State of Minnesota

Office of the State Auditor

Julie Blaha
State Auditor

Chippewa County
Montevideo, Minnesota

Year Ended December 31, 2022

Description of the Office of the State Auditor

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

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

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

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

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

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

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

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

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

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

Chippewa County
Montevideo, Minnesota

Year Ended December 31, 2022

Office of the State Auditor

Audit Practice Division
Office of the State Auditor
State of Minnesota

Chippewa County
Montevideo, Minnesota

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Introductory Section

Chippewa County
Montevideo, Minnesota

Organization
2022

Office	Name	Term Expires
Commissioners		
1st District	Matt Gilbertson	January 2027
2nd District	Candice Jaenisch	January 2025
3rd District	David Nordaune	January 2025
4th District	Bill Pauling	January 2025
5th District	David Lieser*	January 2027
Officers		
Elected		
Attorney	Matthew Haugen	January 2027
Coroner	Dr. A. Quinn Strobel and Anoka County	Indefinite
Sheriff	Derek Olson	January 2027
Appointed		
Assessor	Bonnie Crosby	Indefinite
Auditor/Treasurer/Coordinator	Michelle May	Indefinite
County Recorder and Registrar of Titles	Amy Rodeberg	Indefinite
Deputy Registrar	Linda DeGrote**	Indefinite
Highway Engineer	Jeremy Gilb	Indefinite
Land and Resource Management	Scott Williams	Indefinite
Veterans' Service Officer	Tim Kolhei	Indefinite
Family Services Director	Lisa Schulz***	Indefinite
Information Technology	Aaron Steinbach	Indefinite

*Chair 2022
**Appointed September 20, 2022
***Appointed May 3, 2022

Financial Section

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on the Audit of the Financial Statements

Opinions
We have audited 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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position, and, where applicable, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the County, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter – Change in Accounting Principle
As discussed in Note 1 to the financial statements, in 2022, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern

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for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

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

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

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

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

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

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

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; Budgetary Comparison Schedules for the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, and Ditch Special Revenue Fund; Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits; PERA retirement plan schedules; and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the 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 combining statements for fiduciary funds, Schedule of Intergovernmental Revenue, and Schedule of Expenditures of Federal Awards and related notes, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information as identified above is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2023, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

August 22, 2023

Management's Discussion and Analysis

Chippewa County
Montevideo, Minnesota

Management's Discussion and Analysis
December 31, 2022
(Unaudited)

Chippewa County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2022. 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, 2022) by $86,287,332 (net position). Of this amount, $13,486,374 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

- Chippewa County's total net position increased by $2,810,773. The increase is primarily due to an increase in road and bridge infrastructure.

- As of the close of the 2022 fiscal year, Chippewa County's governmental funds' ending fund balances were $24,233,123, compared to $23,368,726 in 2021. Approximately 11 percent of the amount, $2,670,141, 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 the basic financial statements. Chippewa County's basic financial statements consist of government-wide financial statements, fund financial statements, and 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 Fund.

A proprietary fund is maintained by Chippewa County. Internal service funds are an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses the Internal Service Fund to account for its self-insurance. The service benefits the governmental functions and has been allocated to the governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements are Exhibits 7 through 9 of this report.

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 10 and 11 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 28 through 62 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 $86,287,332 on December 31, 2022.

The largest portion of net position (74.4 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, 9.9 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $13,486,374 may be used to meet the government's ongoing obligations to citizens and creditors. Comparative data with 2021 is presented.

Net Position

	2022	2021
Assets		
Current and other assets	$ 35,108,757	$ 34,091,139
Capital assets	64,575,694	59,875,584
Total Assets	$ 99,684,451	$ 93,966,723
Deferred Outflows of Resources		
Deferred pension outflows	$ 4,444,724	$ 3,379,734
Deferred OPEB outflows	129,734	140,918
Total Deferred Outflows of Resources	$ 4,574,458	$ 3,520,652
Liabilities		
Other liabilities	$ 5,149,853	$ 3,064,103
Long-term liabilities	12,510,199	6,236,500
Total Liabilities	$ 17,660,052	$ 9,300,603
Deferred Inflows of Resources		
Deferred pension inflows	$ 243,837	$ 4,678,919
Deferred OPEB inflows	26,151	31,294
Deferred lease inflows	41,537	-
Total Deferred Inflows of Resources	$ 311,525	$ 4,710,213
Net Position		
Net investment in capital assets	$ 64,226,471	$ 59,841,383
Restricted	8,574,487	8,547,076
Unrestricted	13,486,374	15,088,100
Total Net Position	$ 86,287,332	$ 83,476,559

Unrestricted net position at December 31, 2022—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 15.6 percent of the net position.

Governmental Activities

The County's activities increased net position by 3.4 percent to $86,287,332 for 2022, compared to $83,476,559 for 2021. Key elements in this increase in net position are as follows for 2022, with comparative data for 2021.

Changes in Net Position

	2022	2021
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 3,281,171	$ 2,683,670
Operating grants and contributions	10,518,147	9,921,145
Capital grants and contributions	1,574,266	274,127
General revenues		
Property taxes	11,954,064	11,400,022
Other	1,383,631	1,306,290
Total Revenues	$ 28,711,279	$ 25,585,254
Expenses		
General government	$ 4,477,283	$ 4,150,929
Public safety	4,230,588	3,075,702
Highways and streets	5,181,148	5,960,930
Sanitation	528,782	327,155
Human services	7,643,461	7,018,672
Health	174,416	174,416
Culture and recreation	523,241	425,934
Conservation of natural resources	3,064,444	1,521,654
Economic development	64,361	299,100
Interest	12,782	11,213
Total Expenses	$ 25,900,506	$ 22,965,705
Change in Net Position	$ 2,810,773	$ 2,619,549
Net Position – January 1	83,476,559	80,857,010
Net Position – December 31	$ 86,287,332	$ 83,476,559

Financial Analysis of the Government's Funds

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 $24,233,123, an increase of $864,397, or 3.7 percent, in comparison with the prior year. Of the combined ending fund balances, $18,656,315 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, $5,576,808, 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 2022, it had an unrestricted fund balance of $4,878,338. 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 45.3 percent of total General Fund expenditures. During 2022, the ending fund balance increased by $1,593,681. The contributing factor to this increase is additional investment earnings and charges for services.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of $12,515,019 at the end of 2022, representing 120.9 percent of its annual expenditures. The ending fund balance decreased by $103,136 during 2022, primarily due to additional road and bridge construction expenditures.

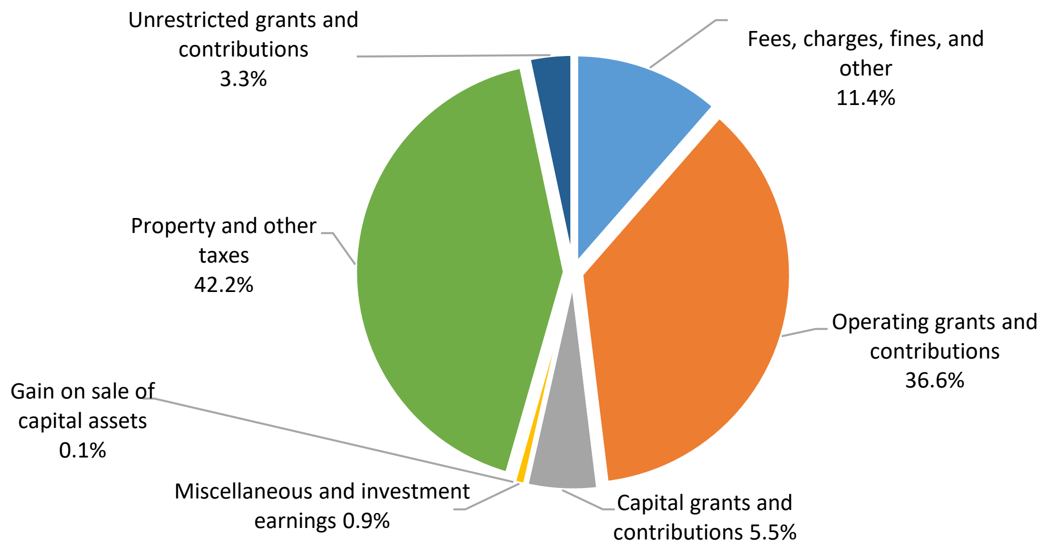
The Family Services Special Revenue Fund had an unrestricted fund balance of $3,358,521 at the end of 2022, representing 42.8 percent of its annual expenditures. The ending fund balance increased by $204,635 during 2022. The ending fund balance increase is due to additional federal and state grants and reimbursements.

The Ditch Revenue Special Revenue Fund has a fund balance of $1,311,590 at the end of 2022. The ending fund balance decreased by $830,783 during 2022; the decrease is due to additional drainage repair and maintenance expenses.

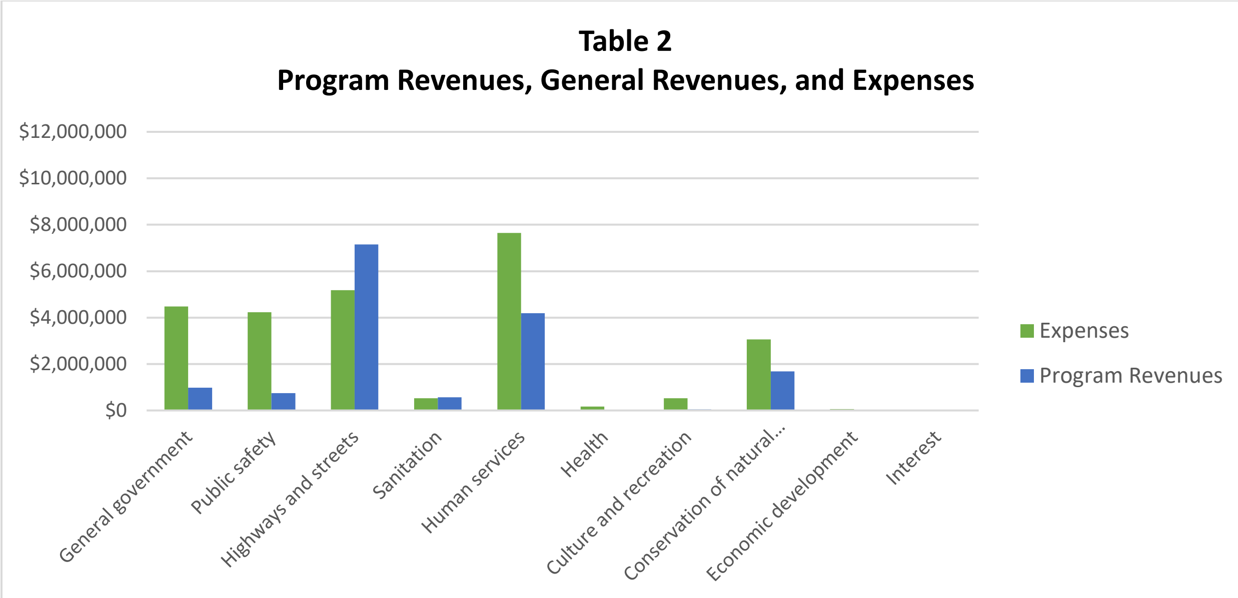
Governmental Activities

The County's total revenues were $28,711,279. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2022.

Table 1
Total County Revenues



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.



The cost of all governmental activities in 2022 was $25,900,506. 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 $10,526,922, because some of the cost was paid by those who directly benefited from the programs, $3,281,171, or by other governments and organizations that subsidized certain programs with grants and contributions, $12,092,413. The County paid for the remaining "public benefit" portion of governmental activities with $13,337,695 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

	2022	
	Total Cost of Services	Net (Cost) Revenue of Services
General government	$ 4,477,283	$ (3,492,546)
Public safety	4,230,588	(3,490,495)
Highways and streets	5,181,148	1,969,897
Sanitation	528,782	45,364
Human services	7,643,461	(3,454,370)
Health	174,416	(174,416)
Culture and recreation	523,241	(472,683)
Conservation of natural resources	3,064,444	(1,380,530)
Economic development	64,361	(64,361)
Interest	12,782	(12,782)
Totals	$ 25,900,506	$ (10,526,922)

General Fund Budgetary Highlights

Over the course of the year, the County Board increased the General Fund expenditure budget by $17,000.

The actual charges to appropriations (expenditures) were $807,905 more than final budget amounts. These additional expenditures are primarily attributed to administering AgBMP septic and well loans requested by County residents, as well as additional expenses at the County landfill due to spring storm damage.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets for its governmental activities at December 31, 2022, totaled $64,575,694 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, equipment, infrastructure, and leased equipment. The investment in capital assets increased $4,700,110, or 7.8 percent, from the previous year.

Table 4
Capital Assets at Year End
(Net of Accumulated Depreciation and Amortization)

	2022	2021
Land and right-of-way	$ 2,235,105	$ 2,138,368
Infrastructure	51,946,767	50,503,701
Buildings	3,188,929	3,382,427
Improvements other than buildings	64,433	68,166
Machinery and equipment	2,769,095	2,987,896
Construction in progress	4,320,497	795,026
Leased equipment	50,868	-
Total	$ 64,575,694	$ 59,875,584

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 2023 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2021 was 5.3 percent. This compares with the state unemployment rate of 3.8 percent and national unemployment rate of 5.4 percent. The lack of sustainable jobs in the area places increased pressure on the need for services administered by the County. In addition, the County continues to evaluate its ability to attract and retain businesses and residents with offerings such as broadband, recreation, education, and jobs.

- Inflation has placed additional pressure on the County's ability to manage budgets and higher qualified workforce.

- The 2023 property tax levy for the County increased 6.84% percent, $816,987, from 2022. This is due to the increase of future expenses in personnel costs and anticipated program services expenditures.

- The fluctuation of market values between agriculture, residential, and commercial property in Chippewa County play a factor in setting the 2023 levy and tax rates.

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

Government-Wide Financial Statements

Chippewa County
Montevideo, Minnesota

Exhibit 1

Statement of Net Position
Governmental Activities
December 31, 2022

Assets		
Cash and pooled investments	$	14,879,050
Investments		14,178,002
Receivables – net		5,762,974
Inventories		198,314
Prepaid items		90,417
Capital assets		
Non-depreciable		6,555,602
Depreciable – net of accumulated depreciation and amortization		58,020,092
Total Assets	**$**	**99,684,451**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	129,734
Deferred pension outflows		4,444,724
Total Deferred Outflows of Resources	**$**	**4,574,458**
Liabilities		
Accounts payable and other current liabilities	$	2,034,132
Unearned revenue		2,811,589
Advance from other governments		304,132
Long-term liabilities		
Due within one year		243,994
Due in more than one year		1,815,899
Other postemployment benefits liability		908,270
Net pension liability		9,542,036
Total Liabilities	**$**	**17,660,052**
Deferred Inflows of Resources		
Deferred other postemployment benefits inflows	$	26,151
Deferred pension inflows		243,837
Deferred lease inflows		41,537
Total Deferred Inflows of Resources	**$**	**311,525**
Net Position		
Net investment in capital assets	$	64,226,471
Restricted for		
General government		508,075
Public safety		268,268
Highways and streets		2,189,400
Human services		555,450
Conservation of natural resources		5,053,294
Unrestricted		13,486,374
Total Net Position	**$**	**86,287,332**

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

Chippewa County
Montevideo, Minnesota

Exhibit 2

Statement of Activities
For the Year Ended December 31, 2022

	Expenses	Program Revenues: Fees, Charges, Fines, and Other	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
General government	$ 4,477,283	$ 715,057	$ 242,106	$ 27,574	$ (3,492,546)
Public safety	4,230,588	266,771	473,322	-	(3,490,495)
Highways and streets	5,181,148	164,442	5,439,911	1,546,692	1,969,897
Sanitation	528,782	501,706	72,440	-	45,364
Human services	7,643,461	186,718	4,002,373	-	(3,454,370)
Health	174,416	-	-	-	(174,416)
Culture and recreation	523,241	-	50,558	-	(472,683)
Conservation of natural resources	3,064,444	1,446,477	237,437	-	(1,380,530)
Economic development	64,361	-	-	-	(64,361)
Interest	12,782	-	-	-	(12,782)
Total Governmental Activities	**$ 25,900,506**	**$ 3,281,171**	**$ 10,518,147**	**$ 1,574,266**	**$ (10,526,922)**

General Revenues	
Property taxes	$ 11,954,064
Mortgage registry and deed tax	14,115
Payments in lieu of tax	151,152
Grants and contributions not restricted to specific programs	959,221
Miscellaneous	177,743
Unrestricted investment earnings	68,272
Gain on sale of capital assets	13,128
Total general revenues	**$ 13,337,695**
Change in net position	**$ 2,810,773**
Net Position – Beginning	**83,476,559**
Net Position – Ending	**$ 86,287,332**

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

Fund Financial Statements

Governmental Funds

Chippewa County
Montevideo, Minnesota

Exhibit 3

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge	Family Services	Ditch	Total
Assets					
Cash and pooled investments	$ 8,652,816	$ 989,993	$ 3,335,436	$ 740,989	$ 13,719,234
Petty cash and change funds	1,950	-	100	-	2,050
Investments	500,202	12,177,800	-	1,500,000	14,178,002
Taxes receivable					
Delinquent	67,535	14,335	26,470	-	108,340
Special assessments receivable					
Delinquent	9,074	-	-	8,984	18,058
Noncurrent	944,760	-	-	690,524	1,635,284
Accounts receivable – net	44,115	661	49,310	-	94,086
Accrued interest receivable	14,141	52,694	-	-	66,835
Due from other governments	79,760	2,410,732	780,983	45,212	3,316,687
Inventories	1,473	196,841	-	-	198,314
Prepaid items	87,640	2,777	-	-	90,417
Leases receivable	41,692	-	-	-	41,692
Loans receivable	257,837	224,155	-	-	481,992
Total Assets	**$ 10,702,995**	**$ 16,069,988**	**$ 4,192,299**	**$ 2,985,709**	**$ 33,950,991**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 151,268	$ 101,337	$ 203,788	$ 25,238	$ 481,631
Salaries payable	181,150	53,549	125,555	-	360,254
Contracts payable	-	405,345	-	310,695	716,040
Due to other governments	4,738	2,003	37,497	144,540	188,778
Unearned revenue	2,362,663	-	-	448,926	2,811,589
Advance from other governments	-	-	304,132	-	304,132
Total Liabilities	**$ 2,699,819**	**$ 562,234**	**$ 670,972**	**$ 929,399**	**$ 4,862,424**
Deferred Inflows of Resources					
Unavailable revenue	$ 1,326,129	$ 2,671,116	$ 71,942	$ 744,720	$ 4,813,907
Deferred lease inflows	41,537	-	-	-	41,537
Total Deferred Inflows of Resources	**$ 1,367,666**	**$ 2,671,116**	**$ 71,942**	**$ 744,720**	**$ 4,855,444**

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

Chippewa County
Montevideo, Minnesota

Exhibit 3
(Continued)

Balance Sheet
Governmental Funds
December 31, 2022

	General	Road and Bridge	Family Services	Ditch	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	$ 87,640	$ 2,777	$ -	$ -	$ 90,417
Inventories	1,473	196,841	-	-	198,314
Missing heirs	7,262	-	-	-	7,262
Unclaimed property	49	-	-	-	49
Restricted for					
Law library	61,122	-	-	-	61,122
Enhanced 911	128,437	-	-	-	128,437
Sheriff's contingency	5,154	-	-	-	5,154
Permit to carry	126,698	-	-	-	126,698
Recorder's technology fund	203,313	-	-	-	203,313
Recorder's compliance fund	227,646	-	-	-	227,646
Law enforcement – drug task force	4,294	-	-	-	4,294
Highway allotments	-	122,001	-	-	122,001
Septic/sewer loans	202,415	-	-	-	202,415
Unspent grant funds	470,485	-	-	-	470,485
Ditch maintenance and repairs	-	-	-	3,407,153	3,407,153
Aquatic invasive species aid	231,184	-	-	-	231,184
Opioid remediation	-	-	90,864	-	90,864
Assigned for					
Vehicle purchases	112,634	-	-	-	112,634
Road and bridge	-	11,262,721	-	-	11,262,721
Capital equipment	-	838,863	-	-	838,863
Human services	-	-	1,459,709	-	1,459,709
Future building	-	-	1,073,812	-	1,073,812
Land and building capital outlay	-	413,435	-	-	413,435
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	4,765,704	-	-	(2,095,563)	2,670,141
Total Fund Balances	**$ 6,635,510**	**$ 12,836,638**	**$ 3,449,385**	**$ 1,311,590**	**$ 24,233,123**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 10,702,995**	**$ 16,069,988**	**$ 4,192,299**	**$ 2,985,709**	**$ 33,950,991**

Chippewa County
Montevideo, Minnesota

Exhibit 4

Reconciliation of Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position—Governmental Activities
December 31, 2022

Fund balance – total governmental funds (Exhibit 3)		**$ 24,233,123**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		64,575,694
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		129,734
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		4,444,724
An internal service fund is used by Chippewa County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		870,337
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.		4,813,907
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (1,171,560)	
Leases payable	(24,970)	
Compensated absences	(863,363)	
Other postemployment benefits liability	(908,270)	
Net pension liability	(9,542,036)	(12,510,199)
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.		(26,151)
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.		(243,837)
Net Position of Governmental Activities (Exhibit 1)		**$ 86,287,332**

Chippewa County
Montevideo, Minnesota

Exhibit 5

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge	Family Services	Ditch	Total
Revenues					
Taxes	$ 7,620,479	$ 1,544,901	$ 2,851,128	$ -	$ 12,016,508
Special assessments	336,265	96	-	833,367	1,169,728
Licenses and permits	20,961	21,325	-	-	42,286
Intergovernmental	1,822,465	8,392,303	4,625,502	329,953	15,170,223
Charges for services	1,060,820	49,975	292,624	-	1,403,419
Fines and forfeits	6,891	-	-	-	6,891
Gifts and contributions	4,453	-	-	-	4,453
Investment earnings	177,721	(159,421)	-	25,505	43,805
Settlements	-	-	90,864	-	90,864
Miscellaneous	469,481	93,112	153,877	-	716,470
Total Revenues	**$ 11,519,536**	**$ 9,942,291**	**$ 8,013,995**	**$ 1,188,825**	**$ 30,664,647**
Expenditures					
Current					
General government	$ 4,385,882	$ -	$ -	$ -	$ 4,385,882
Public safety	3,410,842	-	-	-	3,410,842
Highways and streets	-	9,708,674	-	-	9,708,674
Sanitation	526,934	-	-	-	526,934
Human services	-	-	7,664,343	-	7,664,343
Culture and recreation	497,252	-	-	-	497,252
Conservation of natural resources	1,117,785	-	-	2,019,608	3,137,393
Economic development	64,361	-	-	-	64,361
Intergovernmental					
Public safety	416,712	-	-	-	416,712
Highways and streets	-	640,757	-	-	640,757
Health	-	-	174,416	-	174,416
Culture and recreation	220,160	-	-	-	220,160
Debt service					
Principal	119,238	1,566	5,140	-	125,944
Interest	12,782	-	-	-	12,782
Total Expenditures	**$ 10,771,948**	**$ 10,350,997**	**$ 7,843,899**	**$ 2,019,608**	**$ 30,986,452**
Excess of Revenues Over (Under) Expenditures	**$ 747,588**	**$ (408,706)**	**$ 170,096**	**$ (830,783)**	**$ (321,805)**

Chippewa County
Montevideo, Minnesota

Exhibit 5
(Continued)

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2022

	General	Road and Bridge	Family Services	Ditch	Total
Other Financing Sources (Uses)					
Loans issued	$ 360,059	$ -	$ -	$ -	$ 360,059
Leases issued	11,713	-	-	-	11,713
Proceeds from sale of capital assets	4,530	8,598	-	-	13,128
Insurance recoveries	469,791	265,440	34,539	-	769,770
Total Other Financing Sources (Uses)	**$ 846,093**	**$ 274,038**	**$ 34,539**	**$ -**	**$ 1,154,670**
Net Change in Fund Balance	**$ 1,593,681**	**$ (134,668)**	**$ 204,635**	**$ (830,783)**	**$ 832,865**
Fund Balance – January 1	**5,041,829**	**12,939,774**	**3,244,750**	**2,142,373**	**23,368,726**
Increase (decrease) in inventories	**-**	**31,532**	**-**	**-**	**31,532**
Fund Balance – December 31	**$ 6,635,510**	**$ 12,836,638**	**$ 3,449,385**	**$ 1,311,590**	**$ 24,233,123**

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, 2022

Net change in fund balance – total governmental funds (Exhibit 5)		**$**	**832,865**
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	$	4,813,907	
Unavailable revenue – January 1		(6,799,567)	(1,985,660)
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 and amortization 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	$	7,209,399	
Net book value of assets disposed of		(125,498)	
Current year depreciation and amortization		(2,383,791)	4,700,110
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	$	(360,059)	
Capital leases		(11,713)	(371,772)
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	$	101,481	
Lease payments		24,463	125,944

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

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, 2022

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in inventories	$ 31,532	
Change in net pension asset	(47,313)	
Change in deferred other postemployment benefits outflows	(11,184)	
Change in deferred pension outflows	1,064,990	
Change in compensated absences	(13,034)	
Change in other postemployment benefits liability	(34,017)	
Change in net pension liability	(5,980,820)	
Change in deferred other postemployment benefits inflows	5,143	
Change in deferred pension inflows	4,435,082	(549,621)
An internal service fund is used by Chippewa County to charge the cost of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.		58,907
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 2,810,773**

Proprietary Fund

Chippewa County
Montevideo, Minnesota

Exhibit 7

Statement of Net Position
Proprietary Fund
December 31, 2022

		Governmental Activities
		Internal Service Fund
Assets		
Current assets		
Cash and pooled investments	$	1,157,766
Liabilities		
Current liabilities		
Claims payable		287,429
Net Position		
Unrestricted	$	870,337

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

Exhibit 8

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Fund
For the Year Ended December 31, 2022

	Governmental Activities Internal Service Fund
Operating Revenues	
Charges for services	$ 2,961,139
Operating Expenses	
Cost of service	2,902,232
Operating Income (Loss)	**$ 58,907**
Net Position – January 1	**811,430**
Net Position – December 31	**$ 870,337**

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

Chippewa County
Montevideo, Minnesota

Exhibit 9

Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2022
Increase (Decrease) in Cash and Cash Equivalents

	Governmental Activities Internal Service Fund
Cash Flows from Operating Activities	
Receipts from internal services provided	$ 2,961,139
Payments to suppliers	(2,761,737)
Net cash provided by (used in) operating activities	**$ 199,402**
Cash and Cash Equivalents at January 1	**958,364**
Cash and Cash Equivalents at December 31	**$ 1,157,766**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	**$ 58,907**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
Increase (decrease) in claims payable	**140,495**
Net Cash Provided by (Used in) Operating Activities	**$ 199,402**

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

Fiduciary Funds

Chippewa County
Montevideo, Minnesota

Exhibit 10

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2022

	Social Welfare Private-Purpose Trust Fund	Custodial Funds: Other	Custodial Funds: External Investment Pool
Assets			
Cash and pooled investments	$ 31,900	$ 6,887,448	$ -
Investments	-	304,925	11,027,531
Taxes and special assessments receivable for other governments	-	261,305	-
Accounts receivable	-	23,494	-
Accrued interest receivable	-	-	24,743
Total Assets	**$ 31,900**	**$ 7,477,172**	**$ 11,052,274**
Liabilities			
Due to others	$ -	$ 2,222	$ -
Due to other governments	-	506,232	-
Total Liabilities	**$ -**	**$ 508,454**	**$ -**
Net Position			
Restricted for individuals, organizations, and other governments	**$ 31,900**	**$ 6,968,718**	**$ 11,052,274**

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

Chippewa County
Montevideo, Minnesota

Exhibit 11

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2022

	Social Welfare Private-Purpose Trust Fund	Custodial Funds: Other	Custodial Funds: External Investment Pool
Additions			
Contributions from individuals	$ 211,147	$ -	$ -
Interest earnings	-	11,676	101,179
Property tax collections for other governments	-	13,566,117	-
Fees collected for state	-	1,717,024	-
Payments from state	-	796,764	-
Refunds collected for other entities	-	48,450	-
Payments from other entities	-	69,335,741	5,791,417
Total Additions	**$ 211,147**	**$ 85,475,772**	**$ 5,892,596**
Deductions			
Beneficiary payments to individuals	$ 208,153	$ 1,818,052	$ -
Payments of property tax to other governments	-	13,617,639	-
Payments to state	-	1,717,178	-
Administrative expense	-	4,500	-
Payments to other entities	-	67,258,010	4,829,414
Total Deductions	**$ 208,153**	**$ 84,415,379**	**$ 4,829,414**
Change in Net Position	**$ 2,994**	**$ 1,060,393**	**$ 1,063,182**
Net Position – January 1	**28,906**	**5,908,325**	**9,989,092**
Net Position – December 31	**$ 31,900**	**$ 6,968,718**	**$ 11,052,274**

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

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2022. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

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 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 5 – Summary of Significant Contingencies and Other Items.

Basic Financial Statements

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.

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.

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, proprietary, and fiduciary—are presented. The emphasis of governmental and proprietary 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.

- 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 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 fund types:

- The Internal Service Fund accounts for health insurance premiums and payments.

- The 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.

    - The 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, and it is referred to as the Hospital in this report.

Measurement Focus and Basis of Accounting

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

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.

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

Cash and Cash Equivalents

Cash and cash equivalents are identified only for the purpose of the statement of cash flows for the proprietary fund. The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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, 2022. 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 2022 were $177,721.

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.

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 2017 through 2022 and noncurrent special assessments payable in 2023 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.

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.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), right-to-use assets acquired under leasing arrangements, 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, while right-to-use assets are amortized over the shorter of the underlying assets estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

Assets	Years
Buildings	20-50
Improvements other than buildings	20-35
Public domain infrastructure	15-75
Machinery and equipment	3-15
Right-to-use equipment	3-15

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.

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.

In the fund financial statements, acquisitions under leases are reported as an other financing source at the present value of the future minimum lease payments as of the inception date.

At December 31, 2022, Chippewa County reported no bonded debt.

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 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/ expense) until then. The County reports deferred outflows of resources 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 assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, grants receivable, and other items 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. This unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows for leases represent the lease revenues per lease agreements the County expects to recognize in future periods. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. 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.

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, 2022, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

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.

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.

- 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.

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, 2022, the County's unrestricted fund balance was at or above the minimum fund balance level.

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.

Change in Accounting Principles

During the year ended December 31, 2022, Chippewa County adopted new accounting guidance by implementing the provisions of GASB No. 87, *Leases*, which establishes criteria for accounting and financial reporting for leases. The implementation of this statement resulted in changing the presentation of the government-wide financial statements by increasing the beginning balances of the right-to-use capital assets and decreasing beginning balances of the depreciated capital assets by $55,864.

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of $1,311,590 as of December 31, 2022, although the County reported individual ditches with deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties.

Ditch System Fund Balance Summary

118 ditches with positive fund balances	$	3,407,153
25 ditches with deficit fund balances		(2,095,563)
Total Fund Balance	$	1,311,590

Note 3 – Detailed Notes

Assets and Deferred Outflows of Resources

Deposits and Investments

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2022

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	14,879,050
Investments		14,178,002
Statement of fiduciary net position		
Cash and pooled investments		6,919,348
Investments		11,332,456
Total Cash and Investments	$	47,308,856

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.

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, 2022, the County's deposits were not exposed to custodial credit risk.

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;

(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.

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, 2022, 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.

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022

	Credit Risk		Concentration of Credit Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
U.S. agency securities					
U.S. Treasury Bills	N/R	N/A	>5%	03/21/2023	$ 2,003,721
U.S. Treasury Bills	N/R	N/A	<5%	03/30/2023	1,000,647
U.S. Treasury Bills	N/R	N/A	<5%	06/22/2023	1,000,129
Federal Home Loan Bank Bond	AA	S&P			
	Aaa	Moody's	<5%	10/17/2023	93,502
U.S. Treasury Notes	Aaa	Moody's	<5%	04/30/2025	227,565
U.S. Treasury Notes	AA	S&P	<5%	10/31/2025	226,194
Total U.S. agency securities					$ 4,551,758

Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2022 (Continued)

	Credit Risk		Concentration of Credit Risk	Interest Rate Risk	
Investment Type	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	Carrying (Fair) Value
Municipal bonds					
Beaumont, CA Unified School District	Aa2	Moody's	<5%	08/01/2023	173,441
Burlingame, CA Elementary School	Aa1	Moody's	<5%	08/01/2023	738,090
San Mateo, CA Union High School District	Aaa	Moody's	<5%	09/01/2023	247,170
Shiawassee County	AA	S&P	<5%	10/01/2023	202,220
Canadian County, OK School District	A+	S&P	<5%	11/01/2023	734,288
Bethel Park, PA	AA	S&P	<5%	12/01/2023	195,290
Lake Zurich, IL	AAA	S&P	<5%	02/01/2024	244,430
University of North Texas	Aa2	Moody's	<5%	04/15/2024	214,780
Montvale, NJ	AAA	S&P	<5%	08/15/2024	374,188
Rusk County, WI	A+	S&P	<5%	03/01/2025	127,910
Oregon Education District	Aa2	Moody's			
	AA	S&P	<5%	06/30/2025	95,733
Huntington Beach, CA Union High School	AA-	S&P	<5%	08/01/2025	181,084
Mount San Antonio, CA	AA	S&P			
	Aa1	Moody's	<5%	08/01/2025	164,680
Oceanside, CA Unified School District	Aa3	Moody's			
	AA	S&P	<5%	08/01/2025	113,382
Gilroy, CA	AA-	S&P			
	Aa3	Moody's	<5%	08/01/2025	226,945
Teaneck Township, NJ	Aa2	Moody's	<5%	08/15/2025	640,000
Altoona, PA Area School District	AA	S&P	<5%	12/01/2025	134,498
Florence Township, NJ School District	AA-	S&P	<5%	03/01/2026	337,095
Haverstraw Stony Point, NY	Aa3	Moody's			
	AA	S&P	<5%	05/01/2026	116,224
Bexar County, TX	AAA	S&P	<5%	06/15/2026	116,201
San Dieguito, CA Union High School	Aa1	Moody's			
	AA	S&P	<5%	08/01/2026	172,316
Sierra, CA College District	Aaa	Moody's			
	AA	S&P	<5%	08/01/2026	138,795
Sonoma County, CA Junior College	Aa2	Moody's	<5%	08/01/2026	416,574
William S. Hart, CA Union High School	Aa2	Moody's	<5%	08/01/2026	121,765
Yosemite, CA	Aa2	Moody's	<5%	08/01/2026	181,972
Canyon County, ID School District No. 139	Aa1	Moody's	<5%	09/15/2026	136,114
Lake County, IL School District	Aa2	Moody's			
	AA+	S&P	<5%	11/01/2026	187,837
Scarborough, ME	AA+	S&P			
	Aa3	Moody's	<5%	11/01/2026	219,654
Total municipal bonds					$ 6,952,676
Money market mutual funds	N/R	N/A	>5%	N/A	$ 4,320,660
Negotiable certificates of deposit with brokers	N/A	N/A	>5%	Varies	$ 3,218,607
MAGIC Portfolio	N/R	N/A	>5%	N/A	$ 6,437,869
MAGIC Term	N/R	N/A	>5%	N/A	$ 7,050,000
Total investments					$ 32,531,570
Checking					14,575,034
Non-negotiable certificates of deposit					200,202
Petty cash and change funds					2,050
Total Cash and Investments					$ 47,308,856

N/A – Not Applicable
N/R – Not Rated
<5% – Concentration is less than 5 percent of investments
>5% – Concentration is more than 5 percent of investments

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.

Recurring Fair Value Measurements as of December 31, 2022

		Fair Value Measurements Using		
	December 31, 2022	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. agency securities	$ 4,551,758	$ -	$ 4,551,758	$ -
Municipal bonds	6,952,676	-	6,952,676	-
Negotiable certificates of deposit	3,218,607	-	3,218,607	-
Money market mutual fund	560,567	-	560,567	-
Total Investments Included in the Fair Value Hierarchy	$ 15,283,608	$ -	$ 15,283,608	$ -
Investments measured at the net asset value (NAV)				
MAGIC Term	$ 7,050,000			
MAGIC Portfolio	6,437,869			
Money market mutual fund	3,760,093			
Total investments measured at the NAV	$ 17,247,962			

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

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.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

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 7 days prior to 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 invests in money market mutual funds for the benefit of liquid investments. Money market funds held by the County seek a constant NAV of $1.00 per share. In addition to being a part of the County's portfolio, the County also holds money market 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.

Receivables

Governmental Activities' Receivables as of December 31, 2022

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amount Not Schedule for Collection During the Subsequent Year
Taxes	$ 108,340	$ -	$ 108,340	$ -
Special assessments	1,653,342	-	1,653,342	985,917
Accounts receivable	882,916	(788,830)	94,086	-
Interest	66,835	-	66,835	-
Loans receivable	481,992	-	481,992	448,002
Lease receivable	41,692	-	41,692	-
Due from other governments	3,316,687	-	3,316,687	-
Total Receivables	$ 6,551,804	$ (788,830)	$ 5,762,974	$ 1,433,919

The County has entered into lease agreements as a lessor and as of December 31, 2022, there is one active lease receivable agreement for office space with the U.S. Department of Agriculture. Fixed annual lease receipts are $42,608 and extend to the period ending December 31, 2023. During 2022, the General Fund received total principal and interest payments of $42,608.

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 beginning in 2019, with provisions to review the terms of the agreement every three years.

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.

Changes in Loans Receivable for the Year Ended December 31, 2022

	Beginning Balance	Increase	Decrease	Ending Balance
Chippewa County Fair Board	$ 278,170	$ -	$ 20,333	$ 257,837
City of Clara City shop	237,393	-	13,238	224,155
Total	$ 515,563	$ -	$ 33,571	$ 481,992

Capital Assets

Changes in Capital Assets for the Year Ended December 31, 2022

	Beginning Balance, as Restated*	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,281,329	$ 18,500	$ -	$ 1,299,829
Right-of-way	857,039	78,237	-	935,276
Construction in progress	795,026	3,665,747	140,276	4,320,497
Total capital assets not depreciated	$ 2,933,394	$ 3,762,484	$ 140,276	$ 6,555,602
Capital assets depreciated				
Buildings	$ 11,726,003	$ 39,969	$ -	$ 11,765,972
Improvements other than buildings	82,642	-	-	82,642
Machinery and equipment	8,255,410	476,586	345,632	8,386,364
Infrastructure	80,109,498	3,058,923	-	83,168,421
Total capital assets depreciated	$ 100,173,553	$ 3,575,478	$ 345,632	$ 103,403,399
Less: accumulated depreciation for				
Buildings	$ 8,343,576	$ 233,467	$ -	$ 8,577,043
Improvements other than buildings	14,476	3,733	-	18,209
Machinery and equipment	5,323,378	514,025	220,134	5,617,269
Infrastructure	29,605,797	1,615,857	-	31,221,654
Total accumulated depreciation	$ 43,287,227	$ 2,367,082	$ 220,134	$ 45,434,175
Total capital assets depreciated, net	$ 56,886,326	$ 1,208,396	$ 125,498	$ 57,969,224
Capital assets amortized				
Leased equipment	$ 55,864	$ 11,713	$ -	$ 67,577
Less: accumulated amortization for				
Leased equipment	$ -	$ 16,709	$ -	$ 16,709
Total capital assets amortized, net	$ 55,864	$ (4,996)	$ -	$ 50,868
Capital Assets, Net	$ 59,875,584	$ 4,965,884	$ 265,774	$ 64,575,694

* – See Change in Accounting Principles note in Note 1 to the financial statements.

Construction in progress consists of amounts completed on open road projects and a courtroom remodel.

Depreciation and Amortization Expense Charged to Functions/Programs

General government	$	186,418
Public safety		188,745
Highways and streets, including depreciation of infrastructure assets		1,934,128
Sanitation		1,848
Human services		15,597
Culture and recreation		21,796
Conservation of natural resources		35,259
Total Depreciation and Amortization Expense – Governmental Activities	$	2,383,791

Liabilities and Deferred Inflows of Resources

Accounts Payable

Governmental Activities' Payables as of December 31, 2022

Accounts payable	$	481,631
Salaries payable		360,254
Contracts payable		716,040
Claims payable		287,429
Due to other governments		188,778
Total Payables	$	2,034,132

Construction Commitments

The County has active construction projects and other commitments as of December 31, 2022. The projects and commitments include the following:

Active Construction Projects and Other Commitments as of December 31, 2022

		Spent-to-Date		Remaining Commitment
SAP 012-615-022 and SAP 012-630-001	$	3,152,696	$	163,047

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, 2022, was $304,132. The funds will be returned when the partnership is dissolved.

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.

Loans Payable as of December 31, 2022

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2022
Hawk Creek Watershed Continuation Loan (SRF0231)	2023	$ 8,252	2.0	$ 74,451	$ 8,130
Chippewa River Watershed Loan (SRF0232)	2024	13,232	2.0	119,391	25,815
Hawk Creek Watershed Loan (SRF277)	2026	11,851	2.0	106,929	45,341
Chippewa River Watershed Loan (SRF295)	2028	17,268	2.0	155,802	89,512
Hawk Creek Watershed Loan (SRF300)	2029	18,114	2.0	163,441	109,779
Chippewa Countywide Septic System Upgrades Loan (SRF310)	2029	18,328	2.0	330,737	285,224
Chippewa County Septic System Upgrade II (SRF344)	2034	-	2.0	186,215	186,215
AG BMP Well loans	2034	716 - 25,626	-	430,343	421,544
Total				$ 1,567,309	$ 1,171,560

Leases

The County has entered into lease agreements as lessee for financing the acquisition of copiers for various departments and a postage machine. Leases range from three to five years and have been recorded at the present value of their future minimum lease payments as of the inception date. Lease payments are paid from the General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund.

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments
As of December 31, 2022

Year Ending December 31	Principal	Interest
2023	$ 16,184	$ 765
2024	2,270	310
2025	2,362	218
2026	2,459	121
2027	1,695	25
Total governmental activities lease payments	$ 24,970	$ 1,439

Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2022

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	$ 912,982	$ 360,059	$ 101,481	$ 1,171,560	$ 114,646
Leases	37,720	11,713	24,463	24,970	16,184
Compensated absences	850,329	520,792	507,758	863,363	113,164
Total Long-Term Liabilities	$ 1,801,031	$ 892,564	$ 633,702	$ 2,059,893	$ 243,994

Debt Service Requirements

Debt Service Requirements as of December 31, 2022

	Loans Payable	
Year Ending December 31	Principal	Interest
2023	$ 114,646	$ 10,805
2024	126,096	8,946
2025	116,258	7,240
2026	118,991	5,699
2027	109,649	4,187
2028-2032	375,684	5,598
2033-2034	24,021	-
Total	$ 985,345	$ 42,475

Loans of $186,215 for Chippewa County Septic System Upgrades II (SRF344) are not included in the debt service requirements because a fixed repayment schedule is not available.

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, 2022, was $25,635,000.

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.436 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, 2022, the outstanding balance of PACE loans in Chippewa County was $335,200.

Deferred Inflows of Resources – Unavailable Revenue/Leases

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 by Fund as of December 31, 2022

	Special Assessments	Taxes	Grants	Interest	Loan Receivable	Other	Total
Major governmental funds							
General Fund	$ 953,834	$ 67,535	$ -	$ 14,141	$ 257,837	$ 74,319	$ 1,367,666
Special Revenue Funds							
Road and Bridge	-	14,335	2,339,890	31,355	224,155	61,381	2,671,116
Family Services	-	26,470	-	-	-	45,472	71,942
Ditch	699,508	-	-	-	-	45,212	744,720
Total	$ 1,653,342	$ 108,340	$ 2,339,890	$ 45,496	$ 481,992	$ 226,384	$ 4,855,444
Deferred Inflows of Resources							
Unavailable Revenue	$ 1,653,342	$ 108,340	$ 2,339,890	$ 45,496	$ 481,992	$ 184,847	$ 4,813,907
Leases	-	-	-	-	-	41,537	41,537
Total	$ 1,653,342	$ 108,340	$ 2,339,890	$ 45,496	$ 481,992	$ 226,384	$ 4,855,444

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 Statement 75. The OPEB plan does not issue a stand-alone financial report.

As of the January 1, 2021, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	9
Active plan participants	121
Total	130

Total OPEB Liability

The County's total OPEB liability of $908,270 was measured as of January 1, 2022, and was determined by an actuarial valuation as of that date. 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, 2022, 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	2.00 percent
Salary increases	Service graded table
Health care cost trend	6.25 percent as of January 1, 2022, decreasing to 5.00 percent over five years and then to 4.00 percent over the next 47 years.

The salary scale used to value GASB 75 liabilities is similar to the table used to value pension liabilities for Minnesota public employees. The rates are based on the four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2016 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2019 and the inflation assumption.

The current year discount rate is 2.00 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, 2021.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

Retirement and withdrawal assumptions used are similar to those used to value pension liabilities for Minnesota public employees. The state pension plans base their assumptions on periodic experience studies.

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2022

Balance at January 1, 2022	$	874,253
Changes for the year		
Service cost	$	67,631
Interest		18,321
Benefit payments		(51,935)
Net change	$	34,017
Balance at December 31, 2022	$	908,270

OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes in the
Discount Rate as of December 31, 2022

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	$ 974,414
Current	2.00%	908,270
1% Increase	3.00%	845,565

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

Sensitivity of the Total OPEB Liability to Changes in the
Health Care Trend Rates as of December 31, 2022

	Health Care Trend Rates	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 804,650
Current	6.25% Decreasing to 5.00%	908,270
1% Increase	7.25% Decreasing to 6.00%	1,031,761

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

For the year ended December 31, 2022, the County recognized OPEB expense of $96,065.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	$ 35,611	$ 16,750
Changes in actuarial assumptions	38,116	9,401
Contributions subsequent to the measurement date	56,007	-
Total	$ 129,734	$ 26,151

The $56,007 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2022

Year Ended December 31	OPEB Expense Amount
2023	$ 10,113
2024	10,113
2025	10,113
2026	10,115
2027	3,561
Thereafter	3,561

Changes in Actuarial Assumptions

There were no changes in actuarial assumptions for 2022.

Pension Plans

Defined Benefit Pension Plans

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 the 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.

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

Benefits Provided

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

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

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

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

1.00 percent and maximum of 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

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

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

Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. Rates did not change from 2021.

Member and Employer Required Contribution Rates

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

Employer Contributions for the Year Ended December 31, 2022

General Employees Plan	$	433,692
Police and Fire Plan		150,224
Correctional Plan		67,039

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

Pension Costs

General Employees Plan

At December 31, 2022, the County reported a liability of $5,710,344 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0721 percent. It was 0.0751 percent measured as of June 30, 2021. The County recognized pension expense of $695,570 for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. The County recognized an additional $25,010 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	$	5,710,344
State of Minnesota's proportionate share of the net pension liability associated with the County		167,379
Total	$	5,877,723

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual economic experience	$	47,697	$	61,547
Changes in actuarial assumptions		1,304,521		23,257
Difference between projected and actual investment earnings		77,948		-
Changes in proportion		51,159		22,420
Contributions paid to PERA subsequent to the measurement date		236,583		-
Total	$	1,717,908	$	107,224

The $236,583 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 532,436
2024	521,761
2025	(196,511)
2026	516,415

Police and Fire Plan

At December 31, 2022, the County reported a liability of $2,728,456 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.0627 percent. It was 0.0612 percent measured as of June 30, 2021. The County recognized pension expense of $150,408 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota also contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2022. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1 each year until full funding is reached, or July 1, 2048, whichever is earlier. The County recognized an additional $3,701 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2022

The County's proportionate share of the net pension liability	$ 2,728,456
State of Minnesota's proportionate share of the net pension liability associated with the County	119,123
Total	$ 2,847,579

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized $5,274 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and

Fire Plan.

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 163,548	$ -
Changes in actuarial assumptions	1,568,905	17,171
Difference between projected and actual investment earnings	85,690	-
Changes in proportion	26,373	79,733
Contributions paid to PERA subsequent to the measurement date	85,624	-
Total	$ 1,930,140	$ 96,904

The $85,624 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 324,470
2024	335,385
2025	306,114
2026	549,355
2027	232,288

Correctional Plan

At December 31, 2022, the County reported a liability of $1,103,236 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the County's proportion was 0.3319 percent. It was 0.2880 percent measured as of June 30, 2021. The County recognized pension expense of $386,798 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:

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 33,580
Changes in actuarial assumptions	684,391	1,321
Difference between projected and actual investment earnings	71,249	-
Changes in proportion	3,815	4,808
Contributions paid to PERA subsequent to the measurement date	37,221	-
Total	$ 796,676	$ 39,709

The $37,221 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, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan
Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2022

Year Ended December 31	Pension Expense Amount
2023	$ 318,828
2024	326,908
2025	(14,620)
2026	88,630

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2022, was $1,232,776.

Actuarial Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2022

	General Employees Fund	Police and Fire Fund	Correctional Fund
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	6.50%	6.50%	6.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan per year through December 31, 2054, and 1.50 percent per year thereafter. 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, 2022, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 27, 2019. The experience study for the Police and Fire Plan was dated July 14, 2020. The experience study for the Correctional Plan was dated July 10, 2020. For all plans, a review of inflation and investment assumptions dated July 12, 2022, was utilized.

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

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

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

Discount Rate

The discount rate used to measure the total pension liability was 6.50 percent for the General Employees Plan in 2022, which remained consistent with 2021. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan was 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.

In the Police and Fire Plan and Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Plan and June 30, 2062, for the Correctional Plan, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent, based on the weekly rate closest to but not later than the measurement date of the Fidelity 20-Year Municipal GO AA Index. An equivalent single discount rate of 5.40 percent for the Police and Fire Plan and 5.42 percent for the Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.50 percent applied to all years of projected benefits to the point of asset depletion and 3.69 percent thereafter.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2022:

General Employees Plan

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

Police and Fire Plan

- The single discount rate changed from 6.50 percent to 5.40 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Correctional Plan

- The single discount rate changed from 6.50 percent to 5.42 percent.
- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

Pension Liability Sensitivity

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2022

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	5.50%	$ 9,019,787	4.40%	$ 4,129,169	4.42%	$ 1,943,294
Current	6.50%	5,710,334	5.40%	2,728,456	5.42%	1,103,236
1% Increase	7.50%	2,996,090	6.40%	1,596,064	6.42%	442,761

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.

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 the Employer
For the Year Ended December 31, 2022

	Employee	Employer
Contribution amount	$ 8,420	$ 8,420
Percentage of covered payroll	5.00%	5.00%

Note 4 – Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). 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 all 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 2022 and 2023. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

On October 29, 2019, Chippewa County entered into a joint powers agreement with other local counties (Benton, Lyon, Murray, Redwood, and Swift) and Southwest Health and Human Services to form the Minnesota Public Sector Collaborative to self-insure health insurance as of January 1, 2020. As of January 1, 2021, the County began self-insuring for dental insurance. Premiums will be withheld from employees and paid into an internal service fund. Claims are managed and paid by a third party, and the County will be billed weekly, in aggregate, for claims incurred.

The County established a limited risk management program for health coverage in 2020. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a $60,000 stop-loss per person insured (employee and eligible dependent) per year ($1,000,000 aggregate) for the health plan. Liabilities of the Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The December 31, 2022, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through March 1, 2023.

Changes in Claims Liabilities
For the Years Ended December 31, 2021, and 2022

	2021	2022
Unpaid claims, January 1	$ 127,435	$ 146,934
Incurred claims	2,034,565	(2,761,736)
Claims payments	(2,015,066)	2,902,231
Unpaid Claims, December 31	$ 146,934	$ 287,429

Note 5 – Summary of Significant Contingencies and Other Items

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.

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 2022 was $174,416.

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 2022 was $397,801.

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 operating under the name CCM Health. 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.

Chippewa County presents an external investment pool fund for investments held by the County for CCM Health, presented as an other custodial fund held by the County for CCM Health. The County also has conduit debt related to the Hospital disclosed in Note 3. Chippewa County did not contribute to CCM Health during 2022.

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 $1,031,173 to this organization in 2022.

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

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 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 2022 was $51,913.

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 $15,836 to the Collaborative in 2022.

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 2022, Chippewa County contributed $204,757 to the System. The City of Montevideo provided $18,000 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 2022, Chippewa County contributed $69,289 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.

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. During 2022, Chippewa County contributed $108,545. Lake 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 2022, Chippewa County paid $73,264 to the Port Authority.

Opioid Settlement Funds

Chippewa County is a participating government in the opioid settlement with pharmaceutical manufacturers, distributers, and pharmacy chains. The County is expected to receive $783,746 over the next 18 years. The majority of the funds are intended for opioid abatement. The *Minnesota Opioids State-Subdivision Memorandum of Agreement (MOA)* identifies the requirements for Minnesota governments participating in the settlement. Pursuant to the terms of MOA the County created a special revenue fund. The County has combined the Opioid

Settlement Fund with the Family Services Fund for its financial statements. Funds are restricted until expended. The MOA requires that the County recognize the settlement revenues when the annual distribution is made to the participating governments. Therefore, the County does not record a receivable for the settlement. For the year ended December 21, 2022, the County received $90,864 as part of the settlement.

Required Supplementary Information

Chippewa County
Montevideo, Minnesota

Exhibit A-1

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 7,498,332	$ 7,498,332	$ 7,620,479	$ 122,147
Special assessments	241,000	241,000	336,265	95,265
Licenses and permits	23,295	23,295	20,961	(2,334)
Intergovernmental	1,228,993	1,228,993	1,822,465	593,472
Charges for services	671,003	671,003	1,060,820	389,817
Fines and forfeits	3,000	3,000	6,891	3,891
Gifts and contributions	-	-	4,453	4,453
Investment earnings	20,000	20,000	177,721	157,721
Miscellaneous	338,106	338,106	469,481	131,375
Total Revenues	**$ 10,023,729**	**$ 10,023,729**	**$ 11,519,536**	**$ 1,495,807**
Expenditures				
Current				
General government				
Commissioners	$ 322,479	$ 322,479	$ 313,325	$ 9,154
Law library	6,500	6,500	5,215	1,285
Auditor/treasurer	694,378	694,378	632,244	62,134
Accounting and auditing	55,000	55,000	52,796	2,204
Information technology	538,281	538,281	421,921	116,360
Central services	206,600	206,600	212,570	(5,970)
Elections	53,648	53,648	64,576	(10,928)
Attorney	338,800	338,800	336,724	2,076
Recorder	410,662	410,662	471,361	(60,699)
Geographic information systems	27,000	27,000	16,016	10,984
County assessor	484,719	484,719	415,242	69,477
Building and plant	748,132	748,132	719,196	28,936
Veterans service officer	187,857	187,857	202,673	(14,816)
Deputy registrar – license bureau	296,734	296,734	276,612	20,122
PACE clean energy	150,000	150,000	73,264	76,736
Other general government	73,500	73,500	172,147	(98,647)
Total general government	**$ 4,594,290**	**$ 4,594,290**	**$ 4,385,882**	**$ 208,408**

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

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,495,395	$ 1,495,395	$ 1,586,414	$ (91,019)
Boat and water safety	1,417	1,417	10,408	(8,991)
Court-ordered assessments	105,000	105,000	115,054	(10,054)
Court security	10,765	10,765	5,462	5,303
D.A.R.E. program	2,000	2,000	442	1,558
Coroner	22,500	22,500	14,810	7,690
Jail	1,323,634	1,323,634	1,267,494	56,140
Victim witness program	72,100	72,100	78,108	(6,008)
Emergency management	169,863	169,863	181,764	(11,901)
Dispatch	195,500	195,500	150,886	44,614
Total public safety	**$ 3,398,174**	**$ 3,398,174**	**$ 3,410,842**	**$ (12,668)**
Sanitation				
Household hazardous waste	$ 3,500	$ 3,500	$ 3,153	$ 347
Recycling	190,500	190,500	220,440	(29,940)
Solid waste	103,700	103,700	303,341	(199,641)
Total sanitation	**$ 297,700**	**$ 297,700**	**$ 526,934**	**$ (229,234)**
Culture and recreation				
Airport	$ 40,000	$ 40,000	$ 14,931	$ 25,069
Historical society	45,000	45,000	45,000	-
Regional library	62,190	62,190	48,426	13,764
Fairgrounds	54,881	54,881	358,947	(304,066)
Parks	46,000	46,000	29,948	16,052
Total culture and recreation	**$ 248,071**	**$ 248,071**	**$ 497,252**	**$ (249,181)**

Chippewa County
Montevideo, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	$ 134,816	$ 134,816	$ 125,489	$ 9,327
Soil and water conservation	82,000	82,000	82,000	-
Ditch inspector	87,915	87,915	81,627	6,288
Weed control	160,455	177,455	137,830	39,625
Water planning	11,600	11,600	106,452	(94,852)
Land resource management	249,829	249,829	580,401	(330,572)
County farm	500	500	3,146	(2,646)
Other	3,000	3,000	840	2,160
Total conservation of natural resources	**$ 730,115**	**$ 747,115**	**$ 1,117,785**	**$ (370,670)**
Economic development				
Community development	$ 17,000	$ 17,000	$ 38,965	$ (21,965)
Prairie Five	9,986	9,986	9,326	660
Other economic development	15,060	15,060	16,070	(1,010)
Total economic development	**$ 42,046**	**$ 42,046**	**$ 64,361**	**$ (22,315)**
Intergovernmental				
Public safety	$ 416,890	$ 416,890	$ 416,712	$ 178
Culture and recreation	219,757	219,757	220,160	(403)
Total intergovernmental	**$ 636,647**	**$ 636,647**	**$ 636,872**	**$ (225)**
Debt service				
Principal	$ -	$ -	$ 119,238	$ (119,238)
Interest	-	-	12,782	(12,782)
Total debt service	**$ -**	**$ -**	**$ 132,020**	**$ (132,020)**
Total Expenditures	**$ 9,947,043**	**$ 9,964,043**	**$ 10,771,948**	**$ (807,905)**
Excess of Revenues Over (Under) Expenditures	**$ 76,686**	**$ 59,686**	**$ 747,588**	**$ 687,902**

Chippewa County
Montevideo, Minnesota

Exhibit A-1
(Continued)

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Loans issued	$ -	$ -	$ 360,059	$ 360,059
Lease issued	-	-	11,713	11,713
Proceeds from sale of capital assets	8,000	8,000	4,530	(3,470)
Insurance recoveries	-	-	469,791	469,791
Total Other Financing Sources (Uses)	**$ 8,000**	**$ 8,000**	**$ 846,093**	**$ 838,093**
Net Change in Fund Balance	**$ 84,686**	**$ 67,686**	**$ 1,593,681**	**$ 1,525,995**
Fund Balance – January 1	**5,041,829**	**5,041,829**	**5,041,829**	**-**
Fund Balance – December 31	**$ 5,126,515**	**$ 5,109,515**	**$ 6,635,510**	**$ 1,525,995**

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

Chippewa County
Montevideo, Minnesota

Exhibit A-2

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,577,416	$ 1,577,416	$ 1,544,901	$ (32,515)
Special assessments	-	-	96	96
Licenses and permits	18,000	18,000	21,325	3,325
Intergovernmental	6,160,595	6,160,595	8,392,303	2,231,708
Charges for services	40,000	40,000	49,975	9,975
Investment earnings	150,000	150,000	(159,421)	(309,421)
Miscellaneous	132,000	132,000	93,112	(38,888)
Total Revenues	**$ 8,078,011**	**$ 8,078,011**	**$ 9,942,291**	**$ 1,864,280**
Expenditures				
Current				
Highways and streets				
Maintenance	$ 2,646,600	$ 2,646,600	$ 2,136,560	$ 510,040
Engineering/construction	7,727,400	7,727,400	6,801,142	926,258
Administration	315,300	315,300	302,830	12,470
Equipment and shop	618,100	618,100	468,142	149,958
Total highways and streets	**$ 11,307,400**	**$ 11,307,400**	**$ 9,708,674**	**$ 1,598,726**
Intergovernmental				
Highways and streets	425,000	425,000	640,757	(215,757)
Debt service				
Principal	-	-	1,566	(1,566)
Total Expenditures	**$ 11,732,400**	**$ 11,732,400**	**$ 10,350,997**	**$ 1,381,403**
Excess of Revenues Over (Under) Expenditures	**$ (3,654,389)**	**$ (3,654,389)**	**$ (408,706)**	**$ 3,245,683**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ -	$ 8,598	$ 8,598
Insurance recoveries	-	-	265,440	265,440
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 274,038**	**$ 274,038**
Net Change in Fund Balance	**$ (3,654,389)**	**$ (3,654,389)**	**$ (134,668)**	**$ 3,519,721**
Fund Balance – January 1	**12,939,774**	**12,939,774**	**12,939,774**	**-**
Increase (decrease) in inventories	**-**	**-**	**31,532**	**31,532**
Fund Balance – December 31	**$ 9,285,385**	**$ 9,285,385**	**$ 12,836,638**	**$ 3,551,253**

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

Chippewa County
Montevideo, Minnesota

Exhibit A-3

Budgetary Comparison Schedule
Family Services Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,911,315	$ 2,911,315	$ 2,851,128	$ (60,187)
Intergovernmental	4,145,752	4,145,752	4,625,502	479,750
Charges for services	296,500	296,500	292,624	(3,876)
Settlements	-	-	90,864	90,864
Miscellaneous	139,700	139,700	153,877	14,177
Total Revenues	**$ 7,493,267**	**$ 7,493,267**	**$ 8,013,995**	**$ 520,728**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,899,302	$ 1,899,302	$ 1,970,643	$ (71,341)
Social services	6,018,293	6,018,293	5,693,700	324,593
Total human services	**$ 7,917,595**	**$ 7,917,595**	**$ 7,664,343**	**$ 253,252**
Intergovernmental				
Health	174,416	174,416	174,416	-
Debt service				
Principal	-	-	5,140	(5,140)
Total Expenditures	**$ 8,092,011**	**$ 8,092,011**	**$ 7,843,899**	**$ 248,112**
Excess of Revenues Over(Under) Expenditures	**$ (598,744)**	**$ (598,744)**	**$ 170,096**	**$ 768,840**
Other Financing Sources (Uses)				
Insurance recoveries	-	-	34,539	34,539
Net Change in Fund Balance	**$ (598,744)**	**$ (598,744)**	**$ 204,635**	**$ 803,379**
Fund Balance – January 1	**3,244,750**	**3,244,750**	**3,244,750**	**-**
Fund Balance – December 31	**$ 2,646,006**	**$ 2,646,006**	**$ 3,449,385**	**$ 803,379**

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

Chippewa County
Montevideo, Minnesota

Exhibit A-4

Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2022

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Special assessments	$ 498,000	$ 498,000	$ 833,367	$ 335,367
Intergovernmental	50,000	50,000	329,953	279,953
Investment earnings	15,500	15,500	25,505	10,005
Total Revenues	**$ 563,500**	**$ 563,500**	**$ 1,188,825**	**$ 625,325**
Expenditures				
Current				
Conservation of natural resources				
Other	563,500	563,500	2,019,608	(1,456,108)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (830,783)**	**$ (830,783)**
Fund Balance – January 1	**2,142,373**	**2,142,373**	**2,142,373**	**-**
Fund Balance – December 31	**$ 2,142,373**	**$ 2,142,373**	**$ 1,311,590**	**$ (830,783)**

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

Chippewa County
Montevideo, Minnesota

Exhibit A-5

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2022

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	$ 67,631	$ 65,661	$ 43,111	$ 41,855	$ 39,088
Interest	18,321	31,985	30,202	23,569	22,401
Differences between expected and actual experience	-	(22,334)	-	71,223	-
Changes of assumption or other inputs	-	50,822	-	(18,805)	-
Benefit payments	(51,935)	(55,334)	(42,693)	(34,423)	(23,462)
Net change in total OPEB liability	**$ 34,017**	**$ 70,800**	**$ 30,620**	**$ 83,419**	**$ 38,027**
Total OPEB Liability – Beginning	**874,253**	**803,453**	**772,833**	**689,414**	**651,387**
Total OPEB Liability – Ending	**$ 908,270**	**$ 874,253**	**$ 803,453**	**$ 772,833**	**$ 689,414**
Covered-employee payroll	$ 6,703,423	$ 6,508,178	$ 6,115,660	$ 5,937,534	$ 5,845,864
Total OPEB liability (asset) as a percentage of covered-employee payroll	13.55%	13.43%	13.14%	13.02%	11.79%

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

Chippewa County
Montevideo, Minnesota

Exhibit A-6

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2022

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
2022	0.0721 %	$ 5,710,344	$ 167,379	$ 5,877,723	$ 5,402,375	105.70 %	76.67 %
2021	0.0751	3,108,886	95,036	3,203,922	5,246,765	59.25	87.00
2020	0.0722	4,328,720	133,435	4,462,155	5,149,249	84.07	79.06
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, 2022

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)
2022	$ 433,692	$ 433,692	$ -	$ 5,782,563	7.50 %
2021	411,047	411,047	-	5,480,615	7.50
2020	385,883	385,883	-	5,145,296	7.50
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, 2022

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
2022	0.0627 %	$ 2,728,456	$ 119,123	$ 2,847,579	$ 761,672	358.22 %	70.53 %
2021	0.0612	452,330	20,324	472,654	720,162	62.81	93.66
2020	0.0623	821,181	19,355	840,536	704,085	116.63	87.19
2019	0.0670	713,283	N/A	713,283	705,369	101.12	89.26
2018	0.0702	748,260	N/A	748,260	740,077	101.11	88.84
2017	0.0750	1,012,589	N/A	1,012,589	773,432	130.92	85.43
2016	0.0760	3,050,012	N/A	3,050,012	732,687	416.28	63.88
2015	0.0750	852,176	N/A	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, 2022

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)
2022	$ 150,224	$ 150,224	$ -	$ 848,725	17.70 %
2021	131,050	131,050	-	740,391	17.70
2020	127,850	127,850	-	722,318	17.70
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.

Exhibit A-10

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

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
2022	0.3319 %	$ 1,103,236	$ 729,200	151.29 %	74.58 %
2021	0.2880	(47,313)	636,791	(7.43)	101.61
2020	0.2672	72,502	581,027	12.48	96.67
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.

Exhibit A-11

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2022

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)
2022	$ 67,039	$ 67,039	$ -	$ 766,155	8.75 %
2021	60,203	60,203	-	688,027	8.75
2020	55,100	55,058	(42)	629,728	8.74
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.

Notes to the Required Supplementary Information
For the Year Ended December 31, 2022

Note 1 – General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and special revenue funds. The appropriated budget is prepared by fund, function, and department. The County's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the 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 the required supplementary information for the General Fund and special revenue funds.

Note 2 – Budget Basis of Accounting

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

Note 3 – Budget Amendments

The following budget amendment was made during the year due to greater than anticipated costs:

	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 9,947,043	$ 17,000	$ 9,964,043

Note 4 – Excess of Expenditures Over Budget

The following individual major special revenue funds had expenditures in excess of budget for the year ended December 31, 2022:

	Expenditures	Final Budget	Excess
General Fund	$ 10,771,948	$ 9,964,043	$ 807,905
Ditch Special Revenue Fund	2,019,608	563,500	1,456,108

Note 5 – Employer Contributions to Other Postemployment Benefits

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

There were no changes in actuarial assumptions for 2022.

The following changes in actuarial assumptions occurred in 2021:

- 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 (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employee to rates which vary by service and contract group.
- The retirement and withdrawal tables for non-public safety employees were updated.
- The inflation rate changed from 2.50 percent to 2.00 percent.
- The discount rate changed from 3.80 percent to 2.00 percent.

There were no changes in actuarial assumptions for 2020.

The following change 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.

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.

Note 6 – 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

2022

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

2021

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

2020

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

100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019

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

2018

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

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to

$21 million in calendar years 2017 and 2018 and returns to $31 million through calendar year 2031. The state's required contribution is $16 million in PERA's fiscal years 2018 and 2019 and returns to $6 million annually through calendar year 2031.

2016

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

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

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

Public Employees Police and Fire Plan

2022

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

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

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The inflation assumption was changed from 2.50 percent to 2.25 percent.

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

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

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

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

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

2020

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

2019

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

2018

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

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

- An end date of July 1, 2048, was added to the existing $9.0 million state contribution. Additionally, annual state aid will equal $4.5 million in fiscal years 2019 and 2020, and $9.0 million thereafter, until the plan reaches 100 percent funding, or July 1, 2048, if earlier.

- Member contributions were changed effective January 1, 2019, and January 1, 2020, from 10.80 percent to 11.30 and 11.80 percent of pay, respectively. Employer contributions were changed effective January 1, 2019, and January 1, 2020, from 16.20 percent to 16.95 and 17.70 percent of pay, respectively. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.

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

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

2017

- The assumed salary increases were changed as recommended in the June 30, 2016, experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- The assumed rates of retirement were changed, resulting in fewer retirements.

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA load has been changed to 33 percent for vested members and 2.00 percent for non-vested members.

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

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

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

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

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

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

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

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

2022

- The single discount rate changed from 6.50 percent to 5.42 percent.

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

- The benefit increase assumption was changed from 2.00 percent per annum to 2.00 percent per annum through December 31, 2054, and 1.50 percent per annum thereafter.

2021

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent.

- The inflation assumption was changed from 2.50 percent to 2.25 percent.

- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

- The base mortality table for disabled annuitants was changed from the RP-2014 Healthy Annuitant Mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety Disabled Annuitant Mortality table (with future mortality improvement according to Scale MP-2020).

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.

- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.

- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).

- Assumed rates of disability were lowered.

- Assumed percent married for active members was lowered from 85 percent to 75 percent.

- Minor changes to form of payment assumptions were applied.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.

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

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

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

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

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

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

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

2017

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

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

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

2016

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

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

Supplementary Information

Chippewa County
Montevideo, Minnesota

Fiduciary Funds

Other Custodial 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.

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.

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

Chippewa County
Montevideo, Minnesota

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Other Custodial Funds
December 31, 2022

	Region 6W Community Corrections	State Revenue
Assets		
Cash and pooled investments	$ 457,156	$ 92,682
Investments	304,925	-
Taxes and special assessments receivable for other governments	-	-
Accounts receivable	-	23,494
Total Assets	**$ 762,081**	**$ 116,176**
Liabilities		
Due to others	$ -	$ -
Due to other governments	-	116,176
Total Liabilities	**$ -**	**$ 116,176**
Net Position		
Restricted for individuals, organizations, and other governments	**$ 762,081**	**$ -**

Exhibit B-1

Other Custodial Funds					
Taxes and Penalties	CARE Collaborative	CCM Health	Jail Canteen	Total Other Custodial Funds
$ 390,056	$ 238,923	$ 5,704,046	$ 4,585	$ 6,887,448
-	-	-	-	304,925
261,305	-	-	-	261,305
-	-	-	-	23,494
$ 651,361	**$ 238,923**	**$ 5,704,046**	**$ 4,585**	**$ 7,477,172**
$ -	$ 2,222	$ -	$ -	$ 2,222
390,056	-	-	-	506,232
$ 390,056	**$ 2,222**	**$ -**	**$ -**	**$ 508,454**
$ 261,305	**$ 236,701**	**$ 5,704,046**	**$ 4,585**	**$ 6,968,718**

Chippewa County
Montevideo, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Other Custodial Funds
For the Year Ended December 31, 2022

	Region 6W Community Corrections	State Revenue
Additions		
Interest earnings	$ 11,676	$ -
Property tax collections for other governments	-	-
Fees collected for state	-	586,627
Payments from state	747,290	-
Refunds collected for other entities	-	-
Payments from other entities	1,399,038	-
Total Additions	**$ 2,158,004**	**$ 586,627**
Deductions		
Beneficiary payments to individuals	$ 1,802,428	$ -
Payments of property tax to other governments	-	-
Payments to state	-	586,627
Administrative expense	-	-
Payments to other entities	311,504	-
Total Deductions	**$ 2,113,932**	**$ 586,627**
Change in Net Position	**$ 44,072**	**$ -**
Net Position – January 1	**718,009**	**-**
Net Position – December 31	**$ 762,081**	**$ -**

Other Custodial Funds					
Taxes and Penalties	CARE Collaborative	CCM Health	Jail Canteen	Total Other Custodial Funds
$ -	$ -	$ -	$ -	$ 11,676
13,566,117	-	-	-	13,566,117
1,130,397	-	-	-	1,717,024
-	49,474	-	-	796,764
48,450	-	-	-	48,450
-	17,636	67,876,769	42,298	69,335,741
$ 14,744,964	**$ 67,110**	**$ 67,876,769**	**$ 42,298**	**$ 85,475,772**
$ -	$ -	$ -	$ 15,624	$ 1,818,052
13,617,639	-	-	-	13,617,639
1,130,551	-	-	-	1,717,178
-	4,500	-	-	4,500
48,450	60,323	66,812,534	25,199	67,258,010
$ 14,796,640	**$ 64,823**	**$ 66,812,534**	**$ 40,823**	**$ 84,415,379**
$ (51,676)	**$ 2,287**	**$ 1,064,235**	**$ 1,475**	**$ 1,060,393**
312,981	**234,414**	**4,639,811**	**3,110**	**5,908,325**
$ 261,305	**$ 236,701**	**$ 5,704,046**	**$ 4,585**	**$ 6,968,718**

Other Schedules

Chippewa County
Montevideo, Minnesota

Exhibit C-1

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022

Appropriations and Shared Revenue		
State		
Highway users tax	$	6,719,502
County program aid		635,188
PERA rate reimbursement		22,822
Disparity reduction aid		66,776
Police aid		98,495
Enhanced 911		168,890
Market value credit		203,497
Select Committee on Recycling and the Environment (SCORE)		72,440
Aquatic invasive species aid		33,786
Riparian protection aid		109,673
Out of home placement aid		410
Total appropriations and shared revenue	**$**	**8,131,479**
Reimbursement for Services		
Minnesota Department of Human Services	$	879,967
Local		426,359
Total reimbursement for services	**$**	**1,306,326**
Payments		
Local		
Payments in lieu of taxes	**$**	**151,152**
Grants		
State		
Minnesota Department/Board/Office of		
Human Services	$	871,883
Natural Resources		65,421
Public Safety		30,000
Transportation		1,535,142
Water and Soil Resources		91,591
Veterans Affairs		7,500
Supreme Court		24,000
Secretary of State		3,574
Total state	**$**	**2,629,111**

Chippewa County
Montevideo, Minnesota

Exhibit C-1
(Continued)

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2022

Grants (Continued)	
Federal	
Department of	
Agriculture	$ 244,914
Election Assistance Commission	22,753
Health and Human Services	2,441,415
Homeland Security	37,789
Justice	88,858
Treasury	100,000
Transportation	16,426
Total federal	**$ 2,952,155**
Total state and federal grants	**$ 5,581,266**
Total Intergovernmental Revenue	**$ 15,170,223**

Chippewa County
Montevideo, Minnesota

Exhibit C-2

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing 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	222MN101S2514	$ 221,416
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN127Q7503	23,034
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	222MN101S2520	464
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $244,914)			
Total U.S. Department of Agriculture			**$ 244,914**
U.S. Department of Justice			
Direct			
Bulletproof Vest Partnership Program	16.607		$ 558
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVS-2022-CHIPPWAO	88,300
Total U.S. Department of Justice			**$ 88,858**
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	F-ENFRC22-2022-CHIPPWSD	$ 8,946
National Priority Safety Programs	20.616	F-ENFRC22-2022-CHIPPWSD	4,763
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC22-2022-CHIPPWSD	2,717
Total U.S. Department of Transportation			**$ 16,426**
U.S. Department of the Treasury			
Direct			
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds	21.027		**$ 100,000**
U.S. Department of Election Assistance Commission			
Passed Through Minnesota Secretary of State			
HAVA Election Security Grants	90.404	None Provided	**$ 22,753**

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

Chippewa County
Montevideo, Minnesota

Exhibit C-2
(Continued)

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	2101MNFPSS	$ 1,204
Temporary Assistance for Needy Families	93.558	2201MNTANF	915,214
Child Support Enforcement	93.563	2201MNCEST	252,694
Child Support Enforcement	93.563	2201MNCSES	73,891
(Total Child Support Enforcement 93.563 $326,585)			
Refugee and Entrant Assistance – State Administered Programs	93.566	2201MNRCMA	375
CCDF Cluster			
Child Care and Development Block Grant	93.575	2201MNCCDF	1,977
Community-Based Child Abuse Prevention Grants	93.590	2102MNBCAP	1,345
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2101MNCWSS	1,096
Foster Care – Title IV-E	93.658	2201MNFOST	170,622
Social Services Block Grant	93.667	2201MNSOSR	110,541
Child Abuse and Neglect State Grants	93.669	2101MNNCAN	1,512
Children's Health Insurance Program	93.767	2205MN5021	1,240
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	635,872
Medical Assistance Program	93.778	2205MN5MAP	5,225
(Total Medical Assistance Program 93.778 $641,097)			
Total U.S. Department of Health and Human Services			**$ 2,172,808**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4442DRMNP00000001	$ 2,387
Emergency Management Performance Grants	97.042	F-EMPG-2020-CHIPPWCO-3644	17,754
Emergency Management Performance Grants	97.042	F-EMPG-2021-CHIPPWCO-3794	17,648
(Total Emergency Management Performance Grants Program 97.042 $35,402)			
Total U.S. Department of Homeland Security			**$ 37,789**
Total Federal Awards			**$ 2,683,548**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2022.

Totals by Cluster

Total expenditures for SNAP Cluster	$ 244,914
Total expenditures for Highway Safety Cluster	13,709
Total expenditures for CCDF Cluster	1,977
Total expenditures for Medicaid Cluster	641,097

Chippewa County
Montevideo, Minnesota

Notes to the Schedule of Expenditure of Federal Awards
As of and for the Year Ended December 31, 2022

Note 1 – Summary of Significant Accounting Policies

Report 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.

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, 2022. 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, changes in net position, or cash flows 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.

Note 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.

Notes 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$	2,952,155
Unavailable revenue in 2021, recognized as revenue in 2022		
Temporary Assistance for Needy Families (ALN 93.558)		(267,075)
Child Abuse and Neglect State Grants (ALN 93.669)		(901)
Children's Health Insurance Program (AL No. 93.767)		(631)
Expenditures per Schedule of Expenditures of Federal Awards	$	2,683,548

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 22, 2023.

Report on 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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as items 2022-001 and 2022-002 that we consider to be significant deficiencies.

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Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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

Chippewa County's Response to Findings

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

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/Chad Struss

Chad Struss, CPA
Deputy State Auditor

August 22, 2023

STATE OF MINNESOTA

Office of the State Auditor

Julie Blaha
State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

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

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Chippewa County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on Chippewa County's major federal program for the year ended December 31, 2022. Chippewa County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Chippewa County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2022.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

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Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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/Chad Struss

Chad Struss, CPA
Deputy State Auditor

August 22, 2023

Chippewa County
Montevideo, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2022

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: **Unmodified**

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over the major federal program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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)? **No**

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
93.558	Temporary Assistance for Needy Families

The threshold used to distinguish between Type A and B programs was $750,000.

Chippewa County qualified as a low-risk auditee? **Yes**

Section II – Financial Statement Findings

2022-001 **<u>Credit Card Purchases</u>**
Prior Year Finding Number: 2021-001
Repeat Finding Since: 2020
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: Counties have the authority to make purchases using credit cards, and the County has adopted a credit card policy, including management and internal control procedures. As part of the internal control procedures, the appropriate supervisors review supporting documentation and sign off on the payment as reviewed before it can be considered for payment. Additionally, internal control procedures over the use of credit cards requires claims and original invoices be submitted to the Auditor/Treasurer's Office. If a County officer or employee makes a purchase by credit card that is not approved by the County Board, the officer or employee is personally liable for the amount of the purchase.

Condition: The following internal control deficiencies were noted during the testing of credit card use by the County:

- There were two instances where receipts on file were not itemized and two instances where the receipt provided is not legible. Without the proper receipts and supporting documentation, it is not possible to determine if the purchases were in accordance with the County's credit card policy.

- Both credit card claims tested had portions of the invoice that were not reviewed until up to five months after the credit card claim had been paid.

Context: Without proper review and approval of credit card purchases, errors or irregularities may not be detected in a timely manner.

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

Cause: The County indicated that a procedure to follow up on missing items from staff to support credit card purchases was in the process of being implemented. Due to staffing constraints, this process has not yet been completed.

Recommendation: We recommend the County follow the Board-approved credit card policy and ensure that employees are submitting the proper documentation to the Auditor/Treasurer's Office. Additionally, we recommend all supporting credit card invoices be reviewed before they are paid.

View of Responsible Official: Acknowledge

2022-002 **Journal Entry Approval**
Prior Year Finding Number: N/A
Repeat Finding Since: N/A
Type of Finding: Internal Control Over Financial Reporting
Severity of Deficiency: Significant Deficiency

Criteria: The County's accounting policies and procedures manual requires a summary report of the journal entries processed by the Senior Deputy Auditor/Treasurer be reviewed and approved by the County Auditor/Treasurer/Coordinator.

Condition: Seven of the 16 journal entries tested did not include indication of review.

Context: There were several staffing changes during 2022, which affected the availability of staff to perform certain accounting functions.

Effect: Without proper review and approval of journal entries, there is an increased risk that errors or irregularities may not be detected in a timely manner.

Cause: Due to staffing changes, the Auditor/Treasurer/Coordinator was processing journal entries.

Recommendation: We recommend the County review and approve journal entries in accordance with the accounting policies and procedures manual.

View of Responsible Official: Acknowledge

Chippewa
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AUDITOR/TREASURER

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Montevideo, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2022

Finding Number: 2022-001
Finding Title: Credit Card Purchases

Name of Contact Person Responsible for Corrective Action:
Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:
Chippewa County will review its policies to ensure they comply with State Auditor recommendations and will update as necessary. The Auditor/Treasurer/Coordinator will train and remind all employees to comply with policies. The Auditor/Treasurer's Office will reject all credit card payments that do not have sufficient documentation. The County will identify and consider a more robust reporting and approval process for credit card purchases.

Anticipated Completion Date:
December 31, 2023

Finding Number: 2022-002
Finding Title: Journal Entry Approval

Name of Contact Person Responsible for Corrective Action:
Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:
Chippewa County will review its policies to ensure they comply with State Auditor recommendations and will update as necessary. All journal entries will be reviewed by someone other than the preparer and documented as such.

Anticipated Completion Date:
December 31, 2023

Chippewa County Minnesota
AUDITOR/TREASURER

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Montevideo, Minnesota

Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2022

Finding Number: 2021-001
Year of Finding Origination: 2020
Finding Title: Credit Card Purchases

Summary of Condition: The following internal control deficiencies were noted during the testing of credit card use by the County:

- There were six instances where no receipt was provided to support the claims paid, two instances where receipts on file were not itemized, and four instances where the receipt provided is not readable. Without the proper receipts and supporting documentation, it is not possible to determine if the purchases were in accordance with the County's credit card policy.

- There were three instances where tips were paid but there was no declaration or information from the individual who made the charge to support or indicate it was a tip paid.

- There was one instance where a portion of a credit card claim had no evidence of approval or review by County staff.

Summary of Corrective Action Previously Reported: Chippewa County will review its policies to ensure they comply with State Auditor recommendations and will update as necessary. The Auditor/Treasurer/Coordinator will train and remind all employees to comply with policies. The Auditor/Treasurer's Office will reject all credit card payments that do not have sufficient documentation. The County will identify and consider a more robust reporting and approval process for credit card purchases.

Status: Not Corrected. Staffing turnover in the Auditor/Treasurer's Office contributed to the recurrence of this finding. The Auditor/Treasurer's Office will continue to train and enforce policies in compliance with the credit card policy.

Corrective action taken was not significantly different than the action previously reported.

Finding Number: 2021-002
Year of Finding Origination: 2021
Finding Title: Eligibility
Program: Medical Assistance Program (Assistance Listing #93.778)

Summary of Condition: Minnesota DHS maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are performed to monitor compliance with grant requirements for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 case files tested:

- One case file did not include a bank statement to support assets.

- One case file did not include the birth certificate to support citizenship.

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 as well as other MAXIS panels relating to eligibility when received in county. A form has been developed to aid in the case review process which can help the worker find the deficiencies and update cases appropriately. Supervisor will review MAXIS information and relay this to the worker on the designated form. The worker will then confirm the verifications are on file and if they are not, will request them from the client. The worker is given 10 days to complete this audit. The Supervisor will review and maintain records upon worker completion. This process is currently in place and has been since March of 2021.

Status: Fully Corrected. Corrective action was taken.

Corrective action taken was not significantly different than the action previously reported.