned revenue included in liabilities | $ 7,225 | |
| Unearned revenue included in deferred inflows | 184,174 | |
| Total unearned revenue for governmental funds | $ 191,399 | |

### Restricted Assets

The County makes annual contributions to a trust to finance closure and postclosure care of the County landfill. As of December 31, 2025, investments of $3,081,315 are held for these purposes. See Note 2.

## Capital Assets

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land | $ 4,961,481 | $ 1,099 | $ - | $ 4,962,580 |
| Construction in progress | 10,063,443 | 3,829,323 | 10,251,047 | 3,641,719 |
| Total capital assets not being depreciated/ amortized | $ 15,024,924 | $ 3,830,422 | $ 10,251,047 | $ 8,604,299 |
| Capital assets being depreciated/amortized: | | | | |
| Subscription asset | $ 1,136,078 | $ - | $ (34,443) | $ 1,101,635 |
| Buildings | 51,860,088 | 9,065,631 | - | 60,925,719 |
| Improvements | 228,226 | 3,290,389 | - | 3,518,615 |
| Machinery, furniture and equipment | 13,101,001 | 1,638,262 | (1,076,540) | 13,662,723 |
| Infrastructure | 169,099,293 | 3,134,218 | - | 172,233,511 |
| Leased building | 226,414 | - | (226,414) | - |
| Leased machinery and equipment | 904,894 | 252,712 | (38,137) | 1,119,469 |
| Total capital assets being depreciated/ amortized | 236,555,994 | 17,381,212 | (1,375,534) | 252,561,672 |
| Less accumulated depreciation/amortization for: | | | | |
| Subscription asset | (237,325) | (359,013) | 34,443 | (561,895) |
| Buildings | (18,183,980) | (1,798,300) | - | (19,982,280) |
| Improvements | (117,174) | (77,970) | - | (195,144) |
| Machinery, furniture and equipment | (8,959,275) | (894,425) | 975,172 | (8,878,528) |
| Infrastructure | (101,514,731) | (5,181,642) | - | (106,696,373) |
| Leased building | (189,080) | (16,275) | 205,355 | - |
| Leased machinery and equipment | (471,894) | (127,554) | 32,521 | (566,927) |
| Total accumulated depreciation/ amortization | (129,673,459) | (8,455,179) | 1,247,491 | (136,881,147) |
| Total capital assets being depreciated/ amortized, net of depreciation/ amortization | $ 106,882,535 | $ 8,926,033 | $ (128,043) | $ 115,680,525 |

Depreciation expense was charged to functions as follows:

| | |
|---|---|
| **Governmental Activities** | |
| General government | $ 1,071,152 |
| Public safety | 1,289,224 |
| Health | 24,411 |
| Culture and recreation | 228,582 |
| Conservation | 2,031 |
| Public works | 5,839,779 |
| Total governmental activities depreciation/amortization expense | $ 8,455,179 |

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---|---|---|---|
| **Business-Type Activities** | | | | |
| Capital assets not being depreciated/amortized: | | | | |
| Land and right of way | $ 451,250 | $ - | $ - | $ 451,250 |
| Construction in progress | 445,014 | 2,835,515 | - | 3,280,529 |
| Total capital assets not being depreciated/amortized | $ 896,264 | $ 2,835,515 | $ - | $ 3,731,779 |
| Capital assets being depreciated/amortized: | | | | |
| Buildings | $ 440,256 | $ - | $ - | $ 440,256 |
| Improvements | 120,981 | - | - | 120,981 |
| Landfill | 8,594,911 | 754,405 | - | 9,349,316 |
| Subscription asset | 1,880 | - | - | 1,880 |
| Machinery, furniture and equipment | 3,134,478 | - | - | 3,134,478 |
| Total capital assets being depreciated/amortized | 12,292,506 | 754,405 | - | 13,046,911 |
| Less accumulated depreciation/amortization for: | | | | |
| Buildings | (363,517) | (15,009) | - | (378,526) |
| Improvements | (82,034) | (7,152) | - | (89,186) |
| Landfill | (7,906,610) | (242,952) | - | (8,149,562) |
| Subscription asset | (1,530) | (350) | - | (1,880) |
| Machinery, furniture and equipment | (1,589,008) | (350,880) | - | (1,939,888) |
| Total accumulated depreciation/amortization | (9,942,699) | (616,343) | - | (10,559,042) |
| Total capital assets being depreciated, net of depreciation/amortization | $ 2,349,807 | $ 138,062 | $ - | $ 2,487,869 |

Depreciation/amortization expense of $616,343 was charged to the solid waste business-type activities.

### Interfund Advances and Transfers

#### Advances

The following is a schedule of interfund advances:

| Receivable Fund | Payable Fund | Amount | Amount Not Due Within One Year |
|---|---|---|---|
| General fund | Ditch fund | $ 264,633 | $ 264,633 |
| Less fund eliminations | | (264,633) | |
| Total, government-wide statement of activities | | $ - | |

The general fund has advanced funds to the ditch fund for cash flow purposes. There is no repayment schedule set up for the advances. Per County policy, repayment or additional borrowing is determined at year end by all 30 ditch systems maintaining a minimum cash balance of $1,000.

#### Transfers

The following is a schedule of interfund transfers:

| Fund Transferred To | Fund Transferred From | Amount | Principal Purpose |
|---|---|---|---|
| Capital projects fund | General fund | $ 1,828,570 | Fund Four Seasons and Detention Center projects, capital purchases |
| General fund | Opioid Settlement | 4,761 | Reclass opioid reimbursement |
| Total, fund financial statements | | 1,833,331 | |
| Less fund eliminations | | (1,833,331) | |
| Total transfers, government-wide statement of activities | | $ - | |

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

### Long-Term Obligations

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

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Bonds and notes payable: | | | | | |
| General obligation bonds | $ 4,935,000 | $ - | $ 945,000 | $ 3,990,000 | $ 975,000 |
| Unamortized bond premium | 205,063 | - | 56,501 | 148,562 | - |
| Subtotal | 5,140,063 | - | 1,001,501 | 4,138,562 | 975,000 |
| Other liabilities: | | | | | |
| Compensated absences* | 1,769,615 | - | 160,766 | 1,608,849 | 1,335,345 |
| Total governmental activities long-term liabilities | $ 6,909,678 | $ - | $ 1,162,267 | $ 5,747,411 | $ 2,310,345 |
| **Business-Type Activities** | | | | | |
| Compensated absences* | $ 36,636 | $ - | $ 3,328 | $ 33,308 | $ 27,646 |
| Landfill liability | 2,805,557 | 292,008 | - | 3,097,565 | - |
| Total business-type activities long-term liabilities | $ 2,842,193 | $ 292,008 | $ 3,328 | $ 3,130,873 | $ 27,646 |

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

In addition to the liabilities above, information on the net pension liability and OPEB liability is provided in Note 3.

### General Obligation Debt

All general obligation bonds payable are backed by the full faith and credit of the County. General obligation bonds will be retired by future property tax levies accumulated by the debt service fund.

In accordance with Minnesota Statutes, net indebtedness of the County may not exceed 3% of the market value of taxable property within the County's jurisdiction. The debt limit as of December 31, 2025 was approximately $206.2 million. General obligation debt outstanding at year-end subject to the debt limit was $3,990,000.

General obligation debt payable for the County at December 31, 2025, consists of the following:

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2025 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Capital Improvement Bonds | 2018 | 2026 | 3.00-4.00% | $ 3,190,000 | $ 715,000 |
| GO Jail Bonds | 2020 | 2030 | 2.00-3.00 | 4,505,000 | 3,275,000 |
| Total governmental activities, general obligation bonds | | | | | $ 3,990,000 |

Debt service requirements to maturity are as follows:

| Years Ending December 31: | Governmental Activities General Obligation Bonds Principal | Interest |
|---|---|---|
| 2026 | $ 975,000 | $ 103,950 |
| 2027 | 725,000 | 67,550 |
| 2028 | 750,000 | 45,800 |
| 2029 | 760,000 | 30,800 |
| 2030 | 780,000 | 15,600 |
| Total | $ 3,990,000 | $ 263,700 |

**Lease Disclosures**

**Lessee - Lease Liabilities**

Lease liability activity for the year ended December 31, 2025 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Leases payable | $ 430,065 | $ 271,651 | $ 161,323 | $ 540,393 | $ 148,712 |

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2024 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Vehicles | 2023-2025 | 2030 | 0.43-2.9% | $ n/a | $ 518,337 |
| Mailing machines | 2021-2022 | 2026-2027 | 1.12-2.88 | 29,657 | 22,056 |
| Total governmental activities, lease liabilities | | | | | $ 540,393 |

Debt service requirements to maturity are as follows:

| Years Ending December 31: | Leases Principal | Interest |
|---|---|---|
| 2026 | $ 148,712 | $ 14,146 |
| 2027 | 177,889 | 9,322 |
| 2028 | 101,744 | 5,133 |
| 2029 | 85,154 | 2,062 |
| 2030 | 26,894 | 228 |
| Total | $ 540,393 | $ 30,891 |

### Lessor - Lease Receivables

| | Date of Inception | Final Maturity | Interest Rates | Balance December 31, 2025 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Highway Farmland | 2024 | 2027 | 3.46% | $ 12,694 |
| Total governmental activities, lease receivables | | | | $ 12,694 |

The County recognized $6,031 of lease principal revenue during the fiscal year.

The County recognized $648 of lease interest revenue during the fiscal year.

| | Date of Inception | Final Maturity | Interest Rates | Balance December 31, 2025 |
|---|---|---|---|---|
| **Business Type Activities** | | | | |
| Landfill Farmland | 2024 | 2027 | 3.46% | $ 5,368 |
| Total business-type activities, lease receivables | | | | $ 5,368 |

The solid waste fund recognized $2,528 of lease principal revenue during the fiscal year.

The solid waste fund recognized $272 of lease interest revenue during the fiscal year.

### Subscription Disclosures

### Subscription Liabilities

Subscription liability activity for the year ended December 31, 2025 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Subscription liabilities | $ 721,998 | $ - | $ 323,610 | $ 398,388 | $ 333,441 |

| | Date of Issue | Final Maturity | Interest Rates | Original Indebtedness | Balance December 31, 2025 |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Right to use software subscriptions | various | 2024-2028 | 2.68-3.81% | $ 1,101,634 | $ 398,388 |
| Total governmental activities, subscription liabilities | | | | | $ 398,388 |

Future minimum subscription payments are as follows:

| Years Ending December 31: | Principal | Interest |
|---|---|---|
| 2026 | $ 333,441 | $ 12,410 |
| 2027 | 45,487 | 2,142 |
| 2028 | 19,460 | 671 |
| Total | $ 398,388 | $ 15,223 |

**Closure and Postclosure Care Cost**

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $3,097,565 reported as landfill closure and postclosure care liability at December 31, 2025, represents the cumulative amount reported to date based on the use of approximately 95.1% of the estimated permitted capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care costs of $159,945 as the remaining estimated capacity is filled. The County expects to close the landfill in 2040. The landfill closure and postclosure care liability is based on 2024 costs. Actual costs may be higher due to inflation, changes in technology or changes in regulation.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements, and, at December 31, 2025, investments of $3,081,315 are held for these purposes. These are reported as restricted assets on the statement of net position. The County expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example) these costs may need to be covered by charges to future landfill users or from future tax revenue.

**Net Position/Fund Balances**

Net position reported on the government wide statement of net position at December 31, 2025 includes the following:

| | |
|---|---|
| Net investment in capital assets: | |
| Construction in progress | $ 3,641,719 |
| Land | 4,962,580 |
| Other capital assets, net of accumulated depreciation/amortization | 115,680,525 |
| Less related long-term debt outstanding (excluding unspent capital related debt proceeds) | (4,928,781) |
| Less capital related accounts payable | (105,112) |
| Less unamortized premium | (148,562) |
| Total net investment in capital assets | $ 119,102,369 |

Governmental fund balances reported on the fund financial statements at December 31, 2025, include the following:

| | General Fund | Road and Bridge | Ditch | Opioid Settlement | Homelessness & Housing | Debt Service | Capital Projects | Total |
|---|---|---|---|---|---|---|---|---|
| **Nonspendable:** | | | | | | | | |
| Inventories and prepaids | $ 266,261 | $ 148,769 | $ - | $ - | $ - | $ - | $ 14,759 | $ 429,789 |
| Loans receivable | 89,952 | - | - | - | - | - | - | 89,952 |
| Advances to other funds | 264,633 | - | - | - | - | - | - | 264,633 |
| Subtotal | 620,846 | 148,769 | - | - | - | - | 14,759 | 784,374 |
| **Restricted for:** | | | | | | | | |
| Fish and wildlife | 53,280 | - | - | - | - | - | - | 53,280 |
| Law library | 114,024 | - | - | - | - | - | - | 114,024 |
| Recorder technology | 133,446 | - | - | - | - | - | - | 133,446 |
| Recorder compliance fund | 97,227 | - | - | - | - | - | - | 97,227 |
| Voter grant | 3,865 | - | - | - | - | - | - | 3,865 |
| U of M extension | 3,042 | - | - | - | - | - | - | 3,042 |
| Veterans donation | 12,487 | - | - | - | - | - | - | 12,487 |
| Sheriff drug and alcohol forfeitures | 22,890 | - | - | - | - | - | - | 22,890 |
| Sheriff handgun | 316,884 | - | - | - | - | - | - | 316,884 |
| Sheriff special deputies | 4,627 | - | - | - | - | - | - | 4,627 |
| Sheriff K9 project | 8,134 | - | - | - | - | - | - | 8,134 |
| Public safety funds | 211,815 | - | - | - | - | - | - | 211,815 |
| SCRAM | 32,241 | - | - | - | - | - | - | 32,241 |
| County attorney | 8,003 | - | - | - | - | - | - | 8,003 |
| Public health | 3,914 | - | - | - | - | - | - | 3,914 |
| Bixby project | 123,625 | - | - | - | - | - | - | 123,625 |
| Highways and streets | - | 14,650,098 | - | - | - | - | - | 14,650,098 |
| Debt service | - | - | - | - | - | 1,321,153 | - | 1,321,153 |
| Ditch maintenance and repair | - | - | 474,372 | - | - | - | - | 474,372 |
| Opioid settlement | - | - | - | 502,573 | - | - | - | 502,573 |
| Homeless prevention | - | - | - | - | 468,014 | - | - | 468,014 |
| Subtotal | 1,149,504 | 14,650,098 | 474,372 | 502,573 | 468,014 | 1,321,153 | - | 18,565,714 |
| **Committed to:** | | | | | | | | |
| Equipment purchases | - | 510,991 | - | - | - | - | - | 510,991 |
| Employee wellness | 87,597 | - | - | - | - | - | - | 87,597 |
| Capital projects | 500,000 | - | - | - | - | - | - | 500,000 |
| Subtotal | 587,597 | 510,991 | - | - | - | - | - | 1,098,588 |
| **Assigned to:** | | | | | | | | |
| Compensated absences | 1,473,104 | 135,746 | - | - | - | - | - | 1,608,850 |
| Bridges, roads and streets | - | 9,851,401 | - | - | - | - | - | 9,851,401 |
| Capital projects | - | - | - | - | - | - | 1,535,318 | 1,535,318 |
| Subtotal | 1,473,104 | 9,987,147 | - | - | - | - | 1,535,318 | 12,995,569 |
| **Unassigned** | 30,103,917 | - | - | - | - | - | - | 30,103,917 |
| Total fund balances | $33,934,968 | $25,297,005 | $ 474,372 | $ 502,573 | $ 468,014 | $ 1,321,153 | $1,550,077 | $63,548,162 |

## 3. Other Information

### Employees' Retirement System

#### Public Employees Retirement Association (PERA)

##### Plan Description

The County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plans are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

##### General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions and other governmental entities whose revenues are derived from taxation, fees or assessments. Plan membership is required for any employee who is expected to earn more than $425 in a month, unless the employee meets exclusion criteria.

##### Public Employees Police and Fire Retirement Plan (Police and Fire Plan)

Membership in the Police and Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police and Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

##### Public Employees Local Government Correctional Service Retirement Plan (Correctional Plan)

Membership in the Correctional Plan includes correctional officers serving in county and regional adult and juvenile corrections facilities. Participants must be responsible for the security, custody and control of the facilities and their inmates.

#### Benefits Provided

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

### General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced retirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2025 annual increase was 1.25%. 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 prorated increase.

### Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increases by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3% of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50 and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. 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 prorated increase.

### Correctional Plan Benefits

Benefits for Correctional Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increases by 10% each full year of service until members are 100% vested after ten years. Correctional Plan members receive 1.9% of highest average salary for each year of service. Correctional Plan members receive a full retirement benefit when they are age 55 and vested or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement begins at age 50 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be equal to 100% of the COLA announced by SSA, with a minimum increase of 1% and a maximum of 2.5%. The 2025 annual increase was 2.5%. If the plan's funding status is less than or equal to 85% for two consecutive years or 80% for one year, the maximum will be lowered from 2.5% to 1.5%. 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 prorated increase.

### Contributions

*Minnesota Statutes* chapters 353, 353E, 353G and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

### General Employees Fund Contributions

General Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2025 and the County was required to contribute 7.50% for General Plan members. The County's contributions to the General Employees Fund for the year ended December 31, 2025 were $905,572. Contributions were equal to the required contributions as set by state statute.

### Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2025 and the County was required to contribute 17.70% for Police and Fire Plan members. The County’s contributions to the Police and Fire Fund for the year ended December 31, 2025, were $404,204. Contributions were equal to the required contributions as set by state statute.

### Correctional Fund Contributions

Correctional Plan members were required to contribute 5.83% of their annual covered salary in fiscal year 2025 and the County was required to contribute 8.75% for Correctional Plan members. The County’s contributions to the Correctional Fund for the year ended December 31, 2025, were $227,384. Contributions were equal to the required contributions as set by state statute.

## Pension Costs

### General Employees Fund Pension Costs

At December 31, 2025, the County reported a liability of $4,417,991 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of $16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the County totaled $106,576.

| | |
|---|---|
| County's proportionate share of the net pension liability | $ 4,417,991 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | 106,576 |
| Total | $ 4,524,567 |

The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The proportionate share of the net pension liability was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.1333% at the end of the measurement period and 0.1350% for the beginning of the period.

For the year ended December 31, 2025, the County recognized pension expense of $(251,625) for its proportionate share of the General Employees Plan's pension expense. In addition, the County recognized an additional $21,331 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2025, the County reported 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 | $ 420,938 | $ - |
| Changes in actuarial assumptions | 106,448 | 1,016,564 |
| Net collective difference between projected and actual investment earnings | - | 1,757,961 |
| Changes in proportion | 13,687 | 96,351 |
| Contributions paid to PERA subsequent to the measurement date | 456,379 | - |
| Total | $ 997,452 | $ 2,870,876 |

$456,379 is reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| **Years Ending December 31:** | |
|---|---|
| 2026 | $ (535,632) |
| 2027 | (849,704) |
| 2028 | (630,431) |
| 2029 | (314,036) |

**Police and Fire Fund Pension Costs**

At December 31, 2025, the County reported a liability of $1,762,998 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension liability was based on County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The County proportionate share was 0.1505% at the end of the measurement period and 0.1487% for the beginning of the period.

The State of Minnesota contributed $18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2025. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation. The $9 million direct state aid was paid on October 1, 2024. The direct state aid payment will increase by $17.7 million which was paid on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis). The $9 million in supplemental state aid will continue until the fund and the State Patrol Plan (administered by the Minnesota State Retirement System) are 100% funded for three consecutive years (on an actuarial value of assets basis). The State of Minnesota’s proportionate share of the net pension liability associated with the County totaled $61,114.

| | |
|---|---|
| County's proportionate share of the net pension liability | $ 1,762,998 |
| State of Minnesota's proportionate share of the net pension liability associated with the County | 61,114 |
| Total | $ 1,824,112 |

For the year ended June 30, 2025, the County recognized pension expense of $361,707 for its proportionate share of the Police and Fire Plan's pension expense. The County recognized $13,542 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of $9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the $9 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The County recognized $40,175 for the year ended December 31, 2025 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

At December 31, 2025, the County reported 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 | $ 814,561 | $ - |
| Changes in actuarial assumptions | 1,336,918 | 2,208,962 |
| Net collective difference between projected and actual investment earnings | - | 786,850 |
| Changes in proportion | 103,573 | 67,846 |
| Contributions paid to PERA subsequent to the measurement date | 201,910 | - |
| Total | $ 2,456,962 | $ 3,063,658 |

$201,910 is reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31: | |
|---|---|
| 2026 | $ 426,435 |
| 2027 | (375,659) |
| 2028 | (873,562) |
| 2029 | (37,127) |
| 2030 | 51,307 |

**Correctional Plan Pension Costs**

At December 31, 2025, the County reported an asset of $628,950 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportionate share of the net pension asset was based on the County contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024 through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. The County's proportionate share was 0.9508% at the end of the measurement period and 0.9555% for the beginning of the period.

For the year ended December 31, 2025 the County recognized pension expense of $(1,179,126) for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2025, the County reported 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 | $ 108,812 | $ - |
| Changes in actuarial assumptions | - | 412,429 |
| Net collective difference between projected and actual investment earnings | - | 526,309 |
| Changes in proportion | 765 | 4,834 |
| Contributions paid to PERA subsequent to the measurement date | 139,596 | - |
| Total | $ 249,173 | $ 943,572 |

$139,596 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending December 31: | |
|---|---|
| 2026 | $ (113,716) |
| 2027 | (429,698) |
| 2028 | (199,445) |
| 2029 | (91,136) |

### Aggregate Pension Expense

The total pension expense recognized for all three plans was $(1,034,171) for the year ended December 31, 2025.

## Long-Term Expected Return on Investment

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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:

| | Long-Term Expected Real Rate of Return | Target Allocation |
|---|---|---|
| Domestic equity | 5.10 % | 33.5 % |
| International equity | 5.30 | 16.5 |
| Fixed income | 0.75 | 25.0 |
| Private markets | 5.90 | 25.0 |

### Actuarial Methods and Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2025, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan and the Correctional Plan.

- Benefit increases after retirement are assumed to be 1.50% for the General Employees Plan, 1% for the Police & Fire Plan and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 11.5% after one year of service to 3% after 27 years of service. In the Police & Fire Plan, salary growth assumptions range in annual increments from 10.75% after one year of service to 3% after 23 years of service. In the Correctional Plan, salary growth assumptions range in annual increment from 8% after one year of service to 3% after 19 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police & Fire Plan and the Correctional Plan are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. The assumption changes were adopted by the board and became effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2025:

#### General Employees Fund

*Changes in Actuarial Assumptions:*

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for nonvested, terminated members.

- The assumed postretirement benefit increase changed from 1.25% to 1.5%.

*Changes in Plan Provisions:*

- The postretirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.

- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**Police and Fire Fund**

*Changes in Actuarial Assumptions:*

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for nonvested, terminated members.

*Changes in Plan Provisions:*

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**Correctional Fund**

*Changes in Actuarial Assumptions:*

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age based).
- Assumed rates of retirement were adjusted resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued use of the Pub-2010 Public Safety Mortality Table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35% to 9% for vested, terminated members, and from 1% to 119% for nonvested, terminated members.

*Changes in Plan Provisions:*

- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.5% of average salary plus, for each year of service in excess of 25 years, 1.9% for each year of allowable service before July 1, 2025, and 2.2% for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions

**Discount Rate**

The discount rate used to measure the total pension liability in 2025 was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. 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.

### Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability (asset) for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

**Sensitivity Analysis**
**Net Pension Liability (Asset) at Different Discount Rates**

| | General Employees Fund | | Police and Fire Fund | | Correctional Fund | |
|---|---|---|---|---|---|---|
| 1% lower | 6.00 % | $ 10,730,606 | 6.00 % | $ 4,619,428 | 6.00 % | $ 1,489,226 |
| Current discount rate | 7.00 | 4,417,991 | 7.00 | 1,762,998 | 7.00 | (628,950) |
| 1% higher | 8.00 | (702,961) | 8.00 | (582,582) | 8.00 | (2,315,434) |

### Pension Plan Fiduciary Net Position

Detailed information about each 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.

## Other Postemployment Benefits

### General Information about the OPEB Plan

### Plan Description

The County administers a single employer defined benefit healthcare plan. The County's other postemployment benefit (OPEB) plan provides health insurance benefits for eligible retirees and their eligible dependent(s) through the County's group health insurance plan, which covers both active and retired members. The County provides benefits for retirees as required by Minnesota Statute §471.61 subdivision 2b. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

### Benefits Provided

Active employees, who retire from the County and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the County's health benefits program indefinitely. Retirees are required to pay 100% of the total group rate. Since the premium is a blended rate determined on the entire active and retiree population, the retirees, whose costs are statistically higher than the group average, are receiving an implicit rate "subsidy."

### Employees Covered by Benefit Terms

At January 1, 2025, the following employees were covered by the benefit terms:

| | |
|---|---|
| Inactive plan members or beneficiaries currently receiving benefit payments | 4 |
| Active plan members | 194 |
| | 198 |

### Total OPEB Liability

The County's total OPEB liability of $915,118 was measured as of January 1, 2025 and was determined by an actuarial valuation as of January 1, 2024.

#### Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2024 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Discount Rate | 4.2%, based on the estimated yield of a 20-year AA-rated municipal bond. |
| Inflation | 2.50% |
| Salary Increases | Service Graded Table |
| Health Care Tend Rate | 6.25%, decreasing to 5.00% over 5 years and then to 4.00% over the next 48 years. |
| Dental Trend Rate | N/A |
| Mortality Rate | Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale. |

Since the plan is funded on a pay-as-you-go basis, both the discount rate and the investment rate of return were based on published rate information for 20-year high quality, tax exempt general obligation municipal bonds as of the measurement date.

The actuarial assumptions used in the January 1, 2024 valuation were based on input from a variety of published sources of historical and project future financial data. The assumptions around retirement and withdrawal are similar to those used to value pension liabilities for Minnesota public employees.

### Changes in the Total OPEB Liability

| | Total OPEB Liability |
|---|---|
| Balance at December 31, 2024 | $ 902,793 |
| Changes for the year: | |
| Service cost | 55,938 |
| Interest cost | 34,518 |
| Assumption changes | (26,013) |
| Benefit payments | (52,118) |
| Net changes | 12,325 |
| Balance at December 31, 2025 | $ 915,118 |

Changes of assumptions and other inputs since the previous valuation reflect the following:

- The discount rate was changed from 3.70% to 4.20%.

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

| | 1% Decrease (3.20%) | Discount Rate (4.20%) | 1% Increase (5.20%) |
|---|---|---|---|
| Total OPEB liability | $ 976,969 | $ 915,118 | $ 857,900 |

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the County, as well as what the County's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | 1% Decrease | Healthcare Cost Trend Rates | 1% Increase |
|---|---|---|---|
| Total OPEB liability | $ 832,720 | $ 915,118 | $ 1,010,865 |

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

For the year ended December 31, 2025, the County recognized OPEB expense of $138. At December 31, 2025, the County reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual economic experience | $ 214,344 | $ 133,281 |
| Changes in actuarial assumptions | 15,630 | 88,360 |
| Contributions subsequent to the measurement date | 70,959 | - |
| Total | $ 300,933 | $ 221,641 |

$70,959 reported as deferred outflows of resources related to employer contributions made after the measurement date and before the reporting date will be recognized as a reduction of the total pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in pension expense as follows:

| Years Ending December 31: | |
|---|---|
| 2025 | $ (19,360) |
| 2026 | (19,352) |
| 2027 | (2,585) |
| 2028 | 26,672 |
| 2029 | 26,669 |
| Thereafter | (3,711) |

### Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT) to protect against liabilities from workers compensation and property and casualty. The County purchases commercial insurance to cover all other risks. Settled claims have not exceeded coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

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 claim liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $1,000,000 per claim in 2025. Should workers compensation liabilities of the MCIT workers compensation division exceed its 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 liabilities of the property and casualty division exceed its assets, MCIT may assess the County in a method and amount to be determined by MCIT.

### Commitments and Contingencies

From time to time, the County is party to various other pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the County attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the County's financial position or results of operations.

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

As of December 31, 2025, the County has commitments for construction projects in progress and other contracts of approximately $1,727,000.

### Jointly-Governed Organizations

Jointly governed organizations are a regional government or multi-governmental arrangement governed by representatives of each creating government. Participants do not retain an ongoing financial interest or responsibility.

Steele County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County appoints at least one member to the following organizations:

- Minnesota Counties Computer Cooperative
- Southeastern Minnesota Community Action Council
- South Central Drug Investigations
- Southeastern Minnesota Private Industry Council
- Southeast Minnesota Water Resources Board
- Southeast Minnesota Regional Radio Board
- Counties Providing Technology

All 2025 payments to the jointly-governed organizations were minimal.

### Joint Ventures

#### Consolidated Dispatch

Steele County is a participant with Rice County, the City of Faribault, the City of Northfield and the City of Owatonna in the Consolidated Dispatch joint venture to provide enhanced 911 services to public safety entities in their service area. On dissolution, net position will be distributed in proportion to the total contributions made by all the participants. Beginning in 2002, annual operating costs are split between the two county participants on a per capita basis, using the most recent census figures. Total payments made to this entity during 2025 were $1,103,826. Complete financial statements can be obtained from the Steele County Administrator's Office at 630 Florence Avenue, Owatonna, Minnesota 55060.

#### Minnesota Prairie County Alliance

Effective January 1, 2015, Steele County is a participant with Dodge and Waseca Counties in a joint venture to form a separate joint powers entity known as the Minnesota Prairie County Alliance (MNPrairie) under Minnesota Statutes §471.59 and §402A.35. The purpose of the entity is to administer essential human services programs and services mandated by Minnesota Statutes §402A.10. No county may withdraw from the agreement for five years from the original agreement date. A withdrawing member is allowed to recover their original equity contribution; however, the amount returned will not exceed its proportional share of MNPrairie's fund balance.

MNPrairie is governed by a joint powers board, which consists of two representatives of each member county.

During the year, Steele County made payments of approximately $5,780,206 to MNPrairie. Each county is required to make an annual operating contribution. The operating contribution is based 40% of total population share of the 3 year average, 40% of the net tax capacity value share of the 3 year average, 10% of the share of poverty ratio, and 10% equal share. The equity interest at December 31, 2025 is $3,051,703, equal to the amount at December 31, 2024. No additional equity was required to be paid in for 2025.

During the year the County received an equity distribution payment from MNPrairie in the amount of $499,916. This payment was the result of the fund balance exceeding the minimum target that the Joint Powers Board originally established.

Dodge County is acting as fiscal agent. Complete financial statements for MNPrairie can be obtained from the administrative office at 630 Florence Avenue, Owatonna, Minnesota 55060.

### South Country Health Alliance

South Country Health Alliance (SCHA) was created by a Joint Powers Agreement between Brown, Cass, Crow Wing, Dodge, Freeborn, Goodhue, Kanabec, Morrison, Sibley, Todd, Wabasha, Wadena, Waseca and Steele counties on July 24, 1998, under Minnesota Statute §471.59. Mower, Freeborn, Cass, Crow Wing, Morrison, Todd and Wadena counties have since withdrawn. The agreement was in accordance with Section 256B.692, which allows the formation of a board of directors to operate, control and manage all matters concerning the eleven participating member counties health care functions, referred to as County Based Purchasing.

SCHA is authorized to provide prepaid comprehensive health maintenance services to persons enrolled under Medicaid and General Assistance Medical Care in each of the above listed member counties.

While SCHA was created on July 2, 1998, it did not begin providing health maintenance services until November 1, 2001. At that time, SCHA began coverage of the beneficiaries enrolled under Medicaid and General Assistance Medical Care in the specified counties. Funding is provided from the State of Minnesota based on eligible participants within the member counties. In the event SCHA incurs operating deficits, the member counties would maintain SCHA's reserves to meet statutory and regulatory reserves requirements. Minnesota Statutes require SCHA to maintain capital surplus equal to or greater than one month's expenditures, but less than three months' expenditures. The County has an equity interest in the organization equal to its share of participation. The equity interest at December 31, 2025 is $12,904,347, down from $12,351,761 December 31, 2024. No additional equity was required to be paid in for 2025.

Complete financial statements for SCHA can be obtained from Steele County Administrator's Office at 630 Florence Avenue, P.O. Box 890, Owatonna, Minnesota 55060-0890.

## Tax Abatements

The County levies and collects property taxes for all governmental units with the County. The City of Owatonna, through its tax increment financing districts, provides tax abatements to local businesses pursuant to Minn. Statutes 469.174-.179 to promote economic development, housing districts for low to moderate income and redevelopment. The County is currently collecting tax increments that are paid through the property tax collection process. The requirement for businesses to receive the excess tax increments from the County is to perform improvements on the owned property. The increment taxes are based on the increase of the property value after the improvements are made. Aggregate excess tax increment the County paid for the year ended December 31, 2025 was $917,849.

### Effect of New Accounting Standards on Current Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*
- Statement No. 105, *Subsequent Events*

When they become effective, application of these standards may restate portions of these financial statements.

### Subsequent Events

On November 25, 2025, a resolution and related settlement agreement were approved to withdraw Steele County from Minnesota Prairie County Alliance joint venture. This withdrawal will be effective as of December 31, 2026.

# REQUIRED SUPPLEMENTARY INFORMATION

## Steele County

Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2025

| | Budget Original/Final | Actual | Variance With Budget |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 25,878,953 | $ 25,724,370 | $ (154,583) |
| Other taxes | 50,000 | 53,554 | 3,554 |
| Intergovernmental | 6,020,526 | 6,099,076 | 78,550 |
| Licenses and permits | 191,440 | 255,046 | 63,606 |
| Fines and forfeitures | 12,000 | 2,620 | (9,380) |
| Public charges for services | 3,634,362 | 3,970,411 | 336,049 |
| Investment income (including unrealized gains/losses) | 315,000 | 4,039,269 | 3,724,269 |
| Miscellaneous | 909,647 | 2,128,851 | 1,219,204 |
| Total revenues | 37,011,928 | 42,273,197 | 5,261,269 |
| **Expenditures** | | | |
| General government: | | | |
| Commissioners | 275,431 | 242,029 | 33,402 |
| Court administration | 457,600 | 393,641 | 63,959 |
| County administration | 333,784 | 334,508 | (724) |
| County auditor / treasurer | 1,435,230 | 1,158,933 | 276,297 |
| Human resources | 454,094 | 433,976 | 20,118 |
| County assessor | 851,914 | 803,368 | 48,546 |
| Elections | 52,590 | 12,961 | 39,629 |
| Data processing | 798,484 | 646,005 | 152,479 |
| Attorney | 1,601,821 | 1,551,962 | 49,859 |
| Recorder | 514,219 | 476,465 | 37,754 |
| Law library | 15,000 | 13,513 | 1,487 |
| Surveyor | 37,000 | 36,895 | 105 |
| Planning and zoning | 709,763 | 621,479 | 88,284 |
| Buildings and plant | 1,855,581 | 1,826,700 | 28,881 |
| GIS | 226,523 | 246,922 | (20,399) |
| Veterans services | 268,378 | 274,878 | (6,500) |
| Central services | 618,075 | 484,802 | 133,273 |
| Other | 635,947 | 706,145 | (70,198) |
| Total general government | 11,141,434 | 10,265,182 | 876,252 |
| Public safety: | | | |
| Sheriff | 4,662,305 | 4,510,203 | 152,102 |
| Boat and water safety | 4,655 | 4,966 | (311) |
| Coroner | 101,200 | 142,157 | (40,957) |
| Emergency government | 354,309 | 267,216 | 87,093 |
| E-911 | 1,103,826 | 1,103,826 | - |
| County jail | 4,467,139 | 4,332,624 | 134,515 |
| Community corrections | 2,239,289 | 2,150,644 | 88,645 |
| Law enforcement center | - | 6,242 | (6,242) |
| Total public safety | 12,932,723 | 12,517,878 | 414,845 |
| Health and human services: | | | |
| Minnesota Prairie | 5,780,206 | 5,780,206 | - |
| Nursing service | 5,165,476 | 4,286,961 | 878,515 |
| Total health and human services | 10,945,682 | 10,067,167 | 878,515 |

*See notes to required supplementary information*

## Steele County

Budgetary Comparison Schedule -
General Fund
Year Ended December 31, 2025

| | Budget Original/Final | Actual | Variance With Budget |
|---|---|---|---|
| **Expenditures (cont.)** | | | |
| Sanitation: | | | |
| Solid waste | $ 1,074,568 | $ 992,051 | $ 82,517 |
| Total sanitation | 1,074,568 | 992,051 | 82,517 |
| Culture, recreation and education: | | | |
| Parks | 405,590 | 417,109 | (11,519) |
| Historical society | 8,000 | 8,000 | - |
| Four seasons | 620,218 | 670,469 | (50,251) |
| Other | 17,575 | 20,115 | (2,540) |
| Total culture, recreation and education | 1,051,383 | 1,115,693 | (64,310) |
| Conservation and development: | | | |
| Cooperative extension | 426,543 | 432,781 | (6,238) |
| Soil and water conservation | 135,000 | 67,500 | 67,500 |
| Agricultural society | 72,500 | 71,213 | 1,287 |
| Bixby Sewer Project | 22,880 | 5,478 | 17,402 |
| Total conservation and development | 656,923 | 576,972 | 79,951 |
| Capital outlay: | | | |
| General government | - | 384,326 | (384,326) |
| Public safety | 5,000 | 6,818 | (1,818) |
| Human services | - | 14,283 | (14,283) |
| Other | - | 5,315 | (5,315) |
| Total capital outlay | 5,000 | 410,742 | (405,742) |
| Debt service: | | | |
| Principal | - | 478,790 | (478,790) |
| Interest | - | 36,628 | (36,628) |
| Total debt service | - | 515,418 | (515,418) |
| Total expenditures | 37,807,713 | 36,461,103 | 1,346,610 |
| Excess (deficiency) of revenues over expenditures | (795,785) | 5,812,094 | 6,607,879 |
| **Other Financing Sources (Uses)** | | | |
| Leases issued | - | 271,651 | 271,651 |
| Transfers in | - | 4,761 | 4,761 |
| Transfers out | (40,566) | (1,828,570) | (1,788,004) |
| Total other financing sources (uses) | (40,566) | (1,552,158) | (1,511,592) |
| Net change in fund balance | (836,351) | 4,259,936 | 5,096,287 |
| **Fund Balance, Beginning** | 29,675,032 | 29,675,032 | - |
| **Fund Balance, Ending** | $ 28,838,681 | $ 33,934,968 | $ 5,096,287 |

*See notes to required supplementary information*

## Steele County

Budgetary Comparison Schedule -
Road and Bridge Fund
Year Ended December 31, 2025

| | Budget Original / Final | Actual | Variance With Budget |
|---|---|---|---|
| **Revenues** | | | |
| Taxes | $ 2,561,422 | $ 2,531,075 | $ (30,347) |
| Other taxes | 4,735,500 | 4,516,094 | (219,406) |
| Intergovernmental | 10,725,875 | 6,218,755 | (4,507,120) |
| Public charges for services | 1,115,000 | 1,215,264 | 100,264 |
| Interest income | - | 648 | 648 |
| Licenses and permits | 9,000 | 7,200 | (1,800) |
| Miscellaneous | 10,279 | 8,524 | (1,755) |
| Total revenues | 19,157,076 | 14,497,560 | (4,659,516) |
| **Expenditures** | | | |
| Current: | | | |
| Public works: | | | |
| Administration | 542,147 | 573,368 | (31,221) |
| Operation and maintenance | 6,472,224 | 3,433,410 | 3,038,814 |
| Street construction | 15,168,428 | 2,855,806 | 12,312,622 |
| Other | 295,777 | 349,050 | (53,273) |
| Capital outlay: | | | |
| Highway and streets | 923,000 | 922,168 | 832 |
| Debt service | | | |
| Principal retirement | - | 1,688 | (1,688) |
| Interest | - | 62 | (62) |
| Total expenditures | 23,401,576 | 8,135,552 | 15,266,024 |
| Excess (deficiency) of revenues over expenditures | (4,244,500) | 6,362,008 | 10,606,508 |
| **Other Financing Sources** | | | |
| Procees from sale of capital assets | 207,000 | 167,483 | (39,517) |
| Total other financing sources | 207,000 | 167,483 | (39,517) |
| Net change in fund balances | (4,037,500) | 6,529,491 | 10,566,991 |
| **Fund Balances, Beginning** | 18,809,248 | 18,809,248 | - |
| Change in inventories | - | (41,734) | (41,734) |
| **Fund Balances, Ending** | $ 14,771,748 | $ 25,297,005 | $ 10,525,257 |

*See notes to required supplementary information*

## Steele County

Budgetary Comparison Schedule -
Ditch Fund
Year Ended December 31, 2025

| | Budget Original/Final | Actual | Variance With Budget |
|---|---|---|---|
| **Revenues** | | | |
| Special assessments | $ - | $ 271,647 | $ 271,647 |
| Investment income | - | 8,137 | 8,137 |
| Miscellaneous | 300,000 | - | (300,000) |
| Total revenues | 300,000 | 279,784 | (20,216) |
| **Expenditures** | | | |
| Current: | | | |
| Conservation and development | 300,000 | 313,756 | (13,756) |
| Net change in fund balances | - | (33,972) | (33,972) |
| **Fund Balances, Beginning** | 508,344 | 508,344 | - |
| **Fund Balances, Ending** | $ 508,344 | $ 474,372 | $ (33,972) |

*See notes to required supplementary information*

## Steele County

Budgetary Comparison Schedule -
Opioid Settlement
Year Ended December 31, 2025

| | Budget Original/Final | Actual | Variance With Budget |
|---|---|---|---|
| **Revenues** | | | |
| Miscellaneous | $ 100,000 | $ 87,972 | $ (12,028) |
| **Expenditures** | | | |
| Current: | | | |
| Health and human service | 100,000 | 55,782 | 44,218 |
| Excess of revenues over expenditures | - | 32,190 | 32,190 |
| **Other Financing Uses** | | | |
| Transfers out | - | (4,761) | |
| Net change in fund balances | - | 27,429 | - |
| **Fund Balances, Beginning** | 475,144 | 475,144 | - |
| **Fund Balances, Ending** | $ 475,144 | $ 502,573 | $ 32,190 |

*See notes to required supplementary information*

## Steele County

Schedule of County's Proportionate Share of the Net Pension Liability -
PERA General Employees' Retirement Fund
Year Ended December 31, 2025

| County Fiscal Year End Date | PERA Fiscal Year End Date (Measurement Date) | County's Proportion of the Net Pension Liability | County's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated With County (b) | County's and State's Proportionate Share of the Net Pension Liability Associated With County (a+b) | County's Covered Payroll (c) | County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 12/31/25 | 6/30/25 | 0.1333 % | $ 4,417,991 | $ 106,576 | $ 4,524,567 | $ 12,073,364 | 36.59 % | 90.80 % |
| 12/31/24 | 6/30/24 | 0.1350 % | 4,991,287 | 129,064 | 5,120,351 | 11,403,296 | 43.77 % | 89.10 % |
| 12/31/23 | 6/30/23 | 0.1346 % | 7,526,681 | 207,469 | 7,734,150 | 10,694,200 | 70.38 % | 83.10 % |
| 12/31/22 | 6/30/22 | 0.1360 % | 10,771,245 | 315,810 | 11,087,055 | 10,185,351 | 105.75 % | 76.70 % |
| 12/31/21 | 6/30/21 | 0.1386 % | 5,918,841 | 180,708 | 6,099,549 | 9,932,804 | 59.59 % | 87.00 % |
| 12/31/20 | 6/30/20 | 0.1368 % | 8,201,785 | 252,881 | 8,454,666 | 9,743,482 | 84.18 % | 79.10 % |
| 12/31/19 | 6/30/19 | 0.1295 % | 7,159,765 | 222,490 | 7,382,255 | 9,138,211 | 78.35 % | 80.20 % |
| 12/31/18 | 6/30/18 | 0.1293 % | 7,173,034 | 235,216 | 7,408,250 | 8,532,121 | 84.07 % | 79.50 % |
| 12/31/17 | 6/30/17 | 0.1344 % | 8,580,007 | 107,852 | 8,687,859 | 8,360,730 | 102.62 % | 75.90 % |
| 12/31/16 | 6/30/16 | 0.1286 % | 10,441,682 | 136,372 | 10,578,054 | 7,967,772 | 131.05 % | 68.90 % |

Schedule of Employer Contributions -
PERA General Employees' Retirement Fund
Year Ended December 31, 2025

| County Fiscal Year End Date | Statutorily Required Contributions (a) | Contributions in Relation to the Statutorily Required Contributions (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|---|---|---|---|---|---|
| 12/31/25 | $ 914,209 | $ 914,209 | $ - | $ 12,186,440 | 7.50 % |
| 12/31/24 | 890,371 | 890,371 | - | 11,870,022 | 7.50 % |
| 12/31/23 | 824,013 | 824,013 | - | 10,954,162 | 7.50 % |
| 12/31/22 | 772,441 | 772,441 | - | 10,299,603 | 7.50 % |
| 12/31/21 | 761,114 | 761,114 | - | 10,147,821 | 7.50 % |
| 12/31/20 | 740,145 | 740,145 | - | 9,868,579 | 7.50 % |
| 12/31/19 | 711,148 | 711,148 | - | 9,421,991 | 7.55 % |
| 12/31/18 | 672,661 | 672,661 | - | 8,965,303 | 7.50 % |
| 12/31/17 | 640,336 | 640,336 | - | 8,360,730 | 7.66 % |
| 12/31/16 | 609,601 | 609,601 | - | 8,115,735 | 7.51 % |

*See notes to required supplementary information*

## Steele County

Schedule of County's Proportionate Share of the Net Pension Liability -
PERA Police and Fire Fund
Year Ended December 31, 2025

| County Fiscal Year End Date | PERA Fiscal Year End Date (Measurement Date) | County's Proportion of the Net Pension Liability | County's Proportionate Share of the Net Pension Liability (a) | State's Proportionate Share of the Net Pension Liability Associated With County (b) | County's and State's Proportionate Share of the Net Pension Liability Associated With County (a+b) | County's Covered Payroll (b) | County's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|---|---|---|---|---|---|---|---|---|
| 12/31/25 | 6/30/25 | 0.1505 % | $ 1,762,998 | $ 61,114 | $ 1,824,112 | $ 2,291,042 | 76.95 % | 91.80 % |
| 12/31/24 | 6/30/24 | 0.1487 % | 1,956,002 | 74,562 | 2,030,564 | 2,058,460 | 95.02 % | 86.50 % |
| 12/31/23 | 6/30/23 | 0.1466 % | 2,531,591 | 101,971 | 2,633,562 | 1,925,138 | 131.50 % | 86.50 % |
| 12/31/22 | 6/30/22 | 0.1553 % | 6,758,043 | 295,257 | 7,053,300 | 1,887,002 | 358.14 % | 70.50 % |
| 12/31/21 | 6/30/21 | 0.1437 % | 1,109,212 | 49,880 | 1,159,092 | 1,645,691 | 67.40 % | 93.70 % |
| 12/31/20 | 6/30/20 | 0.1446 % | 1,905,983 | 44,900 | 1,950,883 | 1,632,499 | 116.75 % | 87.20 % |
| 12/31/19 | 6/30/19 | 0.1538 % | 1,637,356 | n/a | 1,637,356 | 1,623,072 | 100.88 % | 89.30 % |
| 12/31/18 | 6/30/18 | 0.1500 % | 1,598,846 | n/a | 1,598,846 | 1,581,023 | 101.13 % | 88.80 % |
| 12/31/17 | 6/30/17 | 0.1500 % | 2,025,179 | n/a | 2,025,179 | 1,547,524 | 130.87 % | 85.40 % |
| 12/31/16 | 6/30/16 | 0.1400 % | 5,618,444 | n/a | 5,618,444 | 1,344,913 | 417.76 % | 63.90 % |

Schedule of Employer Contributions -
PERA Police and Fire Fund
Year Ended December 31, 2025

| County Fiscal Year End Date | Statutorily Required Contributions (a) | Contributions in Relation to the Statutorily Required Contributions (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|---|---|---|---|---|---|
| 12/31/25 | $ 394,727 | $ 394,727 | $ - | $ 2,231,066 | 17.69 % |
| 12/31/24 | 396,052 | 396,052 | - | 2,244,980 | 17.60 % |
| 12/31/23 | 343,637 | 343,637 | - | 1,941,452 | 17.70 % |
| 12/31/22 | 340,197 | 340,197 | - | 1,922,020 | 17.70 % |
| 12/31/21 | 322,340 | 322,340 | - | 1,821,129 | 17.70 % |
| 12/31/20 | 288,413 | 288,413 | - | 1,629,452 | 17.70 % |
| 12/31/19 | 278,002 | 278,002 | - | 1,639,409 | 16.96 % |
| 12/31/18 | 258,223 | 258,223 | - | 1,593,972 | 16.20 % |
| 12/31/17 | 248,762 | 248,762 | - | 1,547,524 | 16.07 % |
| 12/31/16 | 234,065 | 234,065 | - | 1,444,845 | 16.20 % |
| 12/31/15 | 210,200 | 210,200 | - | 1,297,530 | 16.20 % |

*See notes to required supplementary information*

## Steele County

Schedule of County's Proportionate Share of the Net Pension Liability (Asset) -
PERA Correctional Fund
Year Ended December 31, 2025

| County Fiscal Year End Date | PERA Fiscal Year End Date (Measurement Date) | County's Proportion of the Net Pension Liability (Asset) | County's Proportionate Share of the Net Pension Liability (Asset) (a) | County's Covered Payroll (b) | County'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 |
|---|---|---|---|---|---|---|
| 12/31/25 | 6/30/25 | 0.9508 % | $ (628,950) | $ 2,595,051 | 24.24 % | 105.20 % |
| 12/31/24 | 6/30/24 | 0.9555 % | 291,225 | 2,427,262 | 12.00 % | 97.50 % |
| 12/31/23 | 6/30/23 | 0.9539 % | 431,211 | 2,236,809 | 19.28 % | 95.90 % |
| 12/31/22 | 6/30/22 | 1.0772 % | 3,580,613 | 2,366,321 | 151.32 % | 74.60 % |
| 12/31/21 | 6/30/21 | 1.1444 % | (188,002) | 2,402,444 | 7.83 % | 101.60 % |
| 12/31/20 | 6/30/20 | 1.1313 % | 306,967 | 2,460,209 | 12.48 % | 96.70 % |
| 12/31/19 | 6/30/19 | 1.0965 % | 151,810 | 2,338,892 | 6.49 % | 98.20 % |
| 12/31/18 | 6/30/18 | 1.1116 % | 182,825 | 2,305,825 | 7.93 % | 97.60 % |
| 12/31/17 | 6/30/17 | 1.0800 % | 3,078,011 | 2,115,325 | 145.51 % | 67.90 % |
| 12/31/16 | 6/30/16 | 1.1700 % | 4,274,174 | 2,198,788 | 194.39 % | 58.20 % |

Schedule of Employer Contributions -
PERA Correctional Fund
Year Ended December 31, 2025

| County Fiscal Year End Date | Statutorily Required Contributions (a) | Contributions in Relation to the Statutorily Required Contributions (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|---|---|---|---|---|---|
| 12/31/25 | $ 252,265 | $ 252,265 | $ - | $ 2,653,828 | 9.51 % |
| 12/31/24 | 215,996 | 215,996 | - | 2,464,905 | 8.80 % |
| 12/31/23 | 203,510 | 203,510 | - | 2,325,597 | 8.80 % |
| 12/31/22 | 203,149 | 203,149 | - | 2,322,130 | 8.70 % |
| 12/31/21 | 214,008 | 214,008 | - | 2,443,375 | 8.76 % |
| 12/31/20 | 218,231 | 218,231 | - | 2,494,062 | 8.75 % |
| 12/31/19 | 209,541 | 209,541 | - | 2,393,306 | 8.76 % |
| 12/31/18 | 198,653 | 198,653 | - | 2,305,825 | 8.62 % |
| 12/31/17 | 186,847 | 186,847 | - | 2,115,325 | 8.83 % |
| 12/31/16 | 182,191 | 182,191 | - | 2,082,175 | 8.75 % |

*See notes to required supplementary information*

**Steele County**

Schedule of Changes in the Total OPEB Liability and Related Ratios
Year Ended December 31, 2025

| | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|
| **Total OPEB Liability** | | | | | | | | |
| Service cost | $ 72,584 | $ 74,762 | $ 79,870 | $ 82,466 | $ 63,999 | $ 65,919 | $ 58,361 | $ 55,938 |
| Interest | 22,318 | 23,799 | 26,217 | 21,541 | 23,031 | 12,949 | 13,809 | 34,518 |
| Assumption changes | - | - | (14,666) | - | 36,478 | - | (87,364) | (26,013) |
| Differences between expected and actual | - | - | (119,566) | - | (241,247) | - | 300,084 | - |
| Benefit payments | (61,121) | (43,110) | (17,502) | (34,849) | (33,408) | (28,351) | (28,235) | (52,118) |
| Net change in total OPEB liability | 33,781 | 55,451 | (45,647) | 69,158 | (151,147) | 50,517 | 256,655 | 12,325 |
| **Total OPEB Liability, Beginning** | 634,025 | 667,806 | 723,257 | 677,610 | 746,768 | 595,621 | 646,138 | 902,793 |
| **Total OPEB Liability, Ending** | $ 667,806 | $ 723,257 | $ 677,610 | $ 746,768 | $ 595,621 | $ 646,138 | $ 902,793 | $ 915,118 |
| Covered-employee payroll | $ 11,555,589 | $ 11,902,257 | $ 13,383,026 | $ 13,817,974 | $ 13,553,478 | $ 13,960,082 | $ 15,382,986 | $ 15,844,476 |
| Total OPEB liability as a percentage of covered-employee payroll | 5.78% | 6.08% | 5.06% | 5.40% | 4.39% | 4.63% | 5.87% | 5.78% |

*See notes to required supplementary information*

## 1. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. Changes to the overall budget must be approved by board action. Appropriations lapse at year-end unless specifically carried over. Budgets are adopted at the fund level of expenditure. Budgets have not been adopted for the homeless prevention and housing affordability special revenue fund.

## 2. Public Employees Retirement Association (PERA)

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. For purposes of these schedules, covered payroll is defined as "pensionable wages."

### Changes in Benefit Terms

There were no changes of benefit terms for any participating employer in the PERA.

### Changes in Assumptions and Plan Provisions

### General Employees Fund

#### 2025 Changes

*Changes in Actuarial Assumptions:*

- The combined service annuity loading factors increased from 15% to 19% for vested terminated members and from 3% to 44% for nonvested, terminated members.
- The assumed postretirement benefit increase changed from 1.25% to 1.5%.

*Changes in Plan Provisions:*

- The postretirement benefit increase formula changed to 100% of the Social Security annual increase, between 1% and 1.75%, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85% for the last two consecutive annual valuations or is less than 80% in the most recent actuarial valuation, the maximum is reduced to 1.5%. Previously, the benefit increase was 50% of the Social Security annual increase, between 1% and 1.5%.
- The 1% additional employer contribution is eliminated when the plan reaches 98% funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100% funded status.

**2024 Changes**

*Changes in Actuarial Assumptions:*

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates and slight adjustments to early retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

*Changes in Plan Provisions:*

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**2023 Changes**

*Changes in Actuarial Assumptions:*

- The investment return assumption and single discount rate were changed from 6.5% to 7.00%.

*Changes in Plan Provisions:*

- An additional one-time direct state aid contribution of $170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, noncompounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

**2022 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**2021 Changes**

*Changes in Actuarial Assumptions:*

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**2020 Changes**

*Changes in Actuarial Assumptions:*

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- 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% 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 2-5 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 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 annuitant mortality table, with adjustments.
- The morality improvement scale was changed from MP-2018 to 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% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

*Changes in Plan Provisions:*

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

**2019 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- The employer supplemental contribution was changed prospectively, decreasing from $31.0 million to $21.0 million per year. The State's special funding contribution was changed prospectively, requiring $16.0 million due per year through 2031.

**2018 Changes**

*Changes in Actuarial Assumptions:*

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

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

*Changes in Plan Provisions:*

- 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 4.0% to 3.0%, beginning July 1, 2018.

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

- Contribution stabilizer provisions were repealed.

- Postretirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age. Does not apply to Rule of 90 retirees, disability benefit recipients or survivors.

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

**2017 Changes**

*Changes in Actuarial Assumptions:*

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.00% for vested deferred member liability and 3.00% for nonvested deferred member liability.

- The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

*Changes in Plan Provisions:*

- The State's contribution for the Minneapolis Employees Retirement Fund equals $16,000,000 in 2017 and 2018 and $6,000,000 thereafter.

- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from $21,000,000 to $31,000,000 in calendar years 2019 to 2031. The state's contribution changed from $16,000,000 to $6,000,000 in calendar years 2019 to 2031.

**2016 Changes**

*Changes in Actuarial Assumptions:*

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.

- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

### Police and Fire Fund

#### 2025 Changes

*Changes in Actuarial Assumptions:*

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued used of Pub-2010 Public Safety Mortality Table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70% to 65%.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33% to 13% for vested, terminated members and from 2% to 38% for nonvested, terminated members.

*Changes in Plan Provisions:*

- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026 benefit increase changed from 1% to 3%; subsequent January 1 increases will be 1%.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 90% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years to 100% funded for both PERA Police & Fire and MSRS State Patrol for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048 or 100% funded for a minimum of three consecutive years to 110% funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025 through June 30, 2048.
- Join and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

**2024 Changes**

*Changes in Actuarial Assumptions:*

- There were no changes in actuarial assumptions since the prior valuation.

*Changes in Plan Provisions:*

- The State contribution of $9.0 million per year will continue until the earlier of 1) both the Police and Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.

- The additional $9.0 million contribution will continue until the Police and Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

**2023 Changes**

*Changes in Actuarial Assumptions:*

- The investment return assumption was changed from 6.5% to 7.00%.

- The single discount rate changed from 5.4% to 7.0%.

*Changes in Plan Provisions:*

- Additional one-time direct state aid contribution of $19.4 million will be contributed to the Plan on October 1, 2023.

- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50% vesting after five years, increasing incrementally to 100% after 10 years.

- A one-time, noncompounding benefit increase of 3.0% will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.

- The total and permanent duty disability benefit was increased, effective July 1, 2023.

**2022 Changes**

*Changes in Actuarial Assumptions:*

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

- The single discount rate changed from 6.50% to 5.40%.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation

**2021 Changes**

*Changes in Actuarial Assumptions:*

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- 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 MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**2020 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2019 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2018 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- Postretirement benefit increases were changed to 1.0% for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing $9.0 million state contribution.
- New annual state aid will equal $4.5 million in fiscal years 2019 and 2020 and $9.0 million thereafter until the plan reaches 100% funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.8% to 11.3% of pay, effective January 1, 2019 and 11.8% of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20% to 16.95% of pay, effective January 1, 2019 and 17.70% of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, 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 Changes**

*Changes in Actuarial Assumptions:*

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- 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 postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2016 Changes**

*Changes in Actuarial Assumptions:*

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%.
- The single discount rate changed from 7.90% to 5.60%.

- The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**Correctional Fund**

**2025 Changes**

*Changes in Actuarial Assumptions:*

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age based).
- Assumed rates of retirement were adjusted resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued use of the Pub-2010 Public Safety Mortality Table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load was changed from 35% to 9% for vested, terminated members, and from 1% to 119% for nonvested, terminated members.

*Changes in Plan Provisions:*

- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.5% of average salary plus, for each year of service in excess of 25 years, 1.9% for each year of allowable service before July 1, 2025, and 2.2% for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions.

**2024 Changes**

*Changes in Actuarial Assumptions:*

- There were no changes in actuarial assumptions since the prior valuation.

*Changes in Plan Provisions:*

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

**2023 Changes**

*Changes in Actuarial Assumptions:*

- The investment return rate was changed from 6.5% to 7.00%.
- The single discount rate changed from 5.42% to 7.0%.

*Changes in Plan Provisions:*

- Additional one-time direct state aid contribution of $5.3 million will be contributed to the Plan on October 1, 2023.
- A one-time, noncompounding benefit increase of 2.5% minus the actual 2024 adjustment will be payable in a lump sum calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.5%. The maximum increase is 1.5% and the Plan's funding ratio improves to 85% for two consecutive years on a market value of assets basis.

**2022 Changes**

*Changes in Actuarial Assumptions:*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was a change from 2.00% per annum to 2.00% per annum through December 31, 2054 and 1.5% per annum thereafter.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**2021 Changes**

*Changes in Actuarial Assumptions:*

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- 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 MP-2019 to MN-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 lowered.
- Assumed percent married for active members was lowered from 85% to 75%.
- Minor changes to form of payment assumptions were applied.

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2020 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2019 Changes**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2018 Changes**

*Changes in Actuarial Assumptions:*

- The Single Discount Rate was changed from 5.96% per annum to 7.50% per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed postretirement benefit increase was changed from 2.50% per year to 2.00% per year.

*Changes in Plan Provisions:*

- 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 4.0% to 3.0%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.5% per year with a provision to reduce to 1.0% if the funding status declines to a certain level, to 100% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 2.5%, beginning January 1, 2019. If the funding status declines to 85% for two consecutive years or 80% for one year, the maximum increase will be lowered to 1.5%.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**2017 Changes**

*Changes in Actuarial Assumptions:*

- 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 MP-2016).
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested, deferred members. The CSA has been changed to 35% for vested members and 1% for nonvested members.
- The Single Discount Rate was changed from 5.31% per annum to 5.96% per annum.

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**2016 Changes**

*Changes in Actuarial Assumptions:*

- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 5.31%.
- The assumed future salary increases, payroll growth and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

*Changes in Plan Provisions:*

- There have been no changes since the prior valuation.

**3. Other Postemployment Benefits**

The County implemented GASB Statement No. 75 in fiscal year 2018. Information provided prior to fiscal year 2018 is not available.

Assets have not been accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

The following changes of assumptions were reflected in the OPEB actuarial valuations:

**2025 Changes**

- The discount rate was changed from 3.70% to 4.20%.

**2024 Changes**

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

**2023 Changes**

- There were no changes to assumptions or benefit terms in 2023.

**2022 Changes**

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 Generational Improvement Scale.
- The salary increase, retirement and withdrawal rates were updated to reflect the latest experience study.
- The inflation rate was changed from 2.50% to 2.00%.
- The discount rate was changed from 2.90% to 2.00%.

**2021 Changes**

- There were no changes to assumptions to benefit terms in 2021.

**2020 Changes**

- The discount rate was changed from 3.30% to 2.90%.
- Health care trend rates were changed to better anticipate short term and long-term medical increases.
- Mortality tables were updated from RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2019 Generational Improvement Scale.
- Salary increase rates were changed from a flat 3% per year for all employees to rates which vary by service and contract group.

**2019 Changes**

- There were no changes to assumptions to benefit terms in 2019.

**2018 Changes**

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- Mortality tables were updated from RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for police and fire personnel) to RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for all employees were updated.
- The retirement plan participation assumption for participants was changed from 35% to 25%.
- The discount rate was changed from 3.50% to 3.30%.

# SUPPLEMENTARY INFORMATION

**Steele County**

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

| | Taxes and Penalties | PACE Loans | State Collections | Consolidated Dispatch | Jail Canteen | Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash and investments | $ 730,418 | $ - | $ 166,016 | $ 1,462,930 | $ 25,421 | $ 2,384,785 |
| Taxes receivable, other governments | 769,600 | - | - | - | - | 769,600 |
| Due from other governments | - | - | 4 | 89,715 | - | 89,719 |
| Prepaid items | - | - | - | 84,515 | - | 84,515 |
| Total assets | 1,500,018 | - | 166,020 | 1,637,160 | 25,421 | 3,328,619 |
| **Liabilities** | | | | | | |
| Accounts payable | 1,935 | - | - | 11,910 | 24,637 | 38,482 |
| Accrued wages | - | - | - | 108,025 | - | 108,025 |
| Due to individuals and other governments | 431,336 | - | 166,623 | 18,315 | 784 | 617,058 |
| Unearned revenues | - | - | - | 42,415 | - | 42,415 |
| Total liabilities | 433,271 | - | 166,623 | 180,665 | 25,421 | 805,980 |
| **Deferred Inflows of Resources** | | | | | | |
| Taxes collected in advance of levy | 177,625 | - | - | - | - | 177,625 |
| **Net Position** | | | | | | |
| Restricted for individuals, organizations or other governments | $ 889,122 | $ - | $ (603) | $ 1,456,495 | $ - | $ 2,345,014 |

**Steele County**

Combining Statement of Changes in Fiduciary Net Position -
Custodial Funds
Year Ended December 31, 2025

| | Taxes and Penalties | PACE Loans | State Collections | Consolidated Dispatch | Jail Canteen | Total |
|---|---|---|---|---|---|---|
| **Additions** | | | | | | |
| Tax collections for other governments | $ 53,966,707 | $ 218,529 | $ - | $ - | $ - | $ 54,185,236 |
| License and fees collected for state | - | - | 1,607,370 | - | - | 1,607,370 |
| Intergovernmental revenues | - | - | - | 3,676,265 | - | 3,676,265 |
| Charges for services | - | - | - | 120,113 | - | 120,113 |
| Contributions, individuals | - | - | - | - | 152,647 | 152,647 |
| Miscellaneous | - | - | - | 56,467 | - | 56,467 |
| Total additions | 53,966,707 | 218,529 | 1,607,370 | 3,852,845 | 152,647 | 59,798,098 |
| **Deductions** | | | | | | |
| Payments of tax to other governments | 53,761,804 | 218,529 | - | - | - | 53,980,333 |
| Payments to state | - | - | 1,631,207 | - | - | 1,631,207 |
| Public safety expenditures | - | - | - | 3,779,409 | - | 3,779,409 |
| Beneficiary payments to individuals | - | - | - | - | 152,647 | 152,647 |
| Total deductions | 53,761,804 | 218,529 | 1,631,207 | 3,779,409 | 152,647 | 59,543,596 |
| Change in fiduciary net position | 204,903 | - | (23,837) | 73,436 | - | 254,502 |
| **Net Position, Beginning** | 684,219 | - | 23,234 | 1,383,059 | - | 2,090,512 |
| **Net Position, Ending** | $ 889,122 | $ - | $ (603) | $ 1,456,495 | $ - | $ 2,345,014 |

**Steele County**

Schedule of Intergovernmental Revenues
Year Ended December 31, 2024

| | General Fund | Road and Bridge | Homelessness & Housing | Debt Service | Capital Projects | Total All Funds |
|---|---|---|---|---|---|---|
| **Shared Revenue** | | | | | | |
| State: | | | | | | |
| County Program Aid | $ 2,453,881 | $ 244,096 | $ - | $ 99,242 | 96,557 | $ 2,893,776 |
| Local Performance Aid | 5,241 | - | - | - | - | 5,241 |
| PERA Rate Reimbursement | 75,048 | - | - | - | - | 75,048 |
| Disparity Reduction Aid | 22,129 | 2,202 | - | 895 | 871 | 26,097 |
| Police Aid | 159,662 | - | - | - | 151,000 | 310,662 |
| Highway Users Tax | - | 5,951,512 | - | - | - | 5,951,512 |
| Aquatic Invasive Species | 17,022 | - | - | - | - | 17,022 |
| Market Value Credit | 212,143 | 20,945 | - | 8,519 | 8,289 | 249,896 |
| Riparian Protection Aid | 75,915 | - | - | - | - | 75,915 |
| SCORE | 129,338 | - | - | - | - | 129,338 |
| Cannabis Aid Revenue | 5,454 | - | - | - | - | 5,454 |
| Affordable Housing Aid | - | - | 50,532 | - | - | 50,532 |
| Local Homeless Prevention Aid | - | - | 147,902 | - | - | 147,902 |
| Total shared revenue | 3,155,833 | 6,218,755 | 198,434 | 108,656 | 256,717 | 9,938,395 |
| **Reimbursement for Services** | | | | | | |
| Local: | | | | | | |
| MNPrairie County Alliance | 40,682 | - | - | - | - | 40,682 |
| Local, Payments in Lieu of Taxes | 53,085 | - | - | - | - | 53,085 |
| Total reimbursement for services | 93,767 | - | - | - | - | 93,767 |
| **Grants** | | | | | | |
| State: | | | | | | |
| Minnesota Department of: | | | | | | |
| Corrections | 1,033,101 | - | - | - | - | 1,033,101 |
| Natural Resources | 6,540 | - | - | - | - | 6,540 |
| Health | 995,020 | - | - | - | - | 995,020 |
| Veterans Affairs | 10,000 | - | - | - | - | 10,000 |
| Water and Soil Resources | 138,137 | - | - | - | - | 138,137 |
| Public Safety | 51,237 | - | - | - | - | 51,237 |
| Amateur Sports Commission | - | - | - | - | 750,000 | 750,000 |
| Secretary of State | 17,705 | - | - | - | - | 17,705 |
| Total state | 2,251,740 | - | - | - | 750,000 | 3,001,740 |
| Federal: | | | | | | |
| U.S. Department of: | | | | | | |
| Agriculture | 232,672 | - | - | - | - | 232,672 |
| Education | 5,475 | - | - | - | - | 5,475 |
| Health and Human Services | 285,282 | - | - | - | - | 285,282 |
| Homeland Security | 74,307 | - | - | - | - | 74,307 |
| Treasury | - | - | - | - | 1,188,236 | 1,188,236 |
| Total federal | 597,736 | - | - | - | 1,188,236 | 1,785,972 |
| Total intergovernmental revenue | $ 6,099,076 | $ 6,218,755 | $ 198,434 | $ 108,656 | $ 2,194,953 | $ 14,819,874 |

# 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* and Minnesota Legal Compliance

## Independent Auditors' Report

To the County Board of Commissioners of
Steele County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Steele County, Minnesota (the County) as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 3, 2026. Our report includes a reference to other auditors who audited the financial statements of the Minnesota Prairie County Alliance and the South Country Health Alliance, in which Steele County has equity interests, as described in our report on the County's financial statements. The financial statements of South Country Health Alliance were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with South Country Health Alliance or that are reported on separately by those auditors who audited the financial statements of South Country Health Alliance.

### Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* 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, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and responses as item 2025-001, that we consider to be a material weakness.

Baker Tilly Advisory Group, LP and Baker Tilly US, LLP, trading as Baker Tilly, are members of the global network of Baker Tilly International Ltd., the members of which are separate and independent legal entities. Baker Tilly US, LLP is a licensed CPA firm that provides assurance services to its clients. Baker Tilly Advisory Group, LP and its subsidiary entities provide tax and consulting services to their clients and are not licensed CPA firms.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 the 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.

**The County's Response to Finding**

*Government Auditing Standards* requires the auditor to perform limited procedures on the County's response to the finding identified in our audit and described in the accompanying schedule of findings and responses. The County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

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



Eau Claire, Wisconsin
September 3, 2026

## Financial Statement Findings Required to be Reported in Accordance With *Government Auditing Standards*

### Finding 2025-001: Material Weakness - Internal Control Over Financial Reporting

*Repeat of Prior Year Finding 2024-001*

*Criteria:* County staff should present the auditor with a set of complete financial statements in such a condition that the auditor is not able to identify any material changes as a result of the audit. The County should also present the books and records to the auditor in such a condition that the auditor is not able to identify any material journal entries as a result of the audit procedures.

*Condition:* The County relies on its external auditors to draft the financial statements. Additionally, material journal entries were proposed during the audit.

*Cause:* The County has chosen to have the auditors prepare its annual financial statements and certain year-end entries.

*Effect:* Because of the lack of controls over year-end financial reporting, your financial statements may not contain all of the required disclosures and account balances. In addition, significant errors could go undetected.

*Recommendation:* The County should develop an action plan to ensure all year-end adjustments are recorded by County staff prior to audit fieldwork**.** The County should consider whether preparation of the complete set of financial statements by County staff is cost effective. Management and the governing body should continue to make a reasonable effort to be knowledgeable about the County's financial condition and financial reporting requirements.

*Views of Responsible Officials:* The County is committed to strengthening its financial reporting process and addressing the conditions that contributed to this material weakness. County staff continue to enhance their technical competencies through ongoing training, professional development, and monitoring of evolving accounting and reporting standards.

To improve the completeness and accuracy of financial records prior to audit fieldwork, the County is evaluating and enhancing its internal review procedures to better identify, analyze, and record material journal entries before the auditors arrive in future audit cycles. In addition, the County is gradually building the skills and capacity necessary to prepare a complete set of financial statements internally. This incremental progress will help reduce reliance on external auditors for financial statement preparation and ensure the statements more fully reflect the County’s internal controls and documentation.

These efforts support a broader initiative to strengthen internal controls over financial reporting, improve the accuracy and timeliness of financial information, and reduce the need for auditor-proposed adjustments in future audits.