

State of Minnesota



Office of the State Auditor

Julie Blaha
State Auditor

Chippewa County Montevideo, Minnesota

Year Ended December 31, 2023

Chippewa County Montevideo, Minnesota

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Chippewa County Montevideo, Minnesota

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Introductory Section

Chippewa County Montevideo, Minnesota

Organization 2023

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
Sheriff	Derek Olson	January 2027
Appointed		
Assessor	Bonnie Crosby	Indefinite
Auditor/Treasurer/Coordinator	Michelle May	Indefinite
Coroner	Dr. A. Quinn Strobel and Anoka County	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 2023

Financial Section



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, 2023, 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, 2023, 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.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee

that an audit conducted in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- exercise professional judgment and maintain professional skepticism throughout the audit;
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, no such opinion is expressed;
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements; and
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis; budgetary comparison schedules for the General Fund, 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 Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa County's basic financial statements. The combining fiduciary fund financial statements, 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 October 4, 2024, on our consideration of Chippewa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chippewa County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

October 4, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Management's Discussion and Analysis

Chippewa County Montevideo, Minnesota

Management's Discussion and Analysis December 31, 2023 (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, 2023. 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, 2023) by \$90,647,970 (net position). Of this amount, \$16,310,448 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- Chippewa County's total net position increased by \$4,360,638. The increase is primarily due to a decrease in road and bridge expenses resulting from fewer highway projects in the current year and an increase in investment earnings due more favorable interest rates.
- As of the close of the 2023 fiscal year, Chippewa County's governmental funds' ending fund balances were \$26,721,244, compared to \$24,233,123 in 2022. Approximately 20 percent of the amount, \$5,237,168, 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 64 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 \$90,647,970 on December 31, 2023.

The largest portion of net position (72.7 percent) reflects the County's net investment in capital assets (for example: land; buildings; machinery and equipment; infrastructure; improvements to land; and construction in progress, net of accumulated depreciation and amortization). 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, 9.3 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$16,310,448 may be used to meet the government's ongoing obligations to citizens and creditors. Comparative data with 2022 is presented.

	Net Position	
	2023	2022
Assets		
Current and other assets	\$ 38,563,171	\$ 35,108,757
Capital assets	66,230,436	64,575,694
Total Assets	\$ 104,793,607	\$ 99,684,451
Deferred Outflows of Resources		
Deferred OPEB outflows	\$ 95,653	\$ 129,734
Deferred pension outflows	3,923,924	4,444,724
Total Deferred Outflows of Resources	\$ 4,019,577	\$ 4,574,458
Liabilities		
Other liabilities	\$ 5,227,619	\$ 5,149,853
Long-term liabilities	8,660,452	12,510,199
Total Liabilities	\$ 13,888,071	\$ 17,660,052
Deferred Inflows of Resources		
Deferred OPEB inflows	\$ 229,669	\$ 26,151
Deferred pension inflows	4,047,474	243,837
Deferred lease inflows	-	41,537
Total Deferred Inflows of Resources	\$ 4,277,143	\$ 311,525
Net Position		
Net investment in capital assets	\$ 65,922,060	\$ 64,226,471
Restricted	8,415,462	8,574,487
Unrestricted	16,310,448	13,486,374
Total Net Position	\$ 90,647,970	\$ 86,287,332

Unrestricted net position at December 31, 2023—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 18.0 percent of the net position.

Governmental Activities

The County’s activities increased net position by 5.1 percent to \$90,647,970 for 2023, compared to \$86,287,332 for 2022. Key elements in this increase in net position are as follows for 2023, with comparative data for 2022.

Changes in Net Position

	2023	2022
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 5,561,006	\$ 3,281,171
Operating grants and contributions	11,025,591	10,518,147
Capital grants and contributions	403,460	1,574,266
General revenues		
Property taxes	12,506,562	11,954,064
Other	3,395,986	1,383,631
Total Revenues	<u>\$ 32,892,605</u>	<u>\$ 28,711,279</u>
Expenses		
General government	\$ 5,077,655	\$ 4,477,283
Public safety	5,944,398	4,230,588
Highways and streets	7,091,829	5,181,148
Sanitation	379,574	528,782
Human services	7,473,599	7,643,461
Health	281,017	174,416
Culture and recreation	415,784	523,241
Conservation of natural resources	1,476,705	3,064,444
Economic development	62,175	64,361
Interest	10,784	12,782
Total Expenses	<u>\$ 28,213,520</u>	<u>\$ 25,900,506</u>
Special Item		
PrimeWest Health Buy In	<u>\$ (318,447)</u>	<u>\$ -</u>
Change in Net Position	\$ 4,360,638	\$ 2,810,773
Net Position – January 1	<u>86,287,332</u>	<u>83,476,559</u>
Net Position – December 31	<u><u>\$ 90,647,970</u></u>	<u><u>\$ 86,287,332</u></u>

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 \$26,721,244, an increase of \$2,488,121, or 10.3 percent, in comparison with the prior year. Of the combined ending fund balances, \$20,995,192 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, \$5,726,052, 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 2023, it had an unrestricted fund balance of \$6,577,127. 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 54.2 percent of total General Fund expenditures. During 2023, the ending fund balance

increased by \$1,676,635. The contributing factor to this increase is additional investment earnings and charges for services.

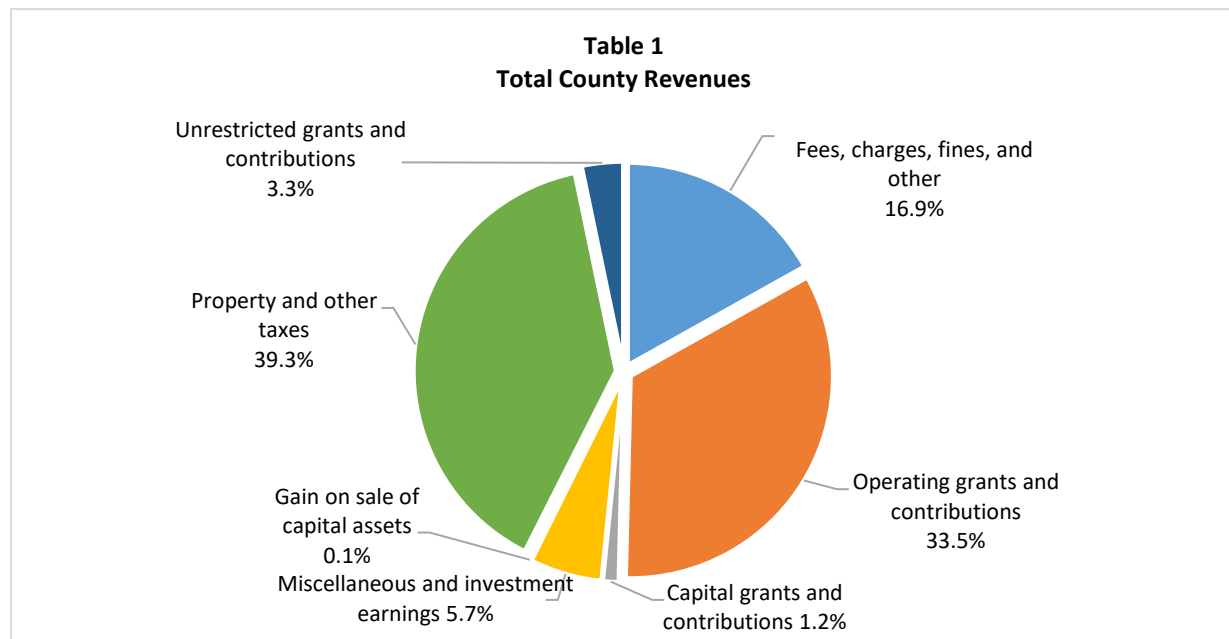
The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$12,822,645 at the end of 2023, representing 140.6 percent of its annual expenditures. The ending fund balance increased by \$308,843 during 2023, primarily due to a reduction of road and bridge construction expenditures.

The Family Services Special Revenue Fund had an unrestricted fund balance of \$2,822,745 at the end of 2023, representing 34.0 percent of its annual expenditures. The ending fund balance decreased by \$520,064 during 2023. The ending fund balance decrease is due largely to the increase in expenses related to out-of-home placement.

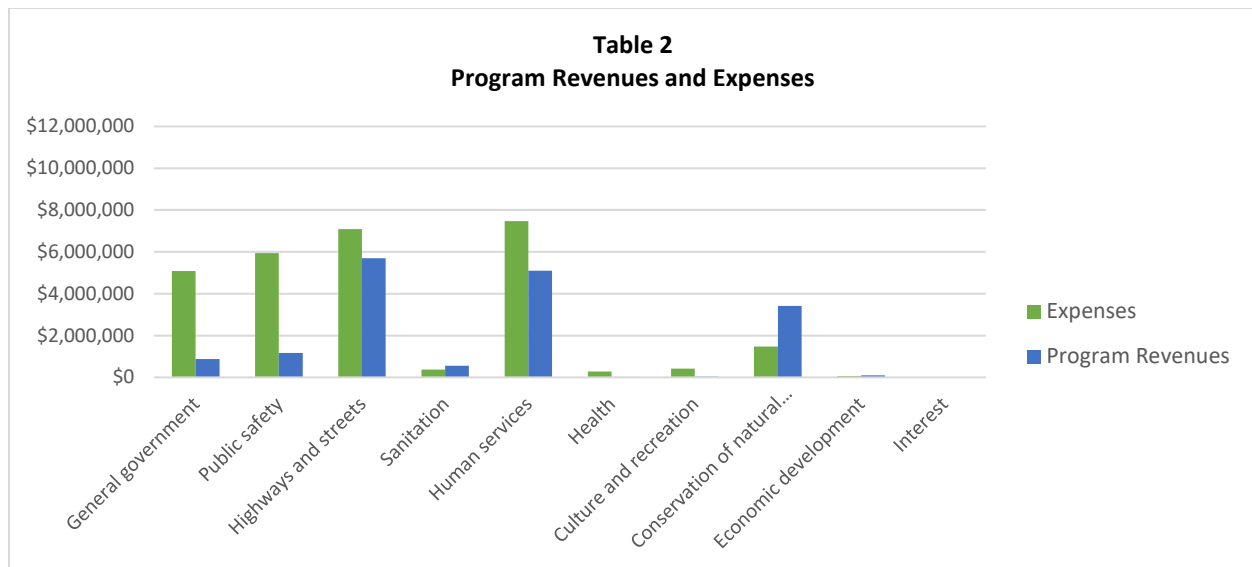
The Ditch Revenue Special Revenue Fund has a fund balance of \$2,334,297 at the end of 2023. The ending fund balance increased by \$1,022,707 during 2023; the increase is due to reduced drainage repair and maintenance expenses.

Governmental Activities

The County's total revenues were \$32,892,605. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2023.



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 2023 was \$28,213,520. 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 \$11,223,463, because some of the cost was paid by those who directly benefited from the programs, \$5,561,006, or by other governments and organizations that subsidized certain programs with grants and contributions, \$11,429,051. The County paid for the remaining “public benefit” portion of governmental activities with \$15,902,548 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. In 2023, there was also a special item for the County’s buy in to PrimeWest Health for \$318,447.

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

	2023	
	Total Cost of Services	Net (Cost) Revenue of Services
General government	\$ 5,077,655	\$ (4,193,888)
Public safety	5,944,398	(4,769,049)
Highways and streets	7,091,829	(1,390,491)
Sanitation	379,574	181,049
Human services	7,473,599	(2,368,951)
Health	281,017	(258,465)
Culture and recreation	415,784	(375,463)
Conservation of natural resources	1,476,705	1,933,020
Economic development	62,175	29,559
Interest	10,784	(10,784)
Totals	\$ 28,213,520	\$ (11,223,463)

General Fund Budgetary Highlights

Over the course of the year, the County Board increased the General Fund expenditure budget by \$10,000.

The actual charges to appropriations (expenditures) were \$830,269 more than final budget amounts. These additional expenditures are primarily attributed to administering AgBMP septic and well loans requested by County residents, repairing County buildings due to prior year hail damage, and increased costs of contracted services.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets for its governmental activities at December 31, 2023, totaled \$66,230,436 (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 \$1,654,742, or 2.6 percent, from the previous year.

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

	2023	2022
Land and right-of-way	\$ 2,235,105	\$ 2,235,105
Infrastructure	57,846,973	51,946,767
Buildings	3,053,244	3,188,929
Improvements other than buildings	60,699	64,433
Machinery and equipment	2,473,928	2,769,095
Construction in progress	447,807	4,320,497
Leased equipment	112,680	50,868
Total	<u>\$ 66,230,436</u>	<u>\$ 64,575,694</u>

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 2024 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2023 was 2.5 percent. This compares with the state unemployment rate of 2.7 percent and national unemployment rate of 3.7 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, 2023**

Assets

Cash and pooled investments	\$ 17,572,878
Investments	13,997,944
Receivables – net	6,650,980
Inventories	254,838
Prepaid items	86,531
Capital assets	
Non-depreciable	2,682,912
Depreciable – net of accumulated depreciation and amortization	<u>63,547,524</u>

Total Assets	<u>\$ 104,793,607</u>
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Deferred Outflows of Resources

Deferred other postemployment benefits outflows	\$ 95,653
Deferred pension outflows	<u>3,923,924</u>

Total Deferred Outflows of Resources	<u>\$ 4,019,577</u>
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Liabilities

Accounts payable and other current liabilities	\$ 1,551,578
Unearned revenue	3,371,909
Advance from other governments	304,132
Long-term liabilities	
Due within one year	253,096
Due in more than one year	1,957,858
Other postemployment benefits liability	682,663
Net pension liability	<u>5,766,835</u>

Total Liabilities	<u>\$ 13,888,071</u>
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Deferred Inflows of Resources

Deferred other postemployment benefits inflows	\$ 229,669
Deferred pension inflows	<u>4,047,474</u>

Total Deferred Inflows of Resources	<u>\$ 4,277,143</u>
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Net Position

Net investment in capital assets	\$ 65,922,060
Restricted for	
General government	356,603
Public safety	357,030
Highways and streets	939,783
Human services	106,576
Conservation of natural resources	6,655,470
Unrestricted	<u>16,310,448</u>

Total Net Position	<u>\$ 90,647,970</u>
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**Chippewa County
Montevideo, Minnesota**

Exhibit 2

**Statement of Activities
For the Year Ended December 31, 2023**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses					
Functions/Programs					
Governmental activities					
General government	\$ 5,077,655	\$ 606,310	\$ 277,457	\$ -	\$ (4,193,888)
Public safety	5,944,398	492,984	682,365	-	(4,769,049)
Highways and streets	7,091,829	296,688	5,001,190	403,460	(1,390,491)
Sanitation	379,574	488,183	72,440	-	181,049
Human services	7,473,599	506,940	4,597,708	-	(2,368,951)
Health	281,017	-	22,552	-	(258,465)
Culture and recreation	415,784	21,323	18,998	-	(375,463)
Conservation of natural resources	1,476,705	3,148,578	261,147	-	1,933,020
Economic development	62,175	-	91,734	-	29,559
Interest	10,784	-	-	-	(10,784)
Total Governmental Activities	\$ 28,213,520	\$ 5,561,006	\$ 11,025,591	\$ 403,460	\$ (11,223,463)
General Revenues					
Property taxes				\$ 12,506,562	
Mortgage registry and deed tax				10,268	
Payments in lieu of tax				159,468	
Solar and wind production tax				160,081	
Powerline tax				92,890	
Grants and contributions not restricted to specific programs				1,077,931	
Miscellaneous				106,170	
Unrestricted investment earnings				1,782,222	
Gain on sale of capital assets				6,956	
Special Item (Note 3)					
PrimeWest Health buy-in					(318,447)
Total general revenues				\$ 15,584,101	
Change in net position				\$ 4,360,638	
Net Position – Beginning				86,287,332	
Net Position – Ending				\$ 90,647,970	

Fund Financial Statements

Governmental Funds

**Chippewa County
Montevideo, Minnesota**

Exhibit 3

**Balance Sheet
Governmental Funds
December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 10,620,129	\$ 74,275	\$ 3,291,416	\$ 2,316,919	\$ 16,302,739
Petty cash and change funds	1,950	-	100	-	2,050
Investments	500,209	12,497,735	-	1,000,000	13,997,944
Taxes receivable					
Delinquent	79,264	16,506	30,233	-	126,003
Special assessments receivable					
Delinquent	18,191	-	-	2,794	20,985
Noncurrent	953,975	-	-	2,128,838	3,082,813
Accounts receivable – net	35,412	4,051	28,113	-	67,576
Accrued interest receivable	69,047	100,083	-	12,761	181,891
Due from other governments	198,966	1,746,899	757,428	20,771	2,724,064
Inventories	1,473	253,365	-	-	254,838
Prepaid items	83,917	2,614	-	-	86,531
Loans receivable	236,825	210,718	-	-	447,543
Total Assets	<u>\$ 12,799,358</u>	<u>\$ 14,906,246</u>	<u>\$ 4,107,290</u>	<u>\$ 5,482,083</u>	<u>\$ 37,294,977</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 317,283	\$ 47,398	\$ 226,158	\$ 11,406	\$ 602,245
Salaries payable	193,248	44,558	126,271	2,816	366,893
Contracts payable	186,098	131,677	-	44,058	361,833
Due to other governments	669	320	9,275	43,280	53,544
Unearned revenue	2,404,847	-	86,000	881,062	3,371,909
Advance from other governments	-	-	304,132	-	304,132
Total Liabilities	<u>\$ 3,102,145</u>	<u>\$ 223,953</u>	<u>\$ 751,836</u>	<u>\$ 982,622</u>	<u>\$ 5,060,556</u>
Deferred Inflows of Resources					
Unavailable revenue	<u>\$ 1,385,068</u>	<u>\$ 1,536,812</u>	<u>\$ 426,133</u>	<u>\$ 2,165,164</u>	<u>\$ 5,513,177</u>

**Chippewa County
Montevideo, Minnesota**

**Exhibit 3
(Continued)**

**Balance Sheet
Governmental Funds
December 31, 2023**

	General	Road and Bridge	Family Services	Ditch	Total
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	\$ 83,917	\$ 2,614	\$ -	\$ -	\$ 86,531
Inventories	1,473	253,365	-	-	254,838
Missing heirs	7,262	-	-	-	7,262
Unclaimed property	49	-	-	-	49
Restricted for					
Law library	50,931	-	-	-	50,931
Enhanced 911	206,335	-	-	-	206,335
Sheriff's contingency	5,922	-	-	-	5,922
Permit to carry	140,479	-	-	-	140,479
Recorder's technology fund	122,210	-	-	-	122,210
Recorder's compliance fund	181,140	-	-	-	181,140
Law enforcement – drug task force	4,294	-	-	-	4,294
Attorney forfeiture	2,322	-	-	-	2,322
Highway allotments	-	66,857	-	-	66,857
Septic/sewer loans	204,292	-	-	-	204,292
Buffer administration	499,590	-	-	-	499,590
Ditch maintenance and repairs	-	-	-	3,561,622	3,561,622
Aquatic invasive species aid	224,802	-	-	-	224,802
Medical assistance eligibility renewal	-	-	99,760	-	99,760
Opioid remediation	-	-	6,816	-	6,816
Assigned for					
Vehicle purchases	112,634	-	-	-	112,634
Road and bridge	-	10,631,447	-	-	10,631,447
Capital equipment	-	1,560,964	-	-	1,560,964
Human services	-	-	954,683	-	954,683
Future building	-	-	1,043,062	-	1,043,062
Land and building capital outlay	-	630,234	-	-	630,234
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	6,464,493	-	-	(1,227,325)	5,237,168
Total Fund Balances	\$ 8,312,145	\$ 13,145,481	\$ 2,929,321	\$ 2,334,297	\$ 26,721,244
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,799,358	\$ 14,906,246	\$ 4,107,290	\$ 5,482,083	\$ 37,294,977

**Chippewa County
Montevideo, Minnesota**

Exhibit 4

**Reconciliation of Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position—Governmental Activities
December 31, 2023**

Fund balance – total governmental funds (Exhibit 3)	\$ 26,721,244
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.	66,230,436
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.	95,653
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.	3,923,924
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.	1,101,131
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds.	5,513,177
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	\$ (1,189,081)
Leases payable	(182,034)
Compensated absences	(839,839)
Other postemployment benefits liability	(682,663)
Net pension liability	<u>(5,766,835)</u>
	(8,660,452)
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.	(229,669)
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.	<u>(4,047,474)</u>
Net Position of Governmental Activities (Exhibit 1)	<u>\$ 90,647,970</u>

**Chippewa County
Montevideo, Minnesota**

Exhibit 5

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Revenues					
Taxes	\$ 8,157,404	\$ 1,623,380	\$ 2,971,354	\$ -	\$ 12,752,138
Special assessments	537,867	332	-	994,602	1,532,801
Licenses and permits	30,175	19,300	-	-	49,475
Intergovernmental	2,098,654	6,838,728	4,523,665	583,629	14,044,676
Charges for services	1,194,294	75,549	391,103	-	1,660,946
Fines and forfeits	3,461	-	-	-	3,461
Gifts and contributions	9,762	-	-	-	9,762
Investment earnings	1,001,700	639,917	-	41,448	1,683,065
Settlements	-	-	22,552	-	22,552
Miscellaneous	355,958	87,260	128,324	12,514	584,056
Total Revenues	\$ 13,389,275	\$ 9,284,466	\$ 8,036,998	\$ 1,632,193	\$ 32,342,932
Expenditures					
Current					
General government	\$ 5,322,829	\$ -	\$ -	\$ -	\$ 5,322,829
Public safety	4,283,588	-	-	-	4,283,588
Highways and streets	-	8,657,148	-	-	8,657,148
Sanitation	377,726	-	-	-	377,726
Human services	-	-	8,008,983	-	8,008,983
Culture and recreation	197,744	-	-	-	197,744
Conservation of natural resources	928,655	-	-	609,486	1,538,141
Economic development	62,175	-	-	-	62,175
Intergovernmental					
Public safety	440,350	-	-	-	440,350
Highways and streets	-	462,465	-	-	462,465
Health	-	-	281,017	-	281,017
Culture and recreation	224,698	-	-	-	224,698
Debt service					
Principal	295,137	1,624	6,238	-	302,999
Interest	10,784	-	-	-	10,784
Total Expenditures	\$ 12,143,686	\$ 9,121,237	\$ 8,296,238	\$ 609,486	\$ 30,170,647
Excess of Revenues Over (Under)					
Expenditures	\$ 1,245,589	\$ 163,229	\$ (259,240)	\$ 1,022,707	\$ 2,172,285

**Chippewa County
Montevideo, Minnesota**

Exhibit 5
(Continued)

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2023**

	General	Road and Bridge	Family Services	Ditch	Total
Other Financing Sources (Uses)					
Loans issued	\$ 296,893	\$ -	\$ -	\$ -	\$ 296,893
Leases issued	113,053	10,015	57,623	-	180,691
Proceeds from sale of capital assets	6,956	-	-	-	6,956
Insurance recoveries	14,144	79,075	-	-	93,219
Total Other Financing Sources (Uses)	\$ 431,046	\$ 89,090	\$ 57,623	\$ -	\$ 577,759
Special Item (Note 3)					
PrimeWest Health buy-in	\$ -	\$ -	\$ (318,447)	\$ -	\$ (318,447)
Net Change in Fund Balance	\$ 1,676,635	\$ 252,319	\$ (520,064)	\$ 1,022,707	\$ 2,431,597
Fund Balance – January 1	6,635,510	12,836,638	3,449,385	1,311,590	24,233,123
Increase (decrease) in inventories	-	56,524	-	-	56,524
Fund Balance – December 31	\$ 8,312,145	\$ 13,145,481	\$ 2,929,321	\$ 2,334,297	\$ 26,721,244

**Chippewa County
Montevideo, Minnesota**

Exhibit 6

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Government-Wide Statement of Activities—Governmental Activities
For the Year Ended December 31, 2023**

Net change in fund balance – total governmental funds (Exhibit 5)	\$	2,431,597
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Amounts reported for governmental activities in the statement of activities are different because:

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

Unavailable revenue – December 31	\$ 5,513,177	
Unavailable revenue – January 1	<u>(4,813,907)</u>	699,270

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	\$ 4,330,705	
Net book value of assets disposed of	(121,225)	
Current year depreciation and amortization	<u>(2,554,738)</u>	1,654,742

Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of activities.

Proceeds of new debt – Loans issued	\$ (296,893)	
Repayment of debt principal	<u>279,372</u>	(17,521)

Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Leases issued	\$ (180,691)	
Principal payments on leases	<u>23,627</u>	(157,064)

**Chippewa County
Montevideo, Minnesota**

Exhibit 6
(Continued)

**Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Funds to the
Government-Wide Statement of Activities—Governmental Activities
For the Year Ended December 31, 2023**

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	\$ 56,524	
Change in deferred other postemployment benefits outflows	(34,081)	
Change in deferred pension outflows	(520,800)	
Change in compensated absences	23,524	
Change in other postemployment benefits liability	225,607	
Change in net pension liability	3,775,201	
Change in deferred other postemployment benefits inflows	(203,518)	
Change in deferred pension inflows	<u>(3,803,637)</u>	(481,180)

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.

230,794

Change in Net Position of Governmental Activities (Exhibit 2)

\$ 4,360,638

Proprietary Fund

**Chippewa County
Montevideo, Minnesota**

Exhibit 7

**Statement of Net Position
Proprietary Fund
December 31, 2023**

	<u>Governmental Activities Internal Service Fund</u>
<u>Assets</u>	
Current assets	
Cash and pooled investments	\$ 1,268,089
Accounts receivable	<u>105</u>
Total Assets	\$ 1,268,194
 <u>Liabilities</u>	
Current liabilities	
Claims payable	<u>\$ 167,063</u>
 <u>Net Position</u>	
Unrestricted	<u><u>\$ 1,101,131</u></u>

**Chippewa County
Montevideo, Minnesota**

Exhibit 8

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Fund
For the Year Ended December 31, 2023**

	<u>Governmental Activities Internal Service Fund</u>
Operating Revenues	
Charges for services	\$ 3,136,752
Miscellaneous	<u>335</u>
Total Operating Revenues	<u>\$ 3,137,087</u>
Operating Expenses	
Cost of service	<u>\$ 2,906,293</u>
Operating Income (Loss)	\$ 230,794
Net Position – January 1	<u>870,337</u>
Net Position – December 31	<u><u>\$ 1,101,131</u></u>

**Chippewa County
Montevideo, Minnesota**

Exhibit 9

**Statement of Cash Flows
Proprietary Fund
For the Year Ended December 31, 2023**

	<u>Governmental Activities Internal Service Fund</u>
Cash Flows from Operating Activities	
Receipts from internal services provided	\$ 3,136,981
Payments to suppliers	<u>(3,026,658)</u>
Net cash provided by (used in) operating activities	\$ 110,323
Cash and Cash Equivalents at January 1	<u>1,157,766</u>
Cash and Cash Equivalents at December 31	<u>\$ 1,268,089</u>
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities	
Operating income (loss)	\$ 230,794
 Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities	
(Increase) decrease in accounts receivable	\$ (105)
Increase (decrease) in claims payable	<u>(120,366)</u>
Total adjustments	<u>\$ (120,471)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 110,323</u>

Fiduciary Funds

**Chippewa County
Montevideo, Minnesota**

Exhibit 10

**Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds Other	External Investment Pool
<u>Assets</u>			
Cash and pooled investments	\$ 55,846	\$ 4,887,522	\$ -
Investments	-	318,840	11,370,263
Taxes and special assessments receivable for other governments	-	321,442	-
Accrued interest receivable	-	-	84,030
Total Assets	<u>\$ 55,846</u>	<u>\$ 5,527,804</u>	<u>\$ 11,454,293</u>
<u>Liabilities</u>			
Due to other governments	\$ -	\$ 475,432	\$ -
<u>Net Position</u>			
Restricted for individuals, organizations, and other governments	<u>\$ 55,846</u>	<u>\$ 5,052,372</u>	<u>\$ 11,454,293</u>

**Chippewa County
Montevideo, Minnesota**

Exhibit 11

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2023**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds Other	External Investment Pool
<u>Additions</u>			
Contributions from individuals	\$ 259,632	\$ -	\$ -
Interest earnings	-	16,632	502,062
Property tax collections for other governments	-	14,043,235	-
Fees collected for state	-	1,531,692	-
Payments from state	-	1,288,375	-
Refunds collected for other entities	-	81,408	-
Payments from other entities	-	72,161,423	2,666,765
Total Additions	\$ 259,632	\$ 89,122,765	\$ 3,168,827
<u>Deductions</u>			
Beneficiary payments to individuals	\$ 235,686	\$ 1,936,958	\$ -
Payments of property tax to other governments	-	13,985,961	-
Payments to state	-	1,528,829	-
Administrative expense	-	6,000	-
Payments to other entities	-	73,581,363	2,766,808
Total Deductions	\$ 235,686	\$ 91,039,111	\$ 2,766,808
Change in Net Position	\$ 23,946	\$ (1,916,346)	\$ 402,019
Net Position – January 1	31,900	6,968,718	11,052,274
Net Position – December 31	\$ 55,846	\$ 5,052,372	\$ 11,454,293

Chippewa County Montevideo, Minnesota

Notes to the Financial Statements As of and for the Year Ended December 31, 2023

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, 2023. 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. The County does not allocate indirect expenses to functions with the financial statements.

Chippewa County

Montevideo, Minnesota

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.

Chippewa County

Montevideo, Minnesota

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, 2023. A market approach is used to value all investments other than external investment pools and certain money market mutual funds, 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 2023 were \$1,001,700.

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

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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 2018 through 2023 and noncurrent special assessments payable in 2024 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, infrastructure assets (such as roads, bridges, sidewalks, and similar items), and 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:

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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, 2023, 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/

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expense) until that time. 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. 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, 2023, 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 amortization, 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.

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- 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, 2023, the County's unrestricted fund balance was at or above the minimum fund balance level, except for the Family Services Special Revenue Fund.

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.

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Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of \$2,334,297 as of December 31, 2023, 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

120 ditches with positive fund balances	\$	3,561,622
23 ditches with deficit fund balances		<u>(1,227,325)</u>
Total Fund Balance	\$	<u>2,334,297</u>

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, 2023

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	\$	17,572,878
Investments		13,997,944
Statement of fiduciary net position		
Cash and pooled investments		4,943,368
Investments		<u>11,689,103</u>
Total Cash and Investments	\$	<u>48,203,293</u>

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.

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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, 2023, 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) time deposits insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or 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.

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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, 2023, 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, 2023

Investment Type	Credit Risk		Concentration of Credit Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. agency securities					
U.S. Treasury Bills	N/R	N/A		02/13/2024	\$ 10,932
U.S. Treasury Bills	N/R	N/A		10/03/2024	9,640
Total U.S. Treasury Bills			<5%		\$ 20,572
Federal Home Loan Bank Bond	Aaa	Moody's		01/09/2024	\$ 689,931
Federal Home Loan Bank Bond	Aaa/AA+	Moody's/S&P		06/14/2024	509,215
Total Federal Home Loan Bank Bond			<5%		\$ 1,199,146
U.S. Treasury Notes	Aaa	Moody's	<5%	04/30/2025	\$ 209,352
Federal Home Loan Mortgage Bond	AA+	S&P		03/20/2026	\$ 244,897
Federal Home Loan Mortgage Bond	AA+	S&P		5/15/2028	54,828
Total Federal Home Loan Mortgage Bond			<5%		\$ 299,725
Total U.S. agency securities					\$ 1,728,795
Municipal bonds					
Lake Zurich, IL	AAA	S&P	<5%	02/01/2024	\$ 249,493
University of North Texas	Aa2	Moody's	<5%	04/15/2024	222,534
Rusk County, WI	A+	S&P	<5%	03/01/2025	132,973
Oklahoma County, OK Metro Technology	AA-	S&P	<5%	06/01/2025	111,680
Oregon Education District	Aa2/ AA	Moody's/S&P	<5%	06/30/2025	99,236
Gilroy, CA Unified School District	Aa3/AA-	Moody's/S&P	<5%	08/01/2025	235,335
Huntington Beach, CA Union High School	AA-	S&P	<5%	08/01/2025	188,226
Mount San Antonio, CA	Aa1/AA	Moody's/S&P	<5%	08/01/2025	167,671
Oceanside, CA Unified School District	Aa3/AA	Moody's/S&P	<5%	08/01/2025	117,750
Rowland, CA Unified School District	Aa2	Moody's	<5%	08/01/2025	127,227
Henrico County, VA	Aa3/AAA	Moody's/S&P	<5%	08/01/2025	244,093
South Dakota Housing Development Authority	Aaa/AAA	Moody's/S&P	<5%	11/01/2025	163,000
Altoona, PA Area School District	AA	S&P	<5%	12/01/2025	139,743
Port Marrow, OR	AA-	S&P	<5%	12/01/2025	173,195
Florence Township, NJ School District	AA-	S&P	<5%	03/01/2026	350,524
Greensboro, NC	Aa2/AA+	Moody's/S&P	<5%	04/01/2026	18,596
Haverstraw Stony Point, NY	Aa3/AA	Moody's/S&P	<5%	05/01/2026	120,510
Wixom, MI	Aa2	Moody's	<5%	05/01/2026	14,595

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Cash and Investments and Information Relating to Potential Investment Risk as of December 31, 2023

Investment Type	Credit Risk		Concentration of	Interest Rate	Carrying (Fair)
	Credit Rating	Rating Agency	Credit Risk	Risk	
			Over 5 Percent of		Value
			Portfolio	Maturity Date	
Municipal bonds (Continued)					
Alabama State Public School & College Authority	Aa1/AA	Moody's/S&P	<5%	06/01/2026	27,808
Hanover, PA Area School District	A1/AA	Moody's/S&P	<5%	06/01/2026	108,308
Bexar County, TX	AAA	S&P	<5%	06/15/2026	120,770
Mount Vernon, IN	AA+	S&P	<5%	07/15/2026	9,405
Liberty, CA Union High School District	Aa2	S&P	<5%	08/01/2026	206,548
Bonita, CA Unified School District	AA-	S&P	<5%	08/01/2026	4,597
San Dieguito, CA Union High School	Aa1/AA	Moody's/S&P	<5%	08/01/2026	178,036
San Marcos, CA Union School District	Aa3/AA	Moody's/S&P	<5%	08/01/2026	165,265
Santa Monica, CA Union High School District	Aa2/AA+	Moody's/S&P	<5%	08/01/2026	168,959
Sierra, CA College District	Aaa/AA+	Moody's/S&P	<5%	08/01/2026	145,978
Sonoma County, CA Junior College	Aa2	Moody's	<5%	08/01/2026	427,500
William S. Hart, CA Union High School	Aa2	Moody's	<5%	08/01/2026	128,423
Yosemite, CA	Aa2	Moody's	<5%	08/01/2026	188,354
Canyon County, ID School District No. 139	Aa1	Moody's	<5%	09/15/2026	138,330
Hatboro Horsham, PA School District	Aa1	Moody's	<5%	09/15/2026	138,183
Lake County, IL School District	Aa2/AA+	Moody's/S&P	<5%	11/01/2026	195,708
Scarborough, ME	Aa3/AA+	Moody's/S&P	<5%	11/01/2026	222,910
Hazleton, PA Area School District	A1/AA	Moody's/S&P	<5%	03/01/2027	316,302
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	<5%	05/01/2027	253,755
Lane County, OR School District No. 52	Aa1	Moody's	<5%	06/15/2027	179,236
Sierra, CA Joint Community College District	Aaa/AA+	Moody's/S&P	<5%	08/01/2027	340,415
Santa Monica, CA Community College District	Aa2/AA+	Moody's/S&P	<5%	08/01/2027	89,683
San Bernardino, CA Community College	Aa1/AA	Moody's/S&P	<5%	08/01/2027	99,630
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	<5%	11/01/2027	254,560
Rowland, CA Unified School District	Aa2	Moody's	<5%	08/01/2028	89,810
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	<5%	11/01/2028	255,338
Antelope Valley, CA Community College District	Aa2/AA	Moody's/S&P	<5%	08/01/2029	84,522
Rhode Island Housing and Mortgage Finance Corp.	Aa1/AA+	Moody's/S&P	<5%	10/01/2029	9,450
Spring Lake, MI Public Schools	AA	S&P	<5%	11/01/2029	17,885
Altoona, PA Area School District	AA	S&P	<5%	12/01/2029	51,027
Columbus, OH State Community College	Aa1/AA	Moody's/S&P	<5%	12/01/2029	8,420
Greeley County Kansas State University	AA-	S&P	<5%	12/01/2029	84,897
Total municipal bonds					\$ 7,586,393
Money market mutual funds	N/R	N/A	>5%	N/A	\$ 4,725,160
Negotiable certificates of deposit with brokers	N/R	N/A	>5%	Varies	\$ 5,881,252
MAGIC Portfolio	N/R	N/A	>5%	N/A	\$ 3,691,116
MAGIC Term	N/R	N/A	>5%	N/A	\$ 9,150,000
Total investments					\$ 32,762,716
Checking					12,299,348
Savings					2,203,970
Non-negotiable certificates of deposit					935,209
Petty cash and change funds					2,050
Total Cash and Investments					\$ 48,203,293

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

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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, 2023

	December 31, 2023	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. agency securities	\$ 1,728,795	\$ -	\$ 1,728,795	\$ -
Municipal bonds	7,586,393	-	7,586,393	-
Negotiable certificates of deposit	5,881,252	-	5,881,252	-
Money market mutual fund	736,068	-	736,068	-
Total Investments Included in the Fair Value Hierarchy	<u>\$ 15,932,508</u>	<u>\$ -</u>	<u>\$ 15,932,508</u>	<u>\$ -</u>
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	\$ 3,691,116			
MAGIC Term	9,150,000			
Money market mutual fund	3,989,092			
Total investments measured at the NAV	<u>\$ 16,830,208</u>			

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 with 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

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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, 2023

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amount Not Schedule for Collection During the Subsequent Year
Taxes	\$ 126,003	\$ -	\$ 126,003	\$ -
Special assessments	3,103,798	-	3,103,798	1,748,836
Accounts receivable	868,893	(801,212)	67,681	-
Interest	181,891	-	181,891	-
Loans receivable	447,543	-	447,543	412,254
Due from other governments	2,724,064	-	2,724,064	-
Total Receivables	<u>\$ 7,452,192</u>	<u>\$ (801,212)</u>	<u>\$ 6,650,980</u>	<u>\$ 2,161,090</u>

Loans Receivable

On February 6, 2018, the County Board approved a \$325,000 loan to the Chippewa County Fair Board for the construction of a garage at the Chippewa County Fairgrounds to house buses. The loan is to be repaid at three percent annual interest over 14 years 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.

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Changes in Loans Receivable for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Chippewa County Fair Board	\$ 257,837	\$ -	\$ 21,012	\$ 236,825
City of Clara City shop	224,155	-	13,437	210,718
Total	\$ 481,992	\$ -	\$ 34,449	\$ 447,543

Capital Assets

Changes in Capital Assets for the Year Ended December 31, 2023

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,299,829	\$ -	\$ -	\$ 1,299,829
Right-of-way	935,276	-	-	935,276
Construction in progress	4,320,497	219,012	4,091,702	447,807
Total capital assets not depreciated	\$ 6,555,602	\$ 219,012	\$ 4,091,702	\$ 2,682,912
Capital assets depreciated and amortized				
Buildings	\$ 11,765,972	\$ 102,928	\$ -	\$ 11,868,900
Improvements other than buildings	82,642	-	-	82,642
Machinery and equipment	8,386,364	317,252	170,878	8,532,738
Infrastructure	83,168,421	7,667,961	-	90,836,382
Leased equipment	67,577	115,254	55,864	126,967
Total capital assets depreciated and amortized	\$ 103,470,976	\$ 8,203,395	\$ 226,742	\$ 111,447,629
Less: accumulated depreciation and amortization for				
Buildings	\$ 8,577,043	\$ 238,613	\$ -	\$ 8,815,656
Improvements other than buildings	18,209	3,734	-	21,943
Machinery and equipment	5,617,269	519,522	77,981	6,058,810
Infrastructure	31,221,654	1,767,755	-	32,989,409
Leased equipment	16,709	25,114	27,536	14,287
Total accumulated depreciation and amortization	\$ 45,450,884	\$ 2,554,738	\$ 105,517	\$ 47,900,105
Total capital assets depreciated and amortized, net	\$ 58,020,092	\$ 5,648,657	\$ 121,225	\$ 63,547,524
Capital Assets, Net	\$ 64,575,694	\$ 5,867,669	\$ 4,212,927	\$ 66,230,436

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

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Depreciation and Amortization Expense Charged to Functions/Programs

General government	\$ 197,067
Public safety	201,623
Highways and streets, including depreciation of infrastructure assets	2,086,313
Sanitation	1,848
Human services	16,380
Culture and recreation	19,996
Conservation of natural resources	31,511
	<hr/>
Total Depreciation and Amortization Expense – Governmental Activities	\$ 2,554,738

Liabilities and Deferred Inflows of Resources

Accounts Payable

Governmental Activities' Payables as of December 31, 2023

Accounts payable	\$ 602,245
Salaries payable	366,893
Contracts payable	361,833
Claims payable	167,063
Due to other governments	53,544
	<hr/>
Total Payables	\$ 1,551,578

Construction Commitments

The County has active construction projects and other commitments as of December 31, 2023. The projects and commitments include the following:

Active Construction Projects and Other Commitments as of December 31, 2023

	Spent-to-Date	Remaining Commitment
SAP 012-596-001 Engineering	\$ 2,335	\$ 70,165

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.

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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, 2023

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2023
Chippewa River Watershed Loan (SRF0232)	2024	\$ 13,232	2.0	\$ 119,391	\$ 13,036
Hawk Creek Watershed Loan (SRF277)	2026	11,851	2.0	106,929	34,342
Chippewa River Watershed Loan (SRF295)	2028	17,268	2.0	155,802	73,957
Hawk Creek Watershed Loan (SRF300)	2029	18,114	2.0	163,441	93,781
Chippewa Countywide Septic System Upgrades Loan (SRF310)	2029	18,328	2.0	330,737	254,118
Chippewa County Septic System Upgrade II (SRF344)	2033	-	-	343,546	343,546
AG BMP Well loans	2035	1,502 – 27,386	-	541,027	376,301
Total				<u>\$ 1,760,873</u>	<u>\$ 1,189,081</u>

Leases

The County has entered into lease agreements as lessee for financing the acquisition of copiers for various departments, a folding machine, and two postage machines. 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, 2023

Year Ending December 31	Principal	Interest
2024	\$ 36,489	\$ 8,331
2025	38,433	6,398
2026	36,520	4,496
2027	37,498	2,658
2028	33,094	805
Total governmental activities lease payments	<u>\$ 182,034</u>	<u>\$ 22,688</u>

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Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2023

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	\$ 1,171,560	\$ 296,893	\$ 279,372	\$ 1,189,081	\$ 94,801
Leases	24,970	180,691	23,627	182,034	36,489
Compensated absences	863,363	562,175	585,699	839,839	121,806
Total Long-Term Liabilities	\$ 2,059,893	\$ 1,039,759	\$ 888,698	\$ 2,210,954	\$ 253,096

Debt Service Requirements

Debt Service Requirements as of December 31, 2023

Year Ending December 31	Loans Payable	
	Principal	Interest
2024	\$ 94,801	\$ 8,750
2025	84,492	7,240
2026	105,478	5,699
2027	113,199	4,187
2028	107,297	2,823
2029-2033	328,495	2,775
2034-2035	11,771	-
Total	\$ 845,533	\$ 31,474

Loans of \$343,548 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, 2023, was \$24,350,000.

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

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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, 2023, the outstanding balance of PACE loans in Chippewa County was \$265,000.

Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of special assessments, taxes, state grants, interest, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

Deferred Inflows of Resources by Fund as of December 31, 2023

	Special Assessments	Taxes	Grants	Interest	Loan Receivable	Other	Total
Major governmental funds							
General Fund	\$ 972,166	\$ 79,264	\$ -	\$ 65,724	\$ 236,825	\$ 31,089	\$ 1,385,068
Special Revenue Funds							
Road and Bridge	-	16,506	1,197,534	58,793	210,718	53,261	1,536,812
Family Services	-	30,233	376,727	-	-	19,173	426,133
Ditch	2,131,632	-	-	12,761	-	20,771	2,165,164
Total Unavailable Revenue	\$ 3,103,798	\$ 126,003	\$ 1,574,261	\$ 137,278	\$ 447,543	\$ 124,294	\$ 5,513,177

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.

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As of the January 1, 2023, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	5
Active plan participants	<u>120</u>
Total	<u>125</u>

Total OPEB Liability

The County's total OPEB liability of \$682,663 was measured as of January 1, 2023, 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, 2023, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	Service graded table
Health care cost trend	6.50 percent as of January 1, 2023, decreasing to 5.00 percent over five years and then to 4.00 percent over the next 48 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 2020 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 4.00 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, 2023.

Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality Tables (General, Safety) with MP-2021 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.

Chippewa County Montevideo, Minnesota

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability For the Year Ended December 31, 2023

Balance at January 1, 2023	\$ 908,270
Changes for the year	
Service cost	\$ 50,257
Interest	18,613
Assumption changes	(92,510)
Benefit payments	(56,007)
Difference between expected and actual experience	(145,960)
Net change	\$ (225,607)
Balance at December 31, 2023	\$ 682,663

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, 2023

	Discount Rate	Total OPEB Liability
1% Decrease	1.00%	\$ 737,660
Current	2.00%	682,663
1% Increase	3.00%	631,428

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, 2023

	Health Care Trend Rates	Total OPEB Liability
1% Decrease	5.50% Decreasing to 4.00%	\$ 609,480
Current	6.50% Decreasing to 5.00%	682,663
1% Increase	7.50% Decreasing to 6.00%	768,908

Chippewa County Montevideo, Minnesota

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

For the year ended December 31, 2023, the County recognized OPEB expense of \$49,174.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience of the plan	\$ 26,708	\$ 141,673
Changes in actuarial assumptions	31,763	87,996
Contributions subsequent to the measurement date	37,182	-
Total	<u>\$ 95,653</u>	<u>\$ 229,669</u>

The \$37,182 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, 2024. 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, 2023

Year Ended December 31	OPEB Expense Amount
2024	\$ (19,696)
2025	(19,696)
2026	(19,694)
2027	(26,248)
2028	(26,248)
Thereafter	(59,616)

Changes in Actuarial Assumptions

The following changes in the actuarial assumptions occurred in 2023:

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

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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, while the Basic Plan and Minneapolis Employees Retirement Fund members are not covered. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members in 1978 and merged into the General Employees Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after three 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, 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.

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 a 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.

Police and Fire Plan benefit recipients will receive a 1.00 percent post-retirement increase. Recipients that have

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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 a 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. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 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 2022.

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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, 2023

General Employees Plan	\$ 450,035
Police and Fire Plan	179,756
Correctional Plan	76,111

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

[Pension Costs](#)

[General Employees Plan](#)

At December 31, 2023, the County reported a liability of \$4,339,305 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0776 percent. It was 0.0721 percent measured as of June 30, 2022. The County recognized pension expense of \$623,471 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 \$537 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, 2023

The County's proportionate share of the net pension liability	\$ 4,339,305
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>119,561</u>
Total	<u>\$ 4,458,866</u>

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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, 2023**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 140,080	\$ 28,044
Changes in actuarial assumptions	658,768	1,189,367
Difference between projected and actual investment earnings	-	191,441
Changes in proportion	335,694	14,946
Contributions paid to PERA subsequent to the measurement date	224,011	-
Total	<u>\$ 1,358,553</u>	<u>\$ 1,423,798</u>

The \$224,011 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, 2024. 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, 2023**

Year Ended December 31	Pension Expense Amount
2024	\$ 176,165
2025	(542,107)
2026	170,819
2027	(94,133)

Police and Fire Plan

At December 31, 2023, the County reported a liability of \$1,264,069 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.0732 percent. It was 0.0627 percent measured as of June 30, 2022. The County recognized pension expense of \$350,333 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, 2023. 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.

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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 (\$3,069) 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, 2023

The County's proportionate share of the net pension liability	\$ 1,264,069
State of Minnesota's proportionate share of the net pension liability associated with the County	<u>50,952</u>
Total	<u>\$ 1,315,021</u>

Legislation also requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, until the plan is 90 percent funded, or until the State Patrol Plan is 90 percent funded, whichever occurs later. The County also recognized \$6,588 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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 324,762	\$ -
Changes in actuarial assumptions	1,228,531	1,776,189
Difference between projected and actual investment earnings	-	39,828
Changes in proportion	401,865	46,769
Contributions paid to PERA subsequent to the measurement date	<u>95,221</u>	<u>-</u>
Total	<u>\$ 2,050,379</u>	<u>\$ 1,862,786</u>

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The \$95,221 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	\$ 62,060
2025	32,789
2026	276,030
2027	(41,037)
2028	(237,470)

Correctional Plan

At December 31, 2023, the County reported a liability of \$163,461 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2022, through June 30, 2023, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2023, the County's proportion was 0.3616 percent. It was 0.3319 percent measured as of June 30, 2022. The County recognized pension expense of \$139,202 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, 2023

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 62,958	\$ 12,755
Changes in actuarial assumptions	342,196	745,731
Difference between projected and actual investment earnings	3,469	-
Changes in proportion	67,226	2,404
Contributions paid to PERA subsequent to the measurement date	39,143	-
Total	<u>\$ 514,992</u>	<u>\$ 760,890</u>

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The \$39,143 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, 2024. 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, 2023

Year Ended December 31	Pension Expense Amount
2024	\$ 1,178
2025	(340,349)
2026	71,380
2027	(17,250)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2023, was \$1,113,006.

Actuarial Assumptions

The total pension liability in the June 30, 2023, 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, 2023

	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	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost-of-living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2023, 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 June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term

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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 7.00 percent in 2023. This was an increase from the 6.50 percent, 5.40 percent, and 5.42 percent used in 2022 for the General Employees Plan, the Police and Fire Plan, and the Correctional Plan, respectively. 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, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

[Changes in Actuarial Assumptions and Plan Provisions](#)

The following changes in actuarial assumptions occurred in 2023:

[General Employees Plan](#)

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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Police and Fire Plan

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.
- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

Correctional Plan

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

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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, 2023

	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	6.00%	\$ 7,676,579	6.00%	\$ 2,508,063	6.00%	\$ 241,339
Current	7.00%	4,339,305	7.00%	1,264,069	7.00%	163,461
1% Increase	8.00%	1,594,270	8.00%	241,339	8.00%	(393,584)

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.

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Total Contributions by Dollar Amount and Percentage of Covered Payroll Made by the Employer For the Year Ended December 31, 2023

	Employee	Employer
Contribution amount	\$ 7,874	\$ 7,874
Percentage of covered payroll	5.00%	5.00%

Special Item

On November 1, 2022, the Chippewa County Board approved a buy-in of \$318,447 to join PrimeWest Health, a County-owned health plan, effective January 1, 2023. PrimeWest Health was created with the goal of simplifying access to health care for Medicare and Medical Assistance recipients in the 24-county region.

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 2023 and 2024. 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.

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The December 31, 2023, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2024.

Changes in Claims Liabilities For the Years Ended December 31, 2022, and 2023

	2022	2023
Unpaid claims, January 1	\$ 146,934	\$ 287,429
Incurred claims	(2,761,736)	(2,491,719)
Claims payments	2,902,231	2,371,353
Unpaid Claims, December 31	\$ 287,429	\$ 167,063

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, six County Commissioners, one from each county, except the county with the largest population, which has two commissioners and five community representatives. 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 2023 was \$281,017.

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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 joint powers agreement was effective October 1, 1977.

Control is vested in the 6W Community Corrections Executive Board. The Executive Board is comprised of two County Commissioners from each county and a judicial representative chosen from one of the three judges chambered within the four counties.

Financing is provided by state and federal grants, and fees for services. Charging fees for services was discontinued as of August 1, 2023 due to legislative action. Chippewa County's contribution for the year ended 2023 was \$423,082.

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 appointed by from Chippewa County and four from the City of Montevideo.

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 2023.

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 Board of Directors, which is composed of seven members across the 14-county workforce service area. Chippewa County, as fiscal host of the MFIP/DWP Partnership, provided \$1,060,710 to this organization in 2023.

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

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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 is a children’s residential facility located in Willmar, Minnesota serving children ages 10 to 21. Through non-secure, group home, and secure environments, they provide individualized, trauma-informed, and culturally relevant care and treatment including: substance use disorder addiction recovery, pet therapy, individual therapy, group therapy, family therapy, truancy support, and CHIPS support.

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.

Financing is provided by charges for services to member and nonmember counties. Chippewa County’s contribution to the PLYP for 2023 was \$174,687.

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 \$26,527 to the Collaborative in 2023.

Pioneerland Library System

Chippewa County, along with 18 cities and eight 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 27 members appointed by member cities and counties. During 2023, Chippewa County contributed \$208,852 to the System. The City of Montevideo provided \$22,000 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.

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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 2023, Chippewa County contributed \$72,439 in funds to the Task Force. In an agent capacity, Kandiyohi County is the fiscal agent for the task force.

Minnesota Counties Information Systems (MCIS)

Aitkin, Carlton, Cass, Chippewa, Cook, Itasca, Kanabec, 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 12-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 2023, Chippewa County contributed \$75,400. 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 2023, Chippewa County paid \$94,883 to the Port Authority.

PrimeWest Health

The PrimeWest Central County-Based Purchasing Initiative (since renamed PrimeWest Health) was established in December 1998 by a joint powers agreement with Big Stone, Douglas, Grant, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse Counties under the authority of Minn. Stat. § 471.59. In 2008, Beltrami, Clearwater, and Hubbard Counties joined the partnership. In 2023, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, Lincoln, Lyon, Nobles, Redwood, Swift, and Yellow Medicine Counties were added to PrimeWest Health. Pipestone County has since joined Southwest Health and Human Services for public health and human services functions. The partnership is organized to directly purchase health care services for county residents who are eligible for Medical Assistance and General Assistance Medical Care as authorized by Minn. Stat. § 256B.692. County-based purchasing is the local control alternative favored for improved coordination of services to prepaid Medical Assistance programs in complying with Minnesota Department of Health requirements as set forth in Minn. Stat. chs. 62D and 62N.

Control of PrimeWest Health is vested in a Joint Powers Board of Directors, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board of Directors is appointed by the County Commissioners of the county represented.

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In the event of termination of the joint powers agreement, all assets owned pursuant to this agreement shall be sold, and the proceeds, together with monies on hand, will be distributed to the current members based on their proportional share of each member's county-based purchasing eligible population.

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Chippewa County did contribute \$318,447 to PrimeWest Health during 2023. Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Required Supplementary Information

**Chippewa County
Montevideo, Minnesota**

Exhibit A-1

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 8,098,173	\$ 8,098,173	\$ 8,157,404	\$ 59,231
Special assessments	211,500	211,500	537,867	326,367
Licenses and permits	17,600	17,600	30,175	12,575
Intergovernmental	1,212,999	1,212,999	2,098,654	885,655
Charges for services	961,074	961,074	1,194,294	233,220
Fines and forfeits	3,000	3,000	3,461	461
Gifts and contributions	1,000	1,000	9,762	8,762
Investment earnings	132,000	132,000	1,001,700	869,700
Miscellaneous	304,924	304,924	355,958	51,034
Total Revenues	\$ 10,942,270	\$ 10,942,270	\$ 13,389,275	\$ 2,447,005
Expenditures				
Current				
General government				
Commissioners	\$ 345,823	\$ 345,823	\$ 364,246	\$ (18,423)
Law library	7,000	7,000	10,550	(3,550)
Auditor/treasurer	737,683	737,683	716,548	21,135
Accounting and auditing	60,000	60,000	58,215	1,785
Information technology	498,491	498,491	500,339	(1,848)
Central services	217,382	217,382	272,994	(55,612)
Elections	40,500	40,500	28,864	11,636
Attorney	360,228	360,228	357,637	2,591
Recorder	636,467	636,467	565,224	71,243
Geographic information systems	25,000	25,000	15,096	9,904
County assessor	504,748	504,748	482,045	22,703
Building and plant	875,270	875,270	796,518	78,752
Veterans service officer	183,696	183,696	224,647	(40,951)
Deputy registrar – license bureau	302,913	302,913	285,583	17,330
PACE clean energy	100,000	100,000	96,380	3,620
Other general government	370,400	370,400	547,943	(177,543)
Total general government	\$ 5,265,601	\$ 5,265,601	\$ 5,322,829	\$ (57,228)

**Chippewa County
Montevideo, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,871,813	\$ 1,871,813	\$ 1,997,099	\$ (125,286)
Boat and water safety	1,417	1,417	427	990
Court-ordered assessments	108,000	108,000	349,718	(241,718)
Court security	10,765	10,765	1,625	9,140
D.A.R.E. program	1,000	1,000	2,505	(1,505)
Coroner	22,500	22,500	30,686	(8,186)
Jail	1,384,514	1,384,514	1,479,557	(95,043)
Victim witness program	76,066	76,066	76,795	(729)
Emergency management	176,041	176,041	175,158	883
Safety management	-	-	77	(77)
Dispatch	214,500	214,500	169,941	44,559
Total public safety	\$ 3,866,616	\$ 3,866,616	\$ 4,283,588	\$ (416,972)
Sanitation				
Household hazardous waste	\$ 4,400	\$ 4,400	\$ 3,054	\$ 1,346
Recycling	193,500	193,500	198,567	(5,067)
Solid waste	107,500	107,500	176,105	(68,605)
Total sanitation	\$ 305,400	\$ 305,400	\$ 377,726	\$ (72,326)
Culture and recreation				
Airport	\$ 40,000	\$ 40,000	\$ 8,158	\$ 31,842
Historical society	47,000	47,000	47,000	-
Regional library	62,190	62,190	59,355	2,835
Fairgrounds	57,323	57,323	57,297	26
Parks	19,500	19,500	25,934	(6,434)
Total culture and recreation	\$ 226,013	\$ 226,013	\$ 197,744	\$ 28,269

**Chippewa County
Montevideo, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	\$ 137,321	\$ 137,321	\$ 130,897	\$ 6,424
Soil and water conservation	82,000	82,000	91,218	(9,218)
Ditch inspector	98,461	98,461	-	98,461
Weed control	165,712	175,712	55,981	119,731
Water planning	5,400	5,400	66,329	(60,929)
Land resource management	262,291	262,291	553,412	(291,121)
County farm	170,500	170,500	30,818	139,682
Total conservation of natural resources	\$ 921,685	\$ 931,685	\$ 928,655	\$ 3,030
Economic development				
Community development	\$ 17,000	\$ 17,000	\$ 31,509	\$ (14,509)
Prairie Five	9,000	9,000	10,564	(1,564)
Other economic development	24,575	24,575	20,102	4,473
Total economic development	\$ 50,575	\$ 50,575	\$ 62,175	\$ (11,600)
Intergovernmental				
Public safety	\$ 443,675	\$ 443,675	\$ 440,350	\$ 3,325
Culture and recreation	223,852	223,852	224,698	(846)
Total intergovernmental	\$ 667,527	\$ 667,527	\$ 665,048	\$ 2,479
Debt service				
Principal	\$ -	\$ -	\$ 295,137	\$ (295,137)
Interest	-	-	10,784	(10,784)
Total debt service	\$ -	\$ -	\$ 305,921	\$ (305,921)
Total Expenditures	\$ 11,303,417	\$ 11,313,417	\$ 12,143,686	\$ (830,269)
Excess of Revenues Over (Under)				
Expenditures	\$ (361,147)	\$ (371,147)	\$ 1,245,589	\$ 1,616,736

**Chippewa County
Montevideo, Minnesota**

Exhibit A-1
(Continued)

**Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other Financing Sources (Uses)				
Loans issued	\$ -	\$ -	\$ 296,893	\$ 296,893
Lease issued	-	-	113,053	113,053
Proceeds from sale of capital assets	8,000	8,000	6,956	(1,044)
Insurance recoveries	-	-	14,144	14,144
Total Other Financing Sources (Uses)	\$ 8,000	\$ 8,000	\$ 431,046	\$ 423,046
Net Change in Fund Balance	\$ (353,147)	\$ (363,147)	\$ 1,676,635	\$ 2,039,782
Fund Balance – January 1	6,635,510	6,635,510	6,635,510	-
Fund Balance – December 31	\$ 6,282,363	\$ 6,272,363	\$ 8,312,145	\$ 2,039,782

**Chippewa County
Montevideo, Minnesota**

Exhibit A-2

**Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 1,663,196	\$ 1,663,196	\$ 1,623,380	\$ (39,816)
Special assessments	-	-	332	332
Licenses and permits	18,000	18,000	19,300	1,300
Intergovernmental	5,239,646	5,239,646	6,838,728	1,599,082
Charges for services	40,000	40,000	75,549	35,549
Investment earnings	150,000	150,000	639,917	489,917
Miscellaneous	116,000	116,000	87,260	(28,740)
Total Revenues	\$ 7,226,842	\$ 7,226,842	\$ 9,284,466	\$ 2,057,624
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 3,224,850	\$ 3,224,850	\$ 2,062,442	\$ 1,162,408
Engineering/construction	6,041,600	6,041,600	5,241,411	800,189
Administration	355,750	355,750	373,572	(17,822)
Equipment and shop	940,800	940,800	979,723	(38,923)
Total highways and streets	\$ 10,563,000	\$ 10,563,000	\$ 8,657,148	\$ 1,905,852
Intergovernmental				
Highways and streets	425,000	425,000	462,465	(37,465)
Debt service				
Principal	-	-	1,624	(1,624)
Total Expenditures	\$ 10,988,000	\$ 10,988,000	\$ 9,121,237	\$ 1,866,763
Excess of Revenues Over (Under)				
Expenditures	\$ (3,761,158)	\$ (3,761,158)	\$ 163,229	\$ 3,924,387
Other Financing Sources (Uses)				
Leases issued	\$ -	\$ -	\$ 10,015	\$ 10,015
Insurance recoveries	-	-	79,075	79,075
Total Other Financing Sources (Uses)	\$ -	\$ -	\$ 89,090	\$ 89,090
Net Change in Fund Balance	\$ (3,761,158)	\$ (3,761,158)	\$ 252,319	\$ 4,013,477
Fund Balance – January 1	12,836,638	12,836,638	12,836,638	-
Increase (decrease) in inventories	-	-	56,524	56,524
Fund Balance – December 31	\$ 9,075,480	\$ 9,075,480	\$ 13,145,481	\$ 4,070,001

**Chippewa County
Montevideo, Minnesota**

Exhibit A-3

**Budgetary Comparison Schedule
Family Services Special Revenue Fund
For the Year Ended December 31, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues				
Taxes	\$ 3,194,019	\$ 3,194,019	\$ 2,971,354	\$ (222,665)
Intergovernmental	4,092,052	4,092,052	4,523,665	431,613
Charges for services	276,000	276,000	391,103	115,103
Settlements	-	-	22,552	22,552
Miscellaneous	133,700	133,700	128,324	(5,376)
Total Revenues	\$ 7,695,771	\$ 7,695,771	\$ 8,036,998	\$ 341,227
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,987,489	\$ 1,987,489	\$ 2,051,047	\$ (63,558)
Social services	6,226,565	6,226,565	5,957,936	268,629
Total human services	\$ 8,214,054	\$ 8,214,054	\$ 8,008,983	\$ 205,071
Intergovernmental				
Health	174,416	174,416	281,017	(106,601)
Debt service				
Principal	-	-	6,238	(6,238)
Total Expenditures	\$ 8,388,470	\$ 8,388,470	\$ 8,296,238	\$ 92,232
Excess of Revenues Over(Under)				
Expenditures	\$ (692,699)	\$ (692,699)	\$ (259,240)	\$ 433,459
Other Financing Sources (Uses)				
Leases issued	-	-	57,623	57,623
Special Item (Note 3)				
PrimeWest Health buy-in	-	-	(318,447)	(318,447)
Net Change in Fund Balance	\$ (692,699)	\$ (692,699)	\$ (520,064)	\$ 172,635
Fund Balance – January 1	3,449,385	3,449,385	3,449,385	-
Fund Balance – December 31	\$ 2,756,686	\$ 2,756,686	\$ 2,929,321	\$ 172,635

**Chippewa County
Montevideo, Minnesota**

Exhibit A-4

**Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2023**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Special assessments	\$ 501,000	\$ 501,000	\$ 994,602	\$ 493,602
Intergovernmental	50,000	50,000	583,629	533,629
Investment earnings	5,000	5,000	41,448	36,448
Miscellaneous	-	-	12,514	12,514
Total Revenues	\$ 556,000	\$ 556,000	\$ 1,632,193	\$ 1,076,193
Expenditures				
Current				
Conservation of natural resources				
Other	567,000	567,000	609,486	(42,486)
Net Change in Fund Balance	\$ (11,000)	\$ (11,000)	\$ 1,022,707	\$ 1,033,707
Fund Balance – January 1	1,311,590	1,311,590	1,311,590	-
Fund Balance – December 31	\$ 1,300,590	\$ 1,300,590	\$ 2,334,297	\$ 1,033,707

**Chippewa County
Montevideo, Minnesota**

**Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2023**

	<u>2023</u>	<u>2022</u>
Total OPEB Liability		
Service cost	\$ 50,257	\$ 67,631
Interest	18,613	18,321
Differences between expected and actual experience	(145,960)	-
Changes of assumption or other inputs	(92,510)	-
Benefit payments	<u>(56,007)</u>	<u>(51,935)</u>
Net change in total OPEB liability	\$ (225,607)	\$ 34,017
Total OPEB Liability – Beginning	<u>908,270</u>	<u>874,253</u>
Total OPEB Liability – Ending	<u><u>\$ 682,663</u></u>	<u><u>\$ 908,270</u></u>
 Covered-employee payroll	 \$ 7,238,971	 \$ 6,703,423
 Total OPEB liability (asset) as a percentage of covered-employee payroll	 9.43%	 13.55%

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

2021	2020	2019	2018
\$ 65,661	\$ 43,111	\$ 41,855	\$ 39,088
31,985	30,202	23,569	22,401
(22,334)	-	71,223	-
50,822	-	(18,805)	-
(55,334)	(42,693)	(34,423)	(23,462)
\$ 70,800	\$ 30,620	\$ 83,419	\$ 38,027
803,453	772,833	689,414	651,387
\$ 874,253	\$ 803,453	\$ 772,833	\$ 689,414
\$ 6,508,178	\$ 6,115,660	\$ 5,937,534	\$ 5,845,864
13.43%	13.14%	13.02%	11.79%

**Chippewa County
Montevideo, Minnesota**

Exhibit A-6

**Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2023**

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
2023	0.0776 %	\$ 4,339,305	\$ 119,561	\$ 4,458,866	\$ 6,168,083	70.35 %	83.10 %
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, 2023**

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)
2023	\$ 450,035	\$ 450,035	\$ -	\$ 6,000,465	7.50 %
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, 2023**

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
2023	0.0732 %	\$ 1,264,069	\$ 50,952	\$ 1,315,021	\$ 961,193	131.51 %	86.47 %
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.

N/A – Not Applicable

**Chippewa County
Montevideo, Minnesota**

Exhibit A-9

**Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2023**

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)
2023	\$ 179,756	\$ 179,756	\$ -	\$ 1,015,414	17.70 %
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.

**Chippewa County
Montevideo, Minnesota**

Exhibit A-10

**Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2023**

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
2023	0.3616 %	\$ 163,461	\$ 847,675	19.28 %	95.94 %
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.

**Chippewa County
Montevideo, Minnesota**

Exhibit A-11

**Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2023**

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)
2023	\$ 76,111	\$ 76,111	\$ -	\$ 869,543	8.75 %
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.

Chippewa County Montevideo, Minnesota

Notes to the Required Supplementary Information For the Year Ended December 31, 2023

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:

Budget Amendments				
	Original Budget	Increase (Decrease)		Final Budget
General Fund	\$ 11,303,417	\$ 10,000	\$	11,313,417

Note 4 – Excess of Expenditures Over Budget

The following major funds had expenditures in excess of budget for the year ended December 31, 2023:

Excess of Expenditures Over Budget				
	Expenditures	Final Budget		Excess
General Fund	\$ 12,143,686	\$ 11,313,417	\$	830,269
Ditch Special Revenue Fund	609,486	567,000		42,486

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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.

The following changes in actuarial assumptions occurred in 2023:

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00 percent to 2.50 percent.
- The discount rate was changed from 2.00 percent to 4.00 percent.

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.

No changes in actuarial assumptions for 2020.

The following changes in actuarial assumptions occurred in 2019:

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

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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

2023

- The investment return assumption and single discount rate were changed from 6.50 percent to 7.00 percent.
- A one-time direct state aid contribution of \$170.1 million occurred on October 1, 2023.
- The vesting period for those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- For Basic Plan members, a one-time, non-compounding benefit increase of 4.00 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- For Coordinated Plan members, a one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

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

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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.

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- 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

2023

- The investment return assumption was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.40 percent to 7.00 percent.
- A one-time direct state aid contribution of \$19.4 million occurred on October 1, 2023.
- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting

Chippewa County Montevideo, Minnesota

schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.

- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- A total and permanent duty disability benefit was added effective July 1, 2023.

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.

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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.

Chippewa County Montevideo, Minnesota

- 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

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.
- The single discount rate changed from 5.42 percent to 7.00 percent.
- A one-time direct state aid contribution of \$5.3 million occurred on October 1, 2023.
- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

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.

Chippewa County Montevideo, Minnesota

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.

2020

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

2019

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

2018

- The single discount rate was changed from 5.96 percent per annum to 7.50 percent per annum.
- The mortality projection scale was changed from Scale MP-2016 to Scale MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

Chippewa County Montevideo, Minnesota

- 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, 2023**

	<u>Region 6W Community Corrections</u>	<u>State Revenue</u>
<u>Assets</u>		
Cash and pooled investments	\$ 796,088	\$ 90,721
Investments	318,840	-
Taxes and special assessments receivable for other governments	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 1,114,928</u>	<u>\$ 90,721</u>
<u>Liabilities</u>		
Due to other governments	<u>\$ -</u>	<u>\$ 90,721</u>
<u>Net Position</u>		
Restricted for individuals, organizations, and other governments	<u>\$ 1,114,928</u>	<u>\$ -</u>

Other Custodial Funds				
Taxes and Penalties	CARE Collaborative	CCM Health	Jail Canteen	Total Other Custodial Funds
\$ 384,711	\$ 271,303	\$ 3,334,882	\$ 9,817	\$ 4,887,522
-	-	-	-	318,840
321,442	-	-	-	321,442
\$ 706,153	\$ 271,303	\$ 3,334,882	\$ 9,817	\$ 5,527,804
\$ 384,711	\$ -	\$ -	\$ -	\$ 475,432
\$ 321,442	\$ 271,303	\$ 3,334,882	\$ 9,817	\$ 5,052,372

**Chippewa County
Montevideo, Minnesota**

**Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Other Custodial Funds
For the Year Ended December 31, 2023**

	<u>Region 6W Community Corrections</u>	<u>State Revenue</u>
<u>Additions</u>		
Interest earnings	\$ 16,632	\$ -
Property tax collections for other governments	-	-
Fees collected for state	-	535,251
Payments from state	1,228,613	-
Refunds collected for other entities	-	-
Payments from other entities	<u>1,346,633</u>	<u>-</u>
Total Additions	<u>\$ 2,591,878</u>	<u>\$ 535,251</u>
<u>Deductions</u>		
Beneficiary payments to individuals	\$ 1,925,815	\$ -
Payments of property tax to other governments	-	-
Payments to state	-	535,251
Administrative expense	-	-
Payments to other entities	<u>313,216</u>	<u>-</u>
Total Deductions	<u>\$ 2,239,031</u>	<u>\$ 535,251</u>
Change in Net Position	\$ 352,847	\$ -
Net Position – January 1	<u>762,081</u>	<u>-</u>
Net Position – December 31	<u><u>\$ 1,114,928</u></u>	<u><u>\$ -</u></u>

Other Custodial Funds				Total Other Custodial Funds
Taxes and Penalties	CARE Collaborative	CCM Health	Jail Canteen	
\$ -	\$ -	\$ -	\$ -	\$ 16,632
14,043,235	-	-	-	14,043,235
996,441	-	-	-	1,531,692
-	59,762	-	-	1,288,375
81,408	-	-	-	81,408
-	28,569	70,742,364	43,857	72,161,423
\$ 15,121,084	\$ 88,331	\$ 70,742,364	\$ 43,857	\$ 89,122,765
\$ -	\$ -	\$ -	\$ 11,143	\$ 1,936,958
13,985,961	-	-	-	13,985,961
993,578	-	-	-	1,528,829
-	6,000	-	-	6,000
81,408	47,729	73,111,528	27,482	73,581,363
\$ 15,060,947	\$ 53,729	\$ 73,111,528	\$ 38,625	\$ 91,039,111
\$ 60,137	\$ 34,602	\$ (2,369,164)	\$ 5,232	\$ (1,916,346)
261,305	236,701	5,704,046	4,585	6,968,718
\$ 321,442	\$ 271,303	\$ 3,334,882	\$ 9,817	\$ 5,052,372

Other Schedules

**Chippewa County
Montevideo, Minnesota**

Exhibit C-1

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2023**

Appropriations and Shared Revenue

State

Highway users tax	\$ 6,469,735
County program aid	627,842
PERA rate reimbursement	190,787
Disparity reduction aid	67,565
Police aid	103,450
Enhanced 911	170,974
Next Generation 911	42,727
Public safety aid	242,652
Market value credit	213,273
Select Committee on Recycling and the Environment (SCORE)	72,440
Aquatic invasive species aid	33,722
Riparian protection aid	109,816
Local Homeless Prevention Aid	30,040
Statewide affordable housing aid	91,734
Minnesota drive system (MNDRIVE)	16,042
Medical assistance renewal aid	104,683
Local option disaster credit	7,377
Out of home placement aid	4,089

Total appropriations and shared revenue	\$ 8,598,948
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Reimbursement for Services

Minnesota Department of Human Services	\$ 868,328
Local	1,055,578

Total reimbursement for services	\$ 1,923,906
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Payments

Payments in lieu of taxes	\$ 159,468
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Grants

State

Minnesota Department/Board/Office of	
Human Services	\$ 905,379
Natural Resources	21,496
Public Safety	37,743
Transportation	62,500
Water and Soil Resources	106,618
Veterans Affairs	7,500
Secretary of State	4,899

Total state	\$ 1,146,135
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**Chippewa County
Montevideo, Minnesota**

***Exhibit C-1
(Continued)***

**Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2023**

Grants (Continued)

Federal

Department of	
Agriculture	\$ 269,958
Election Assistance Commission	4,287
Health and Human Services	1,830,837
Homeland Security	32,626
Justice	51,700
Transportation	26,811
	<hr/>
Total federal	\$ 2,216,219
	<hr/>
Total state and federal grants	\$ 3,362,354
	<hr/>
Total Intergovernmental Revenue	\$ 14,044,676

**Chippewa County
Montevideo, Minnesota**

Exhibit C-2

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
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	232MN101S2514	\$ 224,032	\$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN127Q7503	45,473	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	232MN101S2520	453	-
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 \$269,958)				
Total U.S. Department of Agriculture			\$ 269,958	\$ -
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2022-CHIPPWAO	\$ 51,700	\$ -
U.S. Department of Transportation				
Passed Through Minnesota Department of Public Safety Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC23-2023-CHIPPWSD	\$ 14,130	\$ 7,512
National Priority Safety Programs	20.616	F-ENFRC23-2023-CHIPPWSD	7,411	1,126
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC23-2023-CHIPPWSD	5,270	2,973
Total U.S. Department of Transportation			\$ 26,811	\$ 11,611
U.S. Department of Election Assistance Commission				
Passed Through Minnesota Secretary of State 2018 HAVA Election Security Grants	90.404	Not Provided	\$ 4,287	\$ -

**Chippewa County
Montevideo, Minnesota**

**Exhibit C-2
(Continued)**

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023**

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
Promoting Safe and Stable Families	93.556	2201MNFPS	\$ 2,303	\$ -
Temporary Assistance for Needy Families	93.558	2301MNTANF	960,432	-
Child Support Enforcement	93.563	2301MNCES	27,510	-
Child Support Enforcement	93.563	2301MNCSES	253,662	-
(Total Child Support Enforcement 93.563 \$281,172)				
Refugee and Entrant Assistance – State Administered Programs	93.566	2301MNRCSA	753	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2301MNCDF	3,012	-
Community-Based Child Abuse Prevention Grants	93.590	2202MNBCAP	3,035	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2201MNCWSS	9,502	-
Foster Care – Title IV-E	93.658	2301MNFOS	135,536	-
Social Services Block Grant	93.667	2301MNSOSR	110,298	-
Children's Health Insurance Program	93.767	2305MNSO21	5,293	-
Medicaid Cluster				
Medical Assistance Program	93.778	2305MNSADM	644,705	-
Medical Assistance Program	93.778	2305MNSMAP	4,586	-
(Total Medical Assistance Program 93.778 \$649,291)				
Total U.S. Department of Health and Human Services			\$ 2,160,627	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Public Safety				
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4442DRMNP00000001	\$ 14,504	\$ -
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	4658DRMNP00000001	11,254	-
(Total Disaster Grants – Public Assistance (Presidentially Declared Disasters) 97.036 \$25,758)				
Total U.S. Department of Homeland Security			\$ 25,758	\$ -
Total Federal Awards			\$ 2,539,141	\$ 11,611
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 269,958	
Total expenditures for Highway Safety Cluster			21,541	
Total expenditures for CCDF Cluster			3,012	
Total expenditures for Medicaid Cluster			649,291	

Chippewa County

Montevideo, Minnesota

Notes to the Schedule of Expenditures of Federal Awards As of and for the Year Ended December 31, 2023

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

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, 2023. 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 of Expenditures of Federal Awards 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.

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue	
Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,216,219
Grants received more than 60 days after year-end, considered unavailable revenue in 2023	
Temporary Assistance for Needy Families (AL No. 93.558)	329,790
Revenue recognized in 2023, expended in 2019	
Disaster Grants – Public Assistance (Presidentially Declared Disasters) (AL No. 97.036)	(6,868)
Expenditures per Schedule of Expenditures of Federal Awards	<u>\$ 2,539,141</u>

Management and Compliance Section



**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *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, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 4, 2024.

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 our opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001 and 2023-005 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2023-002 through 2023-004 to be significant deficiencies.

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 findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs and 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 and 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

October 4, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor



**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

Qualified Opinion

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, 2023. 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.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion section of our report, Chippewa County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medicaid Cluster for the year ended December 31, 2023.

Basis for Qualified Opinion

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 qualified 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.

Matters Giving Rise to Qualified Opinion on Medicaid Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, Chippewa County did not comply with requirements regarding Assistance Listing No. 93.778 Medicaid Cluster as described in finding numbers 2023-006 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles and 2023-007 for Reporting.

Compliance with such requirements is necessary, in our opinion, for Chippewa County to comply with the requirements applicable to that program.

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.

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.

Government Auditing Standards requires the auditor to perform limited procedures on Chippewa County's response to the noncompliance findings identified in our audit described in the accompanying Schedule of Findings and Questioned Costs. Chippewa County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2023-006 and 2023-007 to be material weaknesses.

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

Government Auditing Standards requires the auditor to perform limited procedures on Chippewa County's response to the internal control over compliance findings identified in our compliance audit described in the accompanying Schedule of Findings and Questioned Costs. Chippewa County's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

/s/Julie Blaha

Julie Blaha
State Auditor

October 4, 2024

/s/Chad Struss

Chad Struss, CPA
Deputy State Auditor

Chippewa County Montevideo, Minnesota

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2023

Section I – Summary of Auditor’s Results

Financial Statements

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

Internal control over financial reporting:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **Yes**

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

Federal Awards

Internal control over the major federal program:

- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor’s report issued on compliance for the major federal program: **Qualified**

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

Identification of the major federal program:

Assistance Listing Number	Name of Federal Program or Cluster
93.778	Medicaid Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.

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

Section II – Financial Statement Findings

2023-001 Audit Adjustment

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards define a material weakness as a deficiency, or a combination of deficiencies, in internal control such that there is a

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reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

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

Effect: The following audit adjustment was reviewed and approved by management and is reflected in the financial statements: increased due from other governments and unavailable revenue by \$376,727 in the Family Services Special Revenue Fund to record amounts due to the County but received beyond the County's 60-day accrual period.

Cause: The County did not consider outstanding receivables from the State of Minnesota that would have a material impact on the financial statements at year-end.

Recommendation: We recommend the County review the financial statement closing procedures, trial balances, and journal entries in detail to ensure the County's financial statements are fairly presented in accordance with generally accepted accounting principles.

View of Responsible Official: Acknowledge

2023-002 Reconciliation of Treasurer's Cash Book to the General Ledger and Broker Statements

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Significant Deficiency

Criteria: Internal controls in place over operations should be designed to provide reasonable assurance material errors will be prevented and detected in a timely manner.

Condition: The County is not reconciling the Treasurer's cash book to the general ledger and broker statements on a regular basis resulting in an immaterial difference at December 31, 2023, after adjustments were made during the audit.

Context: Reconciliations between the Treasurer's cash book and the general ledger, and between the Treasurer's cash book and broker statements, are tools to help ensure cash records are complete and accurate and controls designed to detect, and allow for correction of, errors or irregularities on a timely basis. Adjustments of \$546,908 and \$662,202 were necessary to materially state the cash and pooled investments reconciliation and the investments reconciliation, respectively.

Effect: When accounting records are not reconciled on a regular basis, there is an increased risk that errors or irregularities will not be detected in a timely manner.

Chippewa County

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Cause: During 2023, the County started making changes to the general ledger for realized gains on investments that were previously recorded at cost in both the general ledger and the cash book; however, the realized gains were not recorded in the cash book. Additionally, there were changes made to the general ledger after year-end that were not made to the cash book.

Recommendation: We recommend the Treasurer's cash book be reconciled to both broker statements and the general ledger monthly.

View of Responsible Official: Acknowledge

2023-003 Credit Card Purchases

Prior Year Finding Number: 2022-001

Year of Finding Origination: 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 the receipt on file did not agree with the amount paid to the vendor.
- There was one instance where the receipt on file was not itemized. 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 or were not reviewed until up to three 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.

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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

2023-004 Journal Entry Approval

Prior Year Finding Number: 2022-002

Year of Finding Origination: 2022

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: Five of the 22 journal entries tested did not include indication of review; an additional three entries were reviewed by the same individual who processed them.

Context: Staffing changes during 2023 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: The Auditor/Treasurer/Coordinator was processing journal entries due to staffing changes.

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

View of Responsible Official: Acknowledge

2023-005 Incorrect Expenditures and Amounts Passed Through to Subrecipients Reported on the Schedule of Expenditures of Federal Awards

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Financial Reporting

Severity of Deficiency: Material Weakness

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.510(b) states that the auditee must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee's financial statements which must include the total federal awards expended as determined in accordance with § 200.502, basis for determining federal awards expended.

Title 2 U.S. *Code of Federal Regulations* § 200.502(a) states that the determination of when a federal award is expended must be based on when the activity related to the federal award occurs. Generally, the activity pertains to events that require the non-federal entity to comply with federal statutes, regulations, and terms and conditions of federal awards, such as the disbursement of funds to subrecipients. Additionally, the schedule must include the total amount provided to subrecipients from each federal program.

Chippewa County Montevideo, Minnesota

Condition: Chippewa County did not properly identify the amount expended and pass-through grant numbers for 16 of the 18 programs reported. Additionally, no amounts were reported as passed through to subrecipients.

Context: The inability to properly identify and track federal expenditures, including amounts passed through to subrecipients, or to detect misstatements in the SEFA, increases the likelihood that federal expenditures would not be fairly reported, and that noncompliance with direct and material compliance requirements may occur.

Effect: Total federal expenditures on the SEFA were overstated by \$2,104,128 and amounts passed through to subrecipients of \$11,611 were not included.

Cause: The County overlooked or incorrectly recorded the activity when preparing the SEFA.

Recommendation: We recommend the County review internal controls currently in place to ensure correct identification of expenditures, pass-through grant numbers, and amounts passed through to subrecipients for SEFA reporting.

View of Responsible Official: Acknowledge

Section III – Federal Award Findings and Questioned Costs

2023-006 Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Award Number and Year: 2305MN5ADM, 2023

Pass-Through Agency: Minnesota Department of Human Services

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

Administrative program costs for Medical Assistance Program are submitted to the Minnesota Department of Human Services (DHS) through the DHS Income Maintenance (DHS-2550) report and the Social Service Fund (DHS-2556) report on a quarterly basis. DHS provides reporting instructions including information regarding eligible and ineligible costs.

Condition: The following exceptions were noted in the sample of 40 expenditures tested for activities allowed or unallowed and allowable costs/cost principles:

- Two claims were included in the DHS-2550 reports as eligible expenditures but were not eligible for federal reimbursement.

Chippewa County Montevideo, Minnesota

- For three timesheets tested, the payroll costs were allocated on an incorrect full-time equivalent (FTE) split on the DHS-2550 and DHS-2556 reports as the FTE split was updated during 2023 for non-payroll costs but not for payroll costs.
- Two timesheets were included in the DHS-2556 reports for Social Service Time Study Random Moment Time Study (SSTS RMS) Participants Payroll Expense rather than Non SSTS RMS Participants Payroll Expense.
- One timesheet was included in the DHS-2556 report as an eligible payroll expense but was not eligible for federal reimbursement.
- One claim was included in the DHS-2556 report as an eligible expenditure but was not eligible for federal reimbursement.

Questioned Costs: \$343,656.

Context: DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the County are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

DHS determines the rate of reimbursement for costs reported; the amount of questioned costs represents actual costs and does not reflect the amount reimbursed to the County for this grant.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the identification and reporting of costs on the quarterly reports can impair the ability of DHS to provide required oversight over federal programs and result in the County receiving either more or less federal funds than justified based on the actual underlying activity.

Cause: The County's controls over the identification of allowable activities and costs, preparation of the quarterly reports, and maintenance of payroll allocations in the accounting system were not sufficient to identify these errors.

Recommendation: We recommend the County implement controls to ensure activities allowed and allowable costs are appropriately identified and accurately reported to DHS in accordance with federal program guidance and DHS instructions. We also recommend the County correct and resubmit reports submitted with unallowable activities or costs, costs allocated incorrectly, or activity reported incorrectly.

View of Responsible Official: Acknowledge

2023-007 Social Service Fund Reporting (DHS-2556)

Prior Year Finding Number: N/A

Year of Finding Origination: 2023

Type of Finding: Internal Control Over Compliance and Compliance

Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of Health and Human Services

Program: 93.778 Medical Assistance Program

Chippewa County

Montevideo, Minnesota

Award Number and Year: 2305MN5ADM, 2023

Pass-Through Agency: Minnesota Department of Human Services

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

Administrative program costs for Medical Assistance Program are submitted to the Minnesota Department of Human Services (DHS) through the Social Service Fund (DHS-2556) report on a quarterly basis. DHS provides reporting instructions including information regarding eligible and ineligible costs.

Condition: The DHS-2556 second and fourth quarter reports overstated “Other Expenses” by \$104,180 for expenses not related to the Social Service program and, therefore, not eligible to be included in the reported balances.

Questioned Costs: \$104,180.

Context: DHS relies on accurate identification and reporting of program costs to ensure grant funds paid to the County are for allowable federal program activities/costs and provide detailed information necessary for maintaining proper oversight over federal programs.

DHS determines the rate of reimbursement for costs reported; the amount of questioned costs represents actual costs and does not reflect the amount reimbursed to the County for this grant.

The sample sizes were based on the guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Effect: Errors in the reporting of costs on the quarterly reports can impair the ability of DHS to provide required oversight over federal programs and result in the County receiving either more or less federal funds than justified based on the actual underlying activity.

Cause: The County’s controls over preparation of the quarterly reports were not sufficient to identify the reporting errors.

Recommendation: We recommend the County implement controls to ensure accurate reporting to DHS in accordance with federal program guidance and DHS instructions. We also recommend the County correct and resubmit incorrect reports.

View of Responsible Official: Acknowledge



AUDITOR/TREASURER

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Representation of Chippewa County Montevideo, Minnesota

Corrective Action Plan
For the Year Ended December 31, 2023

Finding Number: 2023-001

Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

Chippewa County will review incoming revenue beyond the 60-day accrual period to determine if they have a material impact on the financial statements. If it is determined any receipts are material, an additional accrual entry will be booked.

Anticipated Completion Date:

December 31, 2024

Finding Number: 2023-002

Finding Title: Reconciliation of Treasurer's Cash Book to the General Ledger and Broker Statements

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

All reconciliations are being performed on a timely basis and supporting schedules for cash and investment balances are reviewed and maintained.

Anticipated Completion Date:

December 31, 2024

Finding Number: 2023-003

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 cards.

Anticipated Completion Date:

December 31, 2024

Finding Number: 2023-004

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, 2024

Finding Number: 2023-005

Finding Title: Incorrect Expenditures and Amounts Passed Through to Subrecipients Reported on the Schedule of Expenditures of Federal Awards

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

Chippewa County staff missed entering a number into the Schedule of Expenditures of Federal Awards workpaper. It is impossible to achieve perfection, but Chippewa County will continue to strive to do so. Chippewa County will prepare the Schedule of Expenditures of Federal Awards more thoroughly for future financial statements.

Anticipated Completion Date:

December 31, 2024

Finding Number: 2023-006

Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Program: 93.778 Medicaid Cluster

Name of Contact Person Responsible for Corrective Action:

Jennifer Bakkellund, Fiscal Supervisor

Corrective Action Planned:

2556 reports are being corrected to reflect the required corrections. Worked with DHS to correct the expenditure not eligible for federal reimbursement. (corrected 9/26/2024). Auditors' office has been making corrections of payroll to move the 3 supervisors out of SSTs RMS to non SSTs RMS codes. I will then go back and correct the 2023 2556 reports. Any that are past the year cut off, I will work with DHS directly to make the corrections. Salary splits for Passport time and Director salary for supervision of Circle program will be adjusted and corrected on the 2556 as well. In the future these activities may be removed from the Family Services area.

Anticipated Completion Date:

December 31, 2024

Finding Number: 2023-007

Finding Title: Social Service Fund Reporting (DHS-2556)

Program: 93.778 Medicaid Cluster

Name of Contact Person Responsible for Corrective Action:

Jennifer Bakkellund, Fiscal Supervisor

Corrective Action Planned:

After speaking with State Auditors and DHS, expenses that had been listed as “other” are now part of services rendered. A change in process of backup reports will be done to make this move of costs in the future. Fiscal Year 2023 reports are being corrected to match this new requirement. Any reports that are past the year cut off I am working directly with DHS to correct.

Anticipated Completion Date:

December 31, 2024

**Representation of Chippewa County
Montevideo, Minnesota**

**Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2023**

Finding Number: 2022-001
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 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.

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. Chippewa County will continue to evaluate and enforce actions to ensure employees submit proper documentation for credit card purchases and supervisors complete a review of all transactions.

Finding Number: 2022-002
Year of Finding Origination: 2022
Finding Title: Journal Entry Approval

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

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. All journal entries will be reviewed by someone other than the preparer and documented as such.

Status: Not Corrected. Significant staff turnover in the Auditor/Treasurer's Office during 2022 and 2023 resulted in journal entry review being delayed or not reviewed. The Auditor/Treasurer's Office is restructuring staff positions to ensure timely review of journal entries by someone other than the preparer.