

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

**Chippewa County
Montevideo, Minnesota**

Year Ended December 31, 2019

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 100 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 Minnesota’s local 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@osa.state.mn.us
www.auditor.state.mn.us

This document can be made available in alternative formats upon request. Call 651-296-2551 [voice] or 1-800-627-3529 [relay service] for assistance; or visit the Office of the State Auditor’s web site: www.auditor.state.mn.us.

Chippewa County Montevideo, Minnesota

Year Ended December 31, 2019



Audit Practice Division
Office of the State Auditor
State of Minnesota

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Introductory Section		
Organization		1
Financial Section		
Independent Auditor’s Report		2
Management’s Discussion and Analysis		5
Basic Financial Statements		
Government-Wide Financial Statements		
Statement of Net Position	1	15
Statement of Activities	2	16
Fund Financial Statements		
Governmental Funds		
Balance Sheet	3	17
Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities	4	19
Statement of Revenues, Expenditures, and Changes in Fund Balance	5	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Government-Wide Statement of Activities—Governmental Activities	6	22
Fiduciary Funds		
Statement of Fiduciary Net Position	7	24
Statement of Changes in Fiduciary Net Position	8	25
Notes to the Financial Statements		26
Required Supplementary Information		
Budgetary Comparison Schedules		
General Fund	A-1	81
Road and Bridge Special Revenue Fund	A-2	85
Family Services Special Revenue Fund	A-3	86
Ditch Special Revenue Fund	A-4	87
Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits	A-5	88
PERA General Employees Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-6	89
Schedule of Contributions	A-7	90

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

TABLE OF CONTENTS

	Exhibit	Page
Financial Section		
Required Supplementary Information (Continued)		
PERA Public Employees Police and Fire Plan		
Schedule of Proportionate Share of Net Pension Liability	A-8	91
Schedule of Contributions	A-9	92
PERA Public Employees Local Government Correctional Service Retirement Plan		
Schedule of Proportionate Share of Net Pension Liability	A-10	93
Schedule of Contributions	A-11	94
Notes to the Required Supplementary Information		95
Supplementary Information		
Fiduciary Funds		
Combining Statement of Fiduciary Net Position – Other Custodial Funds	B-1	105
Combining Statement of Changes in Fiduciary Net Position – Other Custodial Funds	B-2	107
Other Schedules		
Schedule of Intergovernmental Revenue	C-1	109
Schedule of Expenditures of Federal Awards	C-2	111
Notes to the Schedule of Expenditures of Federal Awards		113
Management and Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		114
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance		117
Schedule of Findings and Questioned Costs		120
Corrective Action Plan		127
Summary Schedule of Prior Audit Findings		129

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

ORGANIZATION
2019

Office	Name	Term Expires
Commissioners		
1st District	Matt Gilbertson	January 2023
2nd District	Jeffrey Lopez	January 2021
3rd District	David Nordaune	January 2021
4th District	Jim Dahlvang	January 2021
5th District	David Lieser*	January 2023
Officers		
Elected		
Attorney	Matthew Haugen	January 2023
Coroner	Dr. A. Quinn Strobel and Anoka County	Indefinite
Sheriff	Derek Olson	January 2023
Appointed		
Assessor	Bonnie Crosby	Indefinite
Auditor/Treasurer/Coordinator	Michelle May	Indefinite
County Recorder and Registrar of Titles	Amy Rodeberg	Indefinite
Deputy Registrar	Alice McColley	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Land and Resource Management	Scott Williams	Indefinite
Veterans' Service Officer	Tim Kolhei	Indefinite
Family Services Director	Patrick Bruflat	Indefinite
Data Processing	Terry Ocaña	Indefinite

*Chair 2019

This page was left blank intentionally.

This page was left blank intentionally.



JULIE BLAHA
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
Montevideo, Minnesota

Report on the Financial Statements

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, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2019 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Also, as discussed in Note 1.E. to the financial statements, in 2019, the County changed the method of accounting for long-term receivables. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Subsequent Event

As discussed in Note 5. to the financial statements, subsequent to year-end, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. A reduction of calendar year 2021 County State Aid from state-collected gasoline tax revenue is expected to occur. In addition, it is expected the County will experience an increase of expenditures and as a result, has received grant revenue to reduce the effects of COVID-19. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required

part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2020, 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, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chippewa County's internal control over financial reporting and compliance.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

September 10, 2020

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

This page was left blank intentionally.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019
(Unaudited)**

The Auditor/Treasurer/Coordinator 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, 2019. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Chippewa County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year (December 31, 2019) by \$75,432,437 (net position). Of this amount, \$11,714,974 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- Chippewa County's total net position increased by \$11,826,898. The increase is primarily from receiving \$9.6 million in funds from the State of Minnesota for the ongoing maintenance of a portion of County Road 4.
- As of the close of the 2019 fiscal year, Chippewa County's governmental funds' ending fund balances were \$21,800,824, compared to \$12,995,369 in 2018, as restated. Approximately 5.0 percent of the amount, \$1,091,610, is available for spending at Chippewa County's discretion (unassigned 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 required supplementary information.

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 Position presents information on all of Chippewa County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities and deferred inflows of resources) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is also important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

The Statement of Activities presents the County's governmental activities. Most of the basic services are reported here, including general government, public safety, highways and streets, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. Property taxes and state and federal grants finance most of these activities. The County has no business-type activities or discretely presented component units for which the County is legally accountable.

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

Fund Financial Statements

Fund level financial statements provide detailed information about the significant funds—not the County as a whole. Some funds are required to be established by state law or by bond covenants. However, the County Board establishes some funds to help it control and manage money for a particular purpose or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

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 how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial 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 Balance 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 Balance 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 statement has been provided for these funds to demonstrate compliance with their budgets.

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

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

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 (private-purpose trust and custodial 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 are Exhibits 7 and 8 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 26 through 80 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and supplementary information. The budgetary statements 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 Exhibits B-1 and B-2 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. In the case of Chippewa County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$75,432,437 on December 31, 2019.

The largest portion of net position (74.7 percent) reflects the County’s net investment in capital assets (for example: land; buildings; machinery and equipment; infrastructure; improvements to land; and construction in progress, net of accumulated depreciation). Chippewa County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of Chippewa County’s net position, 9.8 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$11,714,974, may be used to meet the government’s ongoing obligations to citizens and creditors. Comparative data with 2018 is presented.

Net Position

	Governmental Activities	
	2019	2018
Assets		
Current and other assets	\$ 28,612,928	\$ 18,611,436
Capital assets	56,552,167	54,777,268
Total Assets	\$ 85,165,095	\$ 73,388,704
Deferred Outflows of Resources		
Deferred pension outflows	\$ 1,109,993	\$ 2,000,467
Deferred OPEB outflows	105,013	34,423
Total Deferred Outflows of Resources	\$ 1,215,006	\$ 2,034,890
Liabilities		
Other liabilities	\$ 1,185,942	\$ 930,177
Long-term liabilities	6,822,589	6,675,267
Total Liabilities	\$ 8,008,531	\$ 7,605,444
Deferred Inflows of Resources		
Deferred pension inflows	\$ 2,922,679	\$ 3,124,581
Deferred OPEB inflows	16,454	-
Total Deferred Inflows of Resources	\$ 2,939,133	\$ 3,124,581
Net Position		
Net investment in capital assets	\$ 56,334,670	\$ 54,760,429
Restricted	7,382,793	6,603,852
Unrestricted	11,714,974	3,329,288
Total Net Position, as reported	\$ 75,432,437	\$ 64,693,569
Change in accounting principle/prior period adjustment*		(1,088,030)
Total Net Position, as restated		\$ 63,605,539

*Net Position – January 1, as restated – Amount includes a change in accounting principles and prior period adjustment. See Note 1.E. and 1.F.

Unrestricted net position at December 31, 2019—the part of net position 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—is 15.5 percent of the net position.

Governmental Activities

The County’s activities increased net position by 18.6 percent to \$75,432,437 for 2019, compared to \$63,605,539 for 2018, as restated. Key elements in this increase in net position are as follows:

Changes in Net Position

	Governmental Activities	
	2019	2018
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 3,186,179	\$ 1,938,808
Operating grants and contributions	18,725,438	7,754,201
Capital grants and contributions	1,013,703	117,015
General revenues		
Property taxes	10,498,807	9,625,806
Other	1,388,282	1,444,395
Total Revenues	<u>\$ 34,812,409</u>	<u>\$ 20,880,225</u>
Expenses		
General government	\$ 3,880,434	\$ 3,710,912
Public safety	3,165,475	2,767,193
Highways and streets	7,452,278	4,455,416
Sanitation	342,376	285,179
Human services	6,289,350	4,794,531
Health	164,543	162,392
Culture and recreation	498,145	448,746
Conservation of natural resources	1,132,551	1,328,864
Economic development	50,191	3,052,532
Interest	10,168	9,078
Total Expenses	<u>\$ 22,985,511</u>	<u>\$ 21,014,843</u>
Change in Net Position	\$ 11,826,898	\$ (134,618)
Net Position – January 1, as restated	<u>63,605,539*</u>	<u>64,828,187*</u>
Net Position – December 31, as reported	<u>\$ 75,432,437</u>	<u>\$ 64,693,569</u>

*Amount includes a change in accounting principles and prior period adjustment.

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 short-term inflows, outflows, and balances left at year-end available for spending. Such information is useful in assessing Chippewa County's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of 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 \$21,800,824, an increase of \$8,805,455, or 67.8 percent, in comparison with the prior year. Of the combined ending fund balances, \$17,419,607 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, \$4,381,217, is either nonspendable or is restricted to indicate that it is not available for new spending because it has already been restricted 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 2019, it had an unrestricted fund balance of \$1,113,302. As a measure of the General Fund's liquidity, it may be useful to compare unrestricted fund balance to total expenditures. The General Fund's unrestricted fund balance represents 13.5 percent of total General Fund expenditures. During 2019, the ending fund balance increased by \$263,179. The contributing factor to this increase is the reduction of expenditures compared to revenues received.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$12,321,033 at the end of 2019, representing 148.5 percent of its annual expenditures. The ending fund balance increased by \$8,485,489 during 2019, primarily due to funds received from the State of Minnesota for future road maintenance.

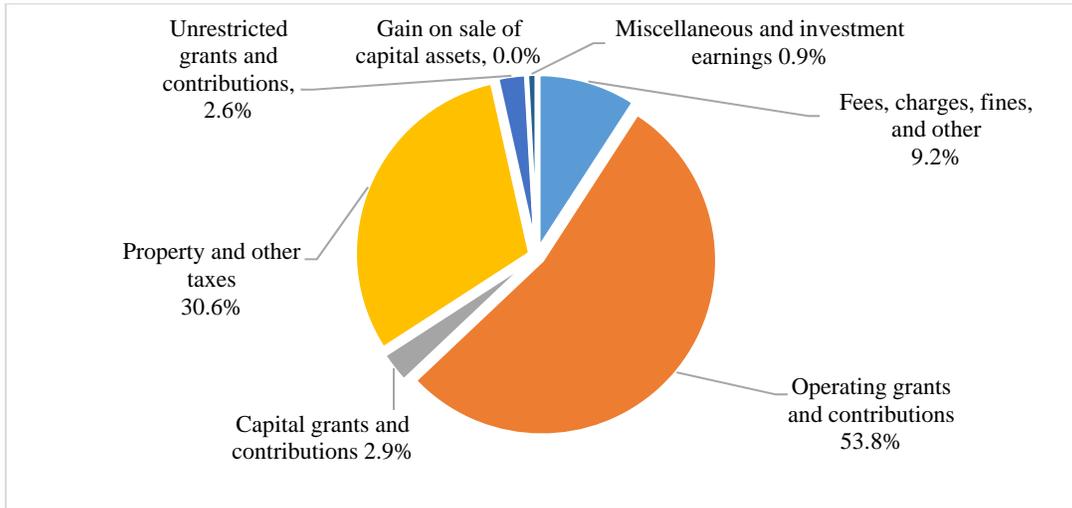
The Family Services Special Revenue Fund had an unrestricted fund balance of \$3,817,100 at the end of 2019, representing 56.3 percent of its annual expenditures. The ending fund balance decreased by \$106,628 during 2019. The budgeted reduction of fund balance decreased primarily from receiving more miscellaneous revenue than expected and the delay of the PrimeWest buy in to future years.

The Ditch Revenue Special Revenue Fund has a fund balance of \$2,213,679 at the end of 2019. The ending fund balance increased by \$163,415 during 2019; the increase is due to the lower than expected expense for ditch maintenance and repair.

GOVERNMENTAL ACTIVITIES

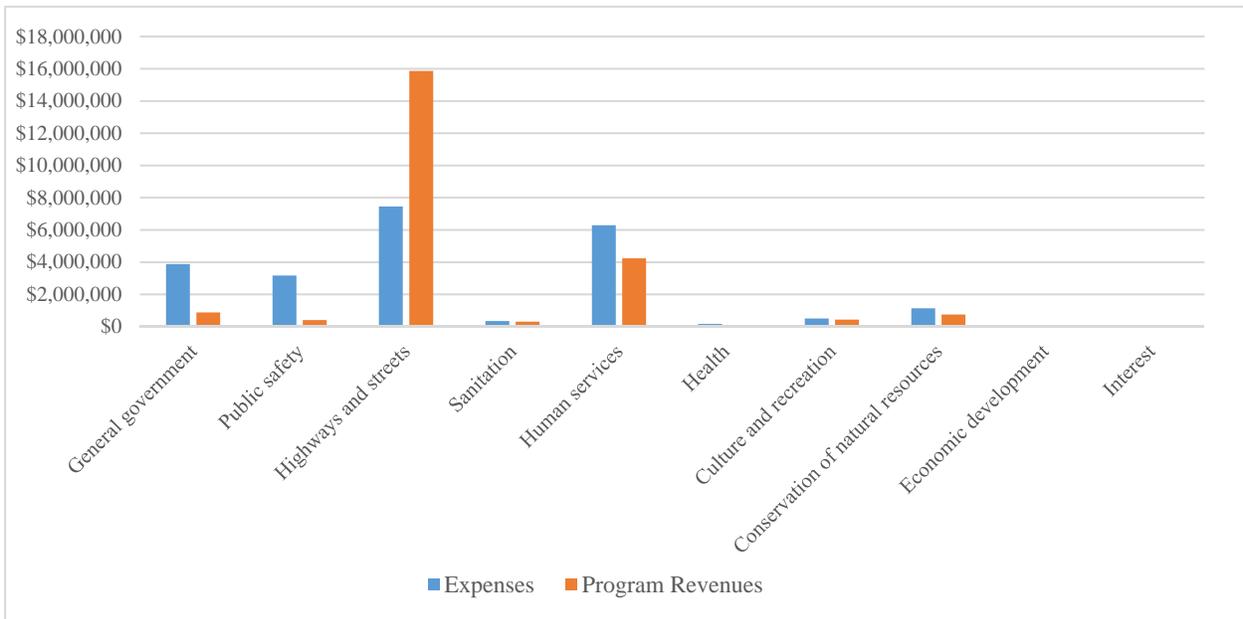
The County's total revenues were \$34,812,409. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2019.

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 Revenues



The cost of all governmental activities in 2019 was \$22,985,511. However, as shown on the Statement of Activities, Exhibit 2, the amount that Chippewa County taxpayers ultimately financed for these activities through County taxes and non-program revenues was only \$60,191, because some of the cost was paid by those who directly benefited from the programs, \$3,186,179, or by other governments and organizations that subsidized certain programs with grants and contributions, \$19,739,141. The County paid for the remaining “public benefit” portion of governmental activities with \$11,887,089 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 investment income.

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**

	2019	
	Total Cost of Services	Net (Cost) Revenue of Services
General government	\$ 3,880,434	\$ (2,998,672)
Public safety	3,165,475	(2,764,927)
Highways and streets	7,452,278	8,409,580
Sanitation	342,376	(39,075)
Human services	6,289,350	(2,059,327)
Health	164,543	(164,543)
Culture and recreation	498,145	(65,124)
Conservation of natural resources	1,132,551	(380,144)
Economic development	50,191	12,209
Interest	10,168	(10,168)
Totals	<u>\$ 22,985,511</u>	<u>\$ (60,191)</u>

General Fund Budgetary Highlights

Over the course of the year, the County Board increased the General Fund expenditure budget by \$664,500.

The actual charges to appropriations (expenditures) were \$140,799 more than final budget amounts. Two of the most significant positive variances, one being \$131,117 occurring in the Sheriff’s Department, and the other being \$25,406 occurring in the Recorder’s Department, where actual expenditures were less than the amount budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2019, totaled \$56,552,167 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased \$1,774,899, or 3.2 percent, from the previous year.

	Capital Assets at Year-End Net of Depreciation	
	2019	2018
Land and right-of-way	\$ 1,884,202	\$ 1,884,202
Infrastructure	47,170,050	46,610,065
Buildings	3,648,617	3,281,252
Improvements other than buildings	75,634	77,724
Machinery and equipment	2,984,189	2,254,510
Construction in progress	789,475	669,515
Total	<u>\$ 56,552,167</u>	<u>\$ 54,777,268</u>

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

Long-Term Debt

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

Information on the County's other long-term obligations 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 2020 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2019 was 2.7 percent. This compares with the state unemployment rate of 3.4 percent and national unemployment rate of 4.9 percent. This shows a moderate decrease from the County's 3.8 percent rate of one year ago. The economic recovery nationally continues, however, at a very slow rate but shows little impact locally. The lack of sustainable jobs in the area places increased pressure on the need for services administered by the County. Agricultural land values continue to erode from historic high levels from the last several years, creating shift in where tax dollars come from (Ag. property vs. Non-ag. property).

- The 2020 property tax levy for the County increased 4.61 percent, \$494,518, from 2019. This is due to the increase of future expenses in personnel costs and technology equipment changes.

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/Coordinator Michelle May, 629 North 11th Street, Montevideo, Minnesota 56265.

BASIC FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Assets

Cash and pooled investments	\$	8,534,342
Investments		13,818,616
Receivables – net		6,107,596
Inventories		114,908
Prepaid items		37,466
Capital assets		
Non-depreciable		2,673,677
Depreciable – net of accumulated depreciation		53,878,490
		85,165,095
Total Assets	\$	85,165,095

Deferred Outflows of Resources

Deferred pension outflows	\$	1,109,993
Deferred other postemployment benefits outflows		105,013
		1,215,006
Total Deferred Outflows of Resources	\$	1,215,006

Liabilities

Accounts payable and other current liabilities	\$	637,170
Unearned revenue		244,640
Advance from other governments		304,132
Long-term liabilities		
Due within one year		209,046
Due in more than one year		1,235,321
Other postemployment benefits liability		772,833
Net pension liability		4,605,389
		8,008,531
Total Liabilities	\$	8,008,531

Deferred Inflows of Resources

Deferred pension inflows	\$	2,922,679
Deferred other postemployment benefits inflows		16,454
		2,939,133
Total Deferred Inflows of Resources	\$	2,939,133

Net Position

Net investment in capital assets	\$	56,334,670
Restricted for		
General government		593,752
Public safety		121,922
Highways and streets		3,994,607
Conservation of natural resources		2,672,512
Unrestricted		11,714,974
		75,432,437
Total Net Position	\$	75,432,437

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions		Capital Grants and Contributions
<u>Functions/Programs</u>					
Governmental activities					
General government	\$ 3,880,434	\$ 733,937	\$ 147,825	\$ -	\$ (2,998,672)
Public safety	3,165,475	132,585	267,963	-	(2,764,927)
Highways and streets	7,452,278	481,092	14,367,063	1,013,703	8,409,580
Sanitation	342,376	234,591	68,710	-	(39,075)
Human services	6,289,350	666,551	3,563,472	-	(2,059,327)
Health	164,543	-	-	-	(164,543)
Culture and recreation	498,145	317,198	115,823	-	(65,124)
Conservation of natural resources	1,132,551	557,825	194,582	-	(380,144)
Economic development	50,191	62,400	-	-	12,209
Interest	10,168	-	-	-	(10,168)
Total Governmental Activities	\$ 22,985,511	\$ 3,186,179	\$ 18,725,438	\$ 1,013,703	\$ (60,191)
General Revenues					
Property taxes					\$ 10,498,807
Mortgage registry and deed tax					9,720
Payments in lieu of tax					155,948
Grants and contributions not restricted to specific programs					910,440
Miscellaneous					105,465
Unrestricted investment earnings					191,634
Gain on sale of capital assets					15,075
Total general revenues					\$ 11,887,089
Change in net position					\$ 11,826,898
Net Position – Beginning, as restated (Notes 1.E. and 1.F.)					63,605,539
Net Position – Ending					\$ 75,432,437

FUND FINANCIAL STATEMENTS

This page was left blank intentionally.

GOVERNMENTAL FUNDS

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 2,451,632	\$ 1,352,047	\$ 3,995,907	\$ 732,556	\$ 8,532,142
Petty cash and change funds	2,100	-	100	-	2,200
Investments	504,479	11,795,963	-	1,518,174	13,818,616
Taxes receivable					
Delinquent	66,058	13,150	25,517	-	104,725
Special assessments receivable					
Delinquent	7,596	-	-	963	8,559
Noncurrent	532,848	-	-	535,780	1,068,628
Accounts receivable – net	66,165	-	32,823	-	98,988
Accrued interest receivable	15,640	35,596	-	6,654	57,890
Due from other governments	58,702	3,363,064	710,230	56,358	4,188,354
Inventories	1,473	113,435	-	-	114,908
Prepaid items	29,846	7,150	470	-	37,466
Loans receivable	317,166	263,286	-	-	580,452
Total Assets	<u>\$ 4,053,705</u>	<u>\$ 16,943,691</u>	<u>\$ 4,765,047</u>	<u>\$ 2,850,485</u>	<u>\$ 28,612,928</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 119,687	\$ 21,787	\$ 185,412	\$ 6,790	\$ 333,676
Salaries payable	19,138	4,035	1,037	-	24,210
Contracts payable	11,086	157,977	-	-	169,063
Due to other governments	29,760	352	49,848	30,261	110,221
Unearned revenue	244,640	-	-	-	244,640
Advance from other governments	-	-	304,132	-	304,132
Total Liabilities	<u>\$ 424,311</u>	<u>\$ 184,151</u>	<u>\$ 540,429</u>	<u>\$ 37,051</u>	<u>\$ 1,185,942</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 1,000,581</u>	<u>\$ 3,618,778</u>	<u>\$ 407,048</u>	<u>\$ 599,755</u>	<u>\$ 5,626,162</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Prepaid items	\$ 29,846	\$ 7,150	\$ 470	\$ -	\$ 37,466
Inventories	1,473	113,435	-	-	114,908
Missing heirs	7,262	-	-	-	7,262
Unclaimed property	49	-	-	-	49
Restricted for					
Law library	78,867	-	-	-	78,867
Enhanced 911	27,059	-	-	-	27,059
Sheriff's contingency	4,524	-	-	-	4,524
Permit to carry	86,045	-	-	-	86,045
Recorder's technology fund	252,078	-	-	-	252,078
Recorder's compliance fund	253,206	-	-	-	253,206
Law enforcement – drug task force	4,294	-	-	-	4,294
Attorney forfeiture	9,602	-	-	-	9,602
Highway allotments	-	699,144	-	-	699,144
Septic/sewer loans	160,054	-	-	-	160,054
Unspent grant funds	307,326	-	-	-	307,326
Ditch maintenance and repairs	-	-	-	2,235,371	2,235,371
Aquatic invasive species aid	103,962	-	-	-	103,962
Assigned for					
Vehicle purchases	77,126	-	-	-	77,126
Courthouse improvements	112,738	-	-	-	112,738
Road and bridge	-	11,414,234	-	-	11,414,234
Capital equipment	-	890,000	-	-	890,000
Human services	-	-	1,138,566	-	1,138,566
Future building	-	-	1,853,534	-	1,853,534
Land and building capital outlay	-	16,799	-	-	16,799
Out-of-home placements	-	-	500,000	-	500,000
Out-of-home prevention services	-	-	125,000	-	125,000
Children's mental health	-	-	100,000	-	100,000
Mental health contingencies	-	-	100,000	-	100,000
Unassigned	1,113,302	-	-	(21,692)	1,091,610
Total Fund Balances	\$ 2,628,813	\$ 13,140,762	\$ 3,817,570	\$ 2,213,679	\$ 21,800,824
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,053,705	\$ 16,943,691	\$ 4,765,047	\$ 2,850,485	\$ 28,612,928

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION—GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balance – total governmental funds (Exhibit 3)		\$ 21,800,824
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		56,552,167
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		1,109,993
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		105,013
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds.		5,626,162
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Leases payable	\$ (77,080)	
Loans payable	(689,671)	
Compensated absences	(677,616)	
Other postemployment benefits liability	(772,833)	
Net pension liability	<u>(4,605,389)</u>	(6,822,589)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,922,679)
Deferred inflows of resources resulting from the other postemployment benefits liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(16,454)</u>
Net Position of Governmental Activities (Exhibit 1)		<u><u>\$ 75,432,437</u></u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Revenues					
Taxes	\$ 6,672,034	\$ 1,276,010	\$ 2,551,124	\$ -	\$ 10,499,168
Special assessments	367,818	203	-	437,001	805,022
Licenses and permits	8,044	19,000	-	-	27,044
Intergovernmental	1,530,467	15,253,234	3,493,067	77,824	20,354,592
Charges for services	720,697	46,156	306,026	-	1,072,879
Gifts and contributions	12,735	-	500	-	13,235
Investment earnings	82,090	65,334	-	37,643	185,067
Miscellaneous	346,300	102,545	305,985	-	754,830
Total Revenues	\$ 9,740,185	\$ 16,762,482	\$ 6,656,702	\$ 552,468	\$ 33,711,837
Expenditures					
Current					
General government	\$ 4,443,676	\$ -	\$ -	\$ -	\$ 4,443,676
Public safety	3,149,447	-	-	-	3,149,447
Highways and streets	-	7,846,690	-	-	7,846,690
Sanitation	340,528	-	-	-	340,528
Human services	-	-	6,618,920	-	6,618,920
Culture and recreation	464,884	-	-	-	464,884
Conservation of natural resources	737,966	-	-	389,053	1,127,019
Economic development	50,191	-	-	-	50,191
Intergovernmental					
Public safety	359,356	-	-	-	359,356
Highways and streets	-	447,420	-	-	447,420
Health	-	-	164,543	-	164,543
Conservation	11,786	-	-	-	11,786
Debt service					
Principal	113,161	131	428	-	113,720
Interest	10,168	-	-	-	10,168
Total Expenditures	\$ 9,681,163	\$ 8,294,241	\$ 6,783,891	\$ 389,053	\$ 25,148,348
Excess of Revenues Over (Under) Expenditures	\$ 59,022	\$ 8,468,241	\$ (127,189)	\$ 163,415	\$ 8,563,489

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Other Financing Sources (Uses)					
Loans issued	\$ 131,577	\$ -	\$ -	\$ -	\$ 131,577
Capital leases	51,894	6,265	20,561	-	78,720
Proceeds from sale of capital assets	15,075	-	-	-	15,075
Insurance recoveries	5,611	-	-	-	5,611
Total Other Financing Sources (Uses)	\$ 204,157	\$ 6,265	\$ 20,561	\$ -	\$ 230,983
Net Change in Fund Balance	\$ 263,179	\$ 8,474,506	\$ (106,628)	\$ 163,415	\$ 8,794,472
Fund Balance – January 1, as restated (Note 1.E.)	2,365,634	4,655,273	3,924,198	2,050,264	12,995,369
Increase (decrease) in inventories	-	10,983	-	-	10,983
Fund Balance – December 31	\$ 2,628,813	\$ 13,140,762	\$ 3,817,570	\$ 2,213,679	\$ 21,800,824

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balance – total governmental funds (Exhibit 5) \$ 8,794,472

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 deferred revenue as unavailable revenue.

Unavailable revenue – December 31	\$ 5,626,162	
Unavailable revenue – January 1	<u>(4,393,842)</u>	1,232,320

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. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 4,055,952	
Net book value of assets disposed of	(139,309)	
Current year depreciation	<u>(2,141,744)</u>	1,774,899

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

Loans issued	\$ (133,737)	
Capital leases	<u>(78,720)</u>	(212,457)

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

Principal repayments		
Loan payments	\$ 112,080	
Lease payments	<u>1,640</u>	113,720

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT 6
(Continued)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES—GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 compensated absences	\$	(51,483)	
Change in other postemployment benefits liability		(83,419)	
Change in net pension liability		485,744	
Change in deferred pension outflows		(890,947)	
Change in deferred other postemployment benefits outflows		70,590	
Change in deferred pension inflows		598,930	
Change in deferred other postemployment benefits inflows		(16,454)	
Change in inventories		10,983	123,944
		<u>10,983</u>	<u>123,944</u>
Change in Net Position of Governmental Activities (Exhibit 2)			<u><u>\$ 11,826,898</u></u>

This page was left blank intentionally.

FIDUCIARY FUNDS

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds	
		Other	External Investment Pool
<u>Assets</u>			
Cash and pooled investments	\$ 18,564	\$ 1,687,054	\$ -
Investments	-	21,000	8,901,290
Taxes receivable for other governments	-	309,932	-
Accounts receivable	-	15,432	-
Accrued interest receivable	-	-	13,561
	\$ 18,564	\$ 2,033,418	\$ 8,914,851
<u>Liabilities</u>			
Due to others	\$ -	\$ 2,550	\$ -
Due to other governments	-	15,432	-
	\$ -	\$ 17,982	\$ -
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	\$ 18,564	\$ 2,015,436	\$ 8,914,851

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

<u>Additions</u>	Social Welfare Private-Purpose Trust Fund	Custodial Funds	
		Other	External Investment Pool
Contributions from individuals	\$ 161,383	\$ 806,347	\$ -
Contributions from employer	-	1,249,520	-
Net increase in fair market value of investments	-	-	133,023
Interest earnings	-	1,523	305,057
Property tax collections for other governments	-	12,116,618	-
Fees collected for state	-	1,534,128	-
Payments from state	-	1,254,780	-
Refunds collected for other entities	-	33,067	-
Payments from other entities	-	71,039,683	6,243,068
Miscellaneous	-	18,074	-
Total Additions	\$ 161,383	\$ 88,053,740	\$ 6,681,148
<u>Deductions</u>			
Beneficiary payments to individuals	\$ 188,444	\$ 2,603,369	\$ -
Payments of property tax to other governments	-	11,805,156	-
Payments to state	-	2,269,738	-
Administrative expense	-	1,424	-
Payments to other entities	-	72,858,021	17,202,524
Total Additions	\$ 188,444	\$ 89,537,708	\$ 17,202,524
Change in Net Position	\$ (27,061)	\$ (1,483,968)	\$ (10,521,376)
Net Position – January 1, as previously reported	\$ -	\$ -	\$ -
Net Position – Restatement (Note 1.E.)	45,625	3,499,404	19,436,227
Net Position – January 1, as restated	\$ 45,625	\$ 3,499,404	\$ 19,436,227
Net Position – December 31	\$ 18,564	\$ 2,015,436	\$ 8,914,851

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2019. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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/Coordinator, 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.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about 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.

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

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

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 governmental 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 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 accounts for restricted revenues from the federal and state governments, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Family Services Special Revenue Fund accounts for restricted revenue resources from federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Revenue Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

Additionally, the County reports the following fiduciary fund types:

- Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that Chippewa County is holding on behalf of individuals receiving social welfare assistance.
- Custodial funds are safekeeping in nature. These funds account for monies held in a fiduciary capacity.
 - Other custodial funds are used to account for money on behalf of special districts that use the County as a depository; property taxes collected on behalf of other governments, and individual inmate accounts from the County jail.
 - External Investment Pool is used to account for investments held by the County for CCM Health, a legally separate entity that is not part of the County's financial reporting entity. CCM Health was formerly known as Chippewa County-Montevideo Hospital. It is also referred to as the Hospital in this report.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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 taxes are recognized as revenues in the year for which they are levied, provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer/Coordinator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2019 were \$79,537.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

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 investment in the pool is measured at the net asset value per share provided by the pool.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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.”

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

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 or November 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

Special assessments receivable consist of delinquent special assessments payable in the years 2013 through 2019 and noncurrent special assessments payable in 2020 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Accounts receivable are shown net of an allowance for uncollectibles.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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.

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

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 government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of \$5,000 or more 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 acquisition value (entry price) at the date of donation.

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 - 50
Improvements other than buildings	20 - 35
Public domain infrastructure	15 - 75
Machinery and equipment	3 - 15

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, sick leave, and comp time 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. 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. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is calculated using a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time. For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

6. 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 position.

At December 31, 2019, Chippewa County reported no bonded debt.

7. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Pension Plan (Continued)

accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County reports deferred outflows of resources only under the full accrual basis of accounting associated with defined benefit pension plans and other postemployment benefits (OPEB) and, accordingly, they are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows, unavailable revenue, deferred pension inflows, and deferred OPEB inflows, that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, grant monies receivable, and miscellaneous revenue for amounts that are not considered to be available to liquidate liabilities of the current period.

Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. At December 31, 2019, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

10. Classification of Net Position

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

- Net investment in capital assets – the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt and related contracts payable attributed to the acquisition, construction, or improvement of the assets.
- Restricted net position – the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.
- Unrestricted net position – the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

Fund balance is divided into five classifications based primarily on the extent to which Chippewa County is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

- Restricted – amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer/Coordinator, who has been delegated that authority by Board Resolution.
- Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance

Chippewa County has adopted a minimum fund balance policy for its governmental funds. The General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund all are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2019, the County's unrestricted fund balance was at or above the minimum fund balance level, except in the General Fund.

13. 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, deferred outflows of resources, liabilities, and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Change in Accounting Principles

During the year ended December 31, 2019, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by including accruals and ending net position to custodial funds not previously required. Beginning net position/fund balance has been restated to reflect this change.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Change in Accounting Principles (Continued)

	Social Welfare Private-Purpose Trust Fund	Custodial Funds		Family Services Special Revenue Fund
		Other	External Investment Pool	
Net Position/Fund Balance, January 1, 2019, as previously reported	\$ -	\$ -	\$ -	\$ 3,615,299
Change in accounting principles	45,625	3,499,404	19,436,227	308,899
Net Position/Fund Balance, January 1, 2019, as restated	<u>\$ 45,625</u>	<u>\$ 3,499,404</u>	<u>\$ 19,436,227</u>	<u>\$ 3,924,198</u>

During the year ended December 31, 2019, the County changed its accounting for long-term loans receivable in the General Fund and the Road and Bridge Special Revenue Fund. This change is due to clarifying guidance from GASB regarding long-term receivables. The long-term portion of loans receivable was removed from fund balance and is now reported as deferred inflows of resources – unavailable revenue.

	General Fund	Road and Bridge Special Revenue Fund
Fund Balance, January 1, 2019, as previously reported	\$ 2,690,634	\$ 4,931,220
Change in accounting principles	<u>(325,000)</u>	<u>(275,947)</u>
Fund Balance, January 1, 2019, as restated	<u>\$ 2,365,634</u>	<u>\$ 4,655,273</u>

F. Restatement of Net Pension Liability and Net Position for Prior Period Adjustment

The January 1, 2019, net position was decreased to correct a prior period overstatement of net pension liability, deferred pension outflows, and deferred pension inflows related to reporting the net pension liability for a separate reporting entity that was previously not broken out from Chippewa County's plan totals as calculated by PERA. The effect on net position is as follows:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

F. Restatement of Net Pension Liability and Net Position for Prior Period Adjustment
(Continued)

	Governmental Activities
Net Position, January 1, 2019, as previously reported	\$ 64,693,569
Change in accounting principles for GASB No. 84	308,899
Change in accounting principles for long-term receivables	(600,947)
Restatement of Net Position	
Adjustment for net pension liability	(795,982)
Net Position, January 1, 2019, as restated	\$ 63,605,539

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of \$2,850,485 as of December 31, 2019, although four ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

137 ditches with positive fund balances	\$ 2,235,371
4 ditches with deficit fund balances	(21,692)
Total Fund Balance	\$ 2,213,679

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 8,534,342
Investments	13,818,616
Statement of fiduciary net position	
Cash and pooled investments	1,705,618
Investments	<u>8,922,290</u>
 Total Cash and Investments	 <u>\$ 32,980,866</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 by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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, 2019, 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;
- (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;

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (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.

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.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County'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, and that they qualify under Minn. Stat. § 118A.06 to hold investments. At December 31, 2019, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer. It is the County's policy that U.S. 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 cash and investment balances at December 31, 2019, and information relating to potential investment risks:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
US Agency Securities					
Federal Home Loan Bank Bond	Aaa AA+	Moody's S&P	>5%	11/29/2021	\$ 2,312,351
Municipal Bonds					
Bethel Park, PA	AA	S&P	<5%	12/1/2022	\$ 189,734
Connecticut ST Municipal Bond	A	S&P			
	A1	Moody's	<5%	10/15/2022	506,940
Beaumont, CA Unified School District	Aa3	Moody's	<5%	8/1/2023	181,661
Burlingame, CA Elementary School	Aa1	Moody's	<5%	8/1/2023	744,383
San Mateo, CA Union High School	Aaa	Moody's	<5%	9/1/2023	254,802
Canadian City, OK ISD	A+	S&P	<5%	11/1/2023	746,565
Bethel Park, PA Ref	AA	S&P	<5%	12/1/2023	198,516
Total Municipal Bonds					\$ 2,822,601
Money Market Mutual Funds	N/R	N/A	>5%	N/A	\$ 3,068,337
Negotiable certificates of deposit with brokers	N/A	N/A	>5%	Varies	\$ 5,127,989
Investment pools – MAGIC Funds	N/R	N/A	>5%	N/A	\$ 8,260,250
Total investments					\$ 21,591,528
Checking					8,065,938
Non-negotiable certificates of deposit					3,321,200
Petty cash and change funds					2,200
Total Cash and Investments					\$ 32,980,866

N/A – Not Applicable

N/R – Not Rated

<5% – Concentration is less than 5% of investments

>5% – Concentration is more than 5% of investments

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Chippewa County measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- *Level 1:* Quoted prices for identical investments in active markets;
- *Level 2:* Observable inputs other than quoted market prices; and
- *Level 3:* Unobservable inputs.

At December 31, 2019, the County had the following recurring fair value measurements.

	December 31, 2019	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. Agencies	\$ 2,312,351	\$ -	\$ 2,312,351	\$ -
Municipal Bonds	2,822,601	-	2,822,601	-
Negotiable certificates of deposit	5,127,989	-	5,127,989	-
Money market mutual fund	1,657,334	-	1,657,334	-
Total Investments Included in the Fair Value Hierarchy	\$ 11,920,275	\$ -	\$ 11,920,275	\$ -
Investments measured at the net asset value (NAV)				
MAGIC Term	\$ 2,325,021			
Money market mutual funds	7,346,232			
Total Investments Measured at the NAV	\$ 9,671,253			

Debt securities classified in Level 2 are valued using a market approach based on various market and industry inputs.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

Shares of MAGIC Term Series are purchased to mature upon pre-determined maturity dates selected by the County at the time of purchase. Should the County need to redeem shares in a MAGIC Term Series prematurely, they must provide notice at least seven days prior to the premature redemption date. The value of a premature redemption is equal to the original price for such share, plus dividends thereon, at the projected yield, less such share's allocation of any losses incurred by the series, less a premature redemption penalty, if any.

The County's External Investment Pool also holds \$1,411,003 in money market mutual funds. The fair value of the investment is the fair value per share of the underlying portfolio. The County holds these funds as part of the Investment Trust fund and may only use these funds to redeem Gross Revenue Hospital Bonds, Series 2016.

External Investment Pool

Chippewa County sponsors an external investment pool where cash belonging to CCM Health (Hospital) is pooled and invested by the County Auditor/Treasurer/Coordinator. The pool is reported as a fiduciary fund of the County. The fund is not registered with the Securities and Exchange Commission. The fair value of the Hospital's position in the pool is the same as the value of the pool shares.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities are as follows:

	<u>Receivable</u>	<u>Less: Allowance for Uncollectible Accounts</u>	<u>Net Receivables</u>	<u>Amounts Not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities				
Taxes	\$ 104,725	\$ -	\$ 104,725	\$ -
Special assessments	1,077,187	-	1,077,187	766,292
Accounts receivable	215,361	(116,373)	98,988	-
Interest	57,890	-	57,890	-
Loans receivable	580,452	-	580,452	567,602
Due from other governments	<u>4,188,354</u>	<u>-</u>	<u>4,188,354</u>	<u>-</u>
Total Governmental Activities	<u>\$ 6,223,969</u>	<u>\$ (116,373)</u>	<u>\$ 6,107,596</u>	<u>\$ 1,333,894</u>

Loans Receivable

On February 6, 2018, the County Board approved a \$325,000 loan to the Chippewa County Fair Board for the construction of a garage at the Chippewa County Fairgrounds to house buses. The loan is to be repaid at three percent annual interest over 14 years, with repayments beginning in 2019, with provisions to review the terms of the agreement every three years.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables

Loans Receivable (Continued)

On November 15, 2011, the County Board approved a \$348,072 loan to the City of Clara City for the construction of a highway maintenance shop in Clara City. Chippewa County issued a loan for one-half of the construction costs to be repaid at 1.5 percent interest over 25 years, with repayments beginning in 2013.

Loan activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Chippewa County fair board	\$ 325,000	\$ -	\$ 7,834	\$ 317,166
City of Clara City shop	275,946	-	12,660	263,286
Total	\$ 600,946	\$ -	\$ 20,494	\$ 580,452

3. Capital Assets

Capital asset activity for the year ended December 31, 2019, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,281,329	\$ -	\$ -	\$ 1,281,329
Right-of-way	602,873	-	-	602,873
Construction in progress	669,515	441,820	321,860	789,475
Total capital assets not depreciated	\$ 2,553,717	\$ 441,820	\$ 321,860	\$ 2,673,677
Capital assets depreciated				
Buildings	\$ 11,820,153	\$ 626,575	\$ -	\$ 12,446,728
Improvements other than buildings	82,642	-	-	82,642
Machinery and equipment	7,160,831	1,314,944	608,131	7,867,644
Infrastructure	71,698,689	1,994,473	-	73,693,162
Total capital assets depreciated	\$ 90,762,315	\$ 3,935,992	\$ 608,131	\$ 94,090,176

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 8,538,901	\$ 259,210	\$ -	\$ 8,798,111
Improvements other than buildings	4,918	2,090	-	7,008
Machinery and equipment	4,906,321	445,956	468,822	4,883,455
Infrastructure	<u>25,088,624</u>	<u>1,434,488</u>	<u>-</u>	<u>26,523,112</u>
 Total accumulated depreciation	 <u>\$ 38,538,764</u>	 <u>\$ 2,141,744</u>	 <u>\$ 468,822</u>	 <u>\$ 40,211,686</u>
 Total capital assets depreciated, net	 <u>\$ 52,223,551</u>	 <u>\$ 1,794,248</u>	 <u>\$ 139,309</u>	 <u>\$ 53,878,490</u>
 Capital Assets, Net	 <u>\$ 54,777,268</u>	 <u>\$ 2,236,068</u>	 <u>\$ 461,169</u>	 <u>\$ 56,552,167</u>

Construction in progress consists of amounts completed on open road projects.

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

General government	\$ 208,451
Public safety	147,370
Highways and streets, including depreciation of infrastructure assets	1,695,659
Sanitation	1,848
Human services	11,433
Culture and recreation	23,717
Conservation of natural resources	<u>53,266</u>
 Total Depreciation Expense – Governmental Activities	 <u>\$ 2,141,744</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019, were as follows:

	Governmental Activities
Accounts payable	\$ 333,676
Salaries payable	24,210
Contracts payable	169,063
Due to other governments	110,221
Total Payables	\$ 637,170

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2019. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
General Fund		
Replace courthouse windows	\$ 50,000	\$ 7,770
Document Imaging	-	31,665
Total Construction Commitments	\$ 50,000	\$ 39,435

Additional remaining commitments for highway projects are state funded and, therefore, not obligations of the County at December 31, 2019.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources (Continued)

3. Advances From Other Governments

Chippewa County is the designated fiscal host for the Southwest Minnesota Regional Minnesota Family Investment Program/Divisionary Work Program (MFIP/DWP) Partnership. This is a 14-county partnership created to administer MFIP/DWP funds. The participating counties previously advanced \$273,742 to Chippewa County for cash flow purposes. During 2019, an additional \$30,390 was advanced to Chippewa County from the participating entities. The outstanding balance at December 31, 2019, was \$304,132. The funds will be returned when the partnership is dissolved.

4. Long-Term Debt

Loans Payable

The County entered into loan agreements with the Minnesota Pollution Control Agency for the financing of clean water projects. The loans are secured by special assessments placed on the individual parcels requesting funding of a project. Loan payments are reported in the General Fund.

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2019
Hawk Creek Watershed Loan (SRF0158)	2020	\$ 27,956	2.0	\$ 252,241	\$ 13,839
Chippewa River Watershed Loan (SRF0159)	2020	22,889	2.0	206,522	11,331
Chippewa River Continuation Loan (SRF0207)	2021	11,745	2.0	105,970	22,914
Hawk Creek Watershed Continuation Loan (SRF0231)	2023	8,252	2.0	74,451	31,569
Chippewa River Watershed Loan (SRF0232)	2024	13,232	2.0	119,391	62,663
Hawk Creek Watershed Loan (SRF277)	2026	11,851	2.0	106,929	77,054
Chippewa River Watershed Loan (SRF295)	2028	17,268	2.0	155,802	134,362
Hawk Creek Watershed Loan (SRF300)	2027	18,114	2.0	163,441	155,908
Chippewa River Watershed Loan (SRF310)	2027	-	2.0	180,031	180,031
Total				<u>\$ 1,364,778</u>	<u>\$ 689,671</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of copiers for various departments. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. Capital lease payments are paid from the General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund.

Capital leases consist of the following at December 31, 2019:

<u>Lease</u>	<u>Final Maturity</u>	<u>Installments</u>	<u>Payment Amount</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2019</u>
Copier leases	2023	Monthly	\$ 1,640	\$ 78,720	<u>\$ 77,080</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2019, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>
2020	\$ 21,245
2021	21,245
2022	21,245
2023	<u>19,474</u>
Total minimum lease payments	\$ 83,209
Less: amount representing interest	<u>(6,129)</u>
Present Value of Minimum Lease Payments	<u>\$ 77,080</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Clean water loans payable	\$ 668,014	\$ 133,737	\$ 112,080	\$ 689,671	\$ 105,884
Capital lease	-	78,720	1,640	77,080	19,680
Compensated absences	626,133	413,032	361,549	677,616	83,482
Long-Term Liabilities	<u>\$ 1,294,147</u>	<u>\$ 625,489</u>	<u>\$ 475,269</u>	<u>\$ 1,444,367</u>	<u>\$ 209,046</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2019, were as follows:

<u>Year Ending December 31</u>	<u>Loans Payable</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 96,296	\$ 9,587
2021	72,555	7,906
2022	62,210	6,506
2023	63,461	5,256
2024	56,444	4,021
2025 - 2029	158,672	6,847
Total	<u>\$ 509,638</u>	<u>\$ 40,123</u>

Loans of \$180,033 for Chippewa River Watershed (SRF310) are not included in the debt service requirements because a fixed repayment schedule is not available.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources (Continued)

7. Conduit Debt

In 2007, Chippewa County issued \$36,565,000 of Gross Revenue Hospital Bonds, Series 2007, to provide financial assistance to the Hospital for the acquisition, construction, and equipping of a new hospital located in the City of Montevideo. 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. In 2016, Chippewa County issued \$31,600,000 of Gross Revenue Hospital Refunding Bonds, Series 2016, to refund the Gross Revenue Bonds, Series 2007, which were redeemed on March 1, 2017. The outstanding principal payable at December 31, 2019, was \$29,315,000.

8. Property Assessed Clean Energy Program

The Port Authority of the City of Saint Paul created the Property Assessed Clean Energy Program (PACE) of Minnesota for purposes of implementing and administering activities under Minn. Stat. §§ 216C.435 and 216C.346 and ch. 429 to provide financing for acquisition and construction or installation of energy efficiency and conservation improvements on qualifying real properties. On July 21, 2015, the County signed a joint powers agreement with the Port Authority of the City of Saint Paul, creating the opportunity for Chippewa County landowners to obtain financing for qualifying improvements through PACE of Minnesota with repayment to be made by the County through collections of special assessments. The Port Authority is solely responsible for implementation and administration of PACE of Minnesota. The County is not obligated in any manner for special assessment debt and is in no way liable for repayment, but is only acting as agent for the property owners in collection of the assessments, forwarding the collections to the Port Authority, and initiating foreclosure proceedings, if appropriate. At December 31, 2019, the outstanding balance of PACE loans in Chippewa County was \$475,200.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of special assessments, taxes, state grants, interest, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2019, are summarized below by fund:

	Special Assessments	Taxes	Grants	Interest	Loans Receivable	Other	Total
Major governmental funds							
General Fund	\$ 540,444	\$ 66,058	\$ -	\$ 14,513	\$ 317,166	\$ 62,400	\$ 1,000,581
Special Revenue Funds							
Road and Bridge	-	13,150	3,311,506	30,836	263,286	-	3,618,778
Family Services	-	25,517	381,531	-	-	-	407,048
Ditch	536,743	-	-	6,654	-	56,358	599,755
Total	<u>\$ 1,077,187</u>	<u>\$ 104,725</u>	<u>\$ 3,693,037</u>	<u>\$ 52,003</u>	<u>\$ 580,452</u>	<u>\$ 118,758</u>	<u>\$ 5,626,162</u>

D. 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. Retirees are required to pay 100 percent of the premium costs. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Funding Policy (Continued)

As of the January 1, 2019, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	11
Active plan participants	114
Total	125

Total OPEB Liability

The County's total OPEB liability of \$772,833 was measured as of January 1, 2019, and was determined by an actuarial valuation as of January 1, 2019. The OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

The total OPEB liability for the fiscal year-end December 31, 2019, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay	
Inflation	2.50 percent	
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases	
Health care cost trend	6.5 percent as of January 1, 2019, decreasing to 5.00 percent over six years	

The salary increases have been determined on the long-term inflation assumption plus any additional wage increase assumption in excess of inflation. The additional wage increase assumption is based on review of increases in the taxable wage base compared to inflation.

The current year discount rate is 3.80 percent. For the current valuation, the discount rate is the 20-year municipal bond yield. The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of January 1, 2019.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Mortality rates are based on Society of Actuaries RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2019	\$ 689,414
Changes for the year	
Service cost	\$ 41,855
Interest	23,569
Differences between expected and actual experience	71,223
Changes in assumption or other inputs	(18,805)
Benefit payments	(34,423)
Net change	\$ 83,419
Balance at December 31, 2019	\$ 772,833

OPEB Liability Sensitivity

The following presents the total OPEB liability of the County, calculated using the discount rate previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

	Discount Rate	Total OPEB Liability
1% Decrease	2.80%	\$ 829,911
Current	3.80	772,833
1% Increase	4.80	719,705

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

The following presents the total OPEB liability of the County, calculated using the health care cost trend previously disclosed, as well as what the County's total OPEB liability would be if it were calculated using health care cost trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 703,078
Current	6.50% Decreasing to 5.00%	772,833
1% Increase	7.50% Decreasing to 6.00%	854,118

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

For the year ended December 31, 2019, the County recognized OPEB expense of \$71,976. The County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	\$ 62,320	\$ -
Changes in actuarial assumptions	-	16,454
Contributions subsequent to the measurement date	42,693	-
Total	\$ 105,013	\$ 16,454

The \$42,693 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

D. Other Postemployment Benefits (OPEB)

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

Year Ended December 31	OPEB Expense Amount
2020	\$ 6,552
2021	6,552
2022	6,552
2023	6,552
2024	6,552
Thereafter	13,106

Changes in Actuarial Methods and Assumptions

The following changes in actuarial assumptions occurred in 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for law enforcement employees were updated.
- The discount rate was changed from 3.30 percent to 3.80 percent.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

E. Pension Plans

1. Defined Benefit Pension Plans

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

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

b. Benefits Provided

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

Beginning January 1, 2019, General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under the Rule of 90 are exempt from the delay to normal retirement.

Beginning January 1, 2019, Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

Beginning January 1, 2019, Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost of living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2019. Police and Fire Plan members were required to contribute 11.30 percent of their annual covered salary in 2019. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2019.

In 2019, the County was required to contribute the following percentages of annual covered salary:

General Employees Plan – Coordinated Plan members	7.50%
Police and Fire Plan	16.95
Correctional Plan	8.75

The Police and Fire Plan member and employer contribution rates increased 0.50 percent and 0.75 percent, respectively, from 2018.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

The County's contributions for the year ended December 31, 2019, to the pension plans were:

General Employees Plan	\$	377,390
Police and Fire Plan		117,206
Correctional Plan		48,942

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

d. Pension Costs

General Employees Plan

At December 31, 2019, the County reported a liability of \$3,859,086 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0698 percent. It was 0.0704 percent measured as of June 30, 2018. The County recognized pension expense of \$208,107 for its proportionate share of the General Employees Plan's pension expense.

The County also recognized \$8,986 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$16 million to the General Employees Plan annually.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

The County's proportionate share of the net pension liability	\$	3,859,086
State of Minnesota's proportionate share of the net pension liability associated with the County		119,995
Total	\$	3,979,081

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 107,711	\$ -
Changes in actuarial assumptions	-	314,833
Difference between projected and actual investment earnings	-	420,338
Changes in proportion	12,179	565,667
Contributions paid to PERA subsequent to the measurement date	190,920	-
Total	\$ 310,810	\$ 1,300,838

The \$190,920 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (441,781)
2021	(550,919)
2022	(194,466)
2023	6,218

Police and Fire Plan

At December 31, 2019, the County reported a liability of \$713,283 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.0670 percent. It was 0.0702 percent measured as of June 30, 2018. The County recognized pension expense of \$89,150 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized \$9,045 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. In addition, the state

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

will pay direct state aid of \$4.5 million on October 1, 2018, and October 1, 2019, and \$9 million by October 1 of each subsequent year until full funding is reached or July 1, 2048, whichever is earlier.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 32,240	\$ 122,712
Changes in actuarial assumptions	671,422	893,719
Difference between projected and actual investment earnings	-	159,659
Changes in proportion	7,388	91,693
Contributions paid to PERA subsequent to the measurement date	60,402	-
Total	\$ 771,452	\$ 1,267,783

The \$60,402 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

Year Ended December 31	Pension Expense Amount
2020	\$ (65,091)
2021	(129,205)
2022	(338,946)
2023	(17,204)
2024	(6,287)

Correctional Plan

At December 31, 2019, the County reported a liability of \$33,020 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportion was 0.2385 percent. It was 0.2307 percent measured as of June 30, 2018. The County recognized pension expense of \$61,632 for its proportionate share of the Correctional Plan's pension expense.

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,174	\$ 5,410
Changes in actuarial assumptions	-	285,242
Difference between projected and actual investment earnings	-	41,020
Changes in proportion	962	22,386
Contributions paid to PERA subsequent to the measurement date	25,595	-
Total	\$ 27,731	\$ 354,058

The \$25,595 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2020	\$ (186,921)
2021	(155,603)
2022	(9,718)
2023	320

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2019, was \$358,889.

e. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2019, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study. Inflation and investment assumptions for all plans were reviewed in the experience study report for the General Employees Plan dated June 27, 2019.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans

e. Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments is 7.50 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	35.50%	5.10%
International equity	17.50	5.30
Fixed income	20.00	0.75
Private markets	25.00	5.90
Cash equivalents	2.00	0.00

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2019, which remained consistent with 2018. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net positions of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

General Employees Plan

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

Police and Fire Plan

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

Correctional Plan

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

h. Pension Liability Sensitivity

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

	<u>General Employees Plan</u>		<u>Proportionate Share of the Police and Fire Plan</u>		<u>Correctional Plan</u>	
	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability</u>	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% Decrease	6.50%	\$ 6,344,129	6.50%	\$ 1,559,103	6.50%	\$ 351,928
Current	7.50	3,859,086	7.50	713,283	7.50	33,020
1% Increase	8.50	1,807,188	8.50	13,803	8.50	(222,158)

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

1. Defined Benefit Pension Plans (Continued)

i. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

2. 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.

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

Total contributions by dollar amount and percentage of covered payroll made by Chippewa County during the year ended December 31, 2019, were:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Detailed Notes on All Funds

E. Pension Plans

2. Defined Contribution Plan (Continued)

	Employee	Employer
Contribution amount	\$ 8,317	\$ 8,317
Percentage of covered payroll	5.00%	5.00%

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 for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative (Service Cooperative). 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 \$500,000 per claim in 2019 and 2020. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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.

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

B. Contingent Liabilities

Amounts received or receivable from grantor 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 County.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

C. Joint Ventures

Countryside Public Health Service

The Countryside Public Health Service was established July 1, 1979, by a joint powers agreement among Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties. The agreement was established to provide community health care for the residents of the five-county area. Each county's proportionate share of the total responsibility of the project is established on a per capita basis as determined by the most recent statistical estimates provided by the Minnesota Board of Health.

In the event of termination of the joint powers agreement, any property acquired as a result of the agreement and any surplus monies on hand at that time shall be divided among the counties in the same proportions as their respective proportionate financial responsibilities.

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, two from each county, except the county with the largest population, which has three members. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Chippewa County's contribution for 2019 was \$164,543.

Complete financial statements for the Countryside Public Health Service can be obtained from PO 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 the Community Corrections' activities.

Chippewa County's contribution for the year ended 2019 was \$359,356.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 6W Community Corrections (Continued)

Complete financial statements for Region 6W Community Corrections can be obtained at 129 Nichols Avenue, PO Box 551, Montevideo, Minnesota 56265.

CCM Health

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. The Chippewa County-Montevideo Hospital changed its name to CCM Health during 2019.

Chippewa County presents an external investment pool fund for investments held by the County for CCM Health, and an other custodial fund for cash held by the County for CCM Health. The County also has conduit debt related to the Hospital disclosed in Note 3.B.7. Chippewa County did not contribute to the Chippewa County-Montevideo Hospital during 2019. Complete financial statements can be obtained at CCM Health, 824 North 11th Street, Montevideo, Minnesota 56265.

Southwest Minnesota Private Industry Council, Inc.

The Southwest Minnesota Private Industry Council, Inc., (SW MN PIC) is a private nonprofit corporation which was created through a joint powers agreement on October 1, 1983, and began operations in 1985 under the Job Training Partnership Act (JTPA) authorized by Congress to administer and operate job training programs in a 14-county area of southwestern Minnesota. These counties include Big Stone, Chippewa, Cottonwood, Jackson, Lac qui Parle, Lincoln, Lyon, Murray, Nobles, Pipestone, Redwood, Rock, Swift, and Yellow Medicine.

SW MN PIC is governed by the Chief Elected Official Board, which is composed of one representative from each member county. Chippewa County, as fiscal host of the MFIP/DWP Partnership, provided \$1,090,440 to this organization in 2019.

Separate financial information can be obtained from the Lyon County Government Center, 607 West Main Street, Marshall, Minnesota 56258.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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

Chippewa 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, all of 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, composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, as well as the directors of the family services or human services departments of the counties participating in the agreement. 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. Chippewa County's contribution to the PLYP for 2019 was \$96,517.

Complete financial information can be obtained from the PLYP's office, 1808 Civic Center Drive Northeast, PO Box 894, Willmar, Minnesota 56201.

Chippewa CARE Collaborative

The Chippewa CARE Collaborative is a collaboration to receive and expend grant funds on new prevention, early intervention, and services to address children's mental health issues. Chippewa County is a member and fiscal host for the Collaborative. Chippewa County reports the Collaborative as a custodial fund in the financial statements. The County contributed \$300 to the Collaborative in 2019.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Pioneerland Library System

Chippewa County, along with 32 cities and nine other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Chippewa County contributed \$269,107 to the System. The City of Montevideo provided \$65,350 of the amount contributed by the County.

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

Coordinated Enforcement Effort (CEE) VI Task Force

The Coordinated Enforcement Effort (CEE) VI Task Force was established under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Chippewa, Kandiyohi, Meeker, Swift, and Yellow Medicine Counties; and the Cities of Appleton, Benson, Clara City, Cosmos, Granite Falls, Litchfield, Montevideo, and Willmar.

Control of the Task Force is vested in a Board of Directors comprised of 13 members. The Board consists of the department heads or a designee from each participating full-time member agency.

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Chippewa County has no operational or financial control over the CEE VI Task Force. During the year, Chippewa County contributed \$57,442 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force as a fiduciary fund on its financial statements.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Itasca, Koochiching, Lac qui Parle, Lake, Sherburne, and St. Louis Counties entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, for the purpose of operating and maintaining data processing facilities and management information systems for use by its members.

MCIS is governed by a 11-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

Each county's share of the assets and liabilities cannot be accurately determined since it will depend on the number of counties that are members when the agreement is dissolved.

Separate financial information can be obtained from Minnesota Counties Information Systems, 413 Southeast 7th Avenue, Grand Rapids, Minnesota 55744.

Port Authority of the City of Saint Paul Property Assessed Clean Energy Program (PACE) of Minnesota

Chippewa County and the Port Authority of the City of Saint Paul entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide for the financing of the acquisition and construction or installation of energy efficiency and conservation improvements on qualifying real properties located within Chippewa County. The Port Authority is solely responsible for the implementation and administration of PACE of Minnesota and financing of the improvements. Chippewa County imposes special assessments on the benefitting property and makes payment to the Port Authority. In 2019, the County paid \$233,443 to the Port Authority.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

5. Subsequent Events

The County expects to receive \$1.5 million in funding under the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act in July 2020. The CARES Act requires the County use the funding to cover eligible expenses incurred due to the COVID-19 public health emergency.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) a pandemic. Economic activity decreased in 2020, including gasoline sales taxes collected by the State of Minnesota used for funding County State Aid Highways (CSAH) revenue recorded in the County's Road and Bridge Special Revenue Fund. As a result, a decrease of approximately 15 percent of CSAH revenue is expected to be received for calendar year 2021.

The Minnesota Department of Public Safety Driver and Vehicle Services Division closed all driver exam stations and license centers across the state including the Chippewa County License Center starting March 27, 2020, through April 10, 2020, in response to the Minnesota Governor's executive order for Minnesotans to stay home resulting from the COVID-19 pandemic.

In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act created the Small Business Administration Paycheck Protection Program to provide loans designed to help small businesses cover their near-term operating expenses and to provide a strong incentive to retain their employees during the COVID-19 crisis. In April 2020, CCM Health applied for and was approved for a loan through joint issuance with Chippewa County of a taxable revenue note in the amount of \$4,243,600 that may be partially or fully forgiven based on the level of employee retention during an eight week period following the issuance of the loan. If the loan is forgiven the forgiveness must be utilized for the following stated purposes and certain amounts of forgiveness are based on these categories: payroll costs over a specified time period and interest on mortgage obligations, rent, or utilities over the same specified time period. The portion of the loan that is not forgiven, if any, has a maturity of two years at an interest rate of one percent. Chippewa County approved the issuance of the loan at the May 5, 2020 meeting.

In 2020, the County will be joining the Minnesota Public Sector Collaborative. The Minnesota Public Sector Collaborative consists of Lyon County, Murray County, Redwood County, Swift County, and Southwest Health and Human Services. Entities in the group will be rated and funded individually.

This page was left blank intentionally.

REQUIRED SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 6,785,954	\$ 6,785,954	\$ 6,672,034	\$ (113,920)
Special assessments	186,984	190,584	367,818	177,234
Licenses and permits	8,740	8,740	8,044	(696)
Intergovernmental	1,001,243	1,314,393	1,530,467	216,074
Charges for services	647,937	712,937	720,697	7,760
Gifts and contributions	-	1,500	12,735	11,235
Investment earnings	22,025	22,025	82,090	60,065
Miscellaneous	372,981	383,181	346,300	(36,881)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 9,025,864	\$ 9,419,314	\$ 9,740,185	\$ 320,871
Expenditures				
Current				
General government				
Commissioners	\$ 295,950	\$ 295,950	\$ 294,803	\$ 1,147
Law library	4,700	7,600	8,986	(1,386)
Auditor/treasurer	504,030	517,530	518,860	(1,330)
Accounting and auditing	47,000	49,800	49,774	26
Information technology	389,456	476,456	510,679	(34,223)
Central services	56,450	63,850	56,420	7,430
Elections	35,200	35,200	14,594	20,606
Attorney	304,425	304,425	305,727	(1,302)
Recorder	384,850	384,850	359,444	25,406
Geographic information systems	40,000	21,000	18,162	2,838
County assessor	483,075	418,075	421,780	(3,705)
Building and plant	857,325	998,625	1,006,515	(7,890)
Veterans service officer	179,465	146,465	154,517	(8,052)
Deputy registrar – license bureau	283,700	272,700	278,348	(5,648)
PACE clean energy	-	-	233,443	(233,443)
Other general government	187,084	234,184	211,624	22,560
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total general government	\$ 4,052,710	\$ 4,226,710	\$ 4,443,676	\$ (216,966)

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,376,900	\$ 1,436,900	\$ 1,305,783	\$ 131,117
Boat and water safety	750	5,450	7,483	(2,033)
Court-ordered assessments	100,000	104,500	104,869	(369)
Court security	8,620	8,620	6,860	1,760
D.A.R.E. program	3,000	3,000	2,045	955
Coroner	15,000	23,300	28,061	(4,761)
Jail	1,180,600	1,325,600	1,276,716	48,884
Victim witness program	70,000	75,000	74,534	466
Emergency management	67,696	48,196	121,860	(73,664)
Safety management	9,500	9,500	10,911	(1,411)
Dispatch	96,750	119,250	210,325	(91,075)
Total public safety	\$ 2,928,816	\$ 3,159,316	\$ 3,149,447	\$ 9,869
Sanitation				
Household hazardous waste	\$ 3,000	\$ 3,000	\$ 2,510	\$ 490
Recycling	177,000	188,000	187,693	307
Solid waste	82,700	154,200	150,325	3,875
Total sanitation	\$ 262,700	\$ 345,200	\$ 340,528	\$ 4,672
Culture and recreation				
Airport	\$ 36,750	\$ 38,950	\$ 38,878	\$ 72
Historical society	45,000	45,000	45,000	-
Regional library	327,311	318,511	318,404	107
Fairgrounds	46,763	50,963	46,766	4,197
Parks	32,000	15,000	15,836	(836)
Total culture and recreation	\$ 487,824	\$ 468,424	\$ 464,884	\$ 3,540

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	\$ 109,738	\$ 97,738	\$ 104,647	\$ (6,909)
Soil and water conservation	82,000	82,000	82,000	-
Ditch inspector	51,905	51,905	29,570	22,335
Weed control	151,470	141,470	89,290	52,180
Water planning	12,000	74,000	90,572	(16,572)
Land resource management	201,370	343,670	341,304	2,366
County farm	1,500	1,500	583	917
	<u>1,500</u>	<u>1,500</u>	<u>583</u>	<u>917</u>
Total conservation of natural resources	<u>\$ 609,983</u>	<u>\$ 792,283</u>	<u>\$ 737,966</u>	<u>\$ 54,317</u>
Economic development				
Community development	\$ 15,000	\$ 17,800	\$ 15,052	\$ 2,748
Prairie Five	10,667	10,667	10,389	278
Other economic development	23,985	23,985	24,750	(765)
	<u>23,985</u>	<u>23,985</u>	<u>24,750</u>	<u>(765)</u>
Total economic development	<u>\$ 49,652</u>	<u>\$ 52,452</u>	<u>\$ 50,191</u>	<u>\$ 2,261</u>
Intergovernmental				
Public safety	\$ 359,041	\$ 359,041	\$ 359,356	\$ (315)
Conservation	-	11,800	11,786	14
	<u>-</u>	<u>11,800</u>	<u>11,786</u>	<u>14</u>
Total intergovernmental	<u>\$ 359,041</u>	<u>\$ 370,841</u>	<u>\$ 371,142</u>	<u>\$ (301)</u>
Debt service				
Principal	\$ 114,719	\$ 114,719	\$ 113,161	\$ 1,558
Interest	10,419	10,419	10,168	251
	<u>10,419</u>	<u>10,419</u>	<u>10,168</u>	<u>251</u>
Total debt service	<u>\$ 125,138</u>	<u>\$ 125,138</u>	<u>\$ 123,329</u>	<u>\$ 1,809</u>
Total Expenditures	<u>\$ 8,875,864</u>	<u>\$ 9,540,364</u>	<u>\$ 9,681,163</u>	<u>\$ (140,799)</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ 150,000</u>	<u>\$ (121,050)</u>	<u>\$ 59,022</u>	<u>\$ 180,072</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Loans issued	\$ 130,000	\$ -	\$ 131,577	\$ 131,577
Capital leases	-	-	51,894	51,894
Proceeds from sale of capital assets	15,000	-	15,075	15,075
Insurance recoveries	-	-	5,611	5,611
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Other Financing Sources (Uses)	\$ 145,000	\$ -	\$ 204,157	\$ 204,157
Net Change in Fund Balance	\$ 295,000	\$ (121,050)	\$ 263,179	\$ 384,229
Fund Balance – January 1, as restated (Note 1.E.)	<u>2,365,634</u>	<u>2,365,634</u>	<u>2,365,634</u>	<u>-</u>
Fund Balance – December 31	<u><u>\$ 2,660,634</u></u>	<u><u>\$ 2,244,584</u></u>	<u><u>\$ 2,628,813</u></u>	<u><u>\$ 384,229</u></u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,312,891	\$ 1,312,891	\$ 1,276,010	\$ (36,881)
Special assessments	-	-	203	203
Licenses and permits	18,600	18,600	19,000	400
Intergovernmental	4,155,959	4,155,959	15,253,234	11,097,275
Charges for services	40,000	40,000	46,156	6,156
Investment earnings	24,000	24,000	65,334	41,334
Miscellaneous	97,000	97,000	102,545	5,545
Total Revenues	\$ 5,648,450	\$ 5,648,450	\$ 16,762,482	\$ 11,114,032
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 2,235,775	\$ 3,099,775	\$ 3,083,663	\$ 16,112
Engineering/construction	2,929,350	4,104,350	4,043,969	60,381
Administration	270,525	270,525	285,559	(15,034)
Equipment and shop	465,800	465,800	433,499	32,301
Total highways and streets	\$ 5,901,450	\$ 7,940,450	\$ 7,846,690	\$ 93,760
Intergovernmental				
Highways and streets	447,100	447,100	447,420	(320)
Debt service				
Principal	-	-	131	(131)
Total Expenditures	\$ 6,348,550	\$ 8,387,550	\$ 8,294,241	\$ 93,309
Excess of Revenues Over (Under) Expenditures	\$ (700,100)	\$ (2,739,100)	\$ 8,468,241	\$ 11,207,341
Other Financing Sources (Uses)				
Capital leases	-	-	6,265	6,265
Net Change in Fund Balance	\$ (700,100)	\$ (2,739,100)	\$ 8,474,506	\$ 11,213,606
Fund Balance – January 1, as restated (Note 1.E.)	4,655,273	4,655,273	4,655,273	-
Increase (decrease) in inventories	-	-	10,983	10,983
Fund Balance – December 31	\$ 3,955,173	\$ 1,916,173	\$ 13,140,762	\$ 11,224,589

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

Page 85

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,625,724	\$ 2,625,724	\$ 2,551,124	\$ (74,600)
Intergovernmental	3,596,652	3,596,652	3,493,067	(103,585)
Charges for services	233,000	233,000	306,026	73,026
Gifts and contributions	-	-	500	500
Miscellaneous	91,900	91,900	305,985	214,085
Total Revenues	\$ 6,547,276	\$ 6,547,276	\$ 6,656,702	\$ 109,426
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,448,400	\$ 1,448,400	\$ 1,777,936	\$ (329,536)
Social services	5,135,332	5,135,332	4,840,984	294,348
Total human services	\$ 6,583,732	\$ 6,583,732	\$ 6,618,920	\$ (35,188)
Intergovernmental				
Health	\$ 329,086	\$ 164,543	\$ 164,543	\$ -
Human Services	625,000	625,000	-	625,000
Total intergovernmental	\$ 954,086	\$ 789,543	\$ 164,543	\$ 625,000
Debt service				
Principal	-	-	428	(428)
Total Expenditures	\$ 7,537,818	\$ 7,373,275	\$ 6,783,891	\$ 589,384
Excess of Revenues Over(Under) Expenditures	\$ (990,542)	\$ (825,999)	\$ (127,189)	\$ 698,810
Other Financing Sources (Uses)				
Capital leases	-	-	20,561	20,561
Net Change in Fund Balance	\$ (990,542)	\$ (825,999)	\$ (106,628)	\$ 719,371
Fund Balance – January 1, as restated (Note 1.E.)	3,924,198	3,924,198	3,924,198	-
Fund Balance – December 31	\$ 2,933,656	\$ 3,098,199	\$ 3,817,570	\$ 719,371

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Special assessments	\$ 497,500	\$ 497,500	\$ 437,001	\$ (60,499)
Intergovernmental	50,000	50,000	77,824	27,824
Investment earnings	15,000	15,000	37,643	22,643
Total Revenues	\$ 562,500	\$ 562,500	\$ 552,468	\$ (10,032)
Expenditures				
Current				
Conservation of natural resources				
Other	562,500	562,500	389,053	173,447
Net Change in Fund Balance	\$ -	\$ -	\$ 163,415	\$ 163,415
Fund Balance – January 1	2,050,264	2,050,264	2,050,264	-
Fund Balance – December 31	\$ 2,050,264	\$ 2,050,264	\$ 2,213,679	\$ 163,415

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2019**

	2019	2018*
Total OPEB Liability		
Service cost	\$ 41,855	\$ 39,088
Interest	23,569	22,401
Differences between expected and actual experience	71,223	-
Changes of assumption or other inputs	(18,805)	-
Benefit payments	(34,423)	(23,462)
Net change in total OPEB liability	\$ 83,419	\$ 38,027
Total OPEB Liability – Beginning, as restated	689,414	651,387
Total OPEB Liability – Ending	\$ 772,833	\$ 689,414
Covered-employee payroll	\$ 5,937,534	\$ 5,845,864
Total OPEB liability (asset) as a percentage of covered-employee payroll	13.02%	11.79%

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

*The 2018 Total OPEB Liability – Beginning was restated.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Chippewa County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0698 %	\$ 3,859,086	\$ 119,995	\$ 3,979,081	\$ 4,941,712	78.09 %	80.23 %
2018	0.0704	3,905,503	128,195	4,033,698	4,733,400	82.51	79.53
2017	0.0704	4,494,290	68,149	4,562,439	4,533,198	99.14	75.90
2016	0.0702	5,697,862	90,231	5,788,093	4,357,074	130.77	68.91
2015	0.0729	3,776,789	N/A	3,776,789	4,286,189	88.12	78.19

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 377,390	\$ 377,390	\$ -	\$ 5,031,833	7.50 %
2018	361,703	361,703	-	4,822,666	7.50
2017	349,227	349,227	-	4,656,307	7.50
2016	334,168	334,168	-	4,455,883	7.50
2015	316,550	316,550	-	4,220,639	7.50

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.0670 %	\$ 713,283	\$ 705,369	101.12 %	89.26 %
2018	0.0702	748,260	740,077	101.11	88.84
2017	0.0750	1,012,589	773,432	130.92	85.43
2016	0.0760	3,050,012	732,687	416.28	63.88
2015	0.0750	852,176	691,058	123.31	86.61

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 117,206	\$ 117,206	\$ -	\$ 691,483	16.95 %
2018	115,615	115,615	-	713,675	16.20
2017	126,010	126,010	-	777,841	16.20
2016	121,380	121,380	-	749,260	16.20
2015	116,654	116,654	-	720,086	16.20

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.2385 %	\$ 33,020	\$ 510,785	6.46 %	98.17 %
2018	0.2307	37,943	471,259	8.05	97.64
2017	0.2400	684,002	477,503	143.25	67.89
2016	0.2500	913,285	461,040	198.09	58.16
2015	0.2600	40,196	462,071	8.70	96.95

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2019**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2019	\$ 48,772	\$ 48,942	\$ 170	\$ 557,396	8.78 %
2018	41,002	41,002	-	468,595	8.75
2017	41,585	41,585	-	475,262	8.75
2016	41,341	41,341	-	472,467	8.75
2015	39,776	39,932	156	454,579	8.78

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and special revenue funds. The expenditure budget is approved at the fund level.

The budgets may be amended or modified at any time by the County Board. Expenditures may not legally exceed budgeted appropriations. Comparisons of final budgeted revenues and expenditures to actual are presented in required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendments

Fund	Revenues		
	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 9,025,864	\$ 393,450	\$ 9,419,314

Fund	Expenditures		
	Original Budget	Increase (Decrease)	Final Budget
General Fund	\$ 8,875,864	\$ 664,500	\$ 9,540,364
Road and Bridge Special Revenue Fund	6,348,550	2,039,000	8,387,550
Family Services Special Revenue Fund	7,537,818	(164,543)	7,373,275

Over the course of the year, the County Board revised the revenue and expenditure budgets. The budget amendments fall into three categories: new information changing the original budget estimates, greater than anticipated revenues or costs, and new grant awards.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Excess of Expenditures Over Appropriations

Fund	Expenditures	Final Budget	Excess
General Fund	\$ 9,681,163	\$ 9,540,364	\$ 140,799

5. Other Postemployment Benefits Funded Status

See Note 3.D. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred in 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with blue collar adjustment for police and fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Improvement Scale (with blue collar adjustment for police and fire personnel).
- The retirement and withdrawal tables for law enforcement employees were updated.
- The discount rate was changed from 3.30% to 3.80%.

The following changes in actuarial methods and assumptions occurred in 2018:

- The discount rate used changed from 3.50 percent to 3.30 percent.
- The actuarial cost method used changed from the Projected Unit Credit to the Entry Age, level percentage of pay.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the fiscal year June 30:

General Employees Retirement Plan

2019

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

2018

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

General Employees Retirement Plan

2018 (Continued)

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

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

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

General Employees Retirement Plan

2016 (Continued)

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2019

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

2018

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048, was added to the existing \$9.0 million state contribution. Additionally, annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

Public Employees Police and Fire Plan

2018 (Continued)

- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

Public Employees Police and Fire Plan

2017 (Continued)

- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Local Government Correctional Service Retirement Plan

2019

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.
- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Post-retirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security cost of living adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85 percent for two consecutive years, or 80 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

Public Employees Local Government Correctional Service Retirement Plan (Continued)

2017

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

2016

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

This page was left blank intentionally.

SUPPLEMENTARY INFORMATION

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

FIDUCIARY FUNDS

OTHER CUSTDIAL FUNDS

Region 6W Community Corrections Custodial Fund – to account for the collection and payment of funds of the Community Corrections joint venture.

State Revenue Custodial Fund – to account for the collection and payment of the state’s share of fees collected by the County.

Taxes and Penalties Custodial Fund – to account for the collection of taxes and penalties and their payment to the various funds and governmental units.

Southern Prairie Community Care Custodial Fund – to account for the collection and payment of payroll of the Southern Prairie Community Care joint venture.

CARE Collaborative Custodial Fund – to account for the collection and payment of funds of the CARE Collaborative joint venture.

CCM Health Custodial Fund – to account for pooled cash held by the County for CCM Health, a legally separate entity, that is not part of the County’s financial reporting entity.

Sheriff Writ of Execution Custodial Fund – to account for the collection of writ of execution fees and payment of those fees.

Jail Canteen Custodial Fund – to account for inmate deposits, inmate canteen purchases, and fees paid to various agencies.

Estate Recoveries Custodial Fund – to account for the State of Minnesota’s share of estate recoveries associated with the Medical Assistance Program.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - OTHER CUSTODIAL FUNDS
DECEMBER 31, 2019**

	<u>Other Custodial Funds</u>			
	<u>Region 6W Community Corrections</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Southern Prairie Community Care</u>
<u>Assets</u>				
Cash and pooled investments	\$ 510,254	\$ 87,941	\$ 250,636	\$ 14,316
Investments	21,000	-	-	-
Taxes receivable for other governments	-	-	309,932	-
Accounts receivable	-	-	-	-
Total Assets	<u>\$ 531,254</u>	<u>\$ 87,941</u>	<u>\$ 560,568</u>	<u>\$ 14,316</u>
<u>Liabilities</u>				
Due to others	\$ -	\$ -	\$ -	\$ -
Due to other governments	-	-	-	-
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Net Position</u>				
Restricted for individuals, organizations, and other governments	<u>\$ 531,254</u>	<u>\$ 87,941</u>	<u>\$ 560,568</u>	<u>\$ 14,316</u>

EXHIBIT B-1

<u>CARE Collaborative</u>	<u>CCM Health</u>	<u>Sheriff Writ of Execution</u>	<u>Jail Canteen</u>	<u>Estate Recoveries</u>	<u>Total Other Custodial Funds</u>
\$ 171,416	\$ 644,378	\$ 2,574	\$ 5,539	\$ -	\$ 1,687,054
-	-	-	-	-	21,000
-	-	-	-	-	309,932
-	-	-	-	15,432	15,432
\$ 171,416	\$ 644,378	\$ 2,574	\$ 5,539	\$ 15,432	\$ 2,033,418
\$ 2,550	\$ -	\$ -	\$ -	\$ -	\$ 2,550
-	-	-	-	15,432	15,432
\$ 2,550	\$ -	\$ -	\$ -	\$ 15,432	\$ 17,982
\$ 168,866	\$ 644,378	\$ 2,574	\$ 5,539	\$ -	\$ 2,015,436

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - OTHER CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Region 6W Community Corrections</u>	<u>State Revenue</u>	<u>Taxes and Penalties</u>	<u>Other Southern Prairie Community Care</u>
<u>Additions</u>				
Contributions from individuals	\$ 60,785	\$ -	\$ -	\$ -
Contributions from employer	-	-	-	1,249,520
Interest earnings	94	-	-	-
Property tax collections for other governments	-	-	12,116,618	-
Fees collected for state	-	321,608	1,212,520	-
Payments from state	695,453	8,566	-	-
Refunds collected for other entities	-	-	33,067	-
Payments from other entities	1,202,112	-	-	-
Miscellaneous	10,157	-	-	-
Total Additions	\$ 1,968,601	\$ 330,174	\$ 13,362,205	\$ 1,249,520
<u>Deductions</u>				
Beneficiary payments to individuals	\$ 1,627,032	\$ -	\$ -	\$ 970,490
Payments of property tax to other governments	-	-	11,805,156	-
Payments to state	-	316,249	1,207,927	-
Administrative expense	-	-	-	-
Payments to other entities	314,789	-	33,052	352,304
Total Deductions	\$ 1,941,821	\$ 316,249	\$ 13,046,135	\$ 1,322,794
Change in Net Position	\$ 26,780	\$ 13,925	\$ 316,070	\$ (73,274)
Net Position – January 1, as previously reported	\$ -	\$ -	\$ -	\$ -
Net Position – Restatement (Note 1.E.)	504,474	74,016	244,498	87,590
Net Position – January 1, as restated	\$ 504,474	\$ 74,016	\$ 244,498	\$ 87,590
Net Position – December 31	\$ 531,254	\$ 87,941	\$ 560,568	\$ 14,316

EXHIBIT B-2

Custodial Funds						
CARE Collaborative	CCM Health	Sheriff Writ of Execution	Jail Canteen	Estate Recoveries		Total Other Custodial Funds
\$ -	\$ -	\$ -	\$ -	\$ 745,562	\$	806,347
-	-	-	-	-		1,249,520
1,429	-	-	-	-		1,523
-	-	-	-	-		12,116,618
-	-	-	-	-		1,534,128
54,768	495,993	-	-	-		1,254,780
-	-	-	-	-		33,067
300	69,789,425	12,875	34,971	-		71,039,683
7,917	-	-	-	-		18,074
\$ 64,414	\$ 70,285,418	\$ 12,875	\$ 34,971	\$ 745,562	\$	88,053,740
\$ -	\$ -	\$ -	\$ 5,847	\$ -	\$	2,603,369
-	-	-	-	-		11,805,156
-	-	-	-	745,562		2,269,738
1,424	-	-	-	-		1,424
81,453	72,034,891	13,793	27,739	-		72,858,021
\$ 82,877	\$ 72,034,891	\$ 13,793	\$ 33,586	\$ 745,562	\$	89,537,708
\$ (18,463)	\$ (1,749,473)	\$ (918)	\$ 1,385	\$ -	\$	(1,483,968)
\$ -	\$ -	\$ -	\$ -	\$ -	\$	-
187,329	2,393,851	3,492	4,154	-		3,499,404
\$ 187,329	\$ 2,393,851	\$ 3,492	\$ 4,154	\$ -	\$	3,499,404
\$ 168,866	\$ 644,378	\$ 2,574	\$ 5,539	\$ -	\$	2,015,436

This page was left blank intentionally.

OTHER SCHEDULES

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT C-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Appropriations and Shared Revenue

State

Highway users tax	\$	14,701,936
County program aid		577,561
PERA rate reimbursement		40,764
Disparity reduction aid		67,565
Police aid		86,252
Enhanced 911		84,345
Market value credit		224,550
Minnesota licensing and registration system (MNLARS)		39,367
Select Committee on Recycling and the Environment (SCORE)		68,710
Aquatic invasive species aid		34,055
Riparian protection aid		109,389
Out of home placement aid		1,902

Total appropriations and shared revenue **\$ 16,036,396**

Reimbursement for Services

Minnesota Department of Human Services	\$	428,967
Local		229,648

Total reimbursement for services **\$ 658,615**

Payments

Local

Payments in lieu of taxes	\$	155,948
Local contributions		65,350

Total payments **\$ 221,298**

Grants

State

Minnesota Department/Board/Office of		
Agriculture	\$	1,023
Health		873,393
Human Services		4,475
Natural Resources		39,418
Public Safety		42,465
Water and Soil Resources		72,900
Veterans Affairs		7,500

Total state **\$ 1,041,174**

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

***EXHIBIT C-1
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Grants (Continued)

Federal

Department of Agriculture	\$ 212,485
Health and Human Services	1,766,441
Homeland Security	4,280
Justice	44,029
Transportation	<u>369,874</u>
Total federal	<u>\$ 2,397,109</u>
Total state and federal grants	<u>\$ 3,438,283</u>
Total Intergovernmental Revenue	<u><u>\$ 20,354,592</u></u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT C-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	\$ 161,467
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN127Q7503	50,009
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2520	1,009
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$212,485)			
Total U.S. Department of Agriculture			\$ 212,485
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVSP-2018- CHIPPWAO	\$ 44,029
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00012	\$ 361,202
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC18-2019- CHIPPWSD-063	1,372
National Priority Safety Programs	20.616	A-ENFRC18-2019- CHIPPWSD-063	2,103
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2019- CHIPPWSD-063	5,197
Total U.S. Department of Transportation			\$ 369,874
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1801MNF PSS	\$ 1,478
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1901MNTANF	980,905
Child Support Enforcement	93.563	1901MNC EST	219,285
Child Support Enforcement	93.563	1901MNC SES	69,233
(Total Child Support Enforcement 93.563 \$288,518)			

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

Page 111

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT C-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Refugee and Entrant Assistance – State Administered Programs	93.566	1901MNRCA	201
Community-Based Child Abuse Prevention Grants	93.590	G-1801MNBCAP	993
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCCDF	2,389
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	1,090
Foster Care – Title IV-E	93.658	1901MNFOST	40,806
Social Services Block Grant	93.667	G-1901MNSOSR	88,483
Children's Health Insurance Program	93.767	1905MN5021	144
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	675,091
Medical Assistance Program	93.778	1905MN5MAP	4,314
(Total Medical Assistance Program 93.778 \$679,405)			
Total U.S. Department of Health and Human Services			\$ 2,084,412
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	3000069796	\$ 4,280
Total Federal Awards			\$ 2,715,080

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.

Totals by Cluster

Total expenditures for SNAP Cluster	\$ 212,485
Total expenditures for Highway Planning and Construction Cluster	361,202
Total expenditures for Highway Safety Cluster	3,475
Total expenditures for TANF Cluster	980,905
Total expenditures for CCDF Cluster	2,389
Total expenditures for Medicaid Cluster	679,405

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

1. Summary of Significant Accounting Policies

A. Reporting Entity

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

B. 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, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 position of Chippewa County.

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

2. De Minimis Cost Rate

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

3. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,397,109
Grants received more than 60 days after year-end, considered unavailable revenue in 2019	
Temporary Assistance for Needy Families (CFDA No. 93.558)	342
Child Care Mandatory and Matching Funds of the Child Care and Development Fund (CFDA No. 93.596)	317,629
	317,629
Expenditures per Schedule of Expenditures of Federal Awards	\$ 2,715,080

This page was left blank intentionally.

This page was left blank intentionally.



JULIE BLAHA
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*

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 10, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Chippewa County's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. 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 the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chippewa County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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

In connection with our audit, nothing came to our attention that caused us to believe that Chippewa County failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters, except as described in the Schedule of Findings and Questioned Costs as items 2019-002 and 2019-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Other Matters

Included in the Schedule of Findings and Questioned Costs is a management practices comment. We believe this recommendation to be of benefit to the County, and it is reported for that purpose.

Chippewa County's Response to Findings

Chippewa County's responses to the legal compliance and management practices findings identified in our audit are described in the Corrective Action Plan. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 10, 2020

This page was left blank intentionally.



JULIE BLAHA
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 COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Chippewa County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Chippewa County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Chippewa County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and is described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001. Our opinion on each major federal program is not modified with respect to this matter.

Chippewa County's response to the noncompliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Chippewa County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of 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. 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 the attention of those charged with governance.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2019-001, that we consider to be a significant deficiency.

Chippewa County's response to the internal control over compliance finding identified in our audit is described in the accompanying Corrective Action Plan. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

/s/Julie Blaha

JULIE BLAHA
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 10, 2020

This page was left blank intentionally.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major program:

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

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

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

The major federal programs are:

TANF Cluster	
Temporary Assistance for Needy Families	CFDA No. 93.558
Child Support Enforcement	CFDA No. 93.563

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

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

INTERNAL CONTROL

None.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

Finding Number: 2019-001

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

DHS-2902 Reporting

Program: U.S. Department of Health and Human Services' Temporary Assistance for Needy Families (CFDA No. 93.558), Award No. 1901MNTANF, 2019

Pass-Through Agency: Minnesota Department of Human Services (DHS)

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

Requirements for the MFIP-Consolidated Fund (DHS-2902 reports) are described in DHS Bulletin #17-32-16 – *Instructions for Completing the MFIP-Consolidated Fund Report, Form DHS-2902*. The bulletin states that the name of both the preparer and agency human services director or authorized official, as well as an original signed copy be retained by the agency for a minimum of three years.

Condition: All four quarterly MFIP-Consolidated Fund Support Services DHS-2902 reports tested for both MFIP-Support Services and the Diversionary Work Program were not reviewed or signed by the Chippewa County Family Services Director.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Questioned Costs: None.

Context: The MFIP-Consolidated Fund Support Services and Diversionary Work Program DHS-2902 reports are submitted to Minnesota DHS on a quarterly basis by Chippewa County for MFIP-Support Services and the Diversionary Work Program on behalf of several other Family Services agencies in the region according to an agreement with Minnesota DHS.

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

Effect: The lack of documentation of review and signature by the Family Services Director increases the risk that errors may not be detected or corrected in a timely manner.

Cause: The County indicated that the documentation of review was missing as the DHS-2902 reports had not been routed to the Family Services Director during the submission process.

Recommendation: We recommend the County implement procedures to ensure that all quarterly reports required to be submitted are reviewed by the County's Family Service Director. Evidence of the review should be retained.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

LEGAL COMPLIANCE

Finding Number: 2019-002

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

Withholding Affidavit for Contractors (Form IC-134)

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

Criteria: Minnesota Statute, section 270C.66 states that, before making final settlement with any contractor under a contract requiring the employment of employees for wages by the contractor and by subcontractors, the County is required to obtain a certificate from the Commissioner of Revenue that the contractor or subcontractor has complied with the withholding requirements of Minn. Stat. § 290.92.

Condition: Final payment to two contractors for contracts involving the employment of individuals for wages by the contractor were tested. For both of these, final payment was made on the contract before Form IC-134, which certifies withholding compliance, was received from this contractor and approved by the Minnesota Department of Revenue.

Context: The County is responsible for obtaining the required certificate prior to submitting the final payment for processing.

Effect: Noncompliance with Minn. Stat. § 270C.66.

Cause: The County has not implemented a procedure to obtain Form IC-134 prior to processing final payment.

Recommendation: We recommend the County obtain the required IC-134 Withholding Affidavit Form before final payment is made to contractors and subcontractors on all contracts requiring the employment of employees for wages.

View of Responsible Official: Acknowledged

Finding Number: 2019-003

Prior Year Finding Number: N/A

Repeat Finding Since: N/A

General Fund Cash Balance Deficits

Criteria: Minnesota Statutes, section 385.04 requires that counties pay the expenditures only if money is available in the fund for that purpose. Further, counties are limited in their ability to transfer money from one fund to another. The general rule in Minnesota is

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

that county fund transfers, temporary and permanent, require board approval. *See* Minn. Stat. §§ 385.32 and 375.18, subd. 7. For larger counties, the treasurer is permitted to make temporary transfers as long as funds are transferred back as soon as they become available. *See* Minn. Stat. § 385.31.

Condition: The General Fund had a deficit month-end cash balance in five months of 2019, including (\$2,279,141) at the end of June.

Context: When the County allows disbursements on a fund that causes or already has a cash balance deficit, then cash from other County funds is being used to cover the disbursement.

Effect: The General Fund is not in compliance with Minn. Stat. §§ 385.04, 385.32, and 385.31. By allowing a deficit balance, cash is essentially being disbursed from other funds for purposes that were not budgeted or otherwise approved by the County Board for those funds.

Cause: In 2018, the County made a \$3,000,000 contribution as part of a local match for a new veterans home to be constructed in the City of Montevideo. The County used the General Fund's cash reserves to fund the contribution.

Recommendation: We recommend that the County borrow from another fund when the cash balances are so low as to cause the fund to have a cash deficit when a payment is made from that fund. We also recommend the County satisfy on a timely basis interfund receivables and payables that arise from the normal course of business.

View of Responsible Official: Acknowledged

MANAGEMENT PRACTICES

Finding Number: 2019-004

Prior Year Finding Number: 2018-004

Repeat Finding Since: 2018

Budget Deficiencies

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

Criteria: Generally accepted accounting principles and the County Financial Accounting and Reporting Standards (COFARS) recommend that expenditure estimates and the annual budget be appropriated to the various operational entities within the County and that line-item budget detail by fund be available. Good budget accounting requires: (1) an annual budget adopted by every governmental unit; (2) an accounting system that provides the basis for appropriate budgetary control; and (3) a common technology and classification used consistently throughout the budgets, accounts, and financial reports of each fund. The County Board should adopt an accurate budget, and it should be followed by the County. The adopted budget should be designed so that comparisons can be made between actual amounts and budget amounts. Any amendments to the budget should be approved and documented in the official minutes.

Condition: Differences were noted between the Board-approved budgets and the original budgets entered in the County's Integrated Financial System (IFS).

Context: The 2019 budget was Board-approved for all funds in aggregate. A breakdown of the budget by fund was not maintained; therefore, the County could not provide information to support the original budget entered into the IFS or reconcile to the Board-approved amounts.

Effect: When Board-approved budgets are not entered in the IFS properly, it becomes difficult to compare budget to actual activity, and the budget cannot effectively be used as a monitoring tool.

Cause: Errors were made while posting the original Board-approved budgets to the general ledger, and the original budgets were not reviewed for accuracy after being entered. Additionally, information supporting the Board-approved budget was not maintained.

Recommendation: We recommend the County implement procedures to improve budgetary accounting, which should include reviewing the original budgets entered in the IFS and comparing them to the Board-approved budgets to ensure there are no differences.

View of Responsible Official: Acknowledged

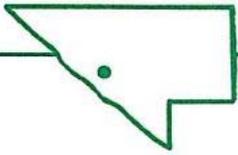
**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019**

V. PREVIOUSLY REPORTED ITEMS RESOLVED

- 2018-001 Cash Internal Controls
- 2018-002 Social Services Fund Report DHS-2556 Reporting (CFDA No. 93.778)
- 2018-003 Local Collaborative Time Study Reporting (CFDA No. 93.778)
- 2018-005 Holdback Period for Payroll

This page was left blank intentionally.



**REPRESENTATION OF CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2019-001

Finding Title: DHS-2902 Reporting

Program Name: Temporary Assistance for Needy Families (CFDA No. 93.558)

Name of Contact Person Responsible for Corrective Action:

Jennifer Golden, Fiscal & Support Supervisor

Corrective Action Planned:

For correction of this finding, we will route the 2902 report to the Director for signature. A copy of the submitted and signed form will be kept in the Accounting Supervisor's office for auditor review.

Anticipated Completion Date:

Immediately

Finding Number: 2019-002

Finding Title: Withholding Affidavit for Contracts (Form IC-134)

Name of Contact Person Responsible for Corrective Action:

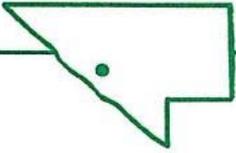
Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

All Department Heads who engage contractors and subcontractors will receive training on requiring Form IC-134s before submitting final payments to the Accounts Payable Clerk. The Auditor/Treasurer's Office will document receipt of Form IC-134 before submitting payment to the County Board.

Anticipated Completion Date:

Immediately



Finding Number: 2019-003

Finding Title: General Fund Cash Balance Deficits

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

The June deficit cash balance was impacted by a change in timing of the first tax settlement from June to July. This timing difference contributed to the deficit cash balance in June. The Auditor/Treasurer/Coordinator will ensure tax settlement continues to occur in June when cash values are low, as well as, request an interfund loan from the Board of Commissioners to cover any future General Fund cash balance deficits.

Anticipated Completion Date:

Immediately

Finding Number: 2019-004

Finding Title: Budget Deficiencies

Name of Contact Person Responsible for Corrective Action:

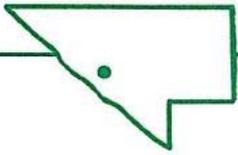
Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

Auditor/Treasurer staff will verify the Board approved budget is accurately entered into IFS. The IFS budget will be reviewed by another individual for compliance.

Anticipated Completion Date:

December 31, 2020



**REPRESENTATION OF CHIPPEWA COUNTY
MOTEVVIDEO, MINNESOTA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding Number: 2018-001

Finding Title: Cash Internal Controls

Summary of Condition: The County's internal controls over cash and investments include a process to track cash and investments; however, cash and investment balances were not compared to the general ledger. As a result, both months tested did not tie between the cash book and the general ledger. Additionally, the County is not performing bank reconciliations timely.

Summary of Corrective Action Previously Reported: All reconciliations are being performed on a timely basis and supporting schedules for cash and investment balances are reviewed and maintained.

Status: Fully Corrected.

Was corrective action taken significantly different than the action previously reported?

Yes _____ No X

Finding Number: 2017-002

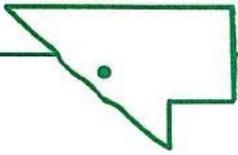
Finding Title: Eligibility Testing

Program Name: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. In the sample of 40 case files tested, two case files did not meet all verification of asset requirements, one case file did not meet verification of other health insurance requirements, and one instance was found in a case file where the program application was not date stamped.

Summary of Corrective Action Previously Reported: Supervisory reviews will be conducted at a minimum of two non-magi individuals per month and worker self-reviews will be completed with a minimum of four cases each month. All transfer in cases will be reviewed for Citizenship and Identity requirements when received in county.

At application and annual renewal STAT panels will be reviewed by worker and updated accordingly with information reported by consumer and the proof provided. Follow up will be done by worker if discrepancy is discovered.



At Unit meeting, the review findings were discussed and clarifications made on asset requirements. Under the guidance of the Health Care Programs Manual and Policy Interpretations it was discussed when assets need to be verified for application and for recertification and what is acceptable proof for verification. As policy updates occur, discussion will be held at the unit meetings to keep staff informed.

Status: Partially Corrected. Differences in asset balances between case files and MAXIS resulted from varying methods of applying DHS guidelines, errors in calculating balances as of specific dates, and worker oversight. The County's Eligibility workers and Supervisors continue to perform reviews on a sample cases, discuss issues, and train as necessary.

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

Finding Number: 2018-002

Finding Title: Social Service Fund Report DHS-2556 Reporting

Program Name: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: The County submitted the Quarter 3 DHS-2556 report with \$27,319 of expenditures that had been previously reported in Quarters 1 and 2.

Summary of Corrective Action Previously Reported: Continued use of additional excels will be used and attached to ensure the backup provided would assist in eliminating future errors. DHS also does an over site between the 2556 and the SEGAR to find discrepancies. This is another source that will help to ensure proper reporting in the future.

Status: Fully Corrected.

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

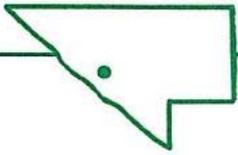
Finding Number: 2018-003

Finding Title: Local Collaborative Time Study Reporting

Program Name: Medical Assistance Program (CFDA No. 93.778)

Summary of Condition: No documentation was maintained to support that the four quarterly LCTS reports tested were reviewed by the County's LCTS Fiscal Reporting and Payment Agent.

Summary of Corrective Action Previously Reported: Once the quarterly LCTS reports are emailed into the county, the Fiscal Supervisor will print, date stamp, review and initial before filing the paper copies.



Status: Fully Corrected.

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

Finding Number: 2018-004

Finding Title: Budget Deficiencies

Summary of Condition: Differences were noted between the Board-approved budgets and the original budgets entered in the County's Integrated Financial System (IFS). Additionally, we noted a Board-approved budget amendment that was not entered into IFS.

Summary of Corrective Action Previously Reported: Board-approved budgets and amendments are reconciled to IFS by the Deputy Auditor/Treasurer and reviewed by the Auditor/Treasurer.

Status: Not Corrected. The County will continue to work with the procedures for IFS input of the board-approved budget.

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

Finding Number: 2018-005

Finding Title: Holdback Period for Payroll

Summary of Condition: Payroll is processed bi-monthly for regular full-time employees. There is no lag time from the time worked to the time paid. Employees are paid on the 15th and on the last day of the month and receive 1/24th of their annual salary. Time sheets record the activity from the 1st of the month to the 15th and from the 16th to the last working day of the month. As a result, payroll is processed without a review of hours worked.

Summary of Corrective Action Previously Reported: Chippewa County will evaluate procedures for reviewing and approving hours worked before payment is made to employees. The County will also evaluate the implications of changing to a two-week lag on employees and the County's cash flow.

Status: Fully Corrected.

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