STATE OF MINNESOTA

Office of the State Auditor

Rebecca Otto
State Auditor

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

YEAR ENDED DECEMBER 31, 2017

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 150 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 650 public pension funds; and

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

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

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

Year Ended December 31, 2017

Audit Practice Division
Office of the State Auditor
State of Minnesota

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

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Introductory Section

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

ORGANIZATION
2017

Office	Name	Term Expires
Commissioners		
1st District	Matt Gilbertson	January 2019
2nd District	Jeffrey Lopez	January 2021
3rd District	David Nordaune	January 2021
4th District	Jim Dahlvang*	January 2021
5th District	David Lieser	January 2019
Officers		
Elected		
Attorney	David Gilbertson	January 2019
Auditor/Treasurer	Jon Clauson**	January 2019
Coroner	Dr. A. Quinn Strobel and Anoka County	Indefinite
County Recorder and Registrar of Titles	Amy Rodeberg	January 2019
Sheriff	Stacy Tufto	January 2019
Appointed		
Assessor	Bonnie Crosby	Indefinite
Deputy Registrar	Sandra Hodge	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Land and Resource Management	Scott Williams	Indefinite
Veterans' Service Officer	Tim Kolhei	Indefinite
Family Services Director	Patrick Bruflat	Indefinite
Data Processing	Ken Menning	Indefinite

*Chair 2017
**Resigned on February 28, 2018. Michelle May was appointed to fill the position effective March 1, 2018.

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Financial Section

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and Required Supplementary Information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 5, 2018, on our consideration of Chippewa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chippewa County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 5, 2018

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)

The Auditor/Treasurer of Chippewa County offers readers of Chippewa County's financial statements this narrative overview and analysis of the financial activities of Chippewa County for the fiscal year ended December 31, 2017. 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, 2017) by $65,037,104 (net position). Of this amount, $5,297,571 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

- Chippewa County's total net position increased by $513,182. The increase is largely from an increase in current and other assets net of deferred pension outflows.

- As of the close of the 2017 fiscal year, Chippewa County's governmental funds' ending fund balances were $14,800,667, compared to $14,425,593 in 2016. Approximately 24.2 percent of the amount ($3,577,897) is available for spending at Chippewa County's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using modified accrual accounting. Such information may be useful in evaluating a government's near-term financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Within the governmental funds, Chippewa County maintains two fund types: General and special revenue. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, and Ditch Revenue Special Revenue Fund, all of which are considered to be major funds.

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

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

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

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

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

Fiduciary funds (trust and agency funds) are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Chippewa County's own programs. The accounting used for fiduciary funds is much like that used for the government-wide statements. The basic fiduciary fund financial statements are Exhibits 7 and 8 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 24 through 75 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 $65,037,104 on December 31, 2017.

The largest portion of net position (81.3 percent) reflects the County's net investment in capital assets (for example: land; buildings; machinery and equipment; infrastructure; improvements to land; and construction in progress, net of accumulated depreciation). Chippewa County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of Chippewa County's net position, 10.5 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position ($5,297,571) may be used to meet the government's ongoing obligations to citizens and creditors. Comparative data with 2016 is presented.

Net Position

	Governmental Activities	
	2017	2016
Assets		
Current and other assets	$ 20,625,371	$ 19,653,260
Capital assets	52,953,127	52,780,871
Total Assets	$ 73,578,498	$ 72,434,131
Deferred Outflows of Resources		
Deferred pension outflows	$ 2,991,334	$ 5,313,947
Liabilities		
Other liabilities	$ 687,078	$ 784,654
Long-term liabilities	7,956,849	11,330,630
Total Liabilities	$ 8,643,927	$ 12,115,284
Deferred Inflows of Resources		
Deferred pension inflows	$ 2,802,843	$ 1,108,872
Prepaid property taxes	85,958	-
Total Deferred Inflows of Resources	$ 2,888,801	$ 1,108,872
Net Position		
Net investment in capital assets	$ 52,901,046	$ 52,780,871
Restricted	6,838,487	6,195,474
Unrestricted	5,297,571	5,547,577
Total Net Position	$ 65,037,104	$ 64,523,922

Unrestricted net position at December 31, 2017--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 8.1 percent of the net position.

Governmental Activities

The County's activities increased net position by 0.8 percent ($65,037,104) for 2017, compared to $64,523,922 for 2016. Key elements in this increase in net position are as follows:

Changes in Net Position

	Governmental Activities	
	2017	2016
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 2,141,120	$ 2,296,755
Operating grants and contributions	6,935,989	7,024,884
Capital grants and contributions	149,123	1,501,035
General revenues		
Property taxes	9,536,251	9,191,951
Other	1,092,833	1,122,406
Total Revenues	$ 19,855,316	$ 21,137,031
Expenses		
General government	$ 3,437,802	$ 3,388,121
Public safety	3,244,298	3,685,787
Highways and streets	5,179,182	4,884,346
Sanitation	303,947	282,976
Human services	5,342,149	5,368,945
Health	144,742	140,869
Culture and recreation	415,850	450,795
Conservation of natural resources	1,195,363	1,417,295
Economic development	71,800	47,386
Interest	7,001	15,143
Total Expenses	$ 19,342,134	$ 19,681,663
Increase in Net Position	$ 513,182	$ 1,455,368
Net Position - January 1	64,523,922	63,068,554
Net Position - December 31	$ 65,037,104	$ 64,523,922

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, Chippewa County's governmental funds reported combined ending fund balances of $14,800,667, an increase of $375,074, or 2.6 percent, in comparison with the prior year. Of the combined ending fund balances, $10,963,473 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, $3,837,194, 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 2017, it had an unrestricted fund balance of $3,889,735. 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 49.4 percent of total General Fund expenditures. During 2017, the ending fund balance increased by $559,699. Examples of contributing factors to this increase are higher than anticipated revenues in the Forfeited Tax Properties for the sale of forfeited properties and the sale of capital assets in the Sheriff's department. Additionally, there were lower than anticipated expenditures in the County Courthouse Building and County Jail/Dispatch departments for building improvements.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of $3,849,931 at the end of 2017, representing 74.1 percent of its annual expenditures. The ending fund balance increased by $20,536 during 2017, primarily due to sales of capital assets.

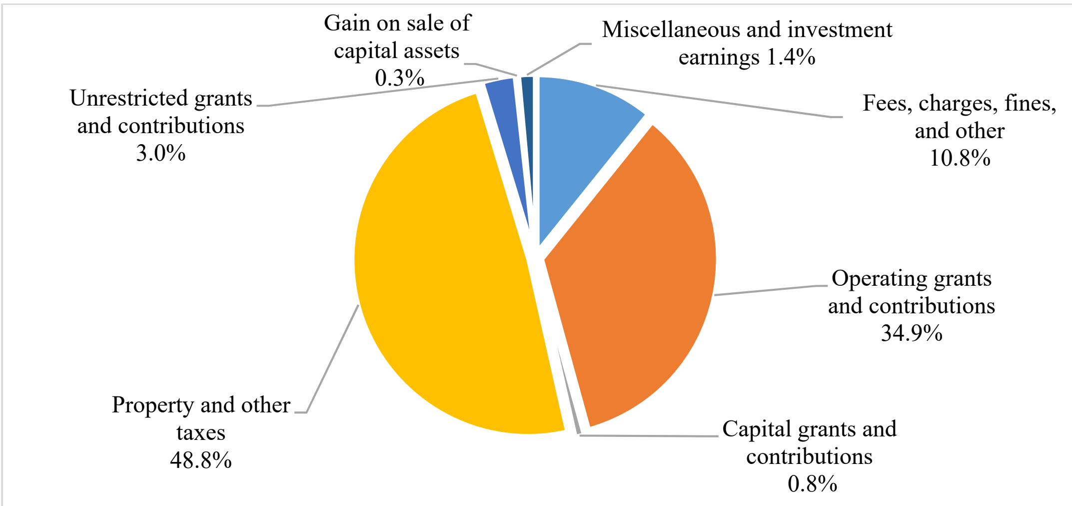
The Family Services Special Revenue Fund had an unrestricted fund balance of $3,290,691 at the end of 2017, representing 61.6 percent of its annual expenditures. The ending fund balance decreased by $312,225 during 2017. The decrease was primarily due to receiving less intergovernmental revenues than expected.

The Ditch Revenue Special Revenue Fund has a fund balance of $2,222,411 at the end of 2017. The ending fund balance increased by $107,064 during 2017; the increase is due to the lower than expected expense for ditch maintenance and repair.

GOVERNMENTAL ACTIVITIES

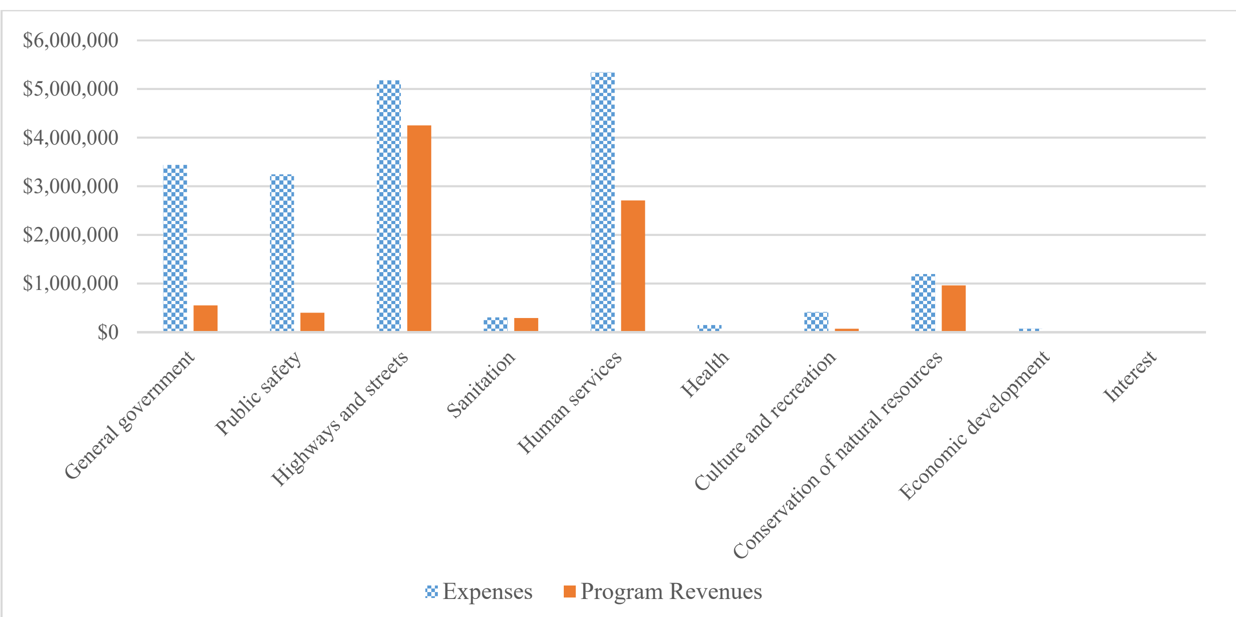
The County's total revenues were $19,855,316. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2017.

Table 1
Revenues by Source



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

Table 2
Expenses and Program Revenues



The cost of all governmental activities in 2017 was $19,342,134. However, as shown on the Statement of Activities, Exhibit 2, the amount that Chippewa County taxpayers ultimately financed these activities through County taxes and non-program revenues was only $10,115,902 because some of the cost was paid by those who directly benefited from the programs, $2,141,120, or by other governments and organizations that subsidized certain programs with grants and contributions, $7,085,112. The County paid for the remaining "public benefit" portion of governmental activities with $10,629,084 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs and investment income.

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

Table 3
Governmental Activities

	2017	
	Total Cost of Services	Net Cost of Services
General government	$ 3,437,802	$ (2,887,430)
Public safety	3,244,298	(2,847,052)
Highways and streets	5,179,182	(927,688)
Sanitation	303,947	(14,660)
Human services	5,342,149	(2,635,138)
Health	144,742	(144,742)
Culture and recreation	415,850	(346,654)
Conservation of natural resources	1,195,363	(233,737)
Economic development	71,800	(71,800)
Interest	7,001	(7,001)
Totals	$ 19,342,134	$ (10,115,902)

General Fund Budgetary Highlights

Over the course of the year, the County Board decreased the General Fund expenditure budget by $393,420.

The actual charges to appropriations (expenditures) were $527,851 less than final budget amounts. One of the most significant positive variances of $148,111 occurred in the Weed Control department, where actual expenditures were less than the amount budgeted.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2017, totaled $52,953,127 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased $172,256, or 0.3 percent, from the previous year.

Capital Assets at Year-End
Net of Depreciation

	2017	2016
Land and right-of-way	$ 1,884,202	$ 1,834,202
Infrastructure	43,841,546	45,161,444
Buildings	3,250,641	3,251,721
Improvements other than buildings	64,455	54,216
Machinery and equipment	2,430,442	2,178,211
Construction in progress	1,481,841	301,077
Total	$ 52,953,127	$ 52,780,871

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

Long-Term Debt

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

Information on the County's other long-term obligations can be found in the notes to the financial statements of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The County's officials considered many factors when setting the 2018 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2017 was 4.4 percent. This compares with the state unemployment rate of 3.5 percent and national unemployment rate of 4.1 percent. This shows a moderate decrease from the County's 4.7 percent rate of one year ago. The economic recovery nationally continues, however, at a very slow rate but shows little impact locally. The lack of sustainable jobs in the area places increased pressure on the need for services administered by the County. Agricultural land values continue to erode from historic high levels from the last several years, creating shift in where tax dollars come from (Ag. property vs. Non-ag. property).

- The 2018 property tax levy for the County decreased 0.66 percent ($64,744) from 2017. This is due to the decrease in professional services and the decline in diesel fuel tax.

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Assets		
Cash and pooled investments	$	9,121,550
Investments		5,577,276
Receivables		5,767,282
Inventories		130,450
Prepaid items		28,813
Capital assets		
Non-depreciable		3,366,043
Depreciable - net of accumulated depreciation		49,587,084
Total Assets	**$**	**73,578,498**
Deferred Outflows of Resources		
Deferred pension outflows	**$**	**2,991,334**
Liabilities		
Accounts payable and other current liabilities	$	438,907
Unearned revenue		69,884
Advance from other governments		178,287
Long-term liabilities		
Due within one year		167,415
Due in more than one year		1,156,083
Net other postemployment benefits obligation		442,470
Net pension liability		6,190,881
Total Liabilities	**$**	**8,643,927**
Deferred Inflows of Resources		
Deferred pension inflows	$	2,802,843
Prepaid property taxes		85,958
Total Deferred Inflows of Resources	**$**	**2,888,801**
Net Position		
Net investment in capital assets	$	52,901,046
Restricted for		
General government		558,852
Public safety		202,794
Highways and streets		3,459,334
Human services		1,187
Conservation of natural resources		2,616,320
Unrestricted		5,297,571
Total Net Position	**$**	**65,037,104**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 2

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net (Expense)
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
General government	$ 3,437,802	$ 461,468	$ 88,904	$ -	$ (2,887,430)
Public safety	3,244,298	111,996	285,250	-	(2,847,052)
Highways and streets	5,179,182	170,273	3,932,098	149,123	(927,688)
Sanitation	303,947	220,576	68,711	-	(14,660)
Human services	5,342,149	365,029	2,341,982	-	(2,635,138)
Health	144,742	-	-	-	(144,742)
Culture and recreation	415,850	2,024	67,172	-	(346,654)
Conservation of natural resources	1,195,363	809,754	151,872	-	(233,737)
Economic development	71,800	-	-	-	(71,800)
Interest	7,001	-	-	-	(7,001)
Total Governmental Activities	**$ 19,342,134**	**$ 2,141,120**	**$ 6,935,989**	**$ 149,123**	**$ (10,115,902)**

General Revenues	
Property taxes	$ 9,536,251
Mortgage registry and deed tax	8,168
Payments in lieu of tax	149,787
Grants and contributions not restricted to specific programs	587,703
Miscellaneous	227,328
Unrestricted investment earnings	56,932
Gain on sale of capital assets	62,915
Total general revenues	**$ 10,629,084**
Change in net position	**$ 513,182**
Net Position - Beginning	**64,523,922**
Net Position - Ending	**$ 65,037,104**

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Family Services	Ditch	Total
Assets					
Cash and pooled investments	$ 4,499,321	$ 181,283	$ 3,330,412	$ 766,624	$ 8,777,640
Undistributed cash in agency funds	223,528	40,950	73,512	3,720	341,710
Petty cash and change funds	2,100	-	100	-	2,200
Investments	500,200	3,577,076	-	1,500,000	5,577,276
Taxes receivable					
Delinquent	64,507	14,204	25,121	-	103,832
Special assessments receivable					
Delinquent	7,530	-	-	320	7,850
Noncurrent	491,648	-	-	851,010	1,342,658
Accounts receivable	14,801	456	204	-	15,461
Accrued interest receivable	5,392	6,095	-	-	11,487
Due from other funds	16,691	-	-	-	16,691
Due from other governments	35,678	3,671,177	295,231	-	4,002,086
Inventories	1,473	128,977	-	-	130,450
Prepaid items	13,102	5,802	9,909	-	28,813
Loans receivable	-	283,908	-	-	283,908
Total Assets	**$ 5,875,971**	**$ 7,909,928**	**$ 3,734,489**	**$ 3,121,674**	**$ 20,642,062**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 136,095	$ 27,818	$ 89,158	$ 29,632	$ 282,703
Salaries payable	16,654	377	-	-	17,031
Contracts payable	-	52,081	-	-	52,081
Due to other funds	-	-	16,691	-	16,691
Due to other governments	24,225	6,191	38,375	18,301	87,092
Unearned revenue	69,884	-	-	-	69,884
Advance from other governments	-	-	178,287	-	178,287
Total Liabilities	**$ 246,858**	**$ 86,467**	**$ 322,511**	**$ 47,933**	**$ 703,769**
Deferred Inflows of Resources					
Unavailable revenue	$ 569,077	$ 3,541,881	$ 89,380	$ 851,330	$ 5,051,668
Prepaid property taxes	54,016	11,131	20,811	-	85,958
Total Deferred Inflows of Resources	**$ 623,093**	**$ 3,553,012**	**$ 110,191**	**$ 851,330**	**$ 5,137,626**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Road and Bridge	Family Services	Ditch	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	$ 13,102	$ 5,802	$ 9,909	$ -	$ 28,813
Loans receivable	-	283,908	-	-	283,908
Inventories	1,473	128,977	-	-	130,450
Missing heirs	7,262	-	-	-	7,262
Unclaimed property	49	-	-	-	49
Restricted for					
Buffer administration	108,663	-	-	-	108,663
Law library	90,103	-	-	-	90,103
Enhanced 911	116,535	-	-	-	116,535
Boat and water	425	-	-	-	425
Sheriff's contingency	2,164	-	-	-	2,164
Permit to carry	79,376	-	-	-	79,376
Recorder's technology fund	262,090	-	-	-	262,090
Recorder's compliance fund	201,941	-	-	-	201,941
Law enforcement - drug task force	4,294	-	-	-	4,294
Attorney forfeiture	3,930	-	-	-	3,930
Highway allotments	-	1,831	-	-	1,831
Septic/sewer loans	169,380	-	-	-	169,380
Veterans' services	788	-	-	-	788
Food stamp enhancement bonus	-	-	1,187	-	1,187
Ditch maintenance and repairs	-	-	-	2,289,295	2,289,295
Aquatic invasive species aid	54,710	-	-	-	54,710
Assigned for					
Vehicle purchases	64,434	-	-	-	64,434
Cold storage building	67,782	-	-	-	67,782
Courthouse improvements	112,738	-	-	-	112,738
Road and bridge	-	3,039,931	-	-	3,039,931
Capital equipment	-	810,000	-	-	810,000
Human services	-	-	961,398	-	961,398
Program contingencies	-	-	300,000	-	300,000
Future building	-	-	1,204,293	-	1,204,293
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	3,644,781	-	-	(66,884)	3,577,897
Total Fund Balances	**$ 5,006,020**	**$ 4,270,449**	**$ 3,301,787**	**$ 2,222,411**	**$ 14,800,667**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 5,875,971**	**$ 7,909,928**	**$ 3,734,489**	**$ 3,121,674**	**$ 20,642,062**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 4

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES DECEMBER 31, 2017

Fund balance - total governmental funds (Exhibit 3)		**$ 14,800,667**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		52,953,127
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,991,334
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.		5,051,668
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (661,028)	
Compensated absences	(662,470)	
Net other postemployment benefits obligation	(442,470)	
Net pension liability	(6,190,881)	(7,956,849)
Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(2,802,843)
Net Position of Governmental Activities (Exhibit 1)		**$ 65,037,104**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	General	Road and Bridge	Family Services	Ditch	Total
Revenues					
Taxes	$ 6,020,135	$ 1,272,120	$ 2,247,814	$ -	$ 9,540,069
Special assessments	196,044	150	-	620,360	816,554
Licenses and permits	7,976	22,200	-	-	30,176
Intergovernmental	1,249,507	3,698,087	2,478,726	54,142	7,480,462
Charges for services	523,309	52,308	166,519	-	742,136
Gifts and contributions	2,600	-	410	-	3,010
Investment earnings	20,297	26,538	-	10,097	56,932
Miscellaneous	270,674	90,478	140,551	-	501,703
Total Revenues	**$ 8,290,542**	**$ 5,161,881**	**$ 5,034,020**	**$ 684,599**	**$ 19,171,042**
Expenditures					
Current					
General government	$ 3,442,539	$ -	$ -	$ -	$ 3,442,539
Public safety	2,592,768	-	-	-	2,592,768
Highways and streets	-	4,806,746	-	-	4,806,746
Sanitation	302,099	-	-	-	302,099
Human services	-	-	5,201,503	-	5,201,503
Culture and recreation	478,402	-	-	-	478,402
Conservation of natural resources	617,913	-	-	577,535	1,195,448
Economic development	71,800	-	-	-	71,800
Intergovernmental					
Public safety	269,419	-	-	-	269,419
Highways and streets	-	386,277	-	-	386,277
Health	-	-	144,742	-	144,742
Debt service					
Principal	86,663	-	-	-	86,663
Interest	9,262	-	-	-	9,262
Total Expenditures	**$ 7,870,865**	**$ 5,193,023**	**$ 5,346,245**	**$ 577,535**	**$ 18,987,668**
Excess of Revenues Over (Under) Expenditures	**$ 419,677**	**$ (31,142)**	**$ (312,225)**	**$ 107,064**	**$ 183,374**
Other Financing Sources (Uses)					
Loans issued	$ 125,907	$ -	$ -	$ -	$ 125,907
Proceeds from sale of capital assets	14,115	48,800	-	-	62,915
Total Other Financing Sources (Uses)	**$ 140,022**	**$ 48,800**	**$ -**	**$ -**	**$ 188,822**
Net Change in Fund Balance	**$ 559,699**	**$ 17,658**	**$ (312,225)**	**$ 107,064**	**$ 372,196**
Fund Balance - January 1, as restated (Note 1.E.)	**4,446,321**	**4,249,913**	**3,614,012**	**2,115,347**	**14,425,593**
Increase (decrease) in inventories	**-**	**2,878**	**-**	**-**	**2,878**
Fund Balance - December 31	**$ 5,006,020**	**$ 4,270,449**	**$ 3,301,787**	**$ 2,222,411**	**$ 14,800,667**

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

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, 2017

Net change in fund balance - total governmental funds (Exhibit 5)		**$ 372,196**
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 unavailable revenue.		
Unavailable revenue - December 31	$ 5,051,668	
Unavailable revenue - January 1	(4,443,013)	608,655
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, 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	$ 2,291,344	
Net book value of assets disposed of	(127,433)	
Current year depreciation	(1,991,655)	172,256
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The other financing source reported in the General Fund differs by $5,802 for accumulated interest added to loan principal. The net proceeds for debt issuance are:		
Loans issued		(131,709)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal repayments		
Loan payments		86,663
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in compensated absences	$ 738	
Change in net other postemployment benefits obligation	(52,189)	
Change in net pension liability	3,470,278	
Change in deferred pension outflows	(2,322,613)	
Change in deferred pension inflows	(1,693,971)	
Change in inventories	2,878	(594,879)
Change in Net Position of Governmental Activities (Exhibit 2)		**$ 513,182**

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

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FIDUCIARY FUNDS

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017

	Investment Trusts	Agency
Assets		
Cash and pooled investments	$ 644,013	$ 1,290,185
Investments	22,885,408	21,000
Accrued interest receivable	52,396	-
Total Assets	**$ 23,581,817**	**$ 1,311,185**
Liabilities		
Accounts payable	$ -	$ 38,973
Due to other governments	-	1,272,212
Total Liabilities	**$ -**	**$ 1,311,185**
Net Position		
Net position, held in trust	**$ 23,581,817**	

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 8

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Investment Trusts
Additions	
Contributions from participants	$ 52,534,982
Investment earnings	220,499
Total Additions	**$ 52,755,481**
Deductions	
Distributions to participants	86,999,865
Change in Net Position	**$ (34,244,384)**
Net Position - January 1	**57,826,201**
Net Position - December 31	**$ 23,581,817**

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

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 for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

Chippewa County was established February 20, 1862, and is an organized county having the powers, duties, and privileges granted counties by Minn. Stat. ch. 373. As required by accounting principles generally accepted in the United States of America, these financial statements present Chippewa County. The County is governed by a five-member Board of Commissioners elected from districts within the County. The Board is organized with a chair and vice chair elected at the annual meeting in January of each year. The County Auditor/Treasurer, elected on a County-wide basis, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures

The County participates in several joint ventures described in Note 5.C.

B. Basic Financial Statements

1. Government-Wide Statements

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

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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

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

2. Fund Financial Statements

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

1. Summary of Significant Accounting Policies

   B. Basic Financial Statements

      2. Fund Financial Statements (Continued)

         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 Revenue Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

         Additionally, the County reports the following fiduciary fund types:

         - Investment trust funds are used to account for investments and investment pools held by the County for the Chippewa County-Montevideo Hospital, a legally separate entity that is not part of the County's financial reporting entity.

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

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Chippewa County considers all revenues as available if collected within 60 days after the end of the current period. Property taxes are recognized as revenues in the year for which they are levied, provided they are also available. Shared revenues are generally recognized in the period the appropriation goes into effect and the revenues are available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met and are available. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were $20,297.

1. Summary of Significant Accounting Policies

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

      1. Deposits and Investments (Continued)

         Chippewa County invests in an external investment pool, the Minnesota Association of Governments Investing for Counties (MAGIC) Fund, which is created under a joint powers agreement pursuant to Minn. Stat. § 471.59. The investment in the pool is measured at the net asset value per share provided by the pool.

      2. Receivables and Payables

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

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

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

         Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017 and noncurrent special assessments payable in 2018 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

         No allowance for uncollectible receivables has been provided because such amounts are not expected to be material.

1. Summary of Significant Accounting Policies

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

      3. Inventories and Prepaid Items

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

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

      4. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation, sick leave, and comp time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide financial statements. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion is calculated using a trend analysis of current usage of vacation. The noncurrent portion consists of the remaining amount of vacation, total vested sick leave, and comp time. For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

6. Long-Term Obligations

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

At December 31, 2017, Chippewa County reported no bonded debt.

7. Pension Plan

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (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

1. Summary of Significant Accounting Policies

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

7. Pension Plan (Continued)

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.

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. The County has one item, deferred pension outflows, that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting and consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, pension plan changes in proportionate share, changes in actuarial assumptions, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has three types of deferred inflows, unavailable revenue, deferred pension inflows, and prepaid property taxes, that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent and noncurrent special assessments receivable, interest receivable, grant monies receivable, and miscellaneous revenue for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The County also has deferred pension

1. Summary of Significant Accounting Policies

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

      8. Deferred Outflows/Inflows of Resources (Continued)

         inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, pension plan changes in proportionate share, changes in actuarial assumptions, and also the differences between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. The last item, prepaid property taxes, arises under both the modified accrual and the full accrual basis of accounting and is reported in both the governmental funds balance sheet and the statement of net position. These amounts represent the County's share of 2018 property taxes collected in advance. Since the property taxes were levied for use in a future year, the revenue is deferred and recognized in the period for which the amounts were levied.

      9. Unearned Revenue

         Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. At December 31, 2017, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

      10. Classification of Net Position

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

         - Net investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation, and reduced by outstanding debt and related contracts payable attributed to the acquisition, construction, or improvement of the assets.

         - Restricted net position - the amount of net position for which external restrictions have been imposed by creditors, grantors, contributors, or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

1. Summary of Significant Accounting Policies

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

10. Classification of Net Position (Continued)

- Unrestricted net position - the amount of net position that does not meet the definition of restricted or net investment in capital assets.

11. Classification of Fund Balances

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

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

- 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, who has been delegated that authority by Board Resolution.

1. Summary of Significant Accounting Policies

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

      11. Classification of Fund Balances (Continued)

         - 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.

      12. Minimum Fund Balance

         Chippewa County has adopted a minimum fund balance policy for its governmental funds. The General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund all are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2017, the County's unrestricted fund balance was at or above the minimum fund balance level.

      13. Use of Estimates

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

1. Summary of Significant Accounting Policies (Continued)

E. Restatement of Fund Balances for Prior Period Adjustment

The January 1, 2017, fund balance in the General Fund was increased by $43,003 to correct a prior period overstatement of conservation of natural resources expenditures. The January 1, 2017, fund balance in the Ditch Special Revenue Fund was decreased by $43,003 to correct a prior period understatement of conservation of natural resources expenditures. The effect on fund balances are as follows:

	General Fund	Ditch Special Revenue Fund
Fund Balance, January 1, 2017, as previously reported	$ 4,403,318	$ 2,158,350
Restatement of fund balance	43,003	(43,003)
Fund Balance, January 1, 2017, as restated	$ 4,446,321	$ 2,115,347

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of $2,222,411 as of December 31, 2017, although 11 ditches had deficit balances. The deficits will be eliminated with future special assessment levies against the benefited properties. The following is a summary of the individual ditch systems:

129 ditches with positive fund balances	$ 2,289,295
11 ditches with deficit fund balances	(66,884)
Total Fund Balance	$ 2,222,411

3. Detailed Notes on All Funds

   A. Assets and Deferred Outflows of Resources

      1. Deposits and Investments

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

Government-wide statement of net position		
Governmental activities		
Cash and pooled investments	$	9,121,550
Investments		5,577,276
Statement of fiduciary net position		
Cash and pooled investments		1,934,198
Investments		22,906,408
Total Cash and Investments	$	39,539,432

a. Deposits

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

Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution not owned or controlled by the financial institution furnishing the collateral.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County has adopted a policy for custodial credit risk of obtaining collateral or bond for all uninsured amounts on deposit and obtaining necessary documentation to show compliance with state law and perfected security interest under federal law. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

(1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;

(2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

(3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

(4) bankers' acceptances of United States banks;

(5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2017, the County had the following investments:

Investment Type	Credit Risk: Credit Rating (Standard & Poor's Rating)	Interest Rate Risk: Less Than 1 Year	Interest Rate Risk: 1 - 5 Years	Fair Value
Investments				
U.S. agency securities	AAA	$ -	$ 3,277,045	$ 3,277,045
Negotiable certificates of deposit	N/R	3,464,027	4,927,869	8,391,896
Money market mutual funds	N/R	1,380,000	-	1,380,000
Total Investments		$ 4,844,027	$ 8,204,914	$ 13,048,941
Investment pools/mutual funds				
MAGIC Fund				9,641,800
Checking				1,622,285
Savings				6,803,006
Non-negotiable certificates of deposit				8,421,200
Petty cash				2,200
Total Cash and Investments				$ 39,539,432

N/R - Not Rated

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.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County's policy is to minimize investment custodial credit risk by permitting brokers that obtained investments for the County to hold them only to the extent there is Securities Investor Protection Corporation (SIPC) coverage and excess SIPC coverage available, and that they qualify under Minn. Stat. § 118A.06 to hold investments. At December 31, 2017, the County's investments were not exposed to custodial credit risk.

Concentration of Credit Risk

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

The following table presents the County's investment balances at December 31, 2017, by issuer that are more than five percent of total investments:

Issuer	Reported Amount
U.S. Bancorp	
Federal Home Loan Bank Bond	$ 2,280,795
Money market mutual funds	1,380,000
Morgan Stanley Wealth Management	
Negotiable certificates of deposit	8,391,896
MAGIC Fund	9,641,800

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

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

At December 31, 2017, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
U.S. agencies	$ 3,277,045	$ -	$ 3,277,045	$ -
Negotiable certificates of deposit	8,391,896	-	8,391,896	-
Total Investments Included in the Fair Value Hierarchy	$ 11,668,941	$ -	$ 11,668,941	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 9,641,800			
Money market mutual funds	1,380,000			
Total Investments Measured at the NAV	$ 11,021,800			

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Debt securities classified in Level 2 are valued using a market approach using quoted prices for similar securities in active markets.

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

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 MAGIC 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.

The County's Investment Trust Fund also holds $1,380,000 in money market mutual funds. The fair value of the investment is the fair value per share of the underlying portfolio. The County holds these funds as part of the Investment Trust fund and may only use these funds to redeem Gross Revenue Hospital Bonds, Series 2016.

External Investment Pool

Chippewa County sponsors an external investment pool where cash belonging to the Chippewa County-Montevideo Hospital is pooled and invested with the County's cash. The pool is reported as the Pooled Investment Trust Fund. The fund is not registered with the Securities and Exchange Commission. The fair value of the Hospital's position in the pool is the same as the value of the pool shares.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

External Investment Pool (Continued)

Statement of net position	
Governmental activities	$ 9,121,550
Statement of fiduciary net position	
Investment Trusts	644,013
Agency	1,290,185
Total Cash and Pooled Investments	$ 11,055,748

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	$ 103,832	$ -
Special assessments	1,350,508	1,026,774
Accounts receivable	15,461	-
Interest	11,487	-
Loans receivable	283,908	271,435
Due from other governments	4,002,086	-
Total Governmental Activities	$ 5,767,282	$ 1,298,209

Loans Receivable

On December 28, 2006, the County Board approved a $120,000 loan to the Region 6W Community Corrections to purchase and renovate a building for operations. The loan is to be repaid at 6 percent interest over 10 years with repayments beginning in 2007. The remaining loan balance was paid in full in 2017.

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

2. Receivables

Loans Receivable (Continued)

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

Loan activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Region 6W Community Corrections loan	$ 7,831	$ -	$ 7,831	$ -
City of Clara City shop loan	300,707	-	16,799	283,908
Total	$ 308,538	$ -	$ 24,630	$ 283,908

3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,231,329	$ 50,000	$ -	$ 1,281,329
Right-of-way	602,873	-	-	602,873
Construction in progress	301,077	1,180,764	-	1,481,841
Total capital assets not depreciated	$ 2,135,279	$ 1,230,764	$ -	$ 3,366,043
Capital assets depreciated				
Buildings	$ 11,286,785	$ 248,702	$ -	$ 11,535,487
Improvements other than buildings	55,252	12,031	-	67,283
Machinery and equipment	7,230,942	799,847	576,861	7,453,928
Infrastructure	67,526,835	-	-	67,526,835
Total capital assets depreciated	$ 86,099,814	$ 1,060,580	$ 576,861	$ 86,583,533

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

3. Capital Assets (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Less: accumulated depreciation for				
Buildings	$ 8,035,064	$ 249,782	$ -	$ 8,284,846
Improvements other than buildings	1,036	1,792	-	2,828
Machinery and equipment	5,052,731	420,183	449,428	5,023,486
Infrastructure	22,365,391	1,319,898	-	23,685,289
Total accumulated depreciation	$ 35,454,222	$ 1,991,655	$ 449,428	$ 36,996,449
Total capital assets depreciated, net	$ 50,645,592	$ (931,075)	$ 127,433	$ 49,587,084
Capital Assets, Net	$ 52,780,871	$ 299,689	$ 127,433	$ 52,953,127

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

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

General government	$ 187,412
Public safety	168,943
Highways and streets, including depreciation of infrastructure assets	1,576,331
Sanitation	1,848
Human services	8,740
Culture and recreation	23,081
Conservation of natural resources	25,300
Total Depreciation Expense - Governmental Activities	$ 1,991,655

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds

The composition of interfund balances as of December 31, 2017, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Family Services Special Revenue Fund	$ 16,691

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

The outstanding balances between funds result from the time lag between the dates the interfund goods and services were provided and reimbursable expenditures occurred, and when transactions are recorded in the accounting system and when the funds are repaid. All balances are expected to be liquidated in the subsequent year.

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	Governmental Activities
Accounts payable	$ 282,703
Salaries payable	17,031
Contracts payable	52,081
Due to other governments	87,092
Total Payables	$ 438,907

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2017. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
General Fund		
Air handler	$ 1,235	$ 58,160
Cold storage building	136,000	67,782
LED lighting in Courthouse	34,503	15,031
Courthouse generator/switchgear	-	38,312
Ditch Special Revenue Fund		
County ditch repair	9,801	1,089
Joint ditch repairs	-	128,935
Total Construction Commitments	$ 181,539	$ 309,309

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

2. Construction Commitments (Continued)

Additional remaining commitments for highway projects are state-funded and, therefore, not obligations of the County at December 31, 2017.

3. Advances From Other Governments

Chippewa County is the designated fiscal host for the Southwest Minnesota Regional Minnesota Family Investment Program/Divisionary Work Program (MFIP/DWP) Partnership. This is a 14-county partnership created to administer MFIP/DWP funds. The participating counties advanced $178,287 to Chippewa County for cash flow purposes. The funds will be returned when the partnership is dissolved.

4. Long-Term Debt

Loans Payable

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

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
Hawk Creek Watershed Loan (SRF0158)	2020	$ 27,956	2.0	$ 252,241	$ 67,841
Chippewa River Watershed Loan (SRF0159)	2020	22,889	2.0	206,522	55,545
Chippewa River Continuation Loan (SRF0207)	2021	11,745	2.0	105,970	44,933
Hawk Creek Watershed Continuation Loan (SRF0231)	2023	8,252	2.0	74,451	46,436
Chippewa River Watershed Loan (SRF0232)	2024	13,232	2.0	119,391	86,034
Hawk Creek Watershed Loan (SRF277)	2026	11,851	2.0	106,929	97,168
Chippewa River Watershed Loan (SRF295)	2028	17,268	2.0	155,802	155,800
Hawk Creek Watershed Loan (SRF300)	-	-	-	24,968	24,969
Chippewa River Watershed Loan (SRF310)	-	-	-	82,301	82,302
Total				$ 1,128,575	$ 661,028

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Clean water loans payable	$ 615,983	$ 131,708	$ 86,663	$ 661,028	$ 95,481
Compensated absences	663,207	406,209	406,946	662,470	71,934
Long-Term Liabilities	$ 1,279,190	$ 537,917	$ 493,609	$ 1,323,498	$ 167,415

6. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Year Ending December 31	Loans Payable Principal	Loans Payable Interest
2018	$ 95,481	$ 9,077
2019	104,546	8,645
2020	81,225	6,544
2021	57,181	5,166
2022	46,527	4,075
2023 - 2027	160,249	8,209
2028	8,548	85
Total	$ 553,757	$ 41,801

Loans of $107,271 for Hawk Creek Watershed (SRF300) and Chippewa River Watershed (SRF310) are not included in the debt service requirements because a fixed repayment schedule is not available.

3. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

7. Conduit Debt

In 2007, Chippewa County issued $36,565,000 of Gross Revenue Hospital Bonds, Series 2007, to provide financial assistance to the Chippewa County-Montevideo 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, 2017, was $31,600,000.

8. Property Assessed Clean Energy Program

The Port Authority of the City of Saint Paul created the Property Assessed Clean Energy Program (PACE) of Minnesota for purposes of implementing and administering activities under Minn. Stat. §§ 216C.435 and 216C.346 and ch. 429 to provide financing for acquisition and construction or installation of energy efficiency and conservation improvements on qualifying real properties. On July 21, 2015, the County signed a joint powers agreement with the Port Authority of the City of Saint Paul, creating the opportunity for Chippewa County landowners to obtain financing for qualifying improvements through PACE of Minnesota with repayment to be made by the County through collections of special assessments. The Port Authority is solely responsible for implementation and administration of PACE of Minnesota. The County is not obligated in any manner for special assessment debt and is in no way liable for repayment, but is only acting as agent for the property owners in collection of the assessments, forwarding the collections to the Port Authority, and initiating foreclosure proceedings, if appropriate. At December 31, 2017, the outstanding balance of PACE loans in Chippewa County was $763,200.

3. Detailed Notes on All Funds (Continued)

D. Deferred Inflows of Resources - Unavailable Revenue/Prepaid Property Taxes

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. Prepaid property taxes consist of the County's share of 2018 property taxes collected in advance. Deferred inflows of resources at December 31, 2017, are summarized below by fund:

	Special Assessments	Taxes	Grants	Interest	Other	Total
Major governmental funds						
General Fund	$ 499,178	$ 118,523	$ -	$ 5,392	$ -	$ 623,093
Special Revenue Funds						
Road and Bridge	-	25,335	3,521,138	6,095	444	3,553,012
Family Services	-	45,932	64,259	-	-	110,191
Ditch	851,330	-	-	-	-	851,330
Total	$ 1,350,508	$ 189,790	$ 3,585,397	$ 11,487	$ 444	$ 5,137,626
Deferred inflows of resources						
Unavailable revenue	$ 1,350,508	$ 103,832	$ 3,585,397	$ 11,487	$ 444	$ 5,051,668
Prepaid property taxes	-	85,958	-	-	-	85,958
Total	$ 1,350,508	$ 189,790	$ 3,585,397	$ 11,487	$ 444	$ 5,137,626

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Chippewa County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees 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.

4. Pension Plans

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

The General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service. No 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 Public Employees Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees 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 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

4. Pension Plans

   A. Defined Benefit Pension Plans (Continued)

      2. 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. Increases are related to the funding ratio of the plan. General Employees Retirement Plan and Public Employees Police and Fire Plan benefit recipients receive a future annual 1.0 percent for the post-retirement benefit increase, while Public Employees Correctional Plan benefit recipients receive 2.5 percent. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, if the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

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 five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan 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 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

4. Pension Plans

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

For General Employees Retirement 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 Public Employees Police and Fire Plan and Public Employees 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.

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan Coordinated Plan members	7.50%
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

4. Pension Plans

A. Defined Benefit Pension Plans

3. Contributions (Continued)

The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	$	349,227
Public Employees Police and Fire Plan		126,010
Public Employees Correctional Plan		41,585

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of $4,494,290 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.0704 percent. It was 0.0702 percent measured as of June 30, 2016. The County recognized pension expense of $556,952 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $1,968 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

The County's proportionate share of the net pension liability	$	4,494,290
State of Minnesota's proportionate share of the net pension liability associated with the County		68,149
Total	$	4,562,439

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

		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	148,118	$	290,658
Changes in actuarial assumptions		744,029		450,553
Difference between projected and actual investment earnings		33,399		-
Changes in proportion		12,179		158,042
Contributions paid to PERA subsequent to the measurement date		177,375		-
Total	$	1,115,100	$	899,253

The $177,375 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Plan (Continued)

Year Ended December 31	Pension Expense Amount
2018	$ 79,656
2019	231,226
2020	(81,636)
2021	(190,774)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of $1,012,589 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.075 percent. It was 0.076 percent measured as of June 30, 2016. The County recognized pension expense of $391,815 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized $6,750 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 Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 23,308	$ 273,064
Changes in actuarial assumptions	1,342,844	1,437,626
Difference between projected and actual investment earnings	17,386	-
Changes in proportion	18,376	33,443
Contributions paid to PERA subsequent to the measurement date	64,529	-
Total	$ 1,466,443	$ 1,744,133

The $64,529 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 21,421
2019	21,421
2020	(15,698)
2021	(79,812)
2022	(289,551)

4. Pension Plans

   A. Defined Benefit Pension Plans

      4. Pension Costs (Continued)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of $684,002 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.24 percent. It was 0.25 percent measured as of June 30, 2016. The County recognized pension expense of $257,932 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 477	$ 11,458
Changes in actuarial assumptions	387,915	119,064
Difference between projected and actual investment earnings	-	574
Changes in proportion	-	28,361
Contributions paid to PERA subsequent to the measurement date	21,399	-
Total	$ 409,791	$ 159,457

4. Pension Plans

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Plan (Continued)

The $21,399 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2018	$ 146,508
2019	151,827
2020	(50,359)
2021	(19,041)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was $1,206,699.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

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

4. Pension Plans

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The experience study for the Public Employees Correctional Plan was dated February 2012.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

4. Pension Plans

A. Defined Benefit Pension Plans (Continued)

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. 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 Retirement Plan and the Public Employees Police and Fire 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.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

General Employees Retirement Plan (Continued)

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- 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 has been changed to 33 percent for vested members and 2.0 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 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Police and Fire Plan (Continued)

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

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

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

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

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

Public Employees Correctional Plan

- 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 has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

4. Pension Plans

A. Defined Benefit Pension Plans

7. Changes in Actuarial Assumptions

Public Employees Correctional Plan (Continued)

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

8. 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 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	$ 6,970,977	6.50%	$ 1,907,001	4.96%	$ 1,127,150
Current	7.50	4,494,290	7.50	1,012,589	5.96	684,002
1% Increase	8.50	2,466,671	8.50	274,203	6.96	338,119

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

Five County Commissioners of Chippewa County are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The plan is established and administered in accordance with

4. Pension Plans

B. Defined Contribution Plan (Continued)

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 5.00 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 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Chippewa County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	$ 7,951	$ 7,951
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Chippewa County Board of Commissioners. Retirees are required to pay 100 percent of the premium costs.

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Funding Policy (Continued)

The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2017, there were 151 participants in the plan, including 5 retirees.

The OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

Annual OPEB Cost and Net OPEB Obligation

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

ARC	$ 86,668
Interest on net OPEB obligation	13,304
Adjustment to ARC	(20,502)
Annual OPEB cost (expense)	$ 79,470
Contributions made during the year	(27,281)
Increase in net OPEB obligation	$ 52,189
Net OPEB Obligation - Beginning of Year	390,281
Net OPEB Obligation - End of Year	$ 442,470

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2015	$ 93,317	$ 35,143	37.7%	$ 335,928
December 31, 2016	92,114	37,761	41.0	390,281
December 31, 2017	79,470	27,281	34.3	442,470

Funded Status and Funding Progress

As of January 1, 2017, the most recent actuarial valuation date, the County had no assets to fund the plan. The actuarial accrued liability for benefits was $706,017, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of $706,017. The covered payroll (annual payroll of active employees covered by the plan) was $6,599,530, and the ratio of the UAAL to the covered payroll was 10.7 percent.

Actuarial Methods and Assumptions

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

4. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB)

Actuarial Methods and Assumptions (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Chippewa County's implicit rate of return on the General Fund.

The annual health care cost trend is 6.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 6 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 21 years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. To manage these risks, the County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). MCIT is a public entity risk pool currently operated as a common risk management and insurance program for its members. The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For group employee health benefits, the County has entered into a joint powers agreement, the Southwest/West Central Service Cooperative (Service Cooperative). For other risks, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

5. Summary of Significant Contingencies and Other Items

A. Risk Management (Continued)

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 2017 and 2018. 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.

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

B. Contingent Liabilities

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

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

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

C. Joint Ventures

Countryside Public Health Service

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

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

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 persons, 2 from each county, except the county with the largest population, which has 3 members. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Chippewa County's contribution for 2017 was $144,742.

Complete financial statements for the Countryside Public Health Service can be obtained from its administrative office at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

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

The County Boards of the participating counties have direct authority over and responsibility for the Community Corrections' activities.

Chippewa County's contribution for the year ended 2017 was $254,353.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 6W Community Corrections (Continued)

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

Chippewa County-Montevideo Hospital

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

Chippewa County presents two investment trust funds for investments and pooled investments held by the County for the Chippewa County-Montevideo Hospital. The County also has conduit debt related to the Hospital disclosed in Note 3.C.7. Chippewa County did not contribute to the Chippewa County-Montevideo Hospital during 2017.

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

Southwest Minnesota Private Industry Council, Inc.

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

SW MN PIC is governed by the Chief Elected Official Board which is composed of one representative from each member county. Chippewa County, as fiscal host of the MFIP/DWP Partnership, provided $1,052,909 to this organization in 2017.

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

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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

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

Control of the PLYP is vested in a joint board, which is composed of one County Commissioner from each participating county. An advisory board has also been established, which is composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, as well as the directors of the family services or human services departments of the counties participating in the agreement. The PLYP is located at the Willmar Regional Treatment Center in space rented from the State of Minnesota.

Financing is provided by charges for services to member and nonmember counties. Chippewa County's contribution to PLYP for 2017 was $64,669.

Complete financial information can be obtained from the Youth Program's office, 1808 Civic Center Drive Northeast, P. O. 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 an agency fund in the financial statements. The County contributed $300 to the Collaborative in 2017.

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Pioneerland Library System

Chippewa County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Chippewa County contributed $253,660 to the System. The City of Montevideo provided $30,800 of the amount contributed by the County.

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

Coordinated Enforcement Effort (CEE) VI Task Force

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

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

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

5. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Minnesota Counties Information Systems (MCIS)

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

MCIS is governed by a 13-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the member. Cass County is the fiscal agent for MCIS.

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

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

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

Chippewa County and the Port Authority of the City of Saint Paul entered into a joint powers agreement, pursuant to Minn. Stat. § 471.59, to provide for the financing of the acquisition and construction or installation of energy efficiency and conservation improvements on qualifying real properties located within Chippewa County. The Port Authority is solely responsible for the implementation and administration of PACE of Minnesota and financing of the improvements. Chippewa County imposes special assessments on the benefitting property and makes payment to the Port Authority. In 2017, the County paid $21,460 to the Port Authority.

D. Other Item

On January 21, 2014, the Chippewa County Board of Commissioners approved a $3,000,000 contribution toward the construction of an estimated $43,700,000, 70-bed veterans' home in the City of Montevideo. Federal funds will provide two-thirds of the cost, or $29,279,000, to the project. The remaining-one third of the funds, $14,421,000,

5. Summary of Significant Contingencies and Other Items

D. Other Item (Continued)

will come from the State of Minnesota. The City of Montevideo has committed over $1,000,000 to the project, including land. Lac qui Parle, Swift, and Yellow Medicine counties have also committed $50,000 each to the project. In the 2018 state bonding bill, the Minnesota Legislature approved $9,400,000 in funding for the project. As a result, the City of Montevideo is preparing a federal project application, and the County will be required to pay its share of the funding by November 1, 2018. On August 7, 2018, the Chippewa County Board passed a resolution recommitting $3,000,000 as part of the local match for the project and agrees to provide by November 1, 2018, $3,000,000 to the state's escrow account to be used once construction begins.

REQUIRED SUPPLEMENTARY INFORMATION

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-1

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 6,310,011	$ 6,310,011	$ 6,020,135	$ (289,876)
Special assessments	202,889	202,889	196,044	(6,845)
Licenses and permits	7,885	7,885	7,976	91
Intergovernmental	582,935	582,935	1,249,507	666,572
Charges for services	586,827	586,827	523,309	(63,518)
Gifts and contributions	-	-	2,600	2,600
Investment earnings	10,010	10,010	20,297	10,287
Miscellaneous	299,430	299,430	270,674	(28,756)
Total Revenues	**$ 7,999,987**	**$ 7,999,987**	**$ 8,290,542**	**$ 290,555**
Expenditures				
Current				
General government				
Commissioners	$ 284,983	$ 271,983	$ 280,009	$ (8,026)
Law library	26,000	26,000	4,488	21,512
Auditor/treasurer	494,554	494,554	481,577	12,977
Accounting and auditing	51,500	38,000	51,094	(13,094)
Information technology	372,860	372,860	282,442	90,418
Central services	53,500	53,500	50,306	3,194
Elections	45,500	45,500	11,875	33,625
Attorney	440,150	440,150	367,467	72,683
Recorder	386,795	300,795	422,361	(121,566)
Geographic information systems	40,000	38,000	22,062	15,938
County assessor	350,431	350,431	328,212	22,219
Building and plant	797,608	797,608	693,045	104,563
Veterans service officer	164,369	164,369	161,497	2,872
Deputy registrar - license bureau	239,967	239,967	224,818	15,149
Other general government	204,244	195,944	61,286	134,658
Total general government	**$ 3,952,461**	**$ 3,829,661**	**$ 3,442,539**	**$ 387,122**

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

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,407,419	$ 1,407,419	$ 1,328,621	$ 78,798
Boat and water safety	1,677	1,677	1,900	(223)
Court ordered assessments	-	-	17,019	(17,019)
Court security	7,536	7,536	5,021	2,515
D.A.R.E. program	3,120	3,000	2,659	341
Coroner	24,000	16,000	23,818	(7,818)
Jail	1,031,925	1,031,925	1,017,170	14,755
Victim witness program	65,610	65,610	72,440	(6,830)
Emergency management	58,747	58,747	59,624	(877)
Safety management	12,200	3,200	11,512	(8,312)
Dispatch	76,350	76,350	52,984	23,366
Total public safety	**$ 2,688,584**	**$ 2,671,464**	**$ 2,592,768**	**$ 78,696**
Sanitation				
Household hazardous waste	$ 4,500	$ 4,500	$ 2,587	$ 1,913
Recycling	197,000	176,000	197,248	(21,248)
Solid waste	82,750	82,750	102,264	(19,514)
Total sanitation	**$ 284,250**	**$ 263,250**	**$ 302,099**	**$ (38,849)**
Culture and recreation				
Airport	$ 37,000	$ 37,000	$ 8,437	$ 28,563
Historical society	45,000	45,000	45,000	-
Regional library	339,168	310,168	264,470	45,698
Fairgrounds	99,000	47,000	98,955	(51,955)
Parks	52,500	41,000	61,540	(20,540)
Total culture and recreation	**$ 572,668**	**$ 480,168**	**$ 478,402**	**$ 1,766**

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	$ 106,158	$ 106,158	$ 104,315	$ 1,843
Soil and water conservation	82,000	82,000	82,000	-
Ditch inspector	81,659	81,659	7	81,652
Weed control	198,412	198,412	50,301	148,111
Water planning	60,300	12,300	51,885	(39,585)
Land resource management	279,056	208,056	328,946	(120,890)
County farm	1,900	1,900	459	1,441
Total conservation of natural resources	**$ 809,485**	**$ 690,485**	**$ 617,913**	**$ 72,572**
Economic development				
Community development	$ 46,000	$ 25,000	$ 42,483	$ (17,483)
DAC building	2,000	2,000	-	2,000
Prairie Five	7,000	7,000	9,633	(2,633)
Other economic development	32,799	32,799	19,684	13,115
Total economic development	**$ 87,799**	**$ 66,799**	**$ 71,800**	**$ (5,001)**
Intergovernmental				
Public safety	**$ 284,000**	**$ 284,000**	**$ 269,419**	**$ 14,581**
Debt service				
Principal	$ 100,873	$ 100,873	$ 86,663	$ 14,210
Interest	12,016	12,016	9,262	2,754
Total debt service	**$ 112,889**	**$ 112,889**	**$ 95,925**	**$ 16,964**
Total Expenditures	**$ 8,792,136**	**$ 8,398,716**	**$ 7,870,865**	**$ 527,851**
Excess of Revenues Over (Under) Expenditures	**$ (792,149)**	**$ (398,729)**	**$ 419,677**	**$ 818,406**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Loans issued	$ -	$ -	$ 125,907	$ 125,907
Proceeds from sale of capital assets	-	-	14,115	14,115
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 140,022**	**$ 140,022**
Net Change in Fund Balance	**$ (792,149)**	**$ (398,729)**	**$ 559,699**	**$ 958,428**
Fund Balance - January 1, as restated (Note 1.E.)	**4,446,321**	**4,446,321**	**4,446,321**	**-**
Fund Balance - December 31	**$ 3,654,172**	**$ 4,047,592**	**$ 5,006,020**	**$ 958,428**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 1,349,053	$ 1,349,053	$ 1,272,120	$ (76,933)
Special assessments	-	-	150	150
Licenses and permits	18,000	18,000	22,200	4,200
Intergovernmental	3,967,525	3,967,525	3,698,087	(269,438)
Charges for services	35,000	35,000	52,308	17,308
Investment earnings	8,000	8,000	26,538	18,538
Miscellaneous	135,000	135,000	90,478	(44,522)
Total Revenues	**$ 5,512,578**	**$ 5,512,578**	**$ 5,161,881**	**$ (350,697)**
Expenditures				
Current				
Highways and streets				
Maintenance	$ 1,760,300	$ 1,760,300	$ 1,666,898	$ 93,402
Engineering/construction	2,778,050	2,778,050	2,470,121	307,929
Administration	308,900	308,900	303,016	5,884
Equipment and shop	485,175	485,175	366,711	118,464
Total highways and streets	**$ 5,332,425**	**$ 5,332,425**	**$ 4,806,746**	**$ 525,679**
Intergovernmental				
Highways and streets	402,150	402,150	386,277	15,873
Total Expenditures	**$ 5,734,575**	**$ 5,734,575**	**$ 5,193,023**	**$ 541,552**
Excess of Revenues Over (Under) Expenditures	**$ (221,997)**	**$ (221,997)**	**$ (31,142)**	**$ 190,855**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	48,800	48,800
Net Change in Fund Balance	**$ (221,997)**	**$ (221,997)**	**$ 17,658**	**$ 239,655**
Fund Balance - January 1	**4,249,913**	**4,249,913**	**4,249,913**	**-**
Increase (decrease) in inventories	**-**	**-**	**2,878**	**2,878**
Fund Balance - December 31	**$ 4,027,916**	**$ 4,027,916**	**$ 4,270,449**	**$ 242,533**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-3

BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 2,385,237	$ 2,385,237	$ 2,247,814	$ (137,423)
Intergovernmental	3,357,859	3,357,859	2,478,726	(879,133)
Charges for services	231,310	231,310	166,519	(64,791)
Gifts and contributions	-	-	410	410
Miscellaneous	131,350	131,350	140,551	9,201
Total Revenues	**$ 6,105,756**	**$ 6,105,756**	**$ 5,034,020**	**$ (1,071,736)**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,599,303	$ 1,599,303	$ 1,469,095	$ 130,208
Social services	4,805,005	4,805,005	3,732,408	1,072,597
Total human services	**$ 6,404,308**	**$ 6,404,308**	**$ 5,201,503**	**$ 1,202,805**
Intergovernmental				
Health	144,743	144,743	144,742	1
Total Expenditures	**$ 6,549,051**	**$ 6,549,051**	**$ 5,346,245**	**$ 1,202,806**
Net Change in Fund Balance	**$ (443,295)**	**$ (443,295)**	**$ (312,225)**	**$ 131,070**
Fund Balance - January 1	**3,614,012**	**3,614,012**	**3,614,012**	**-**
Fund Balance - December 31	**$ 3,170,717**	**$ 3,170,717**	**$ 3,301,787**	**$ 131,070**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-4

BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 411,700	$ 411,700	$ 620,360	$ 208,660
Intergovernmental	80,000	80,000	54,142	(25,858)
Investment earnings	2,000	2,000	10,097	8,097
Total Revenues	**$ 493,700**	**$ 493,700**	**$ 684,599**	**$ 190,899**
Expenditures				
Current				
Conservation of natural resources				
Other	493,700	493,700	577,535	(83,835)
Net Change in Fund Balance	**$ -**	**$ -**	**$ 107,064**	**$ 107,064**
Fund Balance - January 1, as restated (Note 1.E.)	**2,115,347**	**2,115,347**	**2,115,347**	**-**
Fund Balance - December 31	**$ 2,115,347**	**$ 2,115,347**	**$ 2,222,411**	**$ 107,064**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-5

SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2017	$ -	$ 706,017	$ 706,017	0.00%	$ 6,599,530	10.70%
January 1, 2014	-	774,945	774,945	0.00	5,761,635	13.45
January 1, 2011	-	649,979	649,979	0.00	5,309,097	12.24
January 1, 2008	-	692,892	692,892	0.00	4,902,246	14.13

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

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

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
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, 2017

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)
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, 2017

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
2017	0.075%	$ 1,012,589	$ 773,432	130.92%	85.43%
2016	0.076	3,050,012	732,687	416.28	63.88
2015	0.075	852,176	691,058	123.31	86.61

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017

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)
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 CORRECTIONAL PLAN
DECEMBER 31, 2017

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
2017	0.024%	$ 684,002	$ 477,503	143.25%	67.89%
2016	0.025	913,285	461,040	198.09	58.16
2015	0.026	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 CORRECTIONAL PLAN
DECEMBER 31, 2017

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)
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, 2017

1. <u>General Budget Policies</u>

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

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

2. <u>Budget Basis of Accounting</u>

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

3. <u>Budget Amendments</u>

Fund	Expenditures Original Budget	Expenditures Increase (Decrease)	Expenditures Final Budget
General Fund	$ 8,792,136	$ (393,420)	$ 8,398,716

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

4. <u>Excess of Expenditures Over Appropriations</u>

Fund	Expenditures	Final Budget	Excess
Ditch Special Revenue Fund	$ 577,535	$ 493,700	$ 83,835

5. Other Postemployment Benefits Funded Status

Since the County has not irrevocably deposited funds in a trust fund for future health benefits, the actuarial value of the assets to pay the actuarial accrued liability for postemployment benefits is zero.

See Note 4.C. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Other Postemployment Benefits - Significant Plan Provisions and Actuarial Assumption Changes

2011

Plan Provisions

- There have been no plan changes since the last actuarial valuation as of January 1, 2008.

Actuarial Assumptions

The following actuarial assumptions have changed since the last actuarial valuation as of January 1, 2008:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- Starting claim costs were developed by age adjusting the premium information provided by Chippewa County. The aging table is then applied to the average age 65 annual claims amount to derive the claim costs at all the possible retirement ages.

2014

Plan Provisions

- There have been no plan changes since the last actuarial valuation as of January 1, 2011.

6. Other Postemployment Benefits - Significant Plan Provisions and Actuarial Assumption Changes

2014 (Continued)

Actuarial Assumptions

The following actuarial assumptions have changed since the last actuarial valuation as of January 1, 2011:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- The mortality table was updated to reflect the projection of 2000 rates to 2014 based on Scale BB.

2017

The County obtained an actuarial valuation as of January 1, 2017. Since the actuarial valuation as of January 1, 2014, the following plan provisions and actuarial assumptions have changed:

Plan Provisions

- The years of service required to be eligible for a benefit (implicit rate subsidy) was increased from three years to five years.

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.

- The mortality table was updated from the RP 2000 Combined Healthy Table projected to 2014 with Scale BB (with Blue Collar adjustment for Police and Fire) to the RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).

- The withdrawal and retirement tables for all employees were updated.

- The discount rate was changed from 4.50 percent to 3.50 percent.

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

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

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 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 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to $21,000,000 in calendar years 2017 and 2018 and returns to $31,000,000 through calendar year 2031. The state's required contribution is $16,000,000 in PERA's fiscal years 2018 and 2019 and returns to $6,000,000 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.

7. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions (Continued)

Public Employees Police and Fire Plan

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 has been changed to 33 percent for vested members and 2.0 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 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

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

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

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

- The assumed post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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 Correctional Plan

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 has been changed to 35 percent for vested members and 1.0 percent for non-vested members.

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

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

Public Employees Correctional Plan (Continued)

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.

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SUPPLEMENTARY INFORMATION

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FIDUCIARY FUNDS

Investment Trust Funds

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

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

Agency Funds

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

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

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

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

Social Welfare - to account for the collection and disbursement of funds held on behalf of individuals in the Social Welfare program.

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

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT B-1

COMBINING STATEMENT OF FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
DECEMBER 31, 2017

	Pooled	Investments	Total
Assets			
Cash and pooled investments	$ 644,013	$ -	$ 644,013
Investments	-	22,885,408	22,885,408
Accrued interest receivable	-	52,396	52,396
Total Assets	**$ 644,013**	**$ 22,937,804**	**$ 23,581,817**
Net Position			
Net position, held in trust for pool participants	**$ 644,013**	**$ 22,937,804**	**$ 23,581,817**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Pooled	Investments	Total
Additions			
Contributions from participants	$ 39,426,108	$ 13,108,874	$ 52,534,982
Investment earnings	-	220,499	220,499
Total Additions	**$ 39,426,108**	**$ 13,329,373**	**$ 52,755,481**
Deductions			
Distributions to participants	39,896,743	47,103,122	86,999,865
Change in Net Position	**$ (470,635)**	**$ (33,773,749)**	**$ (34,244,384)**
Net Position - January 1	**1,114,648**	**56,711,553**	**57,826,201**
Net Position - December 31	**$ 644,013**	**$ 22,937,804**	**$ 23,581,817**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
REGION 6W COMMUNITY CORRECTIONS				
Assets				
Cash and pooled investments	$ 439,313	$ 1,678,775	$ 1,637,146	$ 480,942
Investments	21,000	21,000	21,000	21,000
Total Assets	**$ 460,313**	**$ 1,699,775**	**$ 1,658,146**	**$ 501,942**
Liabilities				
Due to other governments	**$ 460,313**	**$ 1,699,775**	**$ 1,658,146**	**$ 501,942**
STATE REVENUE				
Assets				
Cash and pooled investments	**$ 81,277**	**$ 297,346**	**$ 306,786**	**$ 71,837**
Liabilities				
Due to other governments	**$ 81,277**	**$ 297,346**	**$ 306,786**	**$ 71,837**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 230,440**	**$ 23,278,011**	**$ 22,995,756**	**$ 512,695**
Liabilities				
Due to other governments	**$ 230,440**	**$ 23,278,011**	**$ 22,995,756**	**$ 512,695**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
SOUTHERN PRAIRIE COMMUNITY CARE				
Assets				
Cash and pooled investments	$ (33,746)	$ 2,145,848	$ 2,082,272	$ 29,830
Due from other governments	47,976	-	47,976	-
Total Assets	**$ 14,230**	**$ 2,145,848**	**$ 2,130,248**	**$ 29,830**
Liabilities				
Accounts payable	$ 15,988	$ -	$ 15,988	$ -
Due to other governments	(1,758)	2,145,848	2,114,260	29,830
Total Liabilities	**$ 14,230**	**$ 2,145,848**	**$ 2,130,248**	**$ 29,830**
SOCIAL WELFARE				
Assets				
Cash and pooled investments	**$ 17,785**	**$ 179,626**	**$ 158,438**	**$ 38,973**
Liabilities				
Accounts payable	**$ 17,785**	**$ 179,626**	**$ 158,438**	**$ 38,973**
CARE COLLABORATIVE				
Assets				
Cash and pooled investments	**$ 154,845**	**$ 64,772**	**$ 63,709**	**$ 155,908**
Liabilities				
Due to other governments	**$ 154,845**	**$ 64,772**	**$ 63,709**	**$ 155,908**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 889,914	$ 27,644,378	$ 27,244,107	$ 1,290,185
Investments	21,000	21,000	21,000	21,000
Due from other governments	47,976	-	47,976	-
Total Assets	**$ 958,890**	**$ 27,665,378**	**$ 27,313,083**	**$ 1,311,185**
Liabilities				
Accounts payable	$ 33,773	$ 179,626	$ 174,426	$ 38,973
Due to other governments	925,117	27,485,752	27,138,657	1,272,212
Total Liabilities	**$ 958,890**	**$ 27,665,378**	**$ 27,313,083**	**$ 1,311,185**

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OTHER SCHEDULES

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT D-1

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

Appropriations and Shared Revenue		
State		
Highway users tax	$	3,587,663
County program aid		269,752
PERA rate reimbursement		22,736
Disparity reduction aid		67,564
Police aid		75,576
Enhanced 911		84,345
Market value credit		218,933
Select Committee on Recycling and the Environment (SCORE)		68,711
Aquatic invasive species aid		34,392
Riparian Protection Aid		108,663
Total appropriations and shared revenue	**$**	**4,538,335**
Reimbursement for Services		
Minnesota Department of Human Services	$	353,613
Local		259,409
Total reimbursement for services	**$**	**613,022**
Payments		
Local		
Payments in lieu of taxes	$	149,787
Local contributions		30,800
Total payments	**$**	**180,587**
Grants		
State		
Minnesota Department/Board/Office of		
Human Services	$	736,439
Natural Resources		33,297
Public Safety		40,729
Revenue		6,000
Water and Soil Resources		2,581
Veterans Affairs		7,500
Total state	**$**	**826,546**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017

Grants (Continued)		
Federal		
Department of		
Agriculture	$	143,341
Health and Human Services		1,106,644
Homeland Security		9,113
Justice		52,269
Transportation		10,605
Total federal	**$**	**1,321,972**
Total state and federal grants	**$**	**2,148,518**
Total Intergovernmental Revenue	**$**	**7,480,462**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	$ 125,078
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN127Q7503	39,889
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2520	474
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $165,441)			
Total U.S. Department of Agriculture			**$ 165,441**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVSP-2017-CHIPPWAO	**$ 52,269**
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC17-2017-CHIPPWSD-00047	$ 1,712
National Priority Safety Programs	20.616	A-ENFRC17-2017-CHIPPWSD-00047	2,018
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017-CHIPPWSD-00047	6,875
Total U.S. Department of Transportation			**$ 10,605**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPSS	$ 12,433
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1601MNTANF	111,811
Child Support Enforcement	93.563	1704MNCSES	247,917

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

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCMA	322
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCCDF	2,833
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFRPG	4,364
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	3,704
Foster Care - Title IV-E	93.658	1701MNFOST	59,171
Social Services Block Grant	93.667	G-1701MNSOSR	93,472
Children's Health Insurance Program	93.767	05-1705MN0301	167
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	593,870
Medical Assistance Program	93.778	05-1705MN5MAP	16,006
(Total Medical Assistance Program 93.778 $609,876)			
Total U.S. Department of Health and Human Services			**$ 1,146,070**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	3000069796	$ 286
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2017-CHIPPWCO-013	8,827
Total U.S. Department of Homeland Security			**$ 9,113**
Total Federal Awards			**$ 1,383,498**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

Totals by Cluster

Total expenditures for SNAP Cluster	$ 165,441
Total expenditures for Highway Safety Cluster	3,730
Total expenditures for TANF Cluster	111,811
Total expenditures for CCDF Cluster	2,833
Total expenditures for Medicaid Cluster	609,876

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chippewa County under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Chippewa County, it is not intended to and does not present the financial position or changes in net position of Chippewa County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Chippewa County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	$ 1,321,972
Grants received more than 60 days after year-end, considered unavailable revenue in 2017	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	21,100
Promoting Safe and Stable Families (CFDA No. 93.556)	720
Temporary Assistance for Needy Families (CFDA No. 93.558)	7,273
Child Support Enforcement (CFDA No. 93.563)	30,465
Community-Based Child Abuse Prevention Grants (CFDA No. 93.590)	568
Stephanie Tubbs Jones Child Welfare Services Program (CFDA No. 93.645)	400
Expenditures per Schedule of Expenditures of Federal Awards	$ 1,383,498

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Management and Compliance Section

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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, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated September 5, 2018.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention of those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2014-001 to be a material weakness and item 2017-001 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Chippewa County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because Chippewa County administers no tax increment financing districts.

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 *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs items 2012-001 and 2017-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Chippewa County's Response to Findings

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

Purpose of This Report

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

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 5, 2018

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

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on Compliance for the Major Federal Program

We have audited Chippewa County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2017. 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.

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

Auditor's Responsibility
Our responsibility is to express an opinion on compliance for Chippewa County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Chippewa County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the County's compliance with those requirements.

Opinion on the Major Federal Program
In our opinion, Chippewa County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

Other Matters
The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002. Our opinion on the major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-002, that we consider to be a significant deficiency.

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

Purpose of This Report

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/Rebecca Otto	*/s/Greg Hierlingeer*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 5, 2018

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2017

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

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

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

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

The major federal program is:

Medicaid Cluster	CFDA No. 93.778

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2014-001

Audit Adjustment

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Condition: A material audit adjustment was identified that resulted in significant change to the County's financial statements. The adjustment was reviewed and approved by the County's staff and is properly reflected in the financial statements.

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

Effect: Decreased investments in the Investments Trust Fund by $33,511,208, to record debt service payments made from an escrow account.

Cause: Procedures are not in place to consider the full extent of all entries needed for financial reporting, and this activity was overlooked when financial statement information was prepared. Additionally, procedures are not in place to reconcile the general ledger cash and investment balances to cash and investment sub-ledgers.

Recommendation: We recommend County staff review their financial statement closing procedures and trial balances and journal entries in detail to ensure that all significant adjustments have been made appropriately that are considered necessary to fairly present the County's financial statements in accordance with accounting principles generally accepted in the United States of America. We further recommend the County review the design and effectiveness of controls in place over cash and investment balances.

View of Responsible Official: Concur

ITEM ARISING THIS YEAR

Finding Number 2017-001

License Bureau Control Procedures

Criteria: Management is responsible for establishing and maintaining internal control. Intact deposits and reconciliations of receipts to deposits are basic internal controls which are necessary to ensure that the County's assets are adequately safeguarded.

Condition: A review of the Chippewa County License Bureau noted the following issues:

- The License Bureau has two checking accounts with unknown residual balances.

- Notary fees collected by the License Bureau are not receipted until they are remitted to the Auditor/Treasurer's Office at end of each month.

- Deposits made to the Auditor/Treasurer's Office and to State of Minnesota Driver's License bank account are not made intact. License Bureau staff exchange cash and checks between several accounts in order to separate the County's portion from the total payments, and then deposit only cash into the State of Minnesota's Driver's License bank account.

Context: The establishment and oversight of department control procedures is particularly important because, generally, smaller departments lack proper segregation of duties, which increases the risk of errors or fraud.

Effect: Lack of internal controls increases the risk that errors or fraud could occur in the department and not be detected timely by County staff.

Cause: The County Board relies on management within the individual departments to ensure proper internal controls have been established and are working as intended. Although individual department managers may be aware that certain control procedures should be performed, there is limited formal guidance documenting what internal control policies and procedures should be implemented by departmental staff.

Recommendation: We recommend Chippewa County's management implement oversight and monitoring procedures to ensure that internal controls are implemented, including resolving unknown residual balances in checking accounts, receipting all transactions timely, and making deposits intact.

The Office of the State Auditor has a Statement of Position 2007-1010 which discusses the importance of internal controls. It can be found on our website, https://www.auditor.state.mn.us/other/Statements/importanceic_0703_statement.pdf, along with useful information, and may offer additional guidance.

View of Responsible Official: Acknowledged

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number 2017-002

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medicaid Cluster (CFDA No. 93.778), Award No. 05-1705MN5ADM, 2017

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. These controls should include a review process for case files to ensure the intake function related to eligibility requirements is met.

Condition: The Minnesota Department of Human Services (DHS) maintains the computer system, MAXIS, which is used by the County to support the eligibility determination process. While periodic supervisory case reviews are occasionally performed to monitor compliance with grant requirements for eligibility, the County has not approved a policy to identify the quantity or frequency of reviews that should be performed. When performing case file reviews for eligibility, not all documentation was available, updated, or input correctly to support participant eligibility. The following exceptions were noted in the sample of 40 case files tested:

- Three case files did not meet all verification of asset requirements. In one case file, the most recent bank account balance was not properly updated in MAXIS. One case file did not have an updated bank account balance for the application review period, and in one instance, documentation of the existence of an asset was found on the application, but the asset was not recorded in MAXIS.

- One case file did not meet the verification of income requirements. The amount of unearned income listed in MAXIS was not electronically verified and did not match the benefit amount listed in the case file.

- One case file did not meet verification of citizenship requirements. MAXIS indicated a passport was used to verify citizenship, but there was no passport verification in the case file.

- One case did not meet verification of other health insurance requirements. MAXIS listed other insurance, but there was no verification of the other insurance or cost-effective analysis in the case file.

Questioned Costs: Not applicable. The County administers the program, but benefits to participants in this program are paid by the State of Minnesota.

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

The State of Minnesota contracts with the County to perform the "intake function" (meeting with the social services client to determine income and categorical eligibility), while the Minnesota DHS maintains MAXIS, which supports the eligibility determination process and actually pays the benefits to participants.

Effect: The improper input or updating of information into MAXIS and the lack of verification or follow-up of eligibility-determining factors increases the risk that a program participant will receive benefits when they are not eligible.

Cause: Program personnel entering case file information into MAXIS did not ensure all required information was input or updated in MAXIS correctly or that all required information was obtained and/or retained. The County does not have a policy in place to indicate the frequency or quantity of case reviews, including how the reviews and follow-up with case workers should be documented.

Recommendation: We recommend the County implement additional procedures to provide reasonable assurance that all necessary documentation to support eligibility determinations exists and is properly input or updated in MAXIS and issues are followed up on in a timely manner. In addition, consideration should be given to providing further training to program personnel. We also recommend the County develop a policy that indicates the frequency and quantity of supervisory reviews, key points of review, and procedures for following up on the review points.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2012-001

Driver Awareness Class

Criteria: As stated in Minn. Stat. § 169.022:

> The provisions of [Minn. Stat., ch. 169] shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

In *State v. Hoben*, 89 N.W.2d 813 (1959), the Minnesota Supreme Court recognized in this language a legislative intent "that the application of its provisions should be uniform throughout the state both as to penalties and procedures." The Supreme Court concluded: "It would be a strange anomaly for the legislature to define a crime, specify punishment therefore, provide that its application shall be uniform throughout the state, and then permit a municipality to prosecute that crime as a civil offense."

The Minnesota Attorney General's Office stated, "[i]n the specific case of traffic offenses, the legislature has plainly preempted the field of enforcement." December 1, 2003, letter to State Representative Steve Smith (citing Minn. Stat. § 169.022, *Hoben,* and other provisions of Minn. Stat., ch. 169). It noted the strong legislative assertion of state preemption in the area of traffic regulation and concluded that local governments were precluded from creating their own enforcement systems.

Condition: Chippewa County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. Sheriff's Deputies have the discretion to offer traffic violators the option of attending the Driver Awareness Class in lieu of a citation. The course is two hours long and costs $75, which is payable to the Chippewa County Sheriff.

Context: In the December 1, 2003, letter to State Representative Steve Smith, the Minnesota Attorney General specifically addressed the issue of a driver improvement course or clinic in lieu of a ticket or other penalty. After reviewing the state law, the Attorney General concluded: "All such programs, however, require that a *trial court* make the determination as to whether attendance at such a [driver's] clinic is appropriate. We are aware of no express authority for local officials to create a *pretrial* diversion program." (Emphasis is that of the Attorney General.)

The Minnesota Supreme Court has stated, "[a]s a creature of the state deriving its sovereignty from the state, the county should play a leadership role in carrying out legislative policy." *Kasch v. Clearwater County,* 289 N.W. 2d 148, 152 (Minn. 1980), *quoting County of Freeborn v. Bryson,* 243 N.W. 2d 316, 321 (Minn. 1976).

In January 2014, a judge in the Minnesota Third Judicial District issued a permanent injunction against a similar driver diversion program operated by another Minnesota county. The judge, like the Minnesota Attorney General, concluded that the driver diversion program was not authorized under Minnesota law. The involved county has discontinued its program and has not appealed the decision.

Effect: The County's Driver Awareness Class is unauthorized and in violation of Minn. Stat. § 169.022.

Cause: We were informed by the County Sheriff that this diversion program was approved by the County Attorney.

Recommendation: We recommend the County comply with Minn. Stat. ch. 169, by not offering a Driver Awareness Class in lieu of issuance or court filing of a state uniform traffic ticket.

View of Responsible Official: Concur

<u>ITEM ARISING THIS YEAR</u>

Finding Number 2017-003

<u>Contracting and Bidding Compliance</u>

Criteria: Minnesota statutes contain requirements for the contracting and bidding processes used by local governments.

Condition: During testing of compliance with the State of Minnesota contracting and bid laws, noncompliance with the following requirements was noted:

- Sealed Bids: During 2017, Minn. Stat. § 371.375, subd. 3, required sealed bids solicited by public notice on contracts estimated to exceed $100,000. For one of the two contracts over $100,000 tested, the County did not require sealed bids. The contract totaled $203,782.

- Publication of Solicitation for Bids: Minn. Stat. § 375.21 requires three weeks of published notice advertising for bids or proposals in a qualified legal newspaper of the County for building construction contracts. For one of the three contracts tested requiring publication for solicitation, the solicitation was published in the qualified legal newspaper for only two weeks and five days.

- Contract Language: Minn. Stat. § 471.425, subd. 4a, requires that the contract between the government entity and a prime contractor contain language that requires the prime contractor to pay subcontractors within ten days of receipt of payment from the government entity or pay interest at the rate of 1.5 percent per month or any part of a month. For one of the three contracts tested requiring the specific language in the contract with the prime contractor, the language was not included.

- Contractor's Performance and Payment Bond: During 2017, Minn. Stat. § 574.26 required contractors doing public work to give both a performance bond and a payment bond in an amount not less than the contract price if the contract is more than $100,000. For one of the two contracts over $100,000 tested, the County did not receive a performance bond or a payment bond. The contract totaled $203,782.

Context: Individual County departments are responsible for overseeing the contracting and bidding process for their own projects and purchases.

Effect: Noncompliance with Minn. Stat. §§ 371.375; 375.21; 421.425; and 574.26.

Cause: Staff from the County Departments were not aware of all of the contract requirements.

Recommendation: We recommend the County update their policy and procedures manual to include contracting requirements, so that County departments who oversee the contracting process for their own projects will be aware of the statutory requirements to ensure compliance with applicable statutes for all future contracts.

View of Responsible Official: Concur

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REPRESENTATION OF CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2014-001
Finding Title: Audit Adjustment

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer

Corrective Action Planned:

The County will improve its procedures around reviewing journal entries and financial statements for accuracy and completeness.

Anticipated Completion Date:

December 31, 2018

Finding Number: 2017-001
Finding Title: License Bureau Control Procedures

Name of Contact Person Responsible for Corrective Action:

Alice McColley, Deputy Registrar

Corrective Action Planned:

The County reevaluated the License Bureau's cash management procedures and will be making deposits intact. In addition, the County will start performing bank reconciliations of the checking accounts to monitor and detect potential errors.

Anticipated Completion Date:

September 30, 2018

Finding Number: 2017-002
Finding Title: Eligibility Testing
Program Name: Medicaid Cluster (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Michelle Trulock, Financial Assistance Supervisor

Corrective Action Planned:

Supervisory reviews will be conducted at a minimum of two non-MAGI individuals per month and worker self-reviews will be completed with a minimum of four cases each month. All transfer in cases will be reviewed for Citizenship and Identity requirements when received in county. Office support will print out documentation that is received from previous county for worker to compare what is in the MAXIS system and to request new information, if needed. A form has been developed to aid in the case review process which can help the worker find the deficiencies and update case appropriately. Supervisor will review and keep all completed forms.

Workers will use SOLQI (electronic verification) as much as possible for Social Security Income. Workers are encouraged to removed old STAT panels from MAXIS whenever possible. MMIS is the "payer" system and the information in MMIS system should be cross-referenced with the MAXIS information for accuracy. At application and annual renewal, STAT panels will be reviewed by worker and updated accordingly with information reported by consumer and the proof provided. Follow-up will be done by worker if discrepancy is discovered.

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

Anticipated Completion Date:

July 2018

Finding Number: 2012-001
Finding Title: Driver Awareness Class

Name of Contact Person Responsible for Corrective Action:

Stacy Tufto, County Sheriff

Corrective Action Planned:

The Driver Awareness Class was discontinued December 19, 2017.

Anticipated Completion Date:

January 2018

Finding Number: 2017-003
Finding Title: Contracting and Bidding Compliance

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer

Corrective Action Planned:

The County will update the procurement policy to ensure contracting requirements are specifically defined for County Departments. All contract requirements will be communicated to County Departments.

Anticipated Completion Date:

December 31, 2018

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CHIPPEWA COUNTY AUDITOR/TREASURER

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REPRESENTATION OF CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2017

Finding Number: 2014-001
Finding Title: Audit Adjustments

Summary of Condition: Audit adjustments were identified that resulted in significant changes to the County's financial statements.

Summary of Corrective Action Previously Reported: During the year-end process, staff will review a Schedule D3 and account activity report and make corrections as needed.

Status: Partially Corrected. Chippewa County accounting staff continue to review its financial statement closing procedures and year-end reporting processes for improvements. Additional review of year-end journal entries and monitoring of activity throughout the year will result in fewer audit adjustments.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

Finding Number: 2012-001
Finding Title: Driver Awareness Class

Summary of Condition: Chippewa County has established a Driver Awareness Class option in lieu of issuance or court filing of a state uniform traffic ticket. The class is two hours long and costs $75, which is payable to the Chippewa County Sheriff.

Summary of Corrective Action Previously Reported: The County Attorney reiterated his opinion that the Driver Awareness Program is not in opposition to Minn. Stat. § 169.022. The County continues to wait for new legislation for clarity.

Status: Partially Corrected. On January 2, 2018, the County Board approved suspension of the Driver Awareness Class, effective December 2017.

Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___