STATE OF MINNESOTA
Office of the State Auditor

Julie Blaha
State Auditor

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

YEAR ENDED DECEMBER 31, 2018

Description of the Office of the State Auditor

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

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

The State Auditor performs approximately 100 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

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

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

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

Pension – monitors investment, financial, and actuarial reporting for approximately 600 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, 2018

Audit Practice Division
Office of the State Auditor
State of Minnesota

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

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Introductory Section

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

ORGANIZATION
2018

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 2018
**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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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

Board of 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, 2018, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1.E. to the financial statements, in 2018, the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa County's basic financial statements. The Supplementary Information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2019, on our consideration of Chippewa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chippewa County's internal control over financial reporting and compliance.

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

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

/s/Julie Blaha *|* */s/Greg Hierlinger*

JULIE BLAHA
STATE AUDITOR

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 12, 2019

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MANAGEMENT’S DISCUSSION AND ANALYSIS

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018
(Unaudited)

The Auditor/Treasurer/Coordinator of Chippewa County offers readers of Chippewa County's financial statements this narrative overview and analysis of the financial activities of Chippewa County for the fiscal year ended December 31, 2018. 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, 2018) by $64,693,569 (net position). Of this amount, $3,329,288 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

- Chippewa County's total net position decreased by $134,618. The decrease is largely from a change in accounting principles for postemployment benefits other than pensions.

- As of the close of the 2018 fiscal year, Chippewa County's governmental funds' ending fund balances were $13,287,417, compared to $14,800,667 in 2017. Approximately 6.2 percent of the amount, $824,122, 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 73 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 $64,693,569 on December 31, 2018.

The largest portion of net position (84.6 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, 10.2 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $3,329,288, may be used to meet the government's ongoing obligations to citizens and creditors. Comparative data with 2017 is presented.

Net Position

	Governmental Activities 2018	Governmental Activities 2017
Assets		
Current and other assets	$ 18,611,436	$ 20,625,371
Capital assets	54,777,268	52,953,127
Total Assets	$ 73,388,704	$ 73,578,498
Deferred Outflows of Resources		
Deferred pension outflows	$ 2,000,467	$ 2,991,334
Deferred OPEB outflows	34,423	-
Total Deferred Outflows of Resources	$ 2,034,890	$ 2,991,334
Liabilities		
Other liabilities	$ 930,177	$ 687,078
Long-term liabilities	6,675,267	7,956,849
Total Liabilities	$ 7,605,444	$ 8,643,927
Deferred Inflows of Resources		
Deferred pension inflows	$ 3,124,581	$ 2,802,843
Prepaid property taxes	-	85,958
Total Deferred Inflows of Resources	$ 3,124,581	$ 2,888,801
Net Position		
Net investment in capital assets	$ 54,760,429	$ 52,901,046
Restricted	6,603,852	6,838,487
Unrestricted	3,329,288	5,297,571
Total Net Position, as reported	$ 64,693,569	$ 65,037,104
Change in accounting principle*		(208,917)
Total Net Position, as restated		$ 64,828,187

*The January 1, 2018, net position was decreased by $208,917 to adopt new accounting guidance by implementing the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Unrestricted net position at December 31, 2018—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 5.1 percent of the net position.

Governmental Activities

The County's activities decreased net position by 0.2 percent to $64,693,569 for 2018, compared to $64,828,187 for 2017. Key elements in this increase in net position are as follows:

Changes in Net Position

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 1,938,808	$ 2,141,120
Operating grants and contributions	7,754,201	6,935,989
Capital grants and contributions	117,015	149,123
General revenues		
Property taxes	9,625,806	9,536,251
Other	1,444,395	1,092,833
Total Revenues	$ 20,880,225	$ 19,855,316
Expenses		
General government	$ 3,710,912	$ 3,437,802
Public safety	2,767,193	3,244,298
Highways and streets	4,455,416	5,179,182
Sanitation	285,179	303,947
Human services	4,794,531	5,342,149
Health	162,392	144,742
Culture and recreation	448,746	415,850
Conservation of natural resources	1,328,864	1,195,363
Economic development	3,052,532	71,800
Interest	9,078	7,001
Total Expenses	$ 21,014,843	$ 19,342,134
Change in Net Position	$ (134,618)	$ 513,182
Net Position – January 1, as restated	64,828,187*	64,523,922
Net Position – December 31, as reported	$ 64,693,569	$ 65,037,104

*Amount includes a change in accounting principles.

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 $13,287,417, a decrease of $1,513,250, or 10.2 percent, in comparison with the prior year. Of the combined ending fund balances, $8,735,364 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, $4,552,053, 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 2018, it had an unrestricted fund balance of $1,076,751. 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 9.5 percent of total General Fund expenditures. During 2018, the ending fund balance decreased by $2,315,386. The contributing factor to this decrease is the increased expenditure in economic development.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of $4,108,553 at the end of 2018, representing 65.9 percent of its annual expenditures. The ending fund balance increased by $660,771 during 2018, primarily due to revenue received for projects that did not start until 2019 and less than anticipated expenditures in maintenance costs.

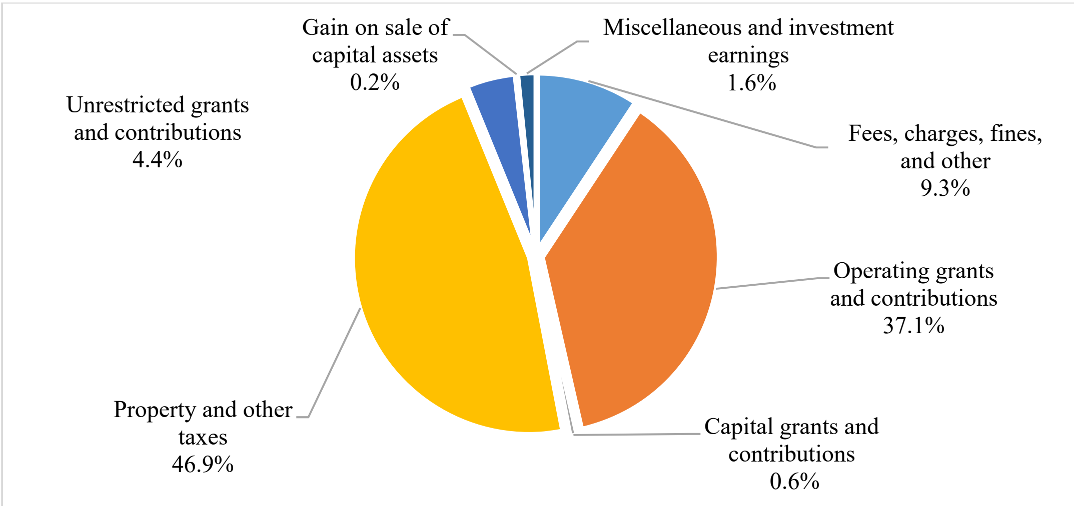
The Family Services Special Revenue Fund had an unrestricted fund balance of $3,568,509 at the end of 2018, representing 68.9 percent of its annual expenditures. The ending fund balance increased by $313,512 during 2018. The increase was primarily due to receiving more intergovernmental funds, lower expenditures in the County's out-of-home placement costs, and payment advances for being fiscal host for MFIP.

The Ditch Revenue Special Revenue Fund has a fund balance of $2,050,264 at the end of 2018. The ending fund balance decreased by $172,147 during 2018; the decrease is due to the higher than expected expense for ditch maintenance and repair.

GOVERNMENTAL ACTIVITIES

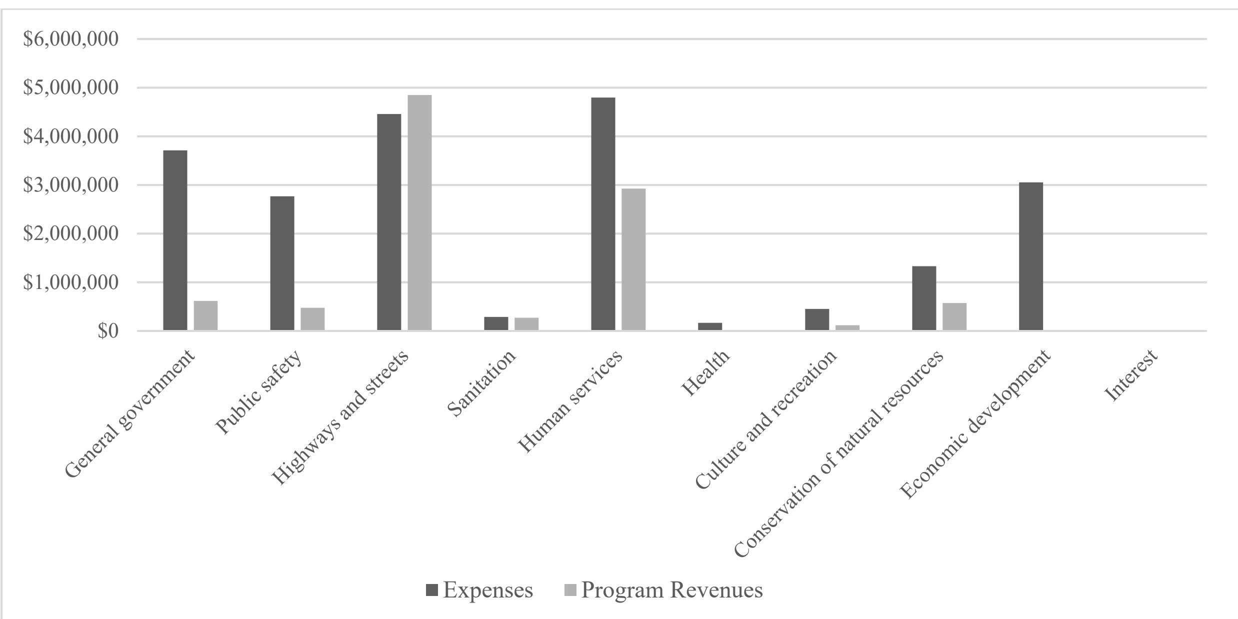
The County's total revenues were $20,880,225. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2018.

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 2018 was $21,014,843. However, as shown on the Statement of Activities, Exhibit 2, the amount that Chippewa County taxpayers ultimately financed for these activities through County taxes and non-program revenues was only $11,204,819, because some of the cost was paid by those who directly benefited from the programs, $1,938,808, or by other governments and organizations that subsidized certain programs with grants and contributions, $7,871,216. The County paid for the remaining "public benefit" portion of governmental activities with $11,070,201 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

	2018	
	Total Cost of Services	Net (Cost) Revenue of Services
General government	$ 3,710,912	$ (3,097,913)
Public safety	2,767,193	(2,295,898)
Highways and streets	4,455,416	393,260
Sanitation	285,179	(17,050)
Human services	4,794,531	(1,871,590)
Health	162,392	(162,392)
Culture and recreation	448,746	(334,790)
Conservation of natural resources	1,328,864	(756,836)
Economic development	3,052,532	(3,052,532)
Interest	9,078	(9,078)
Totals	$ 21,014,843	$ (11,204,819)

General Fund Budgetary Highlights

Over the course of the year, the County Board increased the General Fund expenditure budget by $3,467,250.

The actual charges to appropriations (expenditures) were $876,445 less than final budget amounts. Two of the most significant positive variances, one being $155,054 occurring in the Sheriff's Department, and the other being $325,411 occurring in the Fairgrounds 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, 2018, totaled $54,777,268 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets increased $1,824,141, or 3.4 percent, from the previous year.

Capital Assets at Year-End
Net of Depreciation

	2018	2017
Land and right-of-way	$ 1,884,202	$ 1,884,202
Infrastructure	46,610,065	43,841,546
Buildings	3,281,252	3,250,641
Improvements other than buildings	77,724	64,455
Machinery and equipment	2,254,510	2,430,442
Construction in progress	669,515	1,481,841
Total	$ 54,777,268	$ 52,953,127

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 2019 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2018 was 3.8 percent. This compares with the state unemployment rate of 2.9 percent and national unemployment rate of 4.0 percent. This shows a moderate decrease from the County's 4.4 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 2019 property tax levy for the County increased 9.16 percent, $899,010, from 2018. This is due to the increase of future expenses in capital outlay.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chippewa County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Chippewa County Auditor/Treasurer/Coordinator 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, 2018

Assets		
Cash and pooled investments	$	6,738,018
Investments		6,266,744
Receivables – net		5,454,729
Inventories		103,925
Prepaid items		48,020
Capital assets		
Non-depreciable		2,553,717
Depreciable – net of accumulated depreciation		52,223,551
Total Assets	**$**	**73,388,704**
Deferred Outflows of Resources		
Deferred pension outflows	$	2,000,467
Deferred other postemployment benefits outflows		34,423
Total Deferred Outflows of Resources	**$**	**2,034,890**
Liabilities		
Accounts payable and other current liabilities	$	510,311
Unearned revenue		156,254
Advance from other governments		263,612
Long-term liabilities		
Due within one year		187,705
Due in more than one year		1,106,442
Other postemployment benefits liability		689,414
Net pension liability		4,691,706
Total Liabilities	**$**	**7,605,444**
Deferred Inflows of Resources		
Deferred pension inflows	**$**	**3,124,581**
Net Position		
Net investment in capital assets	$	54,760,429
Restricted for		
General government		560,777
Public safety		221,492
Highways and streets		3,415,334
Human services		3,560
Conservation of natural resources		2,402,689
Unrestricted		3,329,288
Total Net Position	**$**	**64,693,569**

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, 2018

		Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Functions/Programs					
Governmental activities					
General government	$ 3,710,912	$ 457,302	$ 155,697	$ -	$ (3,097,913)
Public safety	2,767,193	135,668	335,627	-	(2,295,898)
Highways and streets	4,455,416	260,802	4,470,859	117,015	393,260
Sanitation	285,179	200,400	67,729	-	(17,050)
Human services	4,794,531	484,068	2,438,873	-	(1,871,590)
Health	162,392	-	-	-	(162,392)
Culture and recreation	448,746	20	113,936	-	(334,790)
Conservation of natural resources	1,328,864	400,548	171,480	-	(756,836)
Economic development	3,052,532	-	-	-	(3,052,532)
Interest	9,078	-	-	-	(9,078)
Total Governmental Activities	**$ 21,014,843**	**$ 1,938,808**	**$ 7,754,201**	**$ 117,015**	**$ (11,204,819)**

General Revenues	
Property taxes	$ 9,625,806
Mortgage registry and deed tax	9,284
Payments in lieu of tax	149,407
Grants and contributions not restricted to specific programs	916,595
Miscellaneous	128,624
Unrestricted investment earnings	198,809
Gain on sale of capital assets	41,676
Total general revenues	**$ 11,070,201**
Change in net position	**$ (134,618)**
Net Position – Beginning, restated (Note 1.E.)	**64,828,187**
Net Position – Ending	**$ 64,693,569**

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

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 3

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Family Services	Ditch	Total
Assets					
Cash and pooled investments	$ 1,896,716	$ 360,066	$ 3,706,244	$ 524,869	$ 6,487,895
Undistributed cash in agency funds	155,905	28,974	53,869	9,175	247,923
Petty cash and change funds	2,100	-	100	-	2,200
Investments	500,200	4,239,113	-	1,527,431	6,266,744
Taxes receivable					
Delinquent	59,739	12,571	23,057	-	95,367
Special assessments receivable					
Delinquent	5,915	-	-	982	6,897
Noncurrent	506,363	-	-	625,434	1,131,797
Accounts receivable – net	17,477	44,008	33,449	85,318	180,252
Accrued interest receivable	20,267	20,707	-	18,170	59,144
Due from other funds	-	634	-	-	634
Due from other governments	70,320	3,015,139	282,515	12,352	3,380,326
Inventories	1,473	102,452	-	-	103,925
Prepaid items	42,428	4,934	658	-	48,020
Loans receivable	325,000	275,946	-	-	600,946
Total Assets	**$ 3,603,903**	**$ 8,104,544**	**$ 4,099,892**	**$ 2,803,731**	**$ 18,612,070**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 134,370	$ 122,069	$ 117,225	$ 4,980	$ 378,644
Salaries payable	16,887	1,594	65	-	18,546
Contracts payable	1,350	15,489	-	-	16,839
Due to other funds	634	-	-	-	634
Due to other governments	29,662	10,057	37,980	18,583	96,282
Unearned revenue	146,949	-	9,305	-	156,254
Advance from other governments	-	-	263,612	-	263,612
Total Liabilities	**$ 329,852**	**$ 149,209**	**$ 428,187**	**$ 23,563**	**$ 930,811**
Deferred Inflows of Resources					
Unavailable revenue	**$ 583,417**	**$ 3,024,115**	**$ 56,406**	**$ 729,904**	**$ 4,393,842**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 3
(Continued)

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	General	Road and Bridge	Family Services	Ditch	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid items	$ 42,428	$ 4,934	$ 658	$ -	$ 48,020
Loans receivable	325,000	275,946	-	-	600,946
Inventories	1,473	102,452	-	-	103,925
Missing heirs	7,262	-	-	-	7,262
Unclaimed property	49	-	-	-	49
Restricted for					
Law library	85,650	-	-	-	85,650
Enhanced 911	125,077	-	-	-	125,077
Sheriff's contingency	3,707	-	-	-	3,707
Permit to carry	88,414	-	-	-	88,414
Recorder's technology fund	232,689	-	-	-	232,689
Recorder's compliance fund	228,121	-	-	-	228,121
Law enforcement – drug task force	4,294	-	-	-	4,294
Attorney forfeiture	7,892	-	-	-	7,892
Highway allotments	-	439,335	-	-	439,335
Septic/sewer loans	161,651	-	-	-	161,651
Unspent grant funds	229,992	-	46,132	-	276,124
Ditch maintenance and repairs	-	-	-	2,068,713	2,068,713
Aquatic invasive species aid	70,184	-	-	-	70,184
Assigned for					
Vehicle purchases	73,442	-	-	-	73,442
Courthouse improvements	112,738	-	-	-	112,738
Dispatch furniture	48,000	-	-	-	48,000
Road and bridge	-	3,201,754	-	-	3,201,754
Capital equipment	-	890,000	-	-	890,000
Human services	-	-	823,944	-	823,944
Program contingencies	-	-	300,000	-	300,000
Future building	-	-	1,619,565	-	1,619,565
Land and building capital outlay	-	16,799	-	-	16,799
Out-of-home placements	-	-	500,000	-	500,000
Out-of-home prevention services	-	-	125,000	-	125,000
Children's mental health	-	-	100,000	-	100,000
Mental health contingencies	-	-	100,000	-	100,000
Unassigned	842,571	-	-	(18,449)	824,122
Total Fund Balances	**$ 2,690,634**	**$ 4,931,220**	**$ 3,615,299**	**$ 2,050,264**	**$ 13,287,417**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 3,603,903**	**$ 8,104,544**	**$ 4,099,892**	**$ 2,803,731**	**$ 18,612,070**

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, 2018

Fund balance – total governmental funds (Exhibit 3)		**$ 13,287,417**
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.		54,777,268
Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		2,000,467
Deferred outflows of resources resulting from the other postemployment benefits liability are not available resources and, therefore, are not reported in governmental funds.		34,423
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources—unavailable revenue in the governmental funds.		4,393,842
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$ (668,014)	
Compensated absences	(626,133)	
Other postemployment benefits liability	(689,414)	
Net pension liability	(4,691,706)	(6,675,267)
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.		(3,124,581)
Net Position of Governmental Activities (Exhibit 1)		**$ 64,693,569**

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

EXHIBIT 5

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	General	Road and Bridge	Family Services	Ditch	Total
Revenues					
Taxes	$ 6,098,431	$ 1,235,828	$ 2,309,297	$ -	$ 9,643,556
Special assessments	182,821	-	-	317,020	499,841
Licenses and permits	10,035	19,000	-	-	29,035
Intergovernmental	1,563,895	5,351,801	2,783,280	108,540	9,807,516
Charges for services	700,840	35,576	229,883	-	966,299
Gifts and contributions	1,200	-	300	-	1,500
Investment earnings	53,210	77,547	-	34,103	164,860
Miscellaneous	273,874	125,126	169,489	-	568,489
Total Revenues	**$ 8,884,306**	**$ 6,844,878**	**$ 5,492,249**	**$ 459,663**	**$ 21,681,096**
Expenditures					
Current					
General government	$ 3,921,728	$ -	$ -	$ -	$ 3,921,728
Public safety	2,523,894	-	-	-	2,523,894
Highways and streets	-	5,780,792	-	-	5,780,792
Sanitation	283,331	-	-	-	283,331
Human services	-	-	5,016,345	-	5,016,345
Culture and recreation	446,850	-	-	-	446,850
Conservation of natural resources	682,695	-	-	631,810	1,314,505
Economic development	3,052,532	-	-	-	3,052,532
Intergovernmental					
Public safety	309,246	-	-	-	309,246
Highways and streets	-	451,623	-	-	451,623
Health	-	-	162,392	-	162,392
Debt service					
Principal	95,481	-	-	-	95,481
Interest	9,078	-	-	-	9,078
Total Expenditures	**$ 11,324,835**	**$ 6,232,415**	**$ 5,178,737**	**$ 631,810**	**$ 23,367,797**
Excess of Revenues Over (Under) Expenditures	**$ (2,440,529)**	**$ 612,463**	**$ 313,512**	**$ (172,147)**	**$ (1,686,701)**
Other Financing Sources (Uses)					
Loans issued	$ 102,467	$ -	$ -	$ -	$ 102,467
Proceeds from sale of capital assets	22,676	19,000	-	-	41,676
Insurance recoveries	-	55,833	-	-	55,833
Total Other Financing Sources (Uses)	**$ 125,143**	**$ 74,833**	**$ -**	**$ -**	**$ 199,976**
Net Change in Fund Balance	**$ (2,315,386)**	**$ 687,296**	**$ 313,512**	**$ (172,147)**	**$ (1,486,725)**
Fund Balance – January 1	**5,006,020**	**4,270,449**	**3,301,787**	**2,222,411**	**14,800,667**
Increase (decrease) in inventories	**-**	**(26,525)**	**-**	**-**	**(26,525)**
Fund Balance – December 31	**$ 2,690,634**	**$ 4,931,220**	**$ 3,615,299**	**$ 2,050,264**	**$ 13,287,417**

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, 2018

Net change in fund balance – total governmental funds (Exhibit 5)		**$ (1,486,725)**
Amounts reported for governmental activities in the statement of activities are different because:		
In the funds, under the modified accrual basis, receivables not available for expenditure are deferred. In the statement of activities, those revenues are recognized when earned. The adjustment to revenue between the fund statements and the statement of activities is the increase or decrease in deferred revenue as unavailable revenue.		
Unavailable revenue – December 31	$ 4,393,842	
Unavailable revenue – January 1	(5,051,668)	(657,826)
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.		
Expenditures for general capital assets and infrastructure	$ 4,096,520	
Net book value of assets disposed of	(203,652)	
Current year depreciation	(2,068,727)	1,824,141
Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:		
Loans issued		(102,467)
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		95,481
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	$ 36,337	
Change in other postemployment benefits liability	(38,027)	
Change in net pension liability	1,499,175	
Change in deferred pension outflows	(990,867)	
Change in deferred other postemployment benefits outflows	34,423	
Change in deferred pension inflows	(321,738)	
Change in inventories	(26,525)	192,778
Change in Net Position of Governmental Activities (Exhibit 2)		**$ (134,618)**

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FIDUCIARY FUNDS

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT 7

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	Investment Trusts	Agency
Assets		
Cash and pooled investments	$ 2,393,851	$ 1,126,605
Investments	19,377,996	21,000
Accrued interest receivable	58,231	-
Total Assets	**$ 21,830,078**	**$ 1,147,605**
Liabilities		
Accounts payable	$ -	$ 45,625
Due to other governments	-	1,101,980
Total Liabilities	**$ -**	**$ 1,147,605**
Net Position		
Net position, held in trust	**$ 21,830,078**	

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

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Investment Trusts
Additions	
Contributions from participants	$ 50,224,913
Investment earnings	293,136
Total Additions	**$ 50,518,049**
Deductions	
Distributions to participants	52,269,788
Change in Net Position	**$ (1,751,739)**
Net Position – January 1	**23,581,817**
Net Position – December 31	**$ 21,830,078**

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, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures

The County participates in several joint ventures described in Note 4.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about Chippewa County. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities.

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/Coordinator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2018. 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 2018 were $53,210.

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 2018 and noncurrent special assessments payable in 2019 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

Accounts receivable are shown net of an allowance for uncollectibles.

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, 2018, Chippewa County reported no bonded debt.

7. Pension Plan

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

1. Summary of Significant Accounting Policies

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

7. Pension Plan (Continued)

dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

8. Deferred Outflows/Inflows of Resources

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

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

1. Summary of Significant Accounting Policies

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

9. Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. At December 31, 2018, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

10. Classification of Net Position

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

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

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

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

11. Classification of Fund Balances

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

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

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

- Restricted – amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

- Committed – amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

- Assigned – amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor/Treasurer/Coordinator, who has been delegated that authority by Board Resolution.

- Unassigned – the residual classification for the General Fund and includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

1. Summary of Significant Accounting Policies

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

12. Minimum Fund Balance

Chippewa County has adopted a minimum fund balance policy for its governmental funds. The General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund all are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2018, the County's unrestricted fund balance was at or above the minimum fund balance level, except in the General Fund.

13. Use of Estimates

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

E. Change in Accounting Principles

During the year ended December 31, 2018, the County adopted new accounting guidance by implementing the provisions of GASB Statement 75. GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, changes standards for recognizing and measuring OPEB liabilities and related deferred outflows of resources, deferred inflows of resources, and OPEB expense. This statement also requires additional note disclosures and a schedule in the required supplementary information. Beginning net position has been restated to reflect this change.

1. Summary of Significant Accounting Policies (Continued)

E. Change in Accounting Principles

		Governmental Activities
Net Position, January 1, 2018, as previously reported	$	65,037,104
Change in accounting principles		(208,917)
Net Position, January 1, 2018, as restated	$	64,828,187

2. Stewardship, Compliance, and Accountability

Deficit Fund Equity

The Ditch Special Revenue Fund has a positive fund balance of $2,050,264 as of December 31, 2018, 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:

140 ditches with positive fund balances	$	2,068,713
11 ditches with deficit fund balances		(18,449)
Total Fund Balance	$	2,050,264

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	$	6,738,018
Investments		6,266,744
Statement of fiduciary net position		
Cash and pooled investments		3,520,456
Investments		19,398,996
Total Cash and Investments	$	35,924,214

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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.

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, 2018, 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:

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

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

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

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

(4) bankers’ acceptances of United States banks;

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

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

Interest Rate Risk

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

At December 31, 2018, the County had the following investments:

Investment Type	Credit Risk Rating (Moody's)	Interest Rate Risk Less Than 1 Year	Interest Rate Risk 1 – 5 Years	Fair Value
Investments				
U.S. agency securities	Aaa	$ -	$ 3,250,205	$ 3,250,205
Negotiable certificates of deposit	N/R	3,934,188	4,394,394	8,328,582
Money market mutual funds	N/R	1,372,025	-	1,372,025
Total Investments		$ 5,306,213	$ 7,644,599	$ 12,950,812
Investment pools/mutual funds				
MAGIC Fund				10,253,698
Checking				2,783,649
Savings				5,062,655
Non-negotiable certificates of deposit				4,871,200
Petty cash				2,200
Total Cash and Investments				$ 35,924,214

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, 2018, 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, 2018, by issuer, that are more than five percent of total investments:

Issuer	Reported Amount
U.S. Bancorp	
Federal Home Loan Bank Bond	$ 2,258,485
Money market mutual funds	1,372,025
Morgan Stanley Wealth Management	
Negotiable certificates of deposit	8,328,582

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

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

At December 31, 2018, the County had the following recurring fair value measurements.

		Fair Value Measurements Using		
	December 31, 2018	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	$ 3,250,205	$ -	$ 3,250,205	$ -
Negotiable certificates of deposit	8,328,582	-	8,328,582	-
Total Investments Included in the Fair Value Hierarchy	$ 11,578,787	$ -	$ 11,578,787	$ -
Investments measured at the net asset value (NAV)				
MAGIC Portfolio	$ 6,942,449			
MAGIC Term	3,311,249			
Money market mutual funds	1,372,025			
Total Investments Measured at the NAV	$ 11,625,723			

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

3. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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

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 NAV not reasonably practical.

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

The County's Investment Trust Fund also holds $1,372,025 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	$	6,738,018
Statement of fiduciary net position		
Investment trusts		2,393,851
Agency		1,126,605
Total Cash and Pooled Investments	$	10,258,474

2. Receivables

Receivables as of December 31, 2018, for the County's governmental activities are as follows:

	Receivable	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities				
Taxes	$ 95,367	$ -	$ 95,367	$ -
Special assessments	1,138,694	-	1,138,694	858,465
Accounts receivable	305,708	(125,456)	180,252	-
Interest	59,144	-	59,144	-
Loans receivable	600,946	-	600,946	580,452
Due from other governments	3,380,326	-	3,380,326	-
Total Governmental Activities	$ 5,580,185	$ (125,456)	$ 5,454,729	$ 1,438,917

Loans Receivable

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

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, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Chippewa County fair board	$ -	$ 325,000	$ -	$ 325,000
City of Clara City shop	283,908	-	7,962	275,946
Total	$ 283,908	$ 325,000	$ 7,962	$ 600,946

3. Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,281,329	$ -	$ -	$ 1,281,329
Right-of-way	602,873	-	-	602,873
Construction in progress	1,481,841	414,508	1,226,834	669,515
Total capital assets not depreciated	$ 3,366,043	$ 414,508	$ 1,226,834	$ 2,553,717
Capital assets depreciated				
Buildings	$ 11,535,487	$ 291,997	$ 7,331	$ 11,820,153
Improvements other than buildings	67,283	15,359	-	82,642
Machinery and equipment	7,453,928	429,636	722,733	7,160,831
Infrastructure	67,526,835	4,171,854	-	71,698,689
Total capital assets depreciated	$ 86,583,533	$ 4,908,846	$ 730,064	$ 90,762,315

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	$ 8,284,846	$ 254,422	$ 367	$ 8,538,901
Improvements other than buildings	2,828	2,090	-	4,918
Machinery and equipment	5,023,486	408,880	526,045	4,906,321
Infrastructure	23,685,289	1,403,335	-	25,088,624
Total accumulated depreciation	$ 36,996,449	$ 2,068,727	$ 526,412	$ 38,538,764
Total capital assets depreciated, net	$ 49,587,084	$ 2,840,119	$ 203,652	$ 52,223,551
Capital Assets, Net	$ 52,953,127	$ 3,254,627	$ 1,430,486	$ 54,777,268

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	$ 192,438
Public safety	135,281
Highways and streets, including depreciation of infrastructure assets	1,656,027
Sanitation	1,848
Human services	9,999
Culture and recreation	23,464
Conservation of natural resources	49,670
Total Depreciation Expense – Governmental Activities	$ 2,068,727

B. Interfund Receivables, Payables, and Transfers

Due To/From Other Funds

The composition of interfund balances as of December 31, 2018, is as follows:

Receivable Fund	Payable Fund	Amount
Road and Bridge Special Revenue Fund	General Fund	$ 634

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

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, 2018, were as follows:

	Governmental Activities
Accounts payable	$ 378,644
Salaries payable	18,546
Contracts payable	16,839
Due to other governments	96,282
Total Payables	$ 510,311

2. Construction Commitments

The County has active construction projects and other commitments as of December 31, 2018. The projects and commitments include the following:

	Spent-to-Date	Remaining Commitment
General Fund		
Air handler	$ 20,078	$ 3,922
Demolition of Mocks Gas Station	-	31,815
Total Construction Commitments	$ 20,078	$ 35,737

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, 2018.

3. Advances From Other Governments

Chippewa County is the designated fiscal host for the Southwest Minnesota Regional Minnesota Family Investment Program/Divisionary Work Program (MFIP/DWP) Partnership. This is a 14-county partnership created to administer MFIP/DWP funds. The participating counties previously advanced $178,287 to Chippewa County for cash flow purposes. During 2018, an additional $95,455 was advanced to Chippewa County from the participating entities. 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, 2018
Hawk Creek Watershed Loan (SRF0158)	2020	$ 27,956	2.0	$ 252,241	$ 41,109
Chippewa River Watershed Loan (SRF0159)	2020	22,889	2.0	206,522	33,658
Chippewa River Continuation Loan (SRF0207)	2021	11,745	2.0	105,970	34,033
Hawk Creek Watershed Continuation Loan (SRF0231)	2023	8,252	2.0	74,451	39,076
Chippewa River Watershed Loan (SRF0232)	2024	13,232	2.0	119,391	74,465
Hawk Creek Watershed Loan (SRF277)	2026	11,851	2.0	106,929	87,211
Chippewa River Watershed Loan (SRF295)	2028	17,268	2.0	155,802	148,726
Hawk Creek Watershed Loan (SRF300)	2027	-	-	108,695	108,695
Chippewa River Watershed Loan (SRF310)	2027	-	-	101,041	101,041
Total				$ 1,231,042	$ 668,014

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, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Clean water loans payable	$ 661,028	$ 102,467	$ 95,481	$ 668,014	$ 112,251
Compensated absences	662,470	417,030	453,367	626,133	75,454
Long-Term Liabilities	$ 1,323,498	$ 519,497	$ 548,848	$ 1,294,147	$ 187,705

6. Debt Service Requirements

Debt service requirements at December 31, 2018, were as follows:

Year Ending December 31	Loans Payable Principal	Loans Payable Interest
2019	$ 104,546	$ 8,645
2020	81,225	6,544
2021	57,181	5,166
2022	46,527	4,075
2023	47,462	3,140
2024 – 2028	121,336	5,155
Total	$ 458,277	$ 32,725

Loans of $209,737 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, 2018, was $30,475,000.

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, 2018, the outstanding balance of PACE loans in Chippewa County was $685,400.

3. Detailed Notes on All Funds (Continued)

D. Deferred Inflows of Resources – Unavailable Revenue

Unavailable revenue consists of special assessments, taxes, state grants, interest, and other receivables not collected soon enough after year-end to pay liabilities of the current period. Deferred inflows of resources at December 31, 2018, are summarized below by fund:

	Special Assessments	Taxes	Grants	Interest	Other	Total
Major governmental funds						
General Fund	$ 512,278	$ 59,739	$ -	$ 9,600	$ 1,800	$ 583,417
Special Revenue Funds						
Road and Bridge	-	12,571	2,993,878	17,666	-	3,024,115
Family Services	-	23,057	-	-	33,349	56,406
Ditch	626,416	-	-	18,170	85,318	729,904
Total	$ 1,138,694	$ 95,367	$ 2,993,878	$ 45,436	$ 120,467	$ 4,393,842

E. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Chippewa County Board of Commissioners. Retirees are required to pay 100 percent of the premium costs. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy.

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

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Funding Policy (Continued)

As of the January 1, 2017, actuarial valuation, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	22
Active plan participants	129
Total	151

Total OPEB Liability

The County's total OPEB liability of $689,414 was measured as of January 1, 2018, and was determined by an actuarial valuation as of January 1, 2017. The OPEB liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

The total OPEB liability for the fiscal year-end December 31, 2018, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry Age, level percentage of pay
Inflation	2.50 percent
Salary increases	3.00 percent, average wage inflation plus merit/productivity increases
Health care cost trend	6.25 percent in 2018, decreasing to 5.00 percent over five years

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

The current year discount rate is 3.30 percent. For the current valuation, the discount rate is the 20-year municipal bond yield. The municipal bond rate assumption was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of January 1, 2018.

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

Total OPEB Liability (Continued)

Mortality rates are based on Society of Actuaries RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar adjustment for Police and Fire Personnel).

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at January 1, 2018 (Restated)	$ 651,387
Changes for the year	
Service cost	$ 39,088
Interest	22,401
Benefit payments	(23,462)
Net change	$ 38,027
Balance at December 31, 2018	$ 689,414

OPEB Liability Sensitivity

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

	Discount Rate	Total OPEB Liability
1% Decrease	2.30%	$ 742,171
Current	3.30	689,414
1% Increase	4.30	640,036

3. Detailed Notes on All Funds

E. Other Postemployment Benefits (OPEB)

OPEB Liability Sensitivity (Continued)

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

	Health Care Trend Rate	Total OPEB Liability
1% Decrease	5.25% Decreasing to 4.00%	$ 614,399
Current	6.25% Decreasing to 5.00%	689,414
1% Increase	7.25% Decreasing to 6.00%	778,139

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

For the year ended December 31, 2018, the County recognized OPEB expense of $3,604. The County reported deferred outflows of resources related to OPEB resulting from contributions made subsequent to the measurement date of $34,423, which will be recognized as a reduction of the OPEB liability for the year ended December 31, 2019. The County had no deferred inflows of resources related to OPEB to report.

Changes in Actuarial Methods and Assumptions

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

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

3. Detailed Notes on All Funds (Continued)

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description

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

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

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Police and Fire Plan (accounted for in the Police and Fire Fund). For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a prorated basis starting with 50 percent after five years and increasing ten percent for each year of service until fully vested after ten years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years and increasing 5.00 percent for each year of service until fully vested after 20 years.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

a. Plan Description (Continued)

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

b. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. General Employees Plan and Police and Fire Plan benefit recipients receive a future annual 1.00 percent for the post-retirement benefit increase, while Correctional Plan benefit recipients receive 2.50 percent. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will be 2.50 percent. If, after reverting to a 2.50 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 1.00 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 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

b. Benefits Provided (Continued)

higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service.

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

c. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Plan members were required to contribute 6.50 percent of their annual covered salary in 2018. Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2018. Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2018.

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

c. Contributions (Continued)

In 2018, the County was required to contribute the following percentages of annual covered salary:

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

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

The County's contributions for the year ended December 31, 2018, to the pension plans were:

General Employees Plan	$	361,703
Police and Fire Plan		115,615
Correctional Plan		41,002

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

d. Pension Costs

General Employees Plan

At December 31, 2018, the County reported a liability of $3,905,503 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

PERA's participating employers. At June 30, 2018, the County's proportion was 0.0704 percent. It was 0.0704 percent measured as of June 30, 2017. The County recognized pension expense of $305,674 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized $29,895 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Plan, which qualifies as a special funding situation. Legislation required the State of Minnesota to contribute $16 million to the General Employees Plan for the fiscal years ended June 30, 2018 and 2019, and $6 million thereafter, through calendar year 2031.

The County's proportionate share of the net pension liability	$ 3,905,503
State of Minnesota's proportionate share of the net pension liability associated with the County	128,195
Total	$ 4,033,698

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

General Employees Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 103,372	$ 113,582
Changes in actuarial assumptions	372,014	438,825
Difference between projected and actual investment earnings	-	397,188
Changes in proportion	12,179	39,042
Contributions paid to PERA subsequent to the measurement date	184,161	-
Total	$ 671,726	$ 988,637

The $184,161 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, 2019. 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
2019	$ 105,102
2020	(207,760)
2021	(316,898)
2022	(81,516)

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Police and Fire Plan

At December 31, 2018, the County reported a liability of $748,260 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.070 percent. It was 0.075 percent measured as of June 30, 2017. The County recognized pension expense of $78,402 for its proportionate share of the Police and Fire Plan's pension expense.

The County also recognized $6,318 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Police and Fire Plan. Legislation requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Police and Fire Plan (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 31,352	$ 197,888
Changes in actuarial assumptions	1,007,133	1,175,143
Difference between projected and actual investment earnings	-	156,317
Changes in proportion	12,882	80,759
Contributions paid to PERA subsequent to the measurement date	60,252	-
Total	$ 1,111,619	$ 1,610,107

The $60,252 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, 2019. 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
2019	$ (24,036)
2020	(61,156)
2021	(125,270)
2022	(335,010)
2023	(13,268)

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs (Continued)

Correctional Plan

At December 31, 2018, the County reported a liability of $37,943 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the County's proportion was 0.23 percent. It was 0.24 percent measured as of June 30, 2017. The County recognized pension expense of $146,516 for its proportionate share of the Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 1,999	$ 4,219
Changes in actuarial assumptions	193,957	441,790
Difference between projected and actual investment earnings	-	41,296
Changes in proportion	-	38,532
Contributions paid to PERA subsequent to the measurement date	21,166	-
Total	$ 217,122	$ 525,837

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

d. Pension Costs

Correctional Plan (Continued)

The $21,166 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, 2019. 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
2019	$ 17,039
2020	(185,147)
2021	(153,828)
2022	(7,945)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2018, was $530,592.

e. Actuarial Assumptions

The total pension liability in the June 30, 2018, 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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans

e. 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. Cost of living benefit increases for retirees are assumed to be 1.25 percent for the General Employees Plan and 2.00 percent for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.00 percent as set by state statute.

Actuarial assumptions used in the June 30, 2018, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 30, 2015. The experience study for the Police and Fire Plan was dated August 30, 2016. The experience study for the Correctional Plan was dated February 2012. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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	36%	5.10%
International stocks	17	5.30
Bonds (fixed income)	20	0.75
Alternative assets (private markets)	25	5.90
Cash	2	0.00

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

f. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2018, which remained consistent with 2017. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

g. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2018:

General Employees Plan

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

Police and Fire Plan

- The mortality projection scale was changed from MP-2016 to MP-2017.
- Post-retirement benefit increases changed to 1.00 percent for all years, with no trigger.

3. Detailed Notes on All Funds

   F. Pension Plans

      1. Defined Benefit Pension Plans

         g. Changes in Actuarial Assumptions and Plan Provisions

Police and Fire Plan (Continued)

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

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

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

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

Correctional Plan

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

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

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

3. Detailed Notes on All Funds

F. Pension Plans

1. Defined Benefit Pension Plans (Continued)

h. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Plan		Police and Fire Plan		Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability (Asset)
1% Decrease	6.50%	$ 6,346,943	6.50%	$ 1,604,316	6.50%	$ 324,729
Current	7.50	3,905,503	7.50	748,260	7.50	37,943
1% Increase	8.50	1,890,165	8.50	40,337	8.50	(191,476)

i. Pension Plan Fiduciary Net Position

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

2. Defined Contribution Plan

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

3. Detailed Notes on All Funds

F. Pension Plans

2. Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. 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, 2018, were:

	Employee	Employer
Contribution amount	$ 8,124	$ 8,124
Percentage of covered payroll	5.00%	5.00%

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

4. 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 2018 and 2019. 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.

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

C. Joint Ventures

Countryside Public Health Service

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

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

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

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Chippewa County's contribution for 2018 was $162,392.

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

Region 6W Community Corrections

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

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

Chippewa County's contribution for the year ended 2018 was $309,306.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Region 6W Community Corrections (Continued)

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

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 2018.

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 $1,079,998 to this organization in 2018.

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

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

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

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

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

Financing is provided by charges for services to member and nonmember counties. Chippewa County's contribution to the PLYP for 2018 was $81,295.

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

Chippewa CARE Collaborative

The Chippewa CARE Collaborative is a collaboration to receive and expend grant funds on new prevention, early intervention, and services to address children's mental health issues. Chippewa County is a member and fiscal host for the Collaborative. Chippewa County reports the Collaborative as an agency fund in the financial statements. The County contributed $300 to the Collaborative in 2018.

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Pioneerland Library System

Chippewa County, along with 32 cities and nine other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Chippewa County contributed $261,272 to the System. The City of Montevideo provided $63,450 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.

4. 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 2018, the County paid $112,405 to the Port Authority.

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 6,272,702	$ 6,268,202	$ 6,098,431	$ (169,771)
Special assessments	205,500	205,500	182,821	(22,679)
Licenses and permits	8,585	8,585	10,035	1,450
Intergovernmental	1,165,244	1,164,744	1,563,895	399,151
Charges for services	507,202	484,702	700,840	216,138
Gifts and contributions	-	-	1,200	1,200
Investment earnings	12,400	12,400	53,210	40,810
Miscellaneous	267,804	267,804	273,874	6,070
Total Revenues	**$ 8,439,437**	**$ 8,411,937**	**$ 8,884,306**	**$ 472,369**
Expenditures				
Current				
General government				
Commissioners	$ 280,975	$ 280,975	$ 278,695	$ 2,280
Law library	5,000	5,000	5,848	(848)
Auditor/treasurer	498,833	509,833	513,790	(3,957)
Accounting and auditing	45,000	59,150	59,140	10
Information technology	371,321	371,321	361,835	9,486
Central services	56,450	68,450	71,107	(2,657)
Elections	89,600	99,600	146,736	(47,136)
Attorney	304,425	304,425	299,440	4,985
Recorder	345,016	345,016	374,957	(29,941)
Geographic information systems	40,000	40,000	20,199	19,801
County assessor	362,125	362,125	341,151	20,974
Building and plant	790,809	794,809	868,500	(73,691)
Veterans service officer	162,678	174,678	168,966	5,712
Deputy registrar – license bureau	265,666	284,166	276,016	8,150
PACE clean energy	15,000	15,000	34,111	(19,111)
Other general government	353,140	357,690	101,237	256,453
Total general government	**$ 3,986,038**	**$ 4,072,238**	**$ 3,921,728**	**$ 150,510**

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Public safety				
Sheriff	$ 1,395,399	$ 1,395,399	$ 1,240,345	$ 155,054
Boat and water safety	560	1,160	766	394
Court-ordered assessments	100,000	110,700	101,973	8,727
Court security	7,535	7,535	5,245	2,290
D.A.R.E. program	3,000	3,000	2,751	249
Coroner	15,000	22,000	20,286	1,714
Jail	1,013,007	1,013,007	929,948	83,059
Victim witness program	70,000	70,000	74,883	(4,883)
Emergency management	65,596	65,596	49,049	16,547
Safety management	8,000	11,500	15,643	(4,143)
Dispatch	129,750	129,750	83,005	46,745
Total public safety	**$ 2,807,847**	**$ 2,829,647**	**$ 2,523,894**	**$ 305,753**
Sanitation				
Household hazardous waste	$ 3,000	$ 3,000	$ 2,906	$ 94
Recycling	176,000	187,500	188,403	(903)
Solid waste	88,200	88,200	92,022	(3,822)
Total sanitation	**$ 267,200**	**$ 278,700**	**$ 283,331**	**$ (4,631)**
Culture and recreation				
Airport	$ 15,000	$ 15,000	$ 323	$ 14,677
Historical society	45,000	45,000	45,000	-
Regional library	330,570	336,570	316,664	19,906
Fairgrounds	47,000	372,000	46,589	325,411
Parks	39,000	39,000	38,274	726
Total culture and recreation	**$ 476,570**	**$ 807,570**	**$ 446,850**	**$ 360,720**

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-1
(Continued)

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	$ 107,218	$ 107,218	$ 105,721	$ 1,497
Soil and water conservation	82,000	82,000	82,000	-
Ditch inspector	177,400	177,400	20,932	156,468
Weed control	142,698	142,698	85,242	57,456
Water planning	12,000	22,000	85,861	(63,861)
Land resource management	207,772	207,772	302,446	(94,674)
County farm	5,400	5,400	493	4,907
Total conservation of natural resources	**$ 734,488**	**$ 744,488**	**$ 682,695**	**$ 61,793**
Economic development				
Community development	$ 25,000	$ 3,016,750	$ 3,019,434	$ (2,684)
Prairie Five	10,000	15,750	9,609	6,141
Other economic development	22,940	22,940	23,489	(549)
Total economic development	**$ 57,940**	**$ 3,055,440**	**$ 3,052,532**	**$ 2,908**
Intergovernmental				
Public safety	**$ 300,447**	**$ 309,697**	**$ 309,246**	**$ 451**
Debt service				
Principal	$ 95,000	$ 95,000	$ 95,481	$ (481)
Interest	8,500	8,500	9,078	(578)
Total debt service	**$ 103,500**	**$ 103,500**	**$ 104,559**	**$ (1,059)**
Total Expenditures	**$ 8,734,030**	**$ 12,201,280**	**$ 11,324,835**	**$ 876,445**
Excess of Revenues Over (Under) Expenditures	**$ (294,593)**	**$ (3,789,343)**	**$ (2,440,529)**	**$ 1,348,814**

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Other Financing Sources (Uses)				
Loans issued	$ -	$ -	$ 102,467	$ 102,467
Proceeds from sale of capital assets	-	-	22,676	22,676
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 125,143**	**$ 125,143**
Net Change in Fund Balance	**$ (294,593)**	**$ (3,789,343)**	**$ (2,315,386)**	**$ 1,473,957**
Fund Balance – January 1	**5,006,020**	**5,006,020**	**5,006,020**	**-**
Fund Balance – December 31	**$ 4,711,427**	**$ 1,216,677**	**$ 2,690,634**	**$ 1,473,957**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-2

BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 1,271,224	$ 1,271,224	$ 1,235,828	$ (35,396)
Licenses and permits	17,100	17,100	19,000	1,900
Intergovernmental	6,310,252	6,310,252	5,351,801	(958,451)
Charges for services	44,000	44,000	35,576	(8,424)
Investment earnings	13,000	13,000	77,547	64,547
Miscellaneous	125,000	125,000	125,126	126
Total Revenues	**$ 7,780,576**	**$ 7,780,576**	**$ 6,844,878**	**$ (935,698)**
Expenditures				
Current				
Highways and streets				
Maintenance	$ 1,917,375	$ 1,917,375	$ 1,371,853	$ 545,522
Engineering/construction	5,175,050	5,175,050	3,747,226	1,427,824
Administration	279,650	279,650	253,059	26,591
Equipment and shop	467,450	467,450	408,654	58,796
Total highways and streets	**$ 7,839,525**	**$ 7,839,525**	**$ 5,780,792**	**$ 2,058,733**
Intergovernmental				
Highways and streets	405,000	405,000	451,623	(46,623)
Total Expenditures	**$ 8,244,525**	**$ 8,244,525**	**$ 6,232,415**	**$ 2,012,110**
Excess of Revenues Over (Under) Expenditures	**$ (463,949)**	**$ (463,949)**	**$ 612,463**	**$ 1,076,412**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ -	$ 19,000	$ 19,000
Insurance recoveries	-	-	55,833	55,833
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 74,833**	**$ 74,833**
Net Change in Fund Balance	**$ (463,949)**	**$ (463,949)**	**$ 687,296**	**$ 1,151,245**
Fund Balance – January 1	**4,270,449**	**4,270,449**	**4,270,449**	**-**
Increase (decrease) in inventories	**-**	**-**	**(26,525)**	**(26,525)**
Fund Balance – December 31	**$ 3,806,500**	**$ 3,806,500**	**$ 4,931,220**	**$ 1,124,720**

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	**Final**	**Amounts**	**Final Budget**
Revenues				
Taxes	$ 2,376,634	$ 2,376,634	$ 2,309,297	$ (67,337)
Intergovernmental	3,568,201	3,568,201	2,783,280	(784,921)
Charges for services	227,500	227,500	229,883	2,383
Gifts and contributions	150	150	300	150
Miscellaneous	76,400	76,400	169,489	93,089
Total Revenues	**$ 6,248,885**	**$ 6,248,885**	**$ 5,492,249**	**$ (756,636)**
Expenditures				
Current				
Human services				
Income maintenance	$ 1,591,518	$ 1,591,518	$ 1,478,127	$ 113,391
Social services	5,038,771	5,038,771	3,538,218	1,500,553
Total human services	**$ 6,630,289**	**$ 6,630,289**	**$ 5,016,345**	**$ 1,613,944**
Intergovernmental				
Health	162,112	162,112	162,392	(280)
Total Expenditures	**$ 6,792,401**	**$ 6,792,401**	**$ 5,178,737**	**$ 1,613,664**
Net Change in Fund Balance	**$ (543,516)**	**$ (543,516)**	**$ 313,512**	**$ 857,028**
Fund Balance – January 1	**3,301,787**	**3,301,787**	**3,301,787**	**-**
Fund Balance – December 31	**$ 2,758,271**	**$ 2,758,271**	**$ 3,615,299**	**$ 857,028**

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, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Special assessments	$ 506,400	$ 506,400	$ 317,020	$ (189,380)
Intergovernmental	50,000	50,000	108,540	58,540
Investment earnings	6,100	6,100	34,103	28,003
Total Revenues	**$ 562,500**	**$ 562,500**	**$ 459,663**	**$ (102,837)**
Expenditures				
Current				
Conservation of natural resources				
Other	562,500	562,500	631,810	(69,310)
Net Change in Fund Balance	**$ -**	**$ -**	**$ (172,147)**	**$ (172,147)**
Fund Balance – January 1	**2,222,411**	**2,222,411**	**2,222,411**	**-**
Fund Balance – December 31	**$ 2,222,411**	**$ 2,222,411**	**$ 2,050,264**	**$ (172,147)**

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

EXHIBIT A-5

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2018**

	2018
Total OPEB Liability	
Service cost	$ 39,088
Interest	22,401
Benefit payments	(23,462)
Net change in total OPEB liability	**$ 38,027**
Total OPEB Liability – Beginning, as restated	**651,387**
Total OPEB Liability – Ending	**$ 689,414**
Covered-employee payroll	$ 5,845,864
Total OPEB liability (asset) as a percentage of covered-employee payroll	11.79%

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

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-6

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

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
2018	0.0704 %	$ 3,905,503	$ 128,195	$ 4,033,698	$ 4,733,400	82.51 %	79.53 %
2017	0.0704	4,494,290	68,149	4,562,439	4,533,198	99.14	75.90
2016	0.0702	5,697,862	90,231	5,788,093	4,357,074	130.77	68.91
2015	0.0729	3,776,789	N/A	3,776,789	4,286,189	88.12	78.19

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-7

SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2018

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)
2018	$ 361,703	$ 361,703	$ -	$ 4,822,666	7.50 %
2017	349,227	349,227	-	4,656,307	7.50
2016	334,168	334,168	-	4,455,883	7.50
2015	316,550	316,550	-	4,220,639	7.50

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-8

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

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
2018	0.070 %	$ 748,260	$ 740,077	101.11 %	88.84 %
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.

EXHIBIT A-9

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2018

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)
2018	$ 115,615	$ 115,615	$ -	$ 713,675	16.20 %
2017	126,010	126,010	-	777,841	16.20
2016	121,380	121,380	-	749,260	16.20
2015	116,654	116,654	-	720,086	16.20

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-10

SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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
2018	0.23 %	$ 37,943	$ 471,259	8.05 %	97.64 %
2017	0.24	684,002	477,503	143.25	67.89
2016	0.25	913,285	461,040	198.09	58.16
2015	0.26	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.

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT A-11

SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES LOCAL GOVERNMENT CORRECTIONAL SERVICE RETIREMENT PLAN
DECEMBER 31, 2018

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)
2018	$ 41,002	$ 41,002	$ -	$ 468,595	8.75 %
2017	41,585	41,585	-	475,262	8.75
2016	41,341	41,341	-	472,467	8.75
2015	39,776	39,932	156	454,579	8.78

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

1. General Budget Policies

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

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

2. Budget Basis of Accounting

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

3. Budget Amendments

	Expenditures		
Fund	Original Budget	Increase (Decrease)	Final Budget
General Fund	$ 8,734,030	$ 3,467,250	$ 12,201,280

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. Excess of Expenditures Over Appropriations

Fund	Expenditures	Final Budget	Excess
Ditch Special Revenue Fund	$ 631,810	$ 562,500	$ 69,310

5. Other Postemployment Benefits Funded Status

In 2018, Chippewa County implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. See Note 3.E. in the notes to the financial statements for additional information regarding the County's other postemployment benefits.

6. Employer Contributions to Other Postemployment Benefits

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

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

- The discount rate used changed from 3.50 percent to 3.30 percent.

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

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

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

General Employees Retirement Plan

2018

- The mortality projection scale was changed from MP-2015 to MP-2017.

- The assumed benefit increase rate was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter, to 1.25 percent per year.

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

General Employees Retirement Plan (Continued)

2017

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

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

2016

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

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

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

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

Public Employees Police and Fire Plan

2018

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

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

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

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

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

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

2017

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

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

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

Public Employees Police and Fire Plan

2017 (Continued)

- 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 2.00 percent for non-vested members.

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

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

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

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

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

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

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

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

Public Employees Police and Fire Plan (Continued)

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.

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

Public Employees Local Government Correctional Service Retirement Plan

2018

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

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

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

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).

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

Public Employees Local Government Correctional Service Retirement Plan

2017 (Continued)

- 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 1.00 percent for non-vested members.

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

2016

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

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

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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, 2018

	Pooled	Investments	Total
Assets			
Cash and pooled investments	$ 2,393,851	$ -	$ 2,393,851
Investments	-	19,377,996	19,377,996
Accrued interest receivable	-	58,231	58,231
Total Assets	**$ 2,393,851**	**$ 19,436,227**	**$ 21,830,078**
Net Position			
Net position, held in trust for pool participants	**$ 2,393,851**	**$ 19,436,227**	**$ 21,830,078**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT B-2

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Pooled	Investments	Total
Additions			
Contributions from participants	$ 42,242,304	$ 7,982,609	$ 50,224,913
Investment earnings	-	293,136	293,136
Total Additions	**$ 42,242,304**	**$ 8,275,745**	**$ 50,518,049**
Deductions			
Distributions to participants	40,492,466	11,777,322	52,269,788
Change in Net Position	**$ 1,749,838**	**$ (3,501,577)**	**$ (1,751,739)**
Net Position – January 1	**644,013**	**22,937,804**	**23,581,817**
Net Position – December 31	**$ 2,393,851**	**$ 19,436,227**	**$ 21,830,078**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT C-1

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
REGION 6W COMMUNITY CORRECTIONS				
Assets				
Cash and pooled investments	$ 480,942	$ 1,798,197	$ 1,795,665	$ 483,474
Investments	21,000	-	-	21,000
Total Assets	**$ 501,942**	**$ 1,798,197**	**$ 1,795,665**	**$ 504,474**
Liabilities				
Due to other governments	**$ 501,942**	**$ 1,798,197**	**$ 1,795,665**	**$ 504,474**
STATE REVENUE				
Assets				
Cash and pooled investments	**$ 71,837**	**$ 346,645**	**$ 344,466**	**$ 74,016**
Liabilities				
Due to other governments	**$ 71,837**	**$ 346,645**	**$ 344,466**	**$ 74,016**
TAXES AND PENALTIES				
Assets				
Cash and pooled investments	**$ 512,695**	**$ 22,926,027**	**$ 23,194,224**	**$ 244,498**
Liabilities				
Due to other governments	**$ 512,695**	**$ 22,926,027**	**$ 23,194,224**	**$ 244,498**

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, 2018

	Balance January 1	Additions	Deductions	Balance December 31
SOUTHERN PRAIRIE COMMUNITY CARE				
Assets				
Cash and pooled investments	$ 29,830	$ 1,959,124	$ 1,900,664	$ 88,290
Liabilities				
Due to other governments	$ 29,830	$ 1,959,124	$ 1,900,664	$ 88,290
SOCIAL WELFARE				
Assets				
Cash and pooled investments	$ 38,973	$ 176,388	$ 169,736	$ 45,625
Liabilities				
Accounts payable	$ 38,973	$ 176,388	$ 169,736	$ 45,625
CARE COLLABORATIVE				
Assets				
Cash and pooled investments	$ 155,908	$ 74,648	$ 39,854	$ 190,702
Liabilities				
Due to other governments	$ 155,908	$ 74,648	$ 39,854	$ 190,702

EXHIBIT C-1
(Continued)

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Balance January 1	Additions	Deductions	Balance December 31
TOTAL ALL AGENCY FUNDS				
Assets				
Cash and pooled investments	$ 1,290,185	$ 27,281,029	$ 27,444,609	$ 1,126,605
Investments	21,000	-	-	21,000
Total Assets	**$ 1,311,185**	**$ 27,281,029**	**$ 27,444,609**	**$ 1,147,605**
Liabilities				
Accounts payable	$ 38,973	$ 176,388	$ 169,736	$ 45,625
Due to other governments	1,272,212	27,104,641	27,274,873	1,101,980
Total Liabilities	**$ 1,311,185**	**$ 27,281,029**	**$ 27,444,609**	**$ 1,147,605**

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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, 2018

Appropriations and Shared Revenue		
State		
Highway users tax	$	5,051,679
County program aid		573,204
PERA rate reimbursement		58,947
Disparity reduction aid		67,554
Police aid		87,726
Enhanced 911		84,345
Market value credit		216,890
Select Committee on Recycling and the Environment (SCORE)		67,729
Aquatic invasive species aid		34,090
Riparian protection aid		135,828
Out of home placement aid		25,754
Total appropriations and shared revenue	**$**	**6,403,746**
Reimbursement for Services		
Minnesota Department of Human Services	$	368,060
Local		312,825
Total reimbursement for services	**$**	**680,885**
Payments		
Local		
Payments in lieu of taxes	$	149,407
Local contributions		63,450
Total payments	**$**	**212,857**
Grants		
State		
Minnesota Department/Board/Office of		
Agriculture	$	6,979
Human Services		770,962
Natural Resources		51,806
Public Safety		54,379
Water and Soil Resources		1,542
Veterans Affairs		7,500
Secretary of State		46,450
Total state	**$**	**939,618**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT D-1
(Continued)

SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2018

Grants (Continued)		
Federal		
Department of		
Agriculture	$	183,203
Health and Human Services		1,224,902
Homeland Security		28,031
Justice		63,681
Transportation		70,593
Total federal	**$**	**1,570,410**
Total state and federal grants	**$**	**2,510,028**
Total Intergovernmental Revenue	**$**	**9,807,516**

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT D-2

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services			
SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2514	$ 150,292
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN127Q7503	10,656
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	182MN101S2520	155
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $161,103)			
Total U.S. Department of Agriculture			**$ 161,103**
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	F-CVSP-2018-CHIPPWAO	**$ 63,681**
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	00012	$ 63,455
Passed Through Minnesota Department of Public Safety			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC18-2018-CHIPPWSD-063	223
National Priority Safety Programs	20.616	A-ENFRC18-2018-CHIPPWSD-063	3,869
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC18-2018-CHIPPWSD-063	3,046
Total U.S. Department of Transportation			**$ 70,593**
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1701MNFPSS	$ 1,962
TANF Cluster			
Temporary Assistance for Needy Families	93.558	1701MNTANF	130,068
Child Support Enforcement	93.563	1804MNCSES	265,197

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

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

EXHIBIT D-2
(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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)			
Community-Based Child Abuse Prevention Grants	93.590	G-1702MNFRPG	798
CCDF Cluster			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1801MNCCDF	1,760
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1701MNCWSS	1,529
Foster Care – Title IV-E	93.658	1801MNFOST	57,268
Social Services Block Grant	93.667	G-1801MNSOSR	94,618
Children's Health Insurance Program	93.767	1805MN5R21	162
Medicaid Cluster			
Medical Assistance Program	93.778	1805MN5ADM	628,157
Medical Assistance Program	93.778	1805MN5MAP	3,957
(Total Medical Assistance Program 93.778 $632,114)			
Total U.S. Department of Health and Human Services			**$ 1,185,476**
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	A-EMPG-2017-CHIPPWCO-013	**$ 28,031**
Total Federal Awards			**$ 1,508,884**

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2018.

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 161,103
Total expenditures for Highway Planning and Construction Cluster	63,455
Total expenditures for Highway Safety Cluster	4,092
Total expenditures for TANF Cluster	130,068
Total expenditures for CCDF Cluster	1,760
Total expenditures for Medicaid Cluster	632,114

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

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, 2018. 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 ten 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	$ 1,570,410
Unavailable in 2017, recognized as revenue in 2018	
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (CFDA No. 10.561)	(22,100)
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	$ 1,508,884

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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, 2018, 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 12, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001, that we consider 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*. 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.

Other Matters

Included in the Schedule of Findings and Questioned Costs are management practices comments. We believe these recommendations to be of benefit to the County, and they are reported for that purpose.

Chippewa County's Response to Findings

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

Purpose of This Report

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 12, 2019

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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, 2018. 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.

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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2018-002, and 2018-003. Our opinion on the major federal program is not modified with respect to these matters.

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

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 did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002, 2018-002, and 2018-003, that we consider to be significant deficiencies.

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

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

/s/Julie Blaha	*/s/Greg Hierlinger*
JULIE BLAHA STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

September 12, 2019

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CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2018

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

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

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

Federal Awards

Internal control over the major program:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **Yes**

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

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

The major federal program is:

Medicaid Cluster	
Medical Assistance Program	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

ITEM ARISING THIS YEAR

Finding Number 2018-001

Cash Internal Controls

Criteria: Internal controls in place over operations should be designed and implemented to provide reasonable assurance that errors and fraud are prevented, or detected and corrected, in a timely manner.

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

Context: Reconciliations between the Treasurer's cash book and the general ledger is a tool to help ensure cash records are complete and accurate, and is a control designed to detect, and allow for correction of, errors or irregularities on a timely basis. At the time testing of bank reconciliations was performed, December 2018 cash balances did not tie to the general ledger by $314,703, and investments did not tie to the general ledger by approximately $6.9 million. The differences were substantially resolved when brought to the attention of County staff.

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

Cause: In May 2018, the County made an adjustment to cash after the reconciliation was complete and did not update the supporting documentation. In December 2018, the Chippewa County-Montevideo Hospital began performing its own bank reconciliations, and the County has not implemented a procedure to compare the Hospital's reconciled cash balance to the general ledger.

Recommendation: We recommend the Treasurer's cash book be reconciled to the general ledger on a monthly basis and in a timely manner. Documentation of this reconciliation should be maintained.

View of Responsible Official: Concur

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number 2017-002

Eligibility Testing

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

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:

- Two 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, and in the other case file, the incorrect bank balance for the application review period was used in MAXIS.

- One case file did not meet verification of other health insurance requirements. MAXIS listed other insurance, but there was indication that the other insurance ended in June 2017.

- One instance was found in a case file where the program application was not date stamped.

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 State of Minnesota contracts with the County Family Services Department 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.

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

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 an approved policy in place to indicate the frequency or quantity of case file 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, 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

<u>ITEMS ARISING THIS YEAR</u>

Finding Number 2018-002

<u>Social Service Fund Report DHS-2556 Reporting</u>

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

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.

Requirements for the Social Services Fund Report (DHS-2556 reports) are described in DHS Bulletin #17-32-17 – *Instructions for Completing the Social Service Fund Report, Form DHS-2556*. The bulletin states that all financial activity reported must have been actually disbursed or received during the reporting quarter.

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

Questioned Costs: The Minnesota Department of Human Services determines part of the County's federal reimbursement for multiple programs based upon its random moment time study performed and, therefore, actual questioned costs could not be determined. An estimated $1,873 relates to the Medical Assistance Program.

Context: The DHS-2556 report is submitted on a quarterly basis by the County to the DHS for reimbursement of Medical Assistance funds.

Effect: Reporting incorrect expenditures to the DHS results in the County being reimbursed the incorrect amount of federal funding.

Cause: Based on inquiry with management, this was due to an oversight.

Recommendation: We recommend that only those expenditures paid in the current quarter be included on the DHS-2556 report submitted to the DHS.

View of Responsible Official: Acknowledged

Finding Number 2018-003

Local Collaborative Time Study Reporting

Program: U.S. Department of Health and Human Services' Medical Assistance Program (CFDA No. 93.778), Award No. 1805MN5ADM, 2018

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.

Requirements for Local Collaborative Time Study (LCTS) Cost Schedules (DHS-3220 reports) are described in DHS Bulletin #16-32-04 - *Local Collaborative Time Study (LCTS) Fiscal Operations*. The bulletin states that LCTS fiscal site contacts are required to verify that the information on the LCTS Fiscal and Cost Schedule is accurate and that it complies with all guidelines set forth in the LCTS Cost Schedule Instructions. It also states that the County's LCTS Fiscal Reporting and Payment Agent is required to review all cost schedules from participating agencies on or before the 20th calendar day following the end of each quarter.

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

Questioned Costs: None.

Context: The DHS-3220 reports are submitted quarterly by each member of a collaborative to the DHS for reimbursement of LCTS money, which is reimbursed to the County with federal Medical Assistance Program funds. The Chippewa County Family Services Department acts as the LCTS Fiscal Reporting and Payment Agent for the local collaborative in Chippewa County and is responsible for preparing and submitting the Annual Spending and Collaborative Reports.

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

Effect: Lack of a review and approval process increases the risk that reports will not be submitted as required or will not be correct.

Cause: Staff from the County's Family Services Department indicated they were aware of the review and approval requirements for the quarterly reports, but had not implemented a procedure to comply with the requirements.

Recommendation: We recommend the County implement procedures to ensure the DHS-3220 reports required to be submitted are reviewed for accuracy and completeness by an individual independent of the preparer. Evidence of the review should be retained.

View of Responsible Official: Acknowledged

IV. OTHER FINDINGS AND RECOMMENDATIONS

MANAGEMENT PRACTICES

ITEMS ARISING THIS YEAR

Finding Number 2018-004

Budget Deficiencies

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

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

Context: Budget differences were noted in the General Fund, the Family Services Special Revenue Fund, and the Ditch Special Revenue Fund.

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

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

Recommendation: We recommend the County implement procedures to improve budgetary accounting, which should include reviewing the original budgets entered in the IFS, comparing them to the Board-approved budgets, and entering budget amendments after Board approval.

View of Responsible Official: Acknowledged

Finding Number 2018-005

Holdback Period for Payroll

Criteria: A positive payroll system generally requires the use of a holdback period to allow for processing time and provides additional assurance that employees are paid only for those hours that have been worked.

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

Context: In a positive payroll system, employees are paid for the hours worked in a completed pay period and reported on time sheets that have been signed by the employee and approved by the supervisor.

Effect: Time sheets are not signed by the employee and approved by the supervisor until after payroll has been processed and payment to employees has been made. Incorrect payment could be made to employees.

Cause: The County is reluctant to implement a holdback period due to the implications it may have on employees related to the timing of paychecks.

Recommendation: We recommend the County implement a positive payroll system where wages are not paid until payroll information for a completed pay period has been received and reviewed. A holdback period should be established to allow for processing. The holdback period can be implemented gradually; for example, employees may be paid for one day less a pay period until a traditional two-week holdback period is in place.

View of Responsible Official: Acknowledged

V. PREVIOUSLY REPORTED ITEMS RESOLVED

2012-001 Driver Awareness Class
2014-001 Audit Adjustment
2017-001 License Bureau Control Procedures
2017-003 Contracting and Bidding Compliance

CHIPPEWA COUNTY AUDITOR/TREASURER
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REPRESENTATION OF CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2018-001
Finding Title: Cash Internal Controls

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

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

Anticipated Completion Date:

Immediately

Finding Number: 2017-002
Finding Title: Eligibility Testing
Program Name: Medical Assistance Program (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.

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Workers will use SOLQI (electronic verification) as much as possible for Social Security Income. Workers are encouraged to remove 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:

Immediately

Finding Number: 2018-002
Finding Title: Social Service Fund Report DHS-2556 Reporting
Program Name: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jennifer Golden, Fiscal & Support Supervisor

Corrective Action Planned:

This was due to an oversight.

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

Anticipated Completion Date:

Immediately

Finding Number: 2018-003
Finding Title: Local Collaborative Time Study Reporting
Program Name: Medical Assistance Program (CFDA No. 93.778)

Name of Contact Person Responsible for Corrective Action:

Jennifer Golden, Fiscal & Support Supervisor

Corrective Action Planned:

Once the LCTS reports are emailed into the county, the Fiscal Supervisor will print, date stamp, review and initial before filing the paper copies.

This will be completed on the quarterly basis as they are required by DHS.

This will provide the separation of duties, as the reports are completed by the schools and reviewed by Family Services.

DHS also reviews for any major discrepancies and emails Fiscal Supervisor for further explanation.

Anticipated Completion Date:

Immediately

Finding Number: 2018-004
Finding Title: Budget Deficiencies

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

Board-approved budgets and amendments are reconciled to IFS by the Deputy Auditor/Treasurer and reviewed by the Auditor/Treasurer.

Anticipated Completion Date:

Immediately

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Finding Number: 2018-005
Finding Title: Holdback Period for Payroll

Name of Contact Person Responsible for Corrective Action:

Michelle May, Auditor/Treasurer/Coordinator

Corrective Action Planned:

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

Anticipated Completion Date:

2020

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REPRESENTATION OF CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2018

Finding Number: 2014-001
Finding Title: Audit Adjustment

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

Summary of Corrective Action Previously Reported: The County will improve its procedures around reviewing journal entries and financial statements for accuracy and completeness.

Status: Fully Corrected.
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 Driver Awareness Class was discontinued December 19, 2017.

Status: Fully Corrected.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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

Summary of Condition: A review of the Chippewa County License Bureau noted issues with checking accounts with unknown residual balances, timely receipting of notary fees, and deposits that were not made intact.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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

Summary of Condition: In the sample of 40 case files tested, three case files did not meet all verification of asset requirements, one case file did not meet the verification of income requirements, one case file did not meet the verification of citizenship requirements, and one case file did not meet verification of other health insurance requirements.

Summary of Corrective Action Previously Reported: The County will conduct supervisory case reviews, use SOLQI (electronic verification) as much as possible for Social Security Income, and reviewed findings discussed and clarifications made on asset requirements at Unit meeting.

Status: Partially Corrected. Please see Corrective Action Plan for explanation.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___

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

Summary of Condition: During testing of compliance with the State of Minnesota contracting and bid laws, noncompliance was noted with sealed bids, publication of solicitation for sealed bids, contract language, and contractor's performance and payment bond.

Summary of Corrective Action Previously Reported: 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.

Status: Fully Corrected.
Was corrective action taken significantly different than the action previously reported?
Yes _______ No ___X___