

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

YEAR ENDED DECEMBER 31, 2009

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

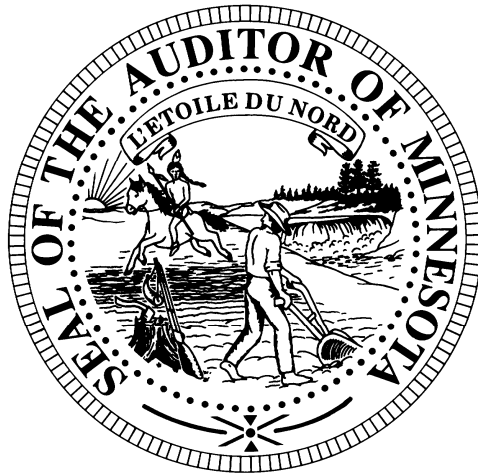
The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

Office of the State Auditor
525 Park Street, Suite 500
Saint Paul, Minnesota 55103
(651) 296-2551
state.auditor@state.mn.us
www.auditor.state.mn.us

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Year Ended December 31, 2009



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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MONTEVIDEO, MINNESOTA**

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

ORGANIZATION
2009

Office	Name	Term Expires
Commissioners		
1st District	Kenneth Koenen	January 2012
2nd District	Jeffrey Lopez	January 2012
3rd District	Mark Dahl ¹	January 2010
4th District	Jim Dahlvang	January 2012
5th District	Gene Van Binsbergen ²	January 2010
Officers		
Elected		
Attorney	Dwayne Knutsen	January 2011
Auditor/Treasurer	Jon Clauson	January 2011
Coroner	Erik Shelstad, M.D.	January 2011
County Recorder and Registrar of Titles	Diane Ketelsen	January 2011
Sheriff	Stacy Tufto	January 2011
Appointed		
Assessor	Carol Schultz	Indefinite
Community Corrections	Midge Christianson	Indefinite
Deputy Registrar	Sandra Hodge	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Land and Resource Management	Scott Williams	Indefinite
Veterans Service Officer	Dennis Anderson	Indefinite
Family Services Director	Betty Christensen	Indefinite
Data Processing	Kathy Leindecker	Indefinite

¹Chair 2010

²Chair 2009

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Chippewa County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Chippewa County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County as of December 31, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We

have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa County's basic financial statements. The supplementary information and other schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of Chippewa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009
(Unaudited)**

The Auditor/Treasurer of Chippewa County offers readers of Chippewa County's financial statements this narrative overview and analysis of the financial activities of Chippewa County for the fiscal year ended December 31, 2009. Readers are encouraged to consider the information presented here in conjunction with additional information that has been furnished in a letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Chippewa County exceeded its liabilities at the close of the most recent fiscal year (December 31, 2009) by \$59,830,944 (net assets). Of this amount, \$15,037,810 (unrestricted net assets) may be used to meet ongoing obligations to citizens and creditors.
- Chippewa County's total net assets increased by \$1,124,735. The increase is from additional capital assets.
- As of the close of the 2009 fiscal year, Chippewa County's governmental funds' ending fund balances were \$15,419,277 compared to \$15,582,238 in 2008. Approximately 41.7 percent of the amount (\$6,437,370) is available for spending at Chippewa County's discretion (unreserved, undesignated fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Chippewa County's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of Chippewa County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Chippewa County is improving or deteriorating.

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

The government-wide financial statements report functions of Chippewa County principally supported by taxes and intergovernmental revenues as governmental activities. The governmental activities of Chippewa County include general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development.

The government-wide financial statements can be found on Exhibits 1 and 2 of this report.

Fund Financial Statements

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Within the governmental funds, Chippewa County maintains two fund types: general and special revenue. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, and Ditch Revenue Special Revenue Fund, all of which are considered to be major funds.

Chippewa County adopts an annual appropriated budget for its major governmental funds. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

General Fund. The General Fund is used to account for all financial resources not accounted for in another fund.

Special revenue funds. Special revenue governmental funds account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes. The special revenue funds include:

- Road and Bridge Fund,
- Family Services Fund, and
- Ditch Revenue Fund.

Fiduciary funds. Fiduciary funds (trust and agency funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Chippewa County's own programs. The accounting used for fiduciary funds is much like that used for the government-wide statements.

The basic fiduciary fund financial statements can be found on Exhibits 7 and 8 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary schedules referred to earlier in connection with the major governmental funds are presented immediately following the notes to the financial statements. Combining statements can be found on Statements 1 through 3 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Chippewa County, assets exceeded liabilities by \$59,830,944 on December 31, 2009.

Capital assets of \$44,108,553 (land, buildings, machinery and equipment, infrastructure, improvements to land, and construction in progress, net of accumulated depreciation) represent the largest portion of net assets (73.7 percent). Chippewa County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

One percent of Chippewa County's net assets represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$15,037,810) may be used to meet the government's ongoing obligations to citizens and creditors.

Net Assets

	Governmental Activities	
	2009	2008
Assets		
Current and other assets	\$ 17,425,056	\$ 17,638,160
Capital assets	<u>44,108,553</u>	<u>42,511,551</u>
Total Assets	<u>\$ 61,533,609</u>	<u>\$ 60,149,711</u>
Liabilities		
Other liabilities	\$ 526,622	\$ 484,165
Long-term liabilities	<u>1,176,043</u>	<u>959,337</u>
Total Liabilities	<u>\$ 1,702,665</u>	<u>\$ 1,443,502</u>
Net Assets		
Invested in capital assets	\$ 44,108,553	\$ 42,511,551
Restricted	684,581	575,137
Unrestricted	<u>15,037,810</u>	<u>15,619,521</u>
Total Net Assets	<u>\$ 59,830,944</u>	<u>\$ 58,706,209</u>

Unrestricted net assets at December 31, 2009--the part of net assets that may be used to meet the County's ongoing obligations to citizens and creditors without constraints established by debt covenants, enabling legislation, or other legal requirements--are 25.1 percent of the net assets.

Governmental Activities

The County's activities increased net assets by 1.9 percent (\$59,830,944 for 2009 compared to \$58,706,209 for 2008). Key elements in this increase in net assets are as follows:

Changes in Net Assets		
	<u>2009</u>	<u>2008</u>
Revenues		
Program revenues		
Charges for services	\$ 1,549,480	\$ 1,571,444
Operating grants and contributions	5,087,450	4,702,035
Capital grants and contributions	1,045,297	1,277,549
General revenues		
Property taxes	6,591,196	6,097,852
Other	2,060,151	2,163,766
Total Revenues	<u>\$ 16,333,574</u>	<u>\$ 15,812,646</u>
Expenses		
General government	\$ 3,219,863	\$ 2,949,880
Public safety	2,078,468	1,945,596
Highways and streets	3,310,504	4,018,527
Sanitation	207,612	235,858
Human services	4,317,457	4,396,411
Health	107,463	107,463
Culture and recreation	514,954	416,575
Conservation of natural resources	1,394,885	792,082
Economic development	54,030	53,094
Interest	3,603	4,112
Total Expenses	<u>\$ 15,208,839</u>	<u>\$ 14,919,598</u>
Increase in Net Assets	\$ 1,124,735	\$ 893,048
Net Assets - January 1	<u>58,706,209</u>	<u>57,813,161</u>
Net Assets - December 31	<u>\$ 59,830,944</u>	<u>\$ 58,706,209</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, Chippewa County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of Chippewa County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Chippewa County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, Chippewa County's governmental funds reported combined ending fund balances of \$15,419,277, a decrease of \$162,961, or 1.0 percent, in comparison with the prior year. Of the combined ending fund balances, \$14,824,220 represents unreserved fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, \$595,057, is reserved to indicate that it is not available for new spending because it has already been committed for various reasons either by state law or grant agreements.

The General Fund is the main operating fund for the County. At the end of 2009, it had an unreserved fund balance of \$4,248,625. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total expenditures. The General Fund's unreserved fund balance represents 59.8 percent of total General Fund expenditures. During 2009, the ending fund balance decreased by \$6,961.

The Road and Bridge Special Revenue Fund had an unreserved fund balance of \$4,200,238 at the end of 2009, representing 84.7 percent of its annual expenditures. The ending fund balance decreased by \$440,575 during 2009, primarily due to expenses relating to the bituminous overlay project to County Road #40 (\$415,109) and the purchase of two tandem trucks and snow plow equipment (\$381,779). Additionally, investment earnings were lower than expected.

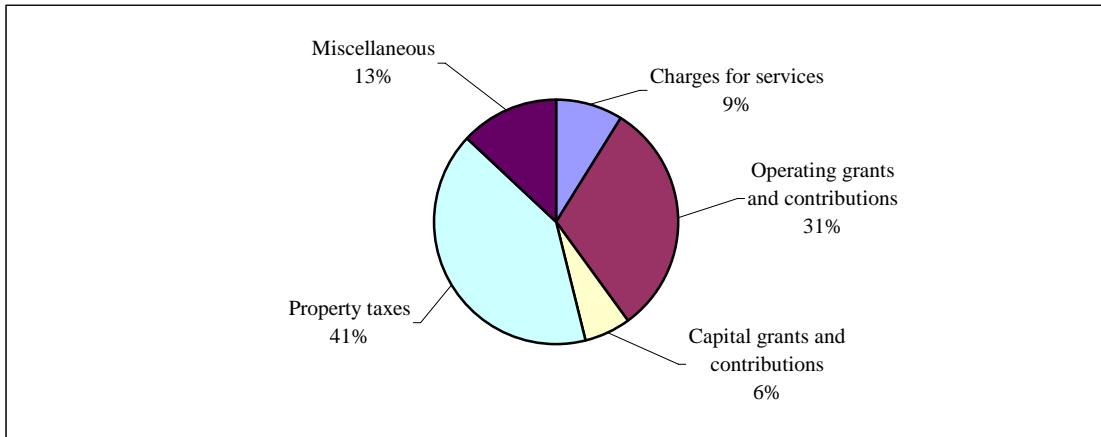
The Family Services Special Revenue Fund had an unreserved fund balance of \$3,277,847 at the end of 2009, representing 75.0 percent of its annual expenditures. The ending fund balance increased by \$325,800 during 2009. Factors contributing to the increase were higher than anticipated revenues for programs funded through the American Recovery and Reinvestment Act (ARRA) and Targeted Case Management. Additionally, the County had lower than anticipated expenditures for several programs. There were also budgeted capital purchases that were delayed or eliminated completely.

The Ditch Revenue Special Revenue Fund had an unreserved fund balance of \$3,097,510 at the end of 2009. The ending fund balance decreased by \$41,225 during 2009, primarily due to greater than anticipated expenditures on Joint County Ditch #18 of Chippewa, Swift, and Kandiyohi Counties for the purchase of rock rip rap (\$101,175) that was delivered in 2009 and will be installed in the spring of 2010.

GOVERNMENTAL ACTIVITIES

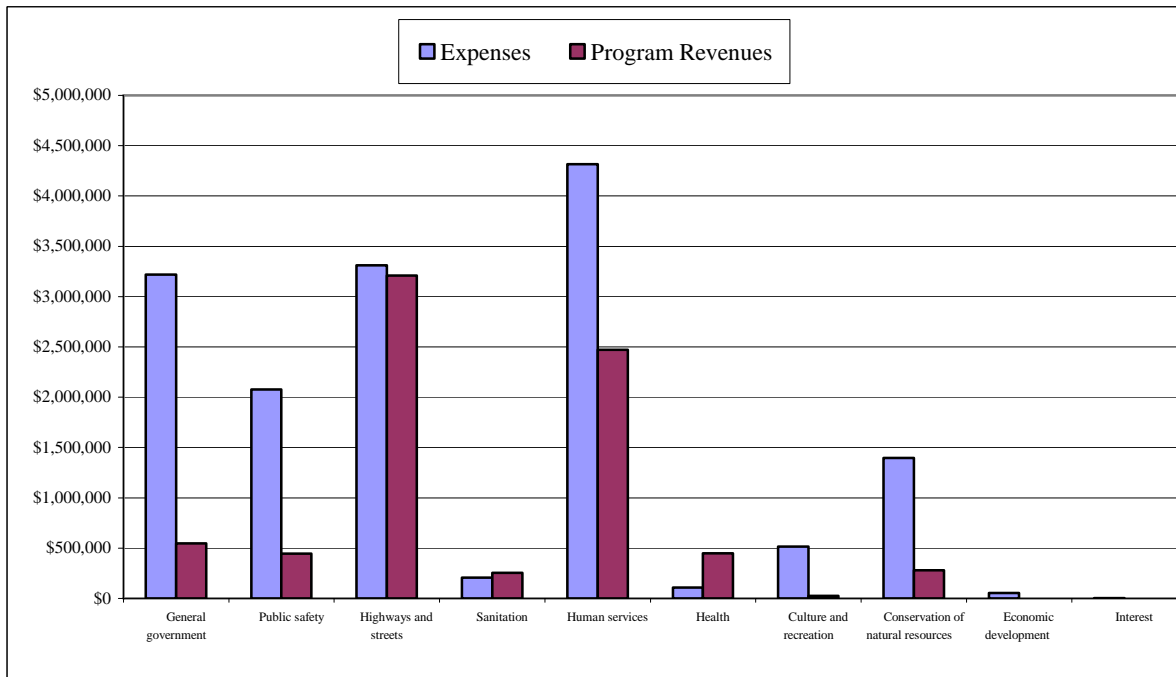
The County's total revenues were \$16,333,574. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2009.

Table 1
Revenues by Source



The Expenses and Program Revenues (Table 2) show the expenditures for each area on the left-hand bar and revenues received on the right-hand bar. The difference between the two bars is made up by real, personal, and mobile home taxes levied on County property owners.

Table 2
Expenses and Program Revenue



(Unaudited)

The cost of all governmental activities in 2009 was \$15,208,839. However, as shown on the Statement of Activities, Exhibit 2, the amount that Chippewa County taxpayers ultimately financed these activities through County taxes and non-program revenues was only \$7,526,612 because some of the cost was paid by those who directly benefited from the programs (\$1,549,480) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6,132,747). The County paid for the remaining “public benefit” portion of governmental activities with \$8,651,347 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs and interest.

Table 3 presents the cost of each of the County’s program functions as well as each function’s net cost (total cost, less revenues generated by the activity). The net cost shows the financial burden that was placed on the County’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services	Net Cost of Services
	2009	2009
General government	\$ 3,219,863	\$ (2,674,266)
Public safety	2,078,468	(1,632,069)
Highways and streets	3,310,504	(99,721)
Sanitation	207,612	47,497
Human services	4,317,457	(1,847,011)
Health	107,463	340,233
Culture and recreation	514,954	(489,436)
Conservation of natural resources	1,394,885	(1,114,206)
Economic development	54,030	(54,030)
Interest	3,603	(3,603)
Totals	<u>\$ 15,208,839</u>	<u>\$ (7,526,612)</u>

General Fund Budgetary Highlights

Over the course of the year, the County Board increased the General Fund expenditure budget by \$812,099. The actual charges to appropriations (expenditures) were \$524,498 under the approved budget amounts. Several factors affecting those budget variances were:

There are many contributing factors ranging from higher than expected revenues to lower than expected expenditures. Examples of items impacting the income side are higher than expected revenues in the Recorder’s Office (\$49,527), E-911 dispatcher account (\$89,045), land and resource management (\$230,337), and lower than expected revenues for the Chippewa River Watershed project (\$111,133) and interest on investments (\$122,051).

Examples of items impacting the expenditure side are higher than expected disbursements for prepaying employee contributions to VEBA accounts (\$163,725) and lower than expected expenditures for prisoner board and meals (\$148,244), Chippewa River Watershed project (\$106,288), and contributions for airport capital expenditures (\$67,081).

A significant contributor to the budget adjustments was for the Chippewa River Watershed program and the Individual Septic Treatment System loan program. These two grant programs have expenditures offset by grant funds that pass through the County. Neither income nor expenses were reflected in the original 2009 budget.

The Governor's unallotment of funds paid to local units of government (\$93,802 in 2009) compound financial problems for local units of government.

Weakness in the overall economy and lower than anticipated interest rates continue to increase pressure on County resources.

The jail experienced lower than anticipated expenditures due to the lower number of prisoners being boarded in the Yellow Medicine County Jail and reduced expenditures due to the reduced number of inmate meals and meds in the Chippewa County Jail.

Expenditures to the Minnesota Sex Offender Program (MSOP), previously paid by the State of Minnesota that have now been passed down to counties for the incarceration costs related to civilly committed sex offenders, continues to add additional pressure to county budgets.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2009, totaled \$44,108,553 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,597,002, or 3.8 percent, from the previous year. The major capital asset event was construction of highways and streets for \$2,636,341.

Capital Assets at Year-End Net of Depreciation (in Thousands)

	2009	2008
Land and right-of-way	\$ 1,592	\$ 1,592
Infrastructure	38,355	36,741
Buildings	2,340	2,249
Machinery and equipment	1,654	1,704
Construction in progress	168	226
	<hr/>	<hr/>
Total	\$ 44,109	\$ 42,512
	<hr/>	<hr/>

(Unaudited)

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

Long-Term Debt

At the end of the current fiscal year, the County had no outstanding debt.

Additional information on the County's long-term liabilities can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's officials considered many factors when setting the 2009 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2009 was 8.0 percent. This compares with the state unemployment rate of 8.0 percent and shows an increase from the County's 6.7 percent rate of one year ago. This could impact the level of services requested by County residents.
- 2009 property tax levy for the County increased 7.4 percent (\$495,653) from 2008. The increase is due to several factors: reductions in interest earning, state aids, and reserve fund use and increases in civil commitment costs, personal services, other services, and capital outlay.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chippewa County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Chippewa County Auditor/Treasurer Jon Clauson, 629 North 11th Street, Montevideo, Minnesota 56265.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Assets

Cash and pooled investments	\$ 8,062,180
Investments	7,178,571
Receivables - net	2,031,737
Inventories	137,383
Prepaid items	15,185
Capital assets	
Non-depreciable capital assets	1,759,862
Depreciable capital assets - net of accumulated depreciation	<u>42,348,691</u>
Total Assets	<u>\$ 61,533,609</u>

Liabilities

Accounts payable and other current liabilities	\$ 526,622
Long-term liabilities	
Due within one year	111,077
Due in more than one year	<u>1,064,966</u>
Total Liabilities	<u>\$ 1,702,665</u>

Net Assets

Invested in capital assets	\$ 44,108,553
Restricted for	
Public safety	29,951
Highways and streets	386,489
Conservation of natural resources	25,537
Other purposes	242,604
Unrestricted	<u>15,037,810</u>
Total Net Assets	<u>\$ 59,830,944</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<u>Functions/Programs</u>				
Primary government				
Governmental activities				
General government	\$ 3,219,863	\$ 529,333	\$ 16,264	\$ -
Public safety	2,078,468	209,262	237,137	-
Highways and streets	3,310,504	76,490	2,088,996	1,045,297
Sanitation	207,612	255,109	-	-
Human services	4,317,457	301,241	2,169,205	-
Health	107,463	-	447,696	-
Culture and recreation	514,954	25,518	-	-
Conservation of natural resources	1,394,885	152,527	128,152	-
Economic development	54,030	-	-	-
Interest	3,603	-	-	-
	\$ 15,208,839	\$ 1,549,480	\$ 5,087,450	\$ 1,045,297
Total Governmental Activities	\$ 15,208,839	\$ 1,549,480	\$ 5,087,450	\$ 1,045,297
 General Revenues				
Property taxes				\$ 6,591,196
Mortgage registry and deed tax				6,737
Other tax				8
Payments in lieu of tax				131,255
Grants and contributions not restricted to specific programs				1,317,690
Unrestricted investment income				209,940
Miscellaneous				372,497
Gain on disposal of capital assets				22,024
				\$ 8,651,347
Total general revenues				\$ 8,651,347
Change in net assets				\$ 1,124,735
Net Assets - Beginning				58,706,209
Net Assets - Ending				\$ 59,830,944

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch Revenue</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,998,291	\$ 335,816	\$ 3,193,329	\$ 417,341	\$ 7,944,777
Undistributed cash in agency funds	58,710	15,345	30,393	946	105,394
Petty cash and change funds	2,000	100	100	-	2,200
Departmental cash	9,809	-	-	-	9,809
Investments	514,916	3,857,655	6,000	2,800,000	7,178,571
Taxes receivable					
Prior	68,402	17,426	36,236	-	122,064
Special assessments receivable					
Prior	23,040	-	-	49	23,089
Noncurrent	456,780	-	-	410,984	867,764
Accounts receivable	4,886	1,335	27,994	-	34,215
Loans receivable	96,290	-	-	-	96,290
Accrued interest receivable	26,518	18,256	22	-	44,796
Due from other governments	117,659	447,233	230,042	48,585	843,519
Inventories	-	137,383	-	-	137,383
Prepaid items	11,375	3,810	-	-	15,185
Total Assets	\$ 5,388,676	\$ 4,834,359	\$ 3,524,116	\$ 3,677,905	\$ 17,425,056

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch Revenue</u>	<u>Total</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 132,224	\$ 24,380	\$ 96,746	\$ 102,256	\$ 355,606
Salaries payable	14,040	16,025	6,318	-	36,383
Contracts payable	-	31,553	-	-	31,553
Due to other governments	2,190	913	81,404	18,573	103,080
Deferred revenue - unavailable	563,270	420,057	36,264	459,566	1,479,157
Total Liabilities	\$ 711,724	\$ 492,928	\$ 220,732	\$ 580,395	\$ 2,005,779
Fund Balances					
Reserved for					
Prepaid items	\$ 11,375	\$ 3,810	\$ -	\$ -	\$ 15,185
Missing heirs	21,476	-	-	-	21,476
Inventories	-	137,383	-	-	137,383
Loans receivable	96,290	-	-	-	96,290
Sheriff's contingency	9,638	-	-	-	9,638
Gun permit fees	15,675	-	-	-	15,675
Boat and water safety	344	-	-	-	344
Recorder's technology fund	121,326	-	-	-	121,326
Recorder's compliance fund	87,587	-	-	-	87,587
Drug task force forfeitures	4,294	-	-	-	4,294
Attorney's forfeited property	12,185	-	-	-	12,185
Unclaimed property	154	-	-	-	154
Septic/sewer loans	144,243	-	-	-	144,243
Election equipment grant	30	-	-	-	30
Unspent grant monies	-	-	25,537	-	25,537
Unreserved					
Designated for future expenditures	4,152,335	1,346,300	1,500,000	-	6,998,635
Designated for capital expenditures	-	-	100,000	-	100,000
Designated for capital land	-	337,800	-	-	337,800
Designated for capital equipment	-	349,500	-	-	349,500
Designated for out-of-home care	-	-	500,000	-	500,000
Designated for caregiver program	-	-	4,625	-	4,625
Undesignated	-	2,166,638	1,173,222	3,097,510	6,437,370
Total Fund Balances	\$ 4,676,952	\$ 4,341,431	\$ 3,303,384	\$ 3,097,510	\$ 15,419,277
Total Liabilities and Fund Balances	\$ 5,388,676	\$ 4,834,359	\$ 3,524,116	\$ 3,677,905	\$ 17,425,056

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

Fund balance - total governmental funds (Exhibit 3)	\$ 15,419,277
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	44,108,553
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.	1,479,157
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	\$ (566,001)
OPEB liability	(79,747)
Compensated absences	(530,295)
	<u>(1,176,043)</u>
Net Assets of Governmental Activities (Exhibit 1)	<u>\$ 59,830,944</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch Revenue</u>	<u>Total</u>
Revenues					
Taxes	\$ 3,714,684	\$ 961,202	\$ 1,904,716	\$ 992	\$ 6,581,594
Special assessments	158,448	-	-	147,177	305,625
Licenses and permits	9,425	-	-	-	9,425
Intergovernmental	1,753,294	3,362,427	2,478,119	35,331	7,629,171
Charges for services	665,236	38,583	144,765	57,275	905,859
Gifts and contributions	6,765	-	9,464	-	16,229
Investment earnings	124,094	63,803	204	44,569	232,670
Miscellaneous	502,922	86,203	156,476	-	745,601
Total Revenues	\$ 6,934,868	\$ 4,512,218	\$ 4,693,744	\$ 285,344	\$ 16,426,174
Expenditures					
Current					
General government	\$ 3,141,285	\$ -	\$ -	\$ -	\$ 3,141,285
Public safety	1,955,060	-	-	-	1,955,060
Highways and streets	-	4,686,785	-	-	4,686,785
Sanitation	205,429	-	-	-	205,429
Human services	-	-	4,260,481	-	4,260,481
Culture and recreation	504,140	-	-	-	504,140
Conservation of natural resources	666,198	-	-	326,569	992,767
Economic development	54,030	-	-	-	54,030
Intergovernmental	552,647	269,976	107,463	-	930,086
Debt service					
Principal	25,864	-	-	-	25,864
Interest	3,602	-	-	-	3,602
Total Expenditures	\$ 7,108,255	\$ 4,956,761	\$ 4,367,944	\$ 326,569	\$ 16,759,529
Excess of Revenues Over (Under)					
Expenditures	\$ (173,387)	\$ (444,543)	\$ 325,800	\$ (41,225)	\$ (333,355)
Other Financing Sources (Uses)					
Loans issued	166,426	-	-	-	166,426
Net Change in Fund Balances	\$ (6,961)	\$ (444,543)	\$ 325,800	\$ (41,225)	\$ (166,929)
Fund Balances - January 1	4,683,913	4,782,006	2,977,584	3,138,735	15,582,238
Increase (decrease) in reserved for inventories	-	3,968	-	-	3,968
Fund Balances - December 31	\$ 4,676,952	\$ 4,341,431	\$ 3,303,384	\$ 3,097,510	\$ 15,419,277

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (166,929)

Amounts reported for governmental activities in the statement of activities are different because:

In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in revenue deferred as unavailable.

Deferred revenue - December 31	\$ 1,479,157	
Deferred revenue - January 1	<u>(1,571,757)</u>	(92,600)

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

Expenditures for general capital assets and infrastructure	\$ 3,252,461	
Current year depreciation	<u>(1,655,459)</u>	1,597,002

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal repayments		
Loans payable		25,863

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:

Debt issued		
Loans issued		(166,426)

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

Change in inventories	\$ 3,968	
Change in OPEB liability	(32,076)	
Change in compensated absences	<u>(44,067)</u>	<u>(72,175)</u>

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 1,124,735

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

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FIDUCIARY FUNDS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2009**

	<u>Investment Trusts</u>	<u>Agency</u>
<u>Assets</u>		
Cash and pooled investments	\$ 3,525,477	\$ 840,721
Investments	10,021,747	-
Accrued interest	38,024	-
Total Assets	<u>\$ 13,585,248</u>	<u>\$ 840,721</u>
<u>Liabilities</u>		
Due to other governments	<u>\$ -</u>	<u>\$ 840,721</u>
<u>Net Assets</u>		
Net assets, held in trust	<u>\$ 13,585,248</u>	

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Investment Trusts</u>
<u>Additions</u>	
Contributions from participants	\$ 63,233,649
Interest	<u>131,119</u>
Total Additions	\$ 63,364,768
<u>Deductions</u>	
Distribution to participants	<u>70,407,646</u>
Change in net assets	\$ (7,042,878)
Net Assets - Beginning of the Year	<u>20,628,126</u>
Net Assets - End of the Year	<u>\$ 13,585,248</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2009

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2009. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Chippewa County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Chippewa County. 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/Treasurer, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures

The County participates in several joint ventures described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about Chippewa County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities normally are supported by taxes and intergovernmental revenue.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net assets, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, (2) restricted net assets, and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

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

2. Fund Financial Statements

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category--governmental and fiduciary--are presented. The emphasis of governmental fund financial statements is on major individual governmental funds, with each displayed as separate columns in the fund financial statements. The County reports all of its funds as major funds.

The County reports the following major governmental funds:

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The Family Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Revenue Special Revenue Fund is used to account for the cost of constructing and maintaining an agricultural drainage ditch system. Financing is provided by special assessments levied against benefited property.

The County has no proprietary funds.

Additionally, the County reports the following fund types:

Fiduciary Funds

Investment trust funds are used to report the external portion of investment pools and specific investments held for others.

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2009, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2009 were \$232,670.

Chippewa County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

2. Receivables and Payables

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

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

3. Inventories

All inventories are valued at cost using the first in/first out method. Inventories in governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories at the government-wide level are recorded as expenses when consumed.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

4. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

6. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds and governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned.

7. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

At December 31, 2009, Chippewa County reported no bonded debt.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts not available for appropriation or legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9. Use of Estimates

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Government-wide statement of net assets	
Governmental activities	
Cash and pooled investments	\$ 8,062,180
Investments	7,178,571
Statement of fiduciary net assets	
Cash and pooled investments	4,366,198
Investments	<u>10,021,747</u>
Total Cash and Investments	<u>\$ 29,628,696</u>
Checking	\$ 3,886,570
Petty cash and change funds	2,200
Departmental cash	9,809
Savings	4,328,874
Money market	4,877,509
Certificates of deposit	13,331,367
Investments	<u>3,192,367</u>
Total Cash and Investments	<u>\$ 29,628,696</u>

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2009, the County's deposits were not exposed to custodial credit risk.

b. Investments

The County may invest in the following types of investments as authorized by Minn. Stat. §§ 118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The County minimizes its exposure to interest rate risk by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At December 31, 2009, the County had the following investments:

	Fair Value	Less Than 1 Year	1 - 5 Years	5+ Years
U.S. agency securities	\$ 3,192,367	\$ 2,694,087	\$ 498,280	\$ -
MAGIC Fund	4,877,509	4,877,509	-	-
Total Investments	<u>\$ 8,069,876</u>	<u>\$ 7,571,596</u>	<u>\$ 498,280</u>	<u>\$ -</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute. The County's exposure to credit risk at December 31, 2009, is as follows:

	<u>S & P Rating</u>	<u>Fair Value</u>
U.S. government agency securities	AAA	\$ 3,192,367
MAGIC Fund	N/R	<u>4,877,509</u>
Total		<u>\$ 8,069,876</u>

N/R - Not rated

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available.

Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2009, \$3,192,367 of Federal Home Loan Bank Bonds held by the County were subject to custodial credit risk.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's investment balances at December 31, 2009, by issuer, not including negotiable certificates of deposit:

Issuer	Reported Amount
Federal Home Loan Bank	\$ 3,192,367
MAGIC Fund	4,877,509

c. External Investment Pool

Chippewa County sponsors an external investment pool where cash belonging to the Chippewa County-Montevideo Hospital is pooled and invested with the County's cash. The pool is reported as the Pooled Investment Trust Fund. The fund is not registered with the SEC, but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). The fair value of the Hospital's position in the pool is the same as the value of the pool shares.

Cash and pooled investments	
Belonging to the County	\$ 8,062,180
Held in trust for the Hospital	3,213,622
Total Cash and Pooled Investments	\$ 11,275,802

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2009, including the applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 122,064	\$ -
Special assessments	890,853	867,764
Accounts	34,215	-
Interest	44,796	-
Loans	96,290	-
Due from other governments	843,519	-
Total Receivables - Net	\$ 2,031,737	\$ 867,764

3. Capital Assets

Capital asset activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,100,366	\$ -	\$ -	\$ 1,100,366
Right-of-way	491,493	-	-	491,493
Construction in progress	226,058	14,687	72,742	168,003
Total capital assets not depreciated	\$ 1,817,917	\$ 14,687	\$ 72,742	\$ 1,759,862
Capital assets depreciated				
Buildings	\$ 8,748,091	\$ 264,749	\$ -	\$ 9,012,840
Machinery and equipment	4,694,790	409,426	187,120	4,917,096
Infrastructure	49,717,284	2,636,341	-	52,353,625
Total capital assets depreciated	\$ 63,160,165	\$ 3,310,516	\$ 187,120	\$ 66,283,561

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 6,499,526	\$ 172,901	\$ -	\$ 6,672,427
Machinery and equipment	2,990,763	459,678	187,120	3,263,321
Infrastructure	<u>12,976,242</u>	<u>1,022,880</u>	<u>-</u>	<u>13,999,122</u>
Total accumulated depreciation	<u>\$ 22,466,531</u>	<u>\$ 1,655,459</u>	<u>\$ 187,120</u>	<u>\$ 23,934,870</u>
Total capital assets depreciated, net	<u>\$ 40,693,634</u>	<u>\$ 1,655,057</u>	<u>\$ -</u>	<u>\$ 42,348,691</u>
Capital Assets, Net	<u><u>\$ 42,511,551</u></u>	<u><u>\$ 1,669,744</u></u>	<u><u>\$ 72,742</u></u>	<u><u>\$ 44,108,553</u></u>

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

General government	\$ 148,389
Public safety	125,070
Highways and streets, including depreciation of infrastructure assets	1,317,934
Sanitation	1,848
Human services	38,654
Culture and recreation	10,814
Conservation of natural resources	<u>12,750</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 1,655,459</u>

B. Liabilities

1. Payables

Payables at December 31, 2009, were as follows:

	<u>Governmental Activities</u>
Accounts	\$ 355,606
Salaries	36,383
Contracts	31,553
Due to other governments	<u>103,080</u>
Total Payables	<u>\$ 526,622</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities (Continued)

2. Long-Term Debt--Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the financing of failing septic systems. The loans are secured by special assessments placed on the individual parcels requesting repair of a failing septic system. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2009
Hawk Creek Loan (SRF0074)	2014	\$ 13,921	2.0	\$ 125,605	\$ 59,623
Hawk Creek Continuation Loan (SRF0119)	2016	8,024	2.0	72,398	52,171
Chippewa River Watershed Continuation Loan (SRF0112)	2016	7,521	2.0	67,862	48,902
Hawk Creek Watershed Loan (SRF0158)	2020	28,181	2.0	254,267	227,145
Chippewa River Watershed Loan (SRF0159)	2019	34,579	2.0	<u>312,000</u>	<u>178,160</u>
Total				<u>\$ 832,132</u>	<u>\$ 566,001</u>

3. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Clean water loans payable	\$ 425,438	\$ 166,426	\$ 25,863	\$ 566,001	\$ 66,413
Compensated absences	486,228	44,067	-	530,295	44,664
Net OPEB liability	47,671	32,076	-	79,747	-
Long-Term Liabilities	<u>\$ 959,337</u>	<u>\$ 242,569</u>	<u>\$ 25,863</u>	<u>\$ 1,176,043</u>	<u>\$ 111,077</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities (Continued)

4. Debt Service Requirements

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 26,384	\$ 3,082
2011	26,914	2,552
2012	27,454	2,012
2013	28,007	1,459
2014	21,609	896
2015 - 2019	30,328	762
Total	<u>\$ 160,696</u>	<u>\$ 10,763</u>

Clean water loans in the amount of \$405,305 are not included in the debt service requirements because a fixed repayment schedule is not available.

5. Conduit Debt

In 2007, Chippewa County issued \$36,565,000 of Gross Revenue Hospital Bonds to provide financial assistance to the Montevideo Hospital for the acquisition, construction, and equipping of a new hospital located in the City. The bonds are secured by the property. They are financed and payable solely from revenues of the Hospital. Neither the County, the state, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2009, the outstanding principal amount payable was \$36,565,000. The first principal payment is due in 2011.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Pension Benefit Plans

1. Plan Description

All full-time and certain part-time employees of Chippewa County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each year thereafter. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years and 1.7 percent for each successive year. Under

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Pension Benefit Plans

1. Plan Description (Continued)

Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for Public Employees Police and Fire Fund members and Public Employees Correctional Fund members, and either 65 or 66 (depending on date hired) for Public Employees Retirement Fund members. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the State Legislature. The County makes annual contributions to the

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Pension Benefit Plans

2. Funding Policy (Continued)

pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 6.00 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 9.40 percent. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2009:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	6.75
Public Employees Police and Fire Fund	14.10
Public Employees Correctional Fund	8.75

The County's contributions for the years ending December 31, 2009, 2008, and 2007, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	2009	2008	2007
Public Employees Retirement Fund	\$ 247,006	\$ 236,804	\$ 257,684
Public Employees Police and Fire Fund	78,998	68,278	66,583
Public Employees Correctional Fund	31,909	26,215	24,865

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2009, were:

	Employee	Employer
Contribution amount	\$ 6,495	\$ 6,495
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

C. Other Postemployment Benefits (OPEB)

Plan Description

Chippewa County provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical, dental, and life insurance benefits. The County provides benefits for retirees as required by Minn. Stat. § 471.61, subd. 2b.

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Chippewa County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2009, there were approximately 130 participants in the plan, including 10 spouses.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	82,869
Interest on net OPEB obligation		-
Adjustment to ARC		-
		-
Annual OPEB cost (expense)	\$	82,869
Contributions made		(50,793)
		(50,793)
Increase in net OPEB obligation	\$	32,076
Net OPEB Obligation - Beginning of Year		47,671
		47,671
Net OPEB Obligation - End of Year	\$	79,747
		79,747

The County's annual OPEB cost for December 31, 2009, was \$82,869. The percentage of annual OPEB cost contributed to the plan was 61.3 percent, and the net OPEB obligation for 2009 was \$32,076. Trend information for the previous two years is not available at this time based on the implementation date of December 31, 2008.

Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$692,892 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$692,892. The covered payroll (annual payroll of active employees covered by the plan) was \$4,902,246, and the ratio of the UAAL to the covered payroll was 14.13 percent.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress - Other Postemployment Benefits, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information as it becomes available about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. In the January 1, 2008, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Chippewa County's implicit rate of return on the General Fund. The annual health care cost trend is 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 8 years. Both rates included a 2.5 percent inflation assumption. The dental trend rate is 4.0 percent. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2009, was 28 years.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT), formerly the Minnesota Counties Insurance Trust. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$430,000 per claim in 2009. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

B. Contingent Liabilities

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

C. Joint Ventures

Countryside Public Health Service

Chippewa County participates with Big Stone, Lac qui Parle, Swift, and Yellow Medicine Counties in a joint venture to provide community health services. The governing board consists of 11 members, three from Chippewa County and two from each of the other participating counties.

Chippewa County's contribution to the Countryside Public Health Service of \$107,463 is shown as an intergovernmental expenditure in the Family Services Special Revenue Fund. Countryside Public Health Service has no long-term debt. Complete financial statements of the Health Service can be obtained at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

Chippewa County participates with Lac qui Parle, Swift, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders.

The County Boards of the participating counties have direct authority over and responsibility for community corrections activities.

Chippewa County's contribution of \$167,335 to Region 6W Community Corrections is shown as an intergovernmental expenditure in the General Fund. Complete financial statements of Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Montevideo-Chippewa Airport Commission

Chippewa County has joined with the City of Montevideo to form a joint powers agreement for the operation of the airport. The Montevideo-Chippewa Airport Commission was established June 5, 1970. The governing board is composed of ten members--seven are appointed by the City Council, one of whom is a Council member, and three are appointed by the County Board, two of whom are Board members.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Montevideo-Chippewa Airport Commission (Continued)

Chippewa County's contribution of \$2,919 to the Montevideo-Chippewa Airport Commission is shown as an expenditure in the General Fund. Complete financial statements of the City of Montevideo, which include the Montevideo-Chippewa Airport Commission, can be obtained at Benson Road, Montevideo, Minnesota 56265.

Chippewa County-Montevideo Hospital

Chippewa County participates with the City of Montevideo in a joint venture to provide acute inpatient and outpatient care to the Chippewa County area. The Hospital Commission consists of seven members--three from Chippewa County, three from the City of Montevideo, and a seventh member appointed by the other six members.

Complete financial statements can be obtained at Chippewa County-Montevideo Hospital, 824 North 11th Street, Montevideo, Minnesota 56265.

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs)

The County entered into a joint powers agreement to create and operate the Kandiyohi - Region 6W Community Corrections Agencies Detention Center, commonly referred to as the Prairie Lakes Youth Programs (PLYP), pursuant to Minn. Stat. § 471.59. The PLYP provides detention services to juveniles under the jurisdiction of the counties which are parties to the agreement (Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties--which are served by the Region 6W Community Corrections Agency) and Kandiyohi County.

Control of the PLYP is vested in a joint board, which is composed of one County Commissioner from each participating county. An advisory board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, and the directors of the family services or human services departments of the counties participating in the agreement.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Kandiyohi - Region 6W Community Corrections Agencies Detention Center (Prairie Lakes Youth Programs) (Continued)

The PLYP is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota. Financing is provided by charges for services to member and nonmember counties. Kandiyohi County, under a separate agreement with the PLYP, provides accounting and payroll services and, in an agent capacity, reports the cash transactions of the PLYP as an agency fund on its financial statements. Complete financial information can be obtained from the Kandiyohi County Auditor/Treasurer's Office or the PLYP office, P. O. Box 894, Willmar, Minnesota 56201.

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the County entered into a joint powers agreement with Big Stone, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Pipestone, Redwood, Renville, Rock, Swift, and Yellow Medicine Counties; and Lincoln, Lyon, and Murray Counties, represented by the Lincoln, Lyon, & Murray Human Services Board, creating and operating the Southwestern Minnesota Adult Mental Health Consortium Board under the authority of Minn. Stat. § 471.59. The Board is headquartered in Windom, Minnesota, where Cottonwood County acts as fiscal host.

The Board shall take actions and enter into such agreements as may be necessary to plan and develop within the Board's geographic jurisdiction a system of care that will serve the needs of adults with serious and persistent mental illness. The governing board is composed of one County Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained at the Cottonwood County Family Services Agency, Windom, Minnesota 56101.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Minnesota River Board

Chippewa County entered into a joint powers agreement to promote the orderly water quality improvement and management of the Minnesota River Watershed pursuant to Minn. Stat. § 471.59.

The management of the Minnesota River Basin is vested in a Board of Directors consisting of one member and an alternate from each County Board of Commissioners included in this agreement. According to the latest information available, 37 counties are members under this agreement.

Financing is provided by a contribution from each member county based on its share of the annual budget. Chippewa County paid dues in the amount of \$1,313 in 2009.

Complete audited financial statements for the Minnesota River Board can be obtained from its administrative office at 184 Trafton Science Center, Minnesota State University at Mankato, Mankato, Minnesota 56001.

D. Jointly-Governed Organizations

Chippewa County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County participates along with other governments in the following organizations:

Area II Minnesota River Basin Project

The Area II Minnesota River Basin Project provides programs for flood reduction measures to the area between the Cities of Ortonville and Mankato. The County made no contributions to the Project in 2009.

Pioneerland Library System

Chippewa County, along with several cities and other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. Chippewa County's contribution of \$155,610 to Pioneerland Library System is shown as an expenditure in the General Fund.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items (Continued)

E. Agriculture Best Management Loan Program

The County has entered into an agreement with the Minnesota Department of Agriculture and two local lending institutions to jointly administer a loan program to individuals to implement projects that prevent or mitigate non-point source water pollution. While the County is not liable for repayment of the loans in any manner, it does have certain responsibilities under the agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 1

**SCHEDULE OF FUNDING PROGRESS - OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2009	-	\$ 692,892	\$ 692,892	0.0%	\$ 4,902,246	14.13%

See Note 3.C., Other Postemployment Benefits (OPEB), for more information.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 4,131,006	\$ 4,131,006	\$ 3,714,684	\$ (416,322)
Special assessments	85,000	85,000	158,448	73,448
Licenses and permits	10,050	10,050	9,425	(625)
Intergovernmental	1,194,318	1,194,318	1,753,294	558,976
Charges for services	551,537	551,537	665,236	113,699
Gifts and contributions	-	-	6,765	6,765
Investment earnings	266,000	266,000	124,094	(141,906)
Miscellaneous	436,066	365,066	502,922	137,856
Total Revenues	\$ 6,673,977	\$ 6,602,977	\$ 6,934,868	\$ 331,891
Expenditures				
Current				
General government				
Commissioners	\$ 253,184	\$ 253,184	\$ 257,931	\$ (4,747)
Courts	5,000	5,000	-	5,000
Law library	60,023	60,023	15,984	44,039
County auditor/treasurer	375,871	387,095	388,565	(1,470)
Deputy registrar - License Bureau	138,767	156,813	157,027	(214)
Accounting and auditing	45,000	61,000	53,690	7,310
County assessor	247,338	253,997	238,938	15,059
Elections	9,540	18,540	17,441	1,099
Data processing	259,367	276,534	236,211	40,323
Central services	29,600	34,600	30,235	4,365
Attorney	284,374	434,374	433,094	1,280
Recorder	249,725	268,912	261,262	7,650
Buildings and plant	496,576	532,117	479,552	52,565
Veterans service officer	169,889	177,137	147,900	29,237
Geographic information systems	10,000	10,000	1,879	8,121
Other general government	324,300	348,815	421,576	(72,761)
Total general government	\$ 2,958,554	\$ 3,278,141	\$ 3,141,285	\$ 136,856
Public safety				
Sheriff	\$ 893,512	\$ 957,515	\$ 989,045	\$ (31,530)
Safety management	6,475	7,475	7,150	325
Boat and water safety	1,200	24,200	22,978	1,222
D.A.R.E. program	2,500	2,500	1,646	854
Coroner	10,610	10,610	9,317	1,293
Dispatch	46,100	46,100	17,988	28,112
Jail	1,005,543	951,038	817,614	133,424
Victim witness program	52,764	55,264	55,639	(375)
Emergency management	34,499	34,499	33,683	816
Total public safety	\$ 2,053,203	\$ 2,089,201	\$ 1,955,060	\$ 134,141

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

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

*Schedule 2
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Sanitation				
Solid waste	\$ 97,500	\$ 97,500	\$ 77,782	\$ 19,718
Recycling	123,320	123,420	123,381	39
Hazardous waste	3,000	5,000	4,266	734
Total sanitation	\$ 223,820	\$ 225,920	\$ 205,429	\$ 20,491
Health				
Ambulance	\$ 5,000	\$ 5,000	-	\$ 5,000
Culture and recreation				
Historical society	\$ 30,000	\$ 45,000	\$ 39,272	\$ 5,728
Regional library	231,953	401,953	433,542	(31,589)
Parks	23,600	23,600	7,407	16,193
Fairgrounds	21,000	21,000	21,000	-
Airport	70,000	70,000	2,919	67,081
Total culture and recreation	\$ 376,553	\$ 561,553	\$ 504,140	\$ 57,413
Conservation of natural resources				
Extension	\$ 113,688	\$ 116,446	\$ 108,646	\$ 7,800
Soil and water conservation	72,000	72,000	72,000	-
Agricultural inspector	-	3,350	323	3,027
Weed control	81,164	71,905	62,791	9,114
Water planning	10,500	60,500	71,140	(10,640)
Land resource management	171,661	369,226	339,005	30,221
County farm	3,000	28,000	12,293	15,707
Total conservation of natural resources	\$ 452,013	\$ 721,427	\$ 666,198	\$ 55,229
Economic development				
Community development	\$ 38,000	\$ 38,000	\$ 19,745	\$ 18,255
Prairie Five	7,000	7,000	4,278	2,722
Other	42,730	42,730	30,007	12,723
Total economic development	\$ 87,730	\$ 87,730	\$ 54,030	\$ 33,700
Intergovernmental				
General government	\$ 167,336	\$ 167,336	\$ 167,335	\$ 1
Conservation of natural resources	496,445	496,445	385,312	111,133
Total intergovernmental	\$ 663,781	\$ 663,781	\$ 552,647	\$ 111,134

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

*Schedule 2
(Continued)*

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures (Continued)				
Debt service				
Principal	\$ -	\$ -	\$ 25,864	\$ (25,864)
Interest	-	-	3,602	(3,602)
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,466</u>	<u>\$ (29,466)</u>
Total Expenditures	<u>\$ 6,820,654</u>	<u>\$ 7,632,753</u>	<u>\$ 7,108,255</u>	<u>\$ 524,498</u>
Excess of Revenues Over (Under)				
Expenditures	\$ (146,677)	\$ (1,029,776)	\$ (173,387)	\$ 856,389
Other Financing Sources (Uses)				
Loans issued	-	-	166,426	166,426
Net Change in Fund Balance	\$ (146,677)	\$ (1,029,776)	\$ (6,961)	\$ 1,022,815
Fund Balance - January 1	<u>4,683,913</u>	<u>4,683,913</u>	<u>4,683,913</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 4,537,236</u>	<u>\$ 3,654,137</u>	<u>\$ 4,676,952</u>	<u>\$ 1,022,815</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,055,213	\$ 1,055,213	\$ 961,202	\$ (94,011)
Intergovernmental	3,005,437	3,005,437	3,362,427	356,990
Charges for services	-	-	38,583	38,583
Investment earnings	165,000	165,000	63,803	(101,197)
Miscellaneous	175,000	175,000	86,203	(88,797)
Total Revenues	\$ 4,400,650	\$ 4,400,650	\$ 4,512,218	\$ 111,568
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 1,439,100	\$ 1,439,100	\$ 1,468,190	\$ (29,090)
Engineering/construction	3,242,650	3,242,650	2,702,529	540,121
Administration	243,300	243,300	177,097	66,203
Equipment and shop	449,150	449,150	338,969	110,181
Total highways and streets	\$ 5,374,200	\$ 5,374,200	\$ 4,686,785	\$ 687,415
Intergovernmental				
Highways and streets	253,700	253,700	269,976	(16,276)
Total Expenditures	\$ 5,627,900	\$ 5,627,900	\$ 4,956,761	\$ 671,139
Net Change in Fund Balance	\$ (1,227,250)	\$ (1,227,250)	\$ (444,543)	\$ 782,707
Fund Balance - January 1	4,782,006	4,782,006	4,782,006	-
Increase (decrease) in reserved for inventories	-	-	3,968	3,968
Fund Balance - December 31	\$ 3,554,756	\$ 3,554,756	\$ 4,341,431	\$ 786,675

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,088,827	\$ 1,902,744	\$ 1,904,716	\$ 1,972
Intergovernmental	2,183,536	2,369,619	2,478,119	108,500
Charges for services	105,562	105,562	144,765	39,203
Gifts and contributions	8,000	8,000	9,464	1,464
Investment earnings	-	-	204	204
Miscellaneous	90,000	90,000	156,476	66,476
Total Revenues	\$ 4,475,925	\$ 4,475,925	\$ 4,693,744	\$ 217,819
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,381,440	\$ 1,381,440	\$ 1,243,916	\$ 137,524
Social services	3,187,334	3,187,334	3,016,565	170,769
Total human services	\$ 4,568,774	\$ 4,568,774	\$ 4,260,481	\$ 308,293
Intergovernmental				
Health	107,463	107,463	107,463	-
Total Expenditures	\$ 4,676,237	\$ 4,676,237	\$ 4,367,944	\$ 308,293
Net Change in Fund Balance	\$ (200,312)	\$ (200,312)	\$ 325,800	\$ 526,112
Fund Balance - January 1	2,977,584	2,977,584	2,977,584	-
Fund Balance - December 31	\$ 2,777,272	\$ 2,777,272	\$ 3,303,384	\$ 526,112

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
DITCH REVENUE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2009**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 100	\$ 100	\$ 992	\$ 892
Special assessments	100,000	100,000	147,177	47,177
Intergovernmental	-	-	35,331	35,331
Charges for services	100,000	100,000	57,275	(42,725)
Investment earnings	60,000	60,000	44,569	(15,431)
Total Revenues	\$ 260,100	\$ 260,100	\$ 285,344	\$ 25,244
Expenditures				
Current				
Conservation of natural resources				
Other	260,100	260,100	326,569	(66,469)
Net Change in Fund Balance	\$ -	\$ -	\$ (41,225)	\$ (41,225)
Fund Balance - January 1	3,138,735	3,138,735	3,138,735	-
Fund Balance - December 31	\$ 3,138,735	\$ 3,138,735	\$ 3,097,510	\$ (41,225)

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2009

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is at the fund level.

The budgets may be amended or modified at any time by the County Board. Comparisons of final budgeted revenues and expenditures to actual are presented in required supplementary information for the General Fund and special revenue funds.

Budget Amendment

Fund	Original Budget	Revenues Increase (Decrease)	Final Budget
General Fund	\$ 6,673,977	\$ (71,000)	\$ 6,602,977

Fund	Original Budget	Expenditures Increase (Decrease)	Final Budget
General Fund	\$ 6,820,654	\$ 812,099	\$ 7,632,753

2. Excess of Expenditures Over Appropriations

For the year ended December 31, 2009, expenditures exceeded appropriations in the Ditch Revenue Special Revenue Fund by \$66,469. This increase in expenditures is a result of the County receiving materials for ditch number 18 in 2009 instead of receiving the material in 2010.

3. Budget Basis of Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles.

4. Other Postemployment Benefits

The Schedule of Funding Progress does not contain multi-year trend information as 2008 was the first year of implementation of GASB Statement 45.

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SUPPLEMENTARY INFORMATION

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

FIDUCIARY FUNDS

Investment Trust Funds

Pooled - to account for pooled investment assets held by the County for the Chippewa County-Montevideo Hospital, a legally separate entity, that is not part of the County's financial reporting entity.

Investments - to account for specific investment assets held by the County for the Chippewa County-Montevideo Hospital, a legally separate entity, that is not part of the County's financial reporting entity.

Agency Funds

Community Corrections - to account for the collection and payment of funds of the Community Corrections joint venture.

State Revenue - to account for the collection and disbursement of the state's share of fees collected by the County.

Taxes and Penalties - to account for the collection of taxes and penalties and their distribution to the various funds.

Southern Prairie Purchasing - to account for the collection and payment of funds of the Southern Prairie Purchasing joint venture.

Mental Health - to account for the collection and payment of funds of the Mental Health Collaborative joint venture.

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Statement 1

**COMBINING STATEMENT OF FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
DECEMBER 31, 2009**

	Pooled	Investments	Total
<u>Assets</u>			
Cash and pooled investments	\$ 3,213,622	\$ 311,855	\$ 3,525,477
Investments	-	10,021,747	10,021,747
Accrued interest	3,589	34,435	38,024
Total Assets	<u><u>\$ 3,217,211</u></u>	<u><u>\$ 10,368,037</u></u>	<u><u>\$ 13,585,248</u></u>
<u>Net Assets</u>			
Net assets, held in trust	<u><u>\$ 3,217,211</u></u>	<u><u>\$ 10,368,037</u></u>	<u><u>\$ 13,585,248</u></u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Pooled	Investments	Total
<u>Additions</u>			
Contributions from participants	\$ 46,112,140	\$ 17,121,509	\$ 63,233,649
Investment earnings	35,870	95,249	131,119
Total Additions	\$ 46,148,010	\$ 17,216,758	\$ 63,364,768
<u>Deductions</u>			
Distributions to participants	44,922,963	25,484,683	70,407,646
Change in Net Assets	\$ 1,225,047	\$ (8,267,925)	\$ (7,042,878)
Net Assets - Beginning of the Year	1,992,164	18,635,962	20,628,126
Net Assets - End of the Year	\$ 3,217,211	\$ 10,368,037	\$ 13,585,248

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>COMMUNITY CORRECTIONS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 230,392	\$ 1,403,897	\$ 1,342,991	\$ 291,298
<u>Liabilities</u>				
Due to other governments	\$ 230,392	\$ 1,403,897	\$ 1,342,991	\$ 291,298
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 58,962	\$ 262,335	\$ 272,536	\$ 48,761
<u>Liabilities</u>				
Due to other governments	\$ 58,962	\$ 262,335	\$ 272,536	\$ 48,761
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 112,957	\$ 15,862,413	\$ 15,823,301	\$ 152,069
<u>Liabilities</u>				
Due to other governments	\$ 112,957	\$ 15,862,413	\$ 15,823,301	\$ 152,069

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SOUTHERN PRAIRIE PURCHASING</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>50,069</u>	\$ <u>3,662</u>	\$ <u>4,242</u>	\$ <u>49,489</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>50,069</u>	\$ <u>3,662</u>	\$ <u>4,242</u>	\$ <u>49,489</u>
 <u>MENTAL HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>375,300</u>	\$ <u>68,703</u>	\$ <u>144,899</u>	\$ <u>299,104</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>375,300</u>	\$ <u>68,703</u>	\$ <u>144,899</u>	\$ <u>299,104</u>
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ <u>827,680</u>	\$ <u>17,601,010</u>	\$ <u>17,587,969</u>	\$ <u>840,721</u>
<u>Liabilities</u>				
Due to other governments	\$ <u>827,680</u>	\$ <u>17,601,010</u>	\$ <u>17,587,969</u>	\$ <u>840,721</u>

OTHER SCHEDULE

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2009**

Shared Revenue

State

Highway users tax	\$ 2,719,938
Market value credit	546,975
PERA rate reimbursement	22,736
Disparity reduction aid	80,576
County program aid	611,354
Police aid	60,761
Enhanced 911	86,496
	86,496

Total shared revenue **\$ 4,128,836**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 432,064
	432,064

Payments

Local

Local grants	\$ 79,658
Payments in lieu of taxes	131,255
	131,255

Total payments **\$ 210,913**

Grants

State

Minnesota Department/Board of Crime Victim Services	\$ 43,972
Transportation	92
Natural Resources	6,880
Human Services	710,678
Water and Soil Resources	62,966
Pollution Control Agency	447,696
	447,696

Total state **\$ 1,272,284**

Federal

Department of Agriculture	\$ 113,663
Transportation	458,096
Health and Human Services	904,671
Homeland Security	78,060
Environmental Protection Agency	30,584
	30,584

Total federal **\$ 1,585,074**

Total state and federal grants **\$ 2,857,358**

Total Intergovernmental Revenue **\$ 7,629,171**

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 7

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2009

I. SUMMARY OF AUDITOR'S RESULTS

- A. Our report expresses unqualified opinions on the basic financial statements of Chippewa County.
- B. Deficiencies in internal control were disclosed by the audit of financial statements of Chippewa County and are reported in the "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*." Some of the deficiencies are material weaknesses.
- C. No instances of noncompliance material to the financial statements of Chippewa County were disclosed during the audit.
- D. A significant deficiency relating to the audit of the major federal award programs is reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133."
- E. The Auditor's Report on Compliance for the major federal award programs for Chippewa County expresses an unqualified opinion.
- F. A finding relative to a major federal award program for Chippewa County was reported as required by Section 510(a) of OMB Circular A-133.
- G. The major programs are:

State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster	
State Administrative Matching Grant for SNAP	CFDA #10.561
State Administrative Matching Grant for SNAP - ARRA	CFDA #10.561
Highway Planning and Construction - ARRA	CFDA #20.205
Child Support Enforcement Cluster	
Child Support Enforcement	CDFR #93.563
Child Support Enforcement - ARRA	CFDA #93.563

H. The threshold for distinguishing between Types A and B programs was \$300,000.

I. Chippewa County was not determined to be a low-risk auditee.

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

99-1 Internal Accounting Controls

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

We recommend that County management implement oversight procedures to ensure internal control policies and procedures are being followed by staff.

Client's Response:

The County is cognizant that due to limited staffing levels, sufficient levels of segregation of duties are difficult to attain. In April 2008, the County Board approved an Accounting Policies and Procedures Manual to better define accounting procedures to address the segregation of duties issue.

06-6 Financial Reporting

The County is required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). The preparation of the financial statements is the responsibility of the County's management. Financial statement preparation in accordance with GAAP requires internal control over recording, processing, and summarizing accounting data (maintaining internal books and records) and preparing and reporting appropriate government-wide and fund financial statements, including the related notes to the financial statements.

As is the case with many small and medium-sized entities, the County has relied on its independent external auditors to assist in the preparation of the basic financial statements, including notes to the financial statements, as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, at least in part, on its reliance on its external auditors, who cannot by definition be considered part of the County's internal control. This condition was caused by the County's decision that it is more cost effective to have its auditors prepare its basic financial statements than to incur the time and expense of obtaining the necessary training and expertise required to prepare the financial statements internally. As a result of this condition, the County lacks internal control over the preparation of financial statements in accordance with GAAP.

Although Chippewa County has identified and has been training individuals to obtain the expertise to improve its preparation of financial statements, we recommend the County continue training individuals to internally prepare its annual financial statements in accordance with GAAP, including preparing and reporting appropriate government-wide and fund financial statements and the related notes to the financial statements. This process should be monitored by a knowledgeable person to ensure that the accounts are correctly summarized for financial statement purposes.

Client's Response:

The County continues to transition from reliance on external auditors to prepare parts of the financial statement. Significant progress has been made; however, there are tasks that remain to be dealt with during the next few years.

06-7 Audit Adjustments

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Statement on Auditing Standards 115 defines a material weakness as a deficiency, or 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.

During our audit, we proposed material adjustments that resulted in significant changes to the County's financial statements. The adjustments included reclassifying certain grant funds, reclassifying unallocated expenditures, and converting trial balances from the modified to full accrual basis.

We recommend that the County review internal controls currently in place, then design and implement procedures to improve internal controls over financial reporting to detect misstatements in the financial statements. The updated controls should include review of the balances and supporting documentation by an individual qualified to identify potential misstatements.

Client's Response:

The County Board approved an Accounting Policies and Procedures Manual in April 2008. This document is a living document that will require additional policies to address this issue.

ITEM ARISING THIS YEAR

09-1 Documenting and Monitoring Internal Controls

County management is responsible for the County's internal control over financial reporting. This responsibility requires performing an assessment of existing controls over significant functions used to produce financial information of the Board, management, and for external financial reporting. The risk assessment is intended to determine if the internal controls that have been established by County management are still effective or if changes are needed to maintain a sound internal control structure. Changes may be necessary due to such things as organizational restructuring, updates to information systems, or changes to services being provided. Although the County may informally assess risks and adjust internal control procedures to address those risks, there are no formal procedures or documentation of those procedures in place.

At a minimum, the following significant internal control procedures should be documented:

- cash and investments activities;
- capital assets (capitalization process and related depreciation);
- major funding sources (taxes, intergovernmental revenues, charges for services, and miscellaneous items);
- expenditure processing;
- payroll; and
- inventories.

We recommend that County management document the significant internal controls in its accounting system, including an assessment of risk and the processes used to minimize the risks. We also recommend that a formal plan be developed that calls for monitoring the internal control structure on a regular basis, no less than annually. The monitoring activity should also be documented to show the results of the review, any changes required, and who performed the work.

Client's Response:

The Accounting Policies and Procedures Manual does document significant internal controls. The Auditor/Treasurer's Office staff will conduct an internal control self-assessment during 2010 to determine if additional policies or enhancements are warranted for internal controls in the Accounting Policies and Procedures Manual.

PREVIOUSLY REPORTED ITEMS RESOLVED

Annual Adopted Budget and Reporting (00-4)

The County Board adopts its annual budget at the fund level. A budget document, upon which the fund level budget is based, contains the details of estimated revenues by source and budgeted expenditures by fund. This document was not adopted by the Board as part of the budget resolution.

Resolution

Our current review found the County budget was adopted by the Board on April 7, 2009. The details of the estimated revenues and expenditures were included in the Board minutes of that date.

Travel Expenditure Reimbursements (05-1)

Some expenditures were identified that did not have itemized receipts.

Resolution

The expenditures reviewed for the current audit had proper documentation.

Adding New Vendors to the Accounting System (06-1)

The County did not have procedures for determining how new vendors were added to the accounts payable system or if the new vendors added were legitimate vendors.

Resolution

The County Board adopted a policy relating to new vendors on September 1, 2009.

Capital Assets Policies and Procedures (06-3)

A physical inventory of the capital assets had not been performed.

Resolution

A physical inventory of the capital assets was performed at year-end.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

INTERNAL CONTROL AND COMPLIANCE

ITEM ARISING THIS YEAR

09-2 Identification and Classification of Federal Financial Assistance (CFDA Nos. 10.561 and 93.563)

Office of Management and Budget (OMB) Circular A-133, Subpart C, *.300 lists auditee responsibilities which include: (1) identifying all federal awards received and expended and the federal programs under which they were received; and (2) preparing appropriate financial statements, including the Schedule of Expenditures of Federal Awards (SEFA).

Chippewa County did not adequately identify all its federal financial assistance either as to amount, source, or correct CFDA number in the general ledger as required under OMB Circular A-133 and the American Recovery and Reinvestment Act of 2009 (ARRA). Of particular concern are grants received by the Family Services Special Revenue Fund and the General Fund that are not properly coded. The County has some established procedures for identifying federal financial assistance for preparing financial reports and the SEFA. The County should develop additional procedures to ensure all federal programs are correctly identified and classified.

We recommend that Chippewa County management develop written procedures that will allow staff to correctly identify and classify all federal financial assistance received. Procedures should include determination of the correct program CFDA number, revenue source, program name, and whether ARRA funding is involved. The federal CFDA website is available to assist in this process. These procedures should allow for proper classification of federal programs in the SEFA.

Corrective Action Plan:

Name of Contact Person Responsible for Corrective Action:

Jon Clauson, Auditor/Treasurer

Corrective Action Planned:

County staff will review the state payments report generated by the Minnesota Department of Finance to determine the amount of funds received from the American Recovery and Reinvestment Act of 2009 from inception to September 30, 2010, and reclassify those receipts in segregated accounts to provide appropriate reporting capabilities. Beginning on October 1, 2010, those receipts will be receipted using the new account numbers.

Anticipated Completion Date:

September 30, 2010.

IV. OTHER FINDINGS AND RECOMMENDATIONS

A. MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEMS RESOLVED

Travel Policy (08-1)

The County's out-of-state travel policy did not contain all of the information required by Minn. Stat. § 471.661.

Resolution

An updated travel policy containing all of the information required by the state statute was approved by the Board on December 15, 2009.

County Board Per Diems (08-2)

The County was not in compliance with Minn. Stat. § 375.055 relating to County Board per diems.

Resolution

The County policy was updated on December 29, 2009, to comply with this statute.

B. OTHER ITEM FOR CONSIDERATION

GASB Statement 54

The Governmental Accounting Standards Board (GASB) recently issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The intention of this standard is to enhance the usefulness of information included in the financial report about fund balance through clearer fund balance classifications that can be more consistently applied, as well as to clarify existing governmental fund type definitions.

Fund Balance Reporting

Statement 54 establishes new fund balance classifications based on constraints imposed on how resources can be spent. The existing components of fund balance reserved, unreserved, designated, and undesignated are being replaced by nonspendable, restricted, committed, assigned, and unassigned as defined below:

- *Nonspendable* - amounts that cannot be spent because they are either not in spendable form (for example, inventory or prepaid items) or legally or contractually required to be maintained intact (such as the corpus of a permanent fund).
- *Restricted* - amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of a government's highest level of decision-making authority.
- *Assigned* - amounts a government intends to use for a specific purpose that do not meet the criteria to be classified as restricted or committed.
- *Unassigned* - spendable amounts not contained in the other classifications.

Governmental Fund Type Definitions

The definitions of the general fund, special revenue fund type, capital projects fund type, debt service fund type, and permanent fund type are clarified in Statement 54. Interpretations of certain terms within the definition of the special revenue fund type have been provided and, for some governments, those interpretations may affect the activities they choose to report in those funds. The capital projects fund type definition also was clarified for better alignment with the needs of preparers and users. Definitions of other governmental fund types also have been modified for clarity and consistency.

The requirements of GASB Statement 54 are effective for the County for the year ending December 31, 2011.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

SUITE 500
525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

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

Board of County Commissioners
Chippewa County

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County as of and for the year ended December 31, 2009, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Chippewa County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 99-1, 06-6, and 06-7 to be material weaknesses.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 09-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chippewa County's financial statements are free of 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 determination of financial statement amounts. 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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories, except that we did not test for compliance in tax increment financing because the County does not have any tax increment financing.

The results of our tests indicate that, for the items tested, Chippewa County complied with the material terms and conditions of applicable legal provisions.

Also included in the Schedule of Findings and Questioned Costs is an other item for consideration. We believe this information to be of benefit to the County, and it is reported for that purpose.

Chippewa County's written responses to the internal control findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. We did not audit the County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Board of County Commissioners, management, others within Chippewa County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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(651) 296-2551 (Voice)
(651) 296-4755 (Fax)
state.auditor@state.mn.us (E-mail)
1-800-627-3529 (Relay Service)

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of County Commissioners
Chippewa County

Compliance

We have audited the compliance of Chippewa County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. Chippewa County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chippewa County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, Chippewa County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and are described in the accompanying Schedule of Findings and Questioned Costs as item 09-2.

Internal Control Over Compliance

Management of Chippewa County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 09-2. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County as of and for the year ended December 31, 2009, and have issued our report thereon dated September 28, 2010. Our audit was performed for the purpose of forming opinions on Chippewa County's financial statements that collectively comprise the County's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Chippewa County's corrective action plan to the federal award finding identified in our audit is included in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County's corrective action plan and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, management and others within the County, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 28, 2010

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 8

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Agriculture		
Passed Through Minnesota Department of Human Services		
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP) Cluster		
State Administrative Matching Grants for SNAP	10.561	\$ 111,817
State Administrative Matching Grants for SNAP - ARRA	10.561	1,846
Total U.S. Department of Agriculture		\$ 113,663
U.S. Department of Transportation		
Passed Through Minnesota Department of Transportation		
Highway Planning and Construction - ARRA	20.205	\$ 455,477
Passed Through Minnesota Department of Public Safety		
State and Community Highway Safety	20.600	2,619
Total U.S. Department of Transportation		\$ 458,096
U.S. Environmental Protection Agency		
Passed Through Minnesota Pollution Control Agency		
Nonpoint Source Implementation Grants	66.460	\$ 30,584
U.S. Department of Health and Human Services		
Passed Through Minnesota Department of Human Services		
Promoting Safe and Stable Families	93.556	\$ 3,093
Temporary Assistance for Needy Families	93.558	148,519
Child Support Enforcement Cluster		
Child Support Enforcement	93.563	242,794
Child Support Enforcement - ARRA	93.563	34,130
Refugee and Entrant Assistance - State-Administered Programs	93.566	284
Child Care and Development Block Grant	93.575	3,415
Child Welfare Services - State Grants	93.645	2,884
Foster Care Title IV-E	93.658	20,829
Social Services Block Grant	93.667	98,682
Children's Health Insurance Program	93.767	59
Medical Assistance Program	93.778	349,337
Block Grants for Community Mental Health Services	93.958	645
Total U.S. Department of Health and Human Services		\$ 904,671

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Schedule 8
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

Federal Grantor Pass-Through Agency Grant Program Title	Federal CFDA Number	Expenditures
U.S. Department of Homeland Security		
Direct		
Emergency Food and Shelter National Board Program	97.024	\$ 4,730
Passed Through Minnesota Department of Natural Resources		
Boating Safety Financial Assistance	97.012	22,975
Passed Through Minnesota Department of Public Safety		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	35,331
Emergency Management Performance Grants	97.042	15,024
Total U.S. Department of Homeland Security		\$ 78,060
Total Federal Awards		\$ 1,585,074

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009**

1. Reporting Entity

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by Chippewa County. The County's reporting entity is defined in Note 1 to the financial statements.

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chippewa County under programs of the federal government for the year ended December 31, 2009. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Chippewa County, it is not intended to and does not present the financial position or changes in net assets of Chippewa County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through grant numbers were not assigned by the pass-through agencies.

4. Subrecipients

During 2009, the County did not pass any federal money to subrecipients.

5. American Recovery and Reinvestment Act

The American Recovery and Reinvestment Act of 2009 (ARRA) requires recipients to clearly distinguish ARRA funds from non-ARRA funding. In the schedule, ARRA funds are denoted by the addition of ARRA to the program name.