Chippewa County
Montevideo, Minnesota

Annual Financial Report and Management and Compliance Report

Year Ended December 31, 2025

Audit Practice Division

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR
State Auditor Julie Blaha

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Chippewa County
Montevideo, Minnesota

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Montevideo, Minnesota

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Introductory Section

Chippewa County
Montevideo, Minnesota

Organization

Office	Name	Term Expires
Commissioners		
1st District	Matt Gilbertson	January 2027
2nd District	Kurt Strangberg	January 2029
3rd District	David Nordaune	January 2029
4th District	Bill Pauling[1]	January 2029
5th District	David Lieser	January 2027
Officers		
Elected		
Attorney	Matthew Haugen	January 2027
Sheriff	Derek Olson	January 2027
Appointed		
Assessor	Kerri Heim	Indefinite
Auditor/Treasurer/Coordinator	Michelle May	Indefinite
Coroner	Dr. A. Quinn Piper and Anoka County	Indefinite
County Recorder and Registrar of Titles	Amy Rodeberg	Indefinite
Deputy Registrar	Linda DeGrote	Indefinite
Highway Engineer	Jeremy Gilb	Indefinite
Land and Resource Management	JoAnn Blomme	Indefinite
Veterans’ Service Officer	Tim Kolhei	Indefinite
Family Services Director	Lisa Schultz	Indefinite
Information Technology	Aaron Steinbach	Indefinite

[1]Chair 2025

Financial Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County, Minnesota, as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County as of December 31, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison schedules for the General Fund and each major special revenue fund, Schedule of Changes in Total OPEB Liability and Related Ratios – Other Postemployment Benefits, PERA retirement plan schedules, and Notes to the Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

Management is responsible for the other information included in the Annual Financial Report. The other information comprises the Introductory Section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2026, on our consideration of Chippewa County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Chippewa County's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chippewa County's internal control over financial reporting and compliance.

/s/Julie Blaha

Julie Blaha
State Auditor

/s/Lisa Young

Lisa Young, CPA
Deputy State Auditor

September 2, 2026

Management's Discussion and Analysis

Chippewa County
Montevideo, Minnesota

Management's Discussion and Analysis
December 31, 2025
(Unaudited)

Chippewa County's Management's Discussion and Analysis (MD&A) provides an overview of the County's financial activities for the fiscal year ended December 31, 2025. 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, 2025) by $101,635,243 (net position). Of this amount, $17,690,415 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.

- Chippewa County's total net position increased by $7,102,439. The increase is primarily due to an increase in County Road and Bridge infrastructure.

- As of the close of the 2025 fiscal year, Chippewa County's governmental funds' ending fund balances were $28,649,365, compared to $26,362,437 in 2024. Approximately 32 percent of the amount, $9,066,242, is available for spending at Chippewa County's discretion (unassigned fund balance).

Overview of the Financial Statements

This Management's Discussion and Analysis is intended to serve as an introduction to the basic financial statements. Chippewa County's basic financial statements consist of government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains other required supplementary information.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of Chippewa County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, using the full accrual basis of accounting, with the difference (assets plus deferred outflows of resources, less liabilities and deferred inflows of resources) reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is also important to consider other non-financial 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 as required supplementary information for these funds to demonstrate compliance with their budgets. See Exhibits A-1 through A-4.

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

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

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

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

The basic fiduciary fund financial statements are Exhibits 10 and 11 of this report.

Notes to the Financial Statements

The notes to the financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 27 through 66 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 custodial fund 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 $101,635,243 on December 31, 2025.

The largest portion of net position, 71.1 percent, reflects the County's net investment in capital assets (for example: land; buildings; machinery and equipment; infrastructure; improvements to land; and construction in progress, net of accumulated depreciation and amortization). Chippewa County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of Chippewa County's net position, 11.5 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $17,690,415, may be used to meet the government's ongoing obligations to citizens and creditors. Comparative data with 2024 is presented.

Statement of Net Position

Condensed Statement of Net Position		2025		2024
Assets				
Current and other assets	$	41,187,211	$	38,046,096
Capital assets, net		72,433,587		69,167,506
Total Assets	$	113,620,798	$	107,213,602
Deferred Outflows of Resources				
Deferred other postemployment benefits outflows	$	76,093	$	79,315
Deferred pension outflows		2,074,914		2,633,818
Total Deferred Outflows of Resources	$	2,151,007	$	2,713,133
Liabilities				
Other liabilities	$	2,806,939	$	3,193,572
Long-term liabilities		7,314,865		7,386,480
Total Liabilities	$	10,121,804	$	10,580,052
Deferred Inflows of Resources				
Deferred lease inflows	$	133,320	$	207,545
Deferred other postemployment benefits inflows		230,499		194,717
Deferred pension inflows		3,650,939		4,411,617
Total Deferred Inflows of Resources	$	4,014,758	$	4,813,879
Net Position				
Net investment in capital assets	$	72,242,341	$	68,834,839
Restricted		11,702,487		10,946,550
Unrestricted		17,690,415		14,751,415
Total Net Position	$	101,635,243	$	94,532,804

Unrestricted net position at December 31, 2025—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 17.4 percent of the net position.

Governmental Activities

The County's activities increased net position by 7.5 percent to $101,635,243 for 2025, compared to $94,532,804 for 2024. Key elements in this increase in net position are as follows for 2025, with comparative data for 2024.

Changes in Net Position

Condensed Statement of Activities	2025	2024
Revenues		
Program revenues		
Fees, charges, fines, and other	$ 3,432,858	$ 4,021,095
Operating grants and contributions	11,217,202	11,396,339
Capital grants and contributions	227,007	735,129
General revenues		
Property taxes	15,641,174	14,094,479
Other	4,319,910	5,718,060
Total Revenues	$ 34,838,151	$ 35,965,102
Expenses		
General government	$ 5,053,779	$ 5,094,232
Public safety	4,904,260	5,357,714
Highways and streets	6,646,414	6,247,123
Sanitation	442,676	351,799
Human services	7,978,570	8,305,974
Health	267,724	339,986
Culture and recreation	471,388	542,334
Conservation of natural resources	1,498,070	2,760,661
Economic development	459,205	2,629,496
Interest	13,626	14,058
Total Expenses	$ 27,735,712	$ 31,643,377
Change in Net Position	$ 7,102,439	$ 4,321,725
Net Position – January1	94,532,804	90,211,079
Net Position – December 31	$ 101,635,243	$ 94,532,804

Financial Analysis of the Government's Funds

Governmental Funds

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

As of the end of the current fiscal year, Chippewa County's governmental funds reported combined ending fund balances of $28,649,365, an increase of $2,286,928, or 8.7 percent, in comparison with the prior year. Of the combined ending fund balances, $21,889,853 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, $6,759,512, 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 2025, it had an unrestricted fund balance of $10,357,102. 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 76.0 percent of total General Fund expenditures. During 2025, the ending fund balance increased by $1,370,781. The contributing factor to this is an increase in property taxes collected.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of $8,740,500 at the end of 2025, representing 88.8 percent of its annual expenditures. The ending fund balance decreased by $1,091,990 during 2025, primarily due to an increase in expenditures of turnback funds for the County State Aid Highway (CSAH 4) improvement project.

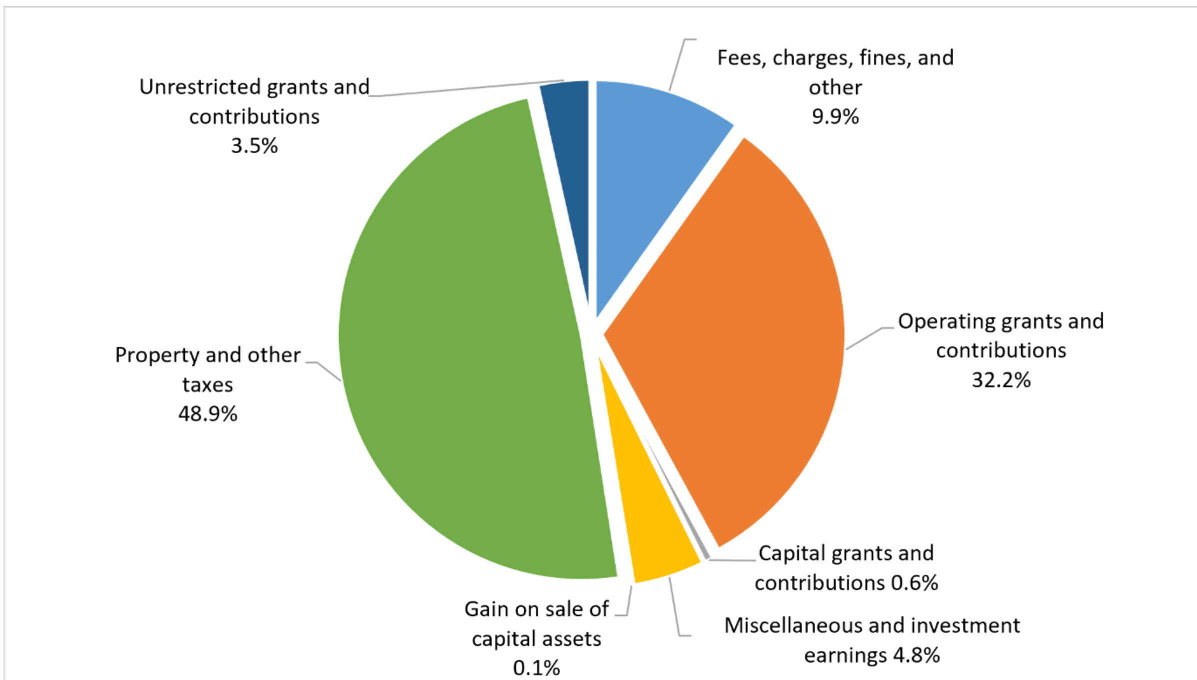
The Family Services Special Revenue Fund had an unrestricted fund balance of $4,083,111 at the end of 2025, representing 46.3 percent of its annual expenditures. The ending fund balance increased by $900,734 during 2025. The ending fund balance increase is due largely to the increase in property tax collections and intergovernmental revenue.

The Ditch Revenue Special Revenue Fund had a fund balance of $3,424,349 at the end of 2025. The ending fund balance increased by $1,077,454 during 2025; the increase is due to decreased drainage repair and maintenance expenses.

Governmental Activities

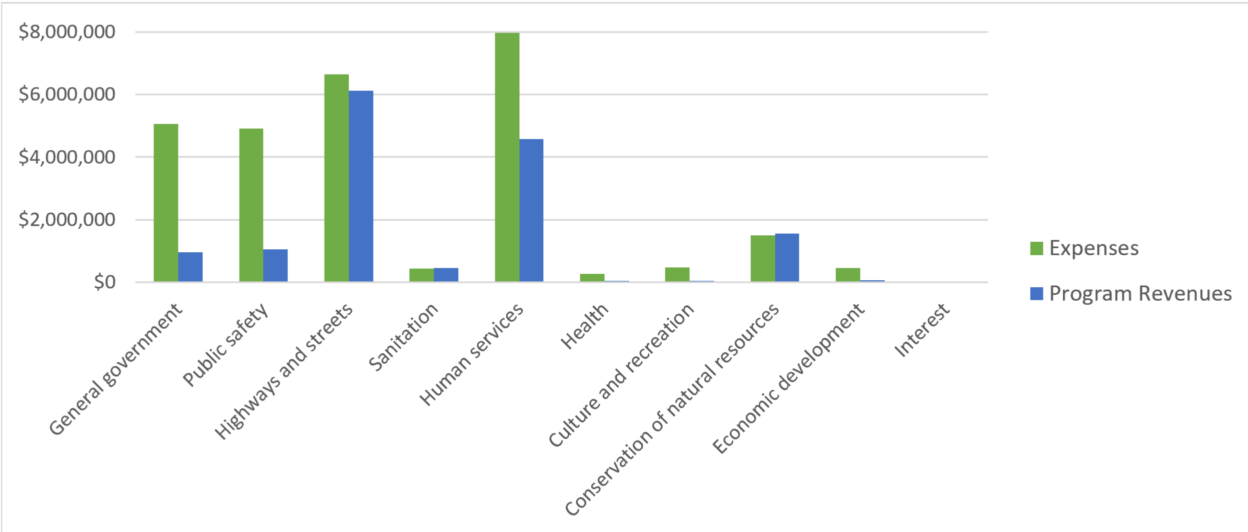
The County's total revenues were $34,838,151. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2025.

Table 1
Total County Revenues



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

Table 2
Program Revenues and Expenses



The cost of all governmental activities in 2025 was $27,735,712. 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 $12,858,645, because some of the cost was paid by those who directly benefited from the programs, $3,432,858, or by other governments and organizations that subsidized certain programs with grants and contributions, $11,444,209. The County paid for the remaining public benefit portion of governmental activities with $19,961,084 in general revenues, primarily taxes (some of which could be used only for certain programs) and other revenues, such as grants and contributions not restricted to specific programs, and investment income.

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

Table 3
Governmental Activities – 2025

Expenses	Total Cost of Services	Net (Cost) Revenue of Services
General government	$ 5,053,779	$ (4,095,420)
Public safety	4,904,260	(3,853,897)
Highways and streets	6,646,414	(528,699)
Sanitation	442,676	20,118
Human services	7,978,570	(3,409,452)
Health	267,724	(221,353)
Culture and recreation	471,388	(419,013)
Conservation of natural resources	1,498,070	57,568
Economic development	459,205	(394,871)
Interest	13,626	(13,626)
Totals	$ 27,735,712	$ (12,858,645)

General Fund Budgetary Highlights

Over the course of the year, the County Board did not amend the General Fund budget.

The actual charges to appropriations (expenditures) were $1,034,652 more than final budget amounts. These additional expenditures are primarily attributed to administering AgBMP septic and well loans requested by County residents and increased costs for civil commitments and law enforcement services, as well as sanitation expenses.

Capital Assets and Debt Administration

Capital Assets

The County's capital assets for its governmental activities at December 31, 2025, totaled $72,433,587 (net of accumulated depreciation and amortization). This investment in capital assets includes land, buildings, equipment, infrastructure, and lease equipment. The investment in capital assets increased $3,266,081, or 4.7 percent, from the previous year.

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

Capital Assets	2025	2024
Land and right-of-way	$ 2,257,390	$ 2,235,105
Infrastructure	63,502,988	56,079,218
Buildings	2,831,466	3,064,676
Improvements other than buildings	53,231	56,965
Machinery and equipment	3,133,884	3,292,654
Construction in progress	565,836	4,338,152
Lease equipment	88,792	100,736
Total	$ 72,433,587	$ 69,167,506

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 2026 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2025 was 4.4 percent. This compares with the state unemployment rate of 3.7 percent and national unemployment rate of 4.6 percent. The lack of sustainable jobs and housing in the area places increased pressure on the need for services administered by the County. In addition, the County continues to evaluate its ability to attract and retain businesses and residents with offerings such as broadband, recreation, education, housing, and jobs.

- Chippewa County's economic development growth is slow and thus levy increases place more pressure on residents and agriculture.

- The fluctuation of market values between agriculture, residential, and commercial property in Chippewa County play a factor in setting the 2026 levy and tax rates.

- Chippewa County has a strong agricultural base and thus, fluctuations in commodity markets, tariffs, and costs can influence residents who fund many County services.

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

- Significant legislative changes from the State and Federal government resulting in unfunded mandates to the County have a huge impact to the budget and levy.

- The 2026 property tax levy for the County increased 8.25 percent, $1,308,589, from 2025. This is due to the increase of personnel costs and anticipated program services expenditures, primarily in Family Services. In addition, the County Board is levying for future capital improvement projects.

Requests for Information

This financial report is designed to provide a general overview of Chippewa County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Chippewa County Auditor/Treasurer/Coordinator, Michelle May, 629 North 11th Street, Montevideo, Minnesota 56265.

Basic Financial Statements

Government-Wide Financial Statements

Exhibit 1

Chippewa County
Montevideo, Minnesota

Statement of Net Position
Governmental Activities
December 31, 2025

		Governmental Activities
Assets		
Cash and pooled investments	$	21,511,129
Investments		9,645,681
Receivables – net		9,474,018
Inventories		240,069
Prepaid items		91,487
Net pension asset		224,827
Capital assets		
Non-depreciable		2,823,226
Depreciable – net of accumulated depreciation and amortization		69,610,361
Total Assets	**$**	**113,620,798**
Deferred Outflows of Resources		
Deferred other postemployment benefits outflows	$	76,093
Deferred pension outflows		2,074,914
Total Deferred Outflows of Resources	**$**	**2,151,007**
Liabilities		
Accounts payable and other current liabilities	$	1,578,797
Unearned revenue		924,010
Advance from other governments		304,132
Long-term liabilities		
Due within one year		452,585
Due in more than one year		2,961,808
Other postemployment benefits liability		
Due within one year		48,134
Due in more than one year		641,687
Net pension liability		3,210,651
Total Liabilities	**$**	**10,121,804**
Deferred Inflows of Resources		
Deferred lease inflows	$	133,320
Deferred other postemployment benefits inflows		230,499
Deferred pension inflows		3,650,939
Total Deferred Inflows of Resources	**$**	**4,014,758**
Net Position		
Net investment in capital assets	$	72,242,341
Restricted for		
General government		275,933
Public safety		410,985
Highways and streets		4,859,999
Human services		40,726
Conservation of natural resources		6,114,844
Unrestricted		17,690,415
Total Net Position	**$**	**101,635,243**

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

Exhibit 2

Chippewa County
Montevideo, Minnesota

Statement of Activities
For the Year Ended December 31, 2025

		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	$ 5,053,779	$ 707,263	$ 251,096	$ -	$ (4,095,420)
Public safety	4,904,260	384,687	665,676	-	(3,853,897)
Highways and streets	6,646,414	252,142	5,638,566	227,007	(528,699)
Sanitation	442,676	376,089	86,705	-	20,118
Human services	7,978,570	358,615	4,210,503	-	(3,409,452)
Health	267,724	-	46,371	-	(221,353)
Culture and recreation	471,388	41	52,334	-	(419,013)
Conservation of natural resources	1,498,070	1,354,021	201,617	-	57,568
Economic development	459,205	-	64,334	-	(394,871)
Interest	13,626	-	-	-	(13,626)
Total Governmental Activities	**$ 27,735,712**	**$ 3,432,858**	**$ 11,217,202**	**$ 227,007**	**$ (12,858,645)**

General Revenues	
Property taxes	$ 15,641,174
Mortgage registry and deed tax	871,529
Payments in lieu of tax	164,732
Solar and wind production tax	134,467
Powerline tax	103,600
Wheelage tax	137,213
Grants and contributions not restricted to specific programs	1,212,178
Miscellaneous	131,509
Unrestricted investment earnings	1,528,030
Gain on sale of capital assets	36,652
Total general revenues	**$ 19,961,084**
Change in net position	**$ 7,102,439**
Net Position – January 1	**94,532,804**
Net Position – December 31	**$ 101,635,243**

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

Fund Financial Statements

Governmental Funds

Exhibit 3

Chippewa County
Montevideo, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Road and Bridge Special Revenue	Family Services Special Revenue	Ditch Special Revenue	Total
Assets					
Cash and pooled investments	$ 11,752,045	$ 1,651,949	$ 4,029,850	$ 2,257,982	$ 19,691,826
Petty cash and change funds	2,064	-	100	-	2,164
Investments	215	7,804,472	-	1,840,994	9,645,681
Taxes receivable – delinquent	132,042	22,623	65,022	-	219,687
Special assessments receivable					
Delinquent	24,434	-	-	4,661	29,095
Noncurrent	1,302,995	-	-	1,485,787	2,788,782
Accounts receivable – net	209,060	601	82,165	-	291,826
Accrued interest receivable	75,792	31,506	-	-	107,298
Due from other governments	64,602	4,359,218	901,344	51,235	5,376,399
Inventories	-	210,120	-	29,949	240,069
Prepaid Items	90,062	1,425	-	-	91,487
Leases receivable	133,320	-	-	-	133,320
Loans receivable	285,090	183,237	-	-	468,327
Total Assets	**$ 14,071,721**	**$ 14,265,151**	**$ 5,078,481**	**$ 5,670,608**	**$ 39,085,961**
Liabilities, Deferred Inflows of Resources, and Fund Balances					
Liabilities					
Accounts payable	$ 178,206	$ 55,003	$ 197,640	$ 22,273	$ 453,122
Salaries payable	268,473	71,180	180,055	5,484	525,192
Contracts payable	22,743	84,134	-	5,500	112,377
Due to other governments	24,482	462	61,775	-	86,719
Unearned revenue	166,691	-	86,000	671,319	924,010
Advance from other governments	-	-	304,132	-	304,132
Total Liabilities	**$ 660,595**	**$ 210,779**	**$ 829,602**	**$ 704,576**	**$ 2,405,552**
Deferred Inflows of Resources					
Unavailable revenue	$ 1,847,294	$ 4,383,705	$ 125,042	$ 1,541,683	$ 7,897,724
Deferred lease inflows	133,320	-	-	-	133,320
Total Deferred Inflows of Resources	**$ 1,980,614**	**$ 4,383,705**	**$ 125,042**	**$ 1,541,683**	**$ 8,031,044**

Exhibit 3
(Continued)

Chippewa County
Montevideo, Minnesota

Balance Sheet
Governmental Funds
December 31, 2025

	General	Road and Bridge Special Revenue	Family Services Special Revenue	Ditch Special Revenue	Total
Liabilities, Deferred Inflows of Resources, and Fund Balances (Continued)					
Fund Balances					
Nonspendable					
Prepaid Items	$ 90,062	$ 1,425	$ -	$ -	$ 91,487
Inventories	-	210,120	-	29,949	240,069
Unclaimed property	49	-	-	-	49
Restricted					
Law library	40,494	-	-	-	40,494
Enhanced 911	13,687	-	-	-	13,687
Sheriff's contingency	6,385	-	-	-	6,385
Permit to carry	161,792	-	-	-	161,792
Recorder's technology fund	73,989	-	-	-	73,989
Recorder's compliance fund	161,450	-	-	-	161,450
Law enforcement – drug task force	4,294	-	-	-	4,294
Highway allotments	-	683,453	-	-	683,453
Highway maintenance – sales tax	-	35,169	-	-	35,169
Septic/sewer loans	298,336	-	-	-	298,336
Buffer administration	-	-	-	519,248	519,248
Ditch maintenance and repairs	-	-	-	4,166,012	4,166,012
Aquatic invasive species	222,872	-	-	-	222,872
Medical assistance eligibility	-	-	40,726	-	40,726
Assigned for					
Road and bridge	-	6,220,386	-	-	6,220,386
Capital equipment	-	1,674,282	-	-	1,674,282
Human services	-	-	2,155,101	-	2,155,101
Future building	-	-	1,103,010	-	1,103,010
Land and building capital outlay	-	845,832	-	-	845,832
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	10,357,102	-	-	(1,290,860)	9,066,242
Total Fund Balances	**$ 11,430,512**	**$ 9,670,667**	**$ 4,123,837**	**$ 3,424,349**	**$ 28,649,365**
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	**$ 14,071,721**	**$ 14,265,151**	**$ 5,078,481**	**$ 5,670,608**	**$ 39,085,961**

Exhibit 4

Chippewa County
Montevideo, Minnesota

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position—Governmental Activities
December 31, 2025

Fund balances – total governmental funds (Exhibit 3)	**$**	**28,649,365**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation and amortization, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	**$**	**72,433,587**
Net pension assets are not financial resources and, therefore, are not reported in the governmental funds.	**$**	**224,827**
Deferred outflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.	**$**	**76,093**
Deferred outflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.	**$**	**2,074,914**
An internal service fund is used by Chippewa County to charge the cost of the self-funded insurance programs to functions. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	**$**	**1,475,036**
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.	**$**	**7,897,724**
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Loans payable	$	(1,601,330)
Leases payable		(107,112)
Compensated absences payable		(1,705,951)
Other postemployment benefits liability		(689,821)
Net pension liability		(3,210,651)
Long-term liabilities not reported in the governmental funds	**$**	**(7,314,865)**
Deferred inflows of resources are created as a result of various differences related to other postemployment benefits not recognized in the governmental funds.	**$**	**(230,499)**
Deferred inflows of resources are created as a result of various differences related to pensions not recognized in the governmental funds.	**$**	**(3,650,939)**
Net Position of Governmental Activities (Exhibit 1)	**$**	**101,635,243**

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

Exhibit 5

Chippewa County
Montevideo, Minnesota

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2025

	General	Road and Bridge Special Revenue	Family Services Special Revenue	Ditch Special Revenue	Total
Revenues					
Taxes	$ 9,594,133	$ 2,449,382	$ 4,752,973	$ -	$ 16,796,488
Special assessments	433,098	-	-	771,763	1,204,861
Licenses and permits	25,447	25,100	-	-	50,547
Intergovernmental	2,090,889	5,625,512	4,566,226	154,563	12,437,190
Charges for services	1,174,055	103,569	265,853	-	1,543,477
Gifts and contributions	856	-	850	-	1,706
Investment earnings	1,009,907	468,401	-	72,331	1,550,639
Settlements	-	-	46,371	-	46,371
Miscellaneous	658,157	105,272	91,395	43,963	898,787
Total Revenues	**$ 14,986,542**	**$ 8,777,236**	**$ 9,723,668**	**$ 1,042,620**	**$ 34,530,066**
Expenditures					
Current					
General government	$ 5,329,972	$ -	$ -	$ -	$ 5,329,972
Public safety	5,188,959	-	-	-	5,188,959
Highways and streets	-	9,228,704	-	-	9,228,704
Sanitation	440,828	-	-	-	440,828
Human services	-	-	8,542,430	-	8,542,430
Culture and recreation	219,430	-	-	-	219,430
Conservation of natural resources	1,138,369	-	-	447,770	1,586,139
Economic development	459,205	-	-	-	459,205
Intergovernmental					
Public safety	431,463	-	-	-	431,463
Highways and streets	-	611,842	-	-	611,842
Health	-	-	267,724	-	267,724
Culture and recreation	238,788	-	-	-	238,788
Debt service					
Principal	175,593	2,324	10,782	499	189,198
Interest	11,097	437	1,998	94	13,626
Total Expenditures	**$ 13,633,704**	**$ 9,843,307**	**$ 8,822,934**	**$ 448,363**	**$ 32,748,308**
Excess of Revenues Over (Under) Expenditures	**$ 1,352,838**	**$ (1,066,071)**	**$ 900,734**	**$ 594,257**	**$ 1,781,758**
Other Financing Sources (Uses)					
Transfers in	$ -	$ -	$ -	$ 467,822	$ 467,822
Transfers out	(467,822)	-	-	-	(467,822)
Loans issued	412,488	-	-	-	412,488
Proceeds from sale of capital assets	20,652	11,800	-	4,200	36,652
Insurance recoveries	52,625	4,900	-	11,175	68,700
Total Other Financing Sources (Uses)	**$ 17,943**	**$ 16,700**	**$ -**	**$ 483,197**	**$ 517,840**
Net Change in Fund Balance	**$ 1,370,781**	**$ (1,049,371)**	**$ 900,734**	**$ 1,077,454**	**$ 2,299,598**
Fund Balance – January 1	**10,059,731**	**10,762,657**	**3,223,103**	**2,316,946**	**26,362,437**
Increase (decrease) in inventories	**-**	**(42,619)**	**-**	**29,949**	**(12,670)**
Fund Balance – December 31	**$ 11,430,512**	**$ 9,670,667**	**$ 4,123,837**	**$ 3,424,349**	**$ 28,649,365**

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

Chippewa County
Montevideo, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

Net change in fund balance – total governmental funds (Exhibit 5)	**$**	**2,299,598**
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 revenue deferred as unavailable.		
Deferred inflows of resources – unavailable revenue – December 31	$	7,897,724
Deferred inflows of resources – unavailable revenue – January 1		(7,326,320)
Total adjustment to revenue in the government-wide statements for current and prior year unavailable revenue	**$**	**571,404**
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. Also, in the statement of activities, only the gain or loss on the disposal of assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. Therefore, the change in net position differs from the change in fund balance by the net book value of the assets disposed.		
Expenditures for general capital assets and infrastructure	$	6,096,365
Net book value of assets disposed of		(4,723)
Current year depreciation		(2,825,561)
Total adjustment to the government-wide statements for current year capital asset activity	**$**	**3,266,081**
Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, the governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized over the life of the debt in the statement of activities.		
Loans issued	$	(412,488)
Principal repayments on loans payable		150,765
Total adjustment to the government-wide statements for current year loan activity	**$**	**(261,723)**
Some capital asset additions are acquired through financing. In governmental funds, these arrangements are considered an other financing source, but in the statement of net position, the obligation is reported as a liability. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.		
Principal repayments on leases	**$**	**38,433**

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

Chippewa County
Montevideo, Minnesota

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities—Governmental Activities
For the Year Ended December 31, 2025

Some expenses reported in the statement of activities do not require the use of current financial resources, so are not reported as expenditures in governmental funds.	
Change in inventories	$ (12,670)
Change in net pension asset	224,827
Change in deferred other postemployment benefits outflows	(3,222)
Change in deferred pension outflows	(558,904)
Change in compensated absences payable	(326,594)
Change in other postemployment benefits liability	36,066
Change in net pension liability	585,433
Change in deferred other postemployment benefits inflows	(35,782)
Change in deferred pension inflows	760,678
Total adjustment to the government-wide statements for other activities not reported in governmental funds	**$ 669,832**
An internal service fund is used by Chippewa County to charge the costs of the self-funded insurance programs to functions. The increase or decrease in net position of the internal service fund is reported in the government-wide statement of activities.	**$ 518,814**
Change in Net Position of Governmental Activities (Exhibit 2)	**$ 7,102,439**

Proprietary Funds

Exhibit 7

Chippewa County
Montevideo, Minnesota

Statement of Net Position
Self-Insurance Internal Service Fund
December 31, 2025

		Governmental Activities
Assets		
Current assets		
Cash and pooled investments	$	1,817,139
Due from other governments		59,284
Total Assets	**$**	**1,876,423**
Liabilities		
Current liabilities		
Claims payable	**$**	**401,387**
Net Position		
Unrestricted	**$**	**1,475,036**

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

Exhibit 8

Chippewa County
Montevideo, Minnesota

Statement of Revenues, Expenses, and Changes in Net Position
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2025

	Governmental Activities
Operating Revenues	
Charges for services	$ 3,678,423
Operating Expenses	
Cost of service	3,159,672
Operating Income (Loss)	**$ 518,751**
Nonoperating Revenues (Expenses)	
Miscellaneous revenue	63
Change in net position	**$ 518,814**
Net Position – January 1	**956,222**
Net Position – December 31	**$ 1,475,036**

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

Exhibit 9

Chippewa County
Montevideo, Minnesota

Statement of Cash Flows
Self-Insurance Internal Service Fund
For the Year Ended December 31, 2025

		Governmental Activities
Cash Flows From Operating Activities		
Receipts from internal services provided	$	3,651,756
Payments to suppliers		(3,039,579)
Net cash provided by (used in) operating activities	**$**	**612,177**
Cash Flows From Noncapital Financing Activities		
Miscellaneous revenue		63
Net Increase (Decrease) in Cash and Cash Equivalents	**$**	**612,240**
Cash and Cash Equivalents at January 1		**1,204,899**
Cash and Cash Equivalents at December 31	**$**	**1,817,139**
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	**$**	**518,814**
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
(Increase) decrease in accounts receivable	$	32,617
(Increase) decrease in due from other governments		(59,284)
Increase (decrease) in claims payable		120,093
Total adjustments	**$**	**93,426**
Net Cash Provided by (Used in) Operating Activities	**$**	**612,240**

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

Fiduciary Funds

Exhibit 10

Chippewa County
Montevideo, Minnesota

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2025

	Social Welfare Private-Purpose Trust Fund	Custodial Funds	
		Other	External Investment Pool
Assets			
Cash and pooled investments	$ 35,866	$ 9,558,205	$ -
Investments	-	667,052	12,347,723
Taxes receivable for other governments	-	459,717	-
Accounts receivable	-	16,326	-
Accrued interest receivable	-	-	32,063
Total Assets	**$ 35,866**	**$ 10,701,300**	**$ 12,379,786**
Liabilities			
Due to other governments	**$ -**	**$ 566,563**	**$ -**
Net Position			
Restricted for individuals, organizations, and other governments	**$ 35,866**	**$ 10,134,737**	**$ 12,379,786**

Exhibit 11

Chippewa County
Montevideo, Minnesota

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2025

	Social Welfare Private-Purpose Trust Fund	Custodial Funds	
		Other	External Investment Pool
Additions			
Contributions from individuals	$ 254,287	$ -	$ -
Interest earnings	-	27,581	644,959
Property tax collections for other governments	-	15,819,652	-
Fees collected for the state	-	1,726,930	-
Payments from the state	-	1,792,400	-
Refunds collected for other entities	-	152,206	-
Payments from other entities	-	84,724,211	2,424,797
Total Additions	**$ 254,287**	**$ 104,242,980**	**$ 3,069,756**
Deductions			
Beneficiary payments to individuals	$ 243,199	$ 2,110,257	$ -
Payments of property taxes to other governments	-	15,682,587	-
Payments to the state	-	1,715,336	-
Administrative expense	-	6,000	-
Payments to other entities	-	83,555,397	2,573,457
Total Deductions	**$ 243,199**	**$ 103,069,577**	**$ 2,573,457**
Change in Net Position	**$ 11,088**	**$ 1,173,403**	**$ 496,299**
Net Position – January 1	**24,778**	**8,961,334**	**11,883,487**
Net Position – December 31	**$ 35,866**	**$ 10,134,737**	**$ 12,379,786**

Note 1 – Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as of and for the year ended December 31, 2025. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

Financial Reporting Entity

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

Joint Ventures

The County participates in several joint ventures described in Note 5 – Summary of Significant Contingencies and Other Items.

Basic Financial Statements

Government-Wide Statements

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

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

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

Fund Financial Statements

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

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state governments, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

- The Family Services Special Revenue Fund accounts for restricted revenue resources from federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.

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

Additionally, the County reports the following fund types:

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

- The Social Welfare Private-Purpose Trust Fund accounts for funds held in trust that Chippewa County is holding on behalf of individuals receiving social welfare assistance.

- Custodial funds are safekeeping in nature. These funds account for monies held in a fiduciary capacity.

  - Other custodial funds are used to account for money on behalf of special districts that use the County as a depository, property taxes collected on behalf of other governments, and individual inmate accounts from the County jail.

  - The External Investment Pool is used to account for investments held by the County for CCM Health, a legally separate entity that is not part of the County's financial reporting entity. CCM Health was formerly known as Chippewa County-Montevideo Hospital, and it is referred to as the Hospital in this report.

Measurement Focus and Basis of Accounting

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

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

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

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

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

Cash and Cash Equivalents

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

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer/Coordinator for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2025. A market approach is used to value all investments other than external investment pools and certain money market mutual funds, which are measured at the net asset value or fair value per share. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2025 were $1,009,907.

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

Receivables and Payables

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

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

Property taxes are levied as of January 1 on assessed property values 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 2020 through 2025 and noncurrent special assessments payable in 2026 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 uncollectible.

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. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Capital Assets

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

Additions, improvements, and other capital outlays that significantly extend the useful life or increase capacity of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of Chippewa County are depreciated using the straight-line method over the following estimated useful lives, while right-to-use assets are amortized over the shorter of the underlying asset's estimated useful life or the lease term:

Estimated Useful Lives of Capital Assets

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

Compensated Absences

The liability for compensated absences is reported in the government-wide financial statements. The leave consists of vacation leave, sick leave, and compensatory time that is attributable to services already rendered, it accumulates, and it is more likely than not to be used or settled through cash or noncash means. 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. The government-wide statement of net position reports both current and noncurrent portions of compensated absences. The current portion consists of compensatory time and an amount based on a trend analysis of current usage of vacation and sick leave. The noncurrent portion consists of the remaining amount of vacation and sick leave.

Long-Term Obligations

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

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

At December 31, 2025, Chippewa County reported no bonded debt.

Pension Plan

For purposes of measuring the net pension asset, liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association of Minnesota (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates, and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The net pension liability is liquidated through the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The governmental funds report unavailable revenue associated with receivables not collected within the period of availability. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. This unavailable revenue amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. Deferred inflows for leases represent the lease revenues per lease agreements the County expects to recognize in future periods. These amounts arise under both the modified and the full accrual basis of accounting and are reported in both the governmental funds balance sheet and the statement of net position. The County also reports deferred inflows of resources associated with defined benefit pension plans and OPEB. These inflows arise only under the full accrual basis of accounting and, accordingly, are reported only in the statement of net position.

Unearned Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. At December 31, 2025, all unearned revenue was the result of receiving grants prior to the revenue recognition criteria being met.

Classification of Net Position

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

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

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

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

Classification of Fund Balances

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

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

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

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

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

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

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

Minimum Fund Balance

Chippewa County has adopted a minimum fund balance policy for its governmental funds. The General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund are all 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, 2025, the County’s unrestricted fund balance was at or above the minimum fund balance level.

Use of Estimates

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

Note 2 – Stewardship, Compliance, and Accountability

Deficit Fund Balance

The Ditch Special Revenue Fund has a positive fund balance of $3,424,349 as of December 31, 2025, although the County reported individual ditches with 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:

Individual Ditch System Fund Balance

Count of Individual Ditches	Amount
126 ditches with positive fund balances	$ 4,715,209
18 ditches with deficit fund balances	(1,290,860)
Total Fund Balance	$ 3,424,349

Note 3 – Detailed Notes

Assets and Deferred Outflows of Resources

Deposits and Investments

The County's total cash and investments are reported as follows:

Reconciliation of the County's Total Cash and Investments to the Basic Financial Statements as of December 31, 2025

Basic Financial Statement Accounts	Governmental Activities	Fiduciary Funds	Total
Cash and pooled investments	$ 21,511,129	$ 9,594,071	$ 31,105,200
Investments	9,645,681	13,014,775	22,660,456
Total	$ 31,156,810	$ 22,608,846	$ 53,765,656

Cash and Investments	Amount
Investments	$ 29,513,592
Checking	16,562,282
Savings	5,803,403
Non-negotiable certificates of deposit	1,884,215
Petty cash and change funds	2,164
Total Cash and Investments	$ 53,765,656

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, 2025, the County's deposits were not exposed to custodial credit risk.

Investments

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

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

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

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

(4) time deposits insured by the Federal Deposit Insurance Corporation, the National Credit Union Administration, or bankers' acceptances of United States banks;

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

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

Interest Rate Risk

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

Interest Rate Risk of Investments as of December 31, 2025

Investment Type	Maturity Date	Carrying (Fair) Value
U.S. Government Agency Securities		
U.S. Treasury Bills	01/08/2026	$ 452,737
U.S. Treasury Bills	02/10/2026	414,403
Total U.S. Government Agency Securities		$ 867,140
Federal Home Loan Mortgage Corporation Notes	09/25/2028	$ 250,590
Municipal Bonds		
Texas Housing & Community	01/01/2026	$ 135,000
Florence Township, NJ School District	03/01/2026	373,534
Greensboro, NC	04/01/2026	19,877
Haverstraw Stony Point, NY	05/01/2026	128,977
Wixom, MI	05/01/2026	14,980
Alabama State Public School & College Authority	06/01/2026	29,688
Hanover, PA Area School District	06/01/2026	110,088
Bexar County, TX	06/15/2026	128,647
Mount Vernon, IN	07/15/2026	9,909
Bonita, CA Unified School District	08/01/2026	4,929
Liberty, CA Union High School District	08/01/2026	221,803
San Dieguito, CA Union High School	08/01/2026	188,178
San Marcos, CA Union School District	08/01/2026	173,555
Santa Monica, CA Community College District	08/01/2026	178,268
Sierra, CA Joint Community College District	08/01/2026	157,480
County, CA Junior College	08/01/2026	446,882
Sonoma William S. Hart, CA Union High School	08/01/2026	137,873
Yosemite, CA	08/01/2026	198,186
Canyon County, ID School District Number 139	09/15/2026	140,426
Hatboro Horsham, PA School District	09/15/2026	147,713
Colorado Housing and Finance Authority	11/01/2026	25,000
Lake County, IL School District	11/01/2026	210,294
Scarborough, ME	11/01/2026	225,646
Hazleton, PA Area School District	03/01/2027	341,156
Colorado Housing and Finance Authority	05/01/2027	163,166

Investment Type	Maturity Date	Carrying (Fair) Value
Lane County, OR School District Number 52	06/15/2027	192,960
Sierra, CA Joint Community College District	08/01/2027	365,788
Santa Monica, CA Community College District	08/01/2027	96,257
San Bernardino, CA Community College	08/01/2027	106,610
Colorado Housing and Finance Authority	11/01/2027	164,333
Colorado Housing and Finance Authority	11/01/2027	168,260
Duluth, MN Independent School District Number 709	03/01/2028	369,144
Rowland, CA Unified School District	08/01/2028	95,341
Colorado Housing and Finance Authority	11/01/2028	171,552
Colorado Housing and Finance Authority	11/01/2028	294,557
Pennsylvania Housing and Finance Agency	04/01/2029	127,870
PIMA County AZ Industrial Development	07/01/2029	140,479
Antelope Valley, CA Community College District	08/01/2029	89,472
Rhode Island Housing and Mortgage Finance Corporation	10/01/2029	10,025
Missouri Housing and Development	11/01/2029	120,355
Spring Lake, MI Public Schools	11/01/2029	18,982
Altoona, PA Area School District	12/01/2029	55,144
Columbus, OH State Community College	12/01/2029	9,152
Greeley County Kansas State University	12/01/2029	91,170
Aurora Ill	12/30/2029	51,864
PIMA County AZ Industrial Development	07/01/2030	145,384
Pennsylvania Housing and Finance Agency	10/01/2030	308,310
Mechanicsburg PA	12/01/2030	49,929
Total Municipal Bonds		$ 7,154,193
Investment Pools/Mutual Funds		
MAGIC Fund	N/A	$ 13,460,173
Money Market Mutual Funds	N/A	$ 5,013,929
Negotiable Certificates of Deposit	Varies	$ 2,767,567
Total Investments		$ 29,513,592

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.

Credit Risk of Investments as of December 31, 2025

Investment Type	Credit Rating	Rating Agency	Fair Value
U.S. Treasury Bills	N/R	N/A	$ 867,140
Federal Home Loan Mortgage Corporation Notes	Aa1/AA+	Moody's/S&P	$ 250,590
Municipal Bonds			
Texas Housing & Community	Aa1/AA+	Moody's/S&P	$ 135,000
Florence Township, NJ School District	AA-	S&P	373,534
Greensboro, NC	Aa2/AA+	Moody's/S&P	19,877
Haverstraw Stony Point, NY	Aa3/AA	Moody's/S&P	128,977
Wixom, MI	Aa2	Moody's	14,980
Alabama State Public School & College Authority	Aa1/AA	Moody's/S&P	29,688
Hanover, PA Area School District	Aa3/AA	Moody's/S&P	110,088
Bexar County, TX	Aaa/AAA	Moody's/S&P	128,647
Mount Vernon, IN	AA+	S&P	9,909
Bonita, CA Unified School District	AA-	S&P	4,929
Liberty, CA Union High School District	Aa2	Moody's	221,803
San Dieguito, CA Union High School	Aa1/AA	Moody's/S&P	188,178
San Marcos, CA Union School District	Aa3/AA	Moody's/S&P	173,555
Santa Monica, CA Community College District	Aa1/AA+	Moody's/S&P	178,268
Sierra, CA Joint Community College District	Aaa/AA+	Moody's/S&P	157,480
Sonoma County, CA Junior College	Aa2/AA	Moody's/S&P	446,882
William S. Hart, CA Union High School	Aa2	Moody's	137,873
Yosemite, CA	Aa2	Moody's	198,186
Canyon County, ID School District Number 139	Aaa	Moody's	140,426
Hatboro Horsham, PA School District	Aaa	Moody's	147,713
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	25,000
Lake County, IL School District	Aa2/AA+	Moody's/S&P	210,294
Scarborough, ME	Aa2/AA+	Moody's/S&P	225,646
Hazleton, PA Area School District	A1/AA	Moody's/S&P	341,156
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	163,166
Lane County, OR School District Number 52	Aa1	Moody's	192,960
Sierra, CA Joint Community College District	Aaa/AA+	Moody's/S&P	365,788
Santa Monica, CA Community College District	Aa2/AA+	Moody's/S&P	96,257
San Bernardino, CA Community College	Aa1/AA	Moody's/S&P	106,610
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	164,333
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	168,260
Duluth, MN Independent School District Number 709	Aa1	Moody's	369,144
Rowland, CA Unified School District	Aa2	Moody's	95,341
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	171,552
Colorado Housing and Finance Authority	Aaa/AAA	Moody's/S&P	294,557
Pennsylvania Housing and Finance Agency	Aa1/AA+	Moody's/S&P	127,870
PIMA County AZ Industrial Development	Aa1	Moody's	140,479
Antelope Valley, CA Community College District	Aa2/AA	Moody's/S&P	89,472
Rhode Island Housing and Mortgage Finance Corporation	Aa1/AA+	Moody's/S&P	10,025
Missouri Housing and Development	AA+	S&P	120,355
Spring Lake, MI Public Schools	AA	S&P	18,982
Altoona, PA Area School District	AA	S&P	55,144

Investment Type	Credit Rating	Rating Agency	Fair Value
Columbus, OH State Community College	Aa1/AA	Moody's/S&P	9,152
Greeley County Kansas State University	AA-	S&P	91,170
Aurora Ill	AA	S&P	51,864
PIMA County AZ Industrial Development	AA1	Moody's	145,384
Pennsylvania Housing and Finance Agency	Aa1/AA+	Moody's/S&P	308,310
Mechanicsburg PA	AA-	S&P	49,929
Total Municipal Bonds			$ 7,154,193
MAGIC Fund	N/R	N/A	$ 13,460,173
Money Market Mutual Funds	N/R	N/A	$ 5,013,929
Negotiable Certificates of Deposit	N/R	N/A	$ 2,767,567
Total Investments			$ 29,513,592

N/R – Not Rated
N/A – Not Applicable

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, 2025, 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. At December 31, 2025, the County's investments were not subject to concentration of credit risk disclosure requirements.

Fair Value Measurement

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

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

Recurring Fair Value Measurements as of December 31, 2025

Debt Securities Investments by Fair Value Type	December 31, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury Bills	$ 867,140	$ -	$ 867,140	$ -
Federal Home Loan Mortgage Corporation Notes	250,590	-	250,590	-
Municipal Bonds	7,154,193	-	7,154,193	-
Negotiable Certificates of Deposit	2,767,567	-	2,767,567	-
Money Market Mutual Fund	980,016	-	980,016	-
Total Investments Included in the Fair Value Hierarchy	$ 12,019,506	$ -	$ 12,019,506	$ -

Investments Measured at Net Asset Value (NAV)	December 31, 2025
MAGIC Portfolio	$ 11,460,173
MAGIC Term	2,000,000
Money Market Mutual Fund	4,033,913
Total Investments Measured at NAV	$ 17,494,086

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

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

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet the 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 invests in money market mutual funds for the benefit of liquid investments. Money market funds held by the County seek a constant NAV of $1.00 per share. In addition to being a part of the County's portfolio, the County also holds money market funds as part of the External Investment Pool Fund and may only use these funds to redeem Gross Revenue Hospital Bonds, Series 2016.

External Investment Pool

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

Receivables

Governmental Activities' Receivables as of December 31, 2025

Governmental Activities	Receivables	Less: Allowance for Uncollectible Accounts	Net Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes	$ 219,687	$ -	$ 219,687	$ -
Special assessments	2,817,877	-	2,817,877	1,801,661
Accounts receivable	1,085,084	(793,258)	291,826	-
Interest	107,298	-	107,298	-
Loans receivable	468,327	-	468,327	419,760
Due from other governments	5,435,683	-	5,435,683	-
Leases receivable	133,320	-	133,320	-
Total Receivables	$ 10,267,276	$ (793,258)	$ 9,474,018	$ 2,221,421

The County has entered into lease agreements as a lessor, and as of December 31, 2025, there are two active lease receivable agreements for land and buildings as different lessees. Fixed annual lease receipts range between $14,000 and $53,256 and extend to periods August 30 and December 31, 2027. During 2025, the General Fund received total principal and interest payments of $57,856.

Loans Receivable

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

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

On October 18, 2022, the County Board approved sharing the costs of the demolition of the Clara City Junior High School with the City of Clara City. The demolition of the school was completed during 2024, and Chippewa County approved a loan to Clara City in the amount of $115,282 to be repaid with no interest over ten years, with repayments beginning in 2025.

Changes in Loans Receivable for the Year Ended December 31, 2025

Loans Receivable	Beginning Balance	Increase	Decrease	Ending Balance
Chippewa County Fair Board	$ 215,174	$ -	$ (22,310)	$ 192,864
City of Clara City shop	197,080	-	(23,056)	174,024
City of Clara City school demolition	115,282	-	(13,843)	101,439
Total Loans Receivable	$ 527,536	$ -	$ (59,209)	$ 468,327

Capital Assets

Changes in Capital Assets for the Year Ended December 31, 2025

Capital Assets	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	$ 1,299,829	$ -	$ -	$ 1,299,829
Right-of-way	935,276	22,285	-	957,561
Construction in progress	4,338,152	368,980	(4,141,296)	565,836
Total capital assets not depreciated	$ 6,573,257	$ 391,265	$ (4,141,296)	$ 2,823,226
Capital assets depreciated and amortized				
Buildings	$ 12,131,896	$ -	$ -	$ 12,131,896
Improvements other than buildings	82,642	-	-	82,642
Machinery and equipment	9,245,490	467,289	(125,293)	9,587,486
Infrastructure	90,836,382	9,379,107	-	100,215,489
Lease equipment	126,967	-	-	126,967
Total capital assets depreciated and amortized	$ 112,423,377	$ 9,846,396	$ (125,293)	$ 122,144,480
Less: accumulated depreciation and amortization for				
Buildings	$ 9,067,220	$ 233,210	$ -	$ 9,300,430
Improvements other than buildings	25,677	3,734	-	29,411
Machinery and equipment	5,952,836	621,336	(120,570)	6,453,602
Infrastructure	34,757,164	1,955,337	-	36,712,501
Lease equipment	26,231	11,944	-	38,175
Total accumulated depreciation and amortization	$ 49,829,128	$ 2,825,561	$ (120,570)	$ 52,534,119
Total capital assets depreciated and amortized, net	$ 62,594,249	$ 7,020,835	$ (4,723)	$ 69,610,361
Capital Assets, Net	$ 69,167,506	$ 7,412,100	$ (4,146,019)	$ 72,433,587

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

Depreciation and Amortization Expense Charged to Functions/Programs

Governmental Activities – Depreciation and Amortization	Amount
General government	$ 202,224
Public safety	269,847
Highways and streets, including depreciation of infrastructure assets	2,295,675
Sanitation	1,848
Human services	16,380
Culture and recreation	12,056
Conservation of natural resources	27,531
Total Depreciation and Amortization Expense – Governmental Activities	$ 2,825,561

Liabilities and Deferred Inflows of Resources

Accounts Payable

Governmental Activities' Payables as of December 31, 2025

Accounts Payable and Other Current Liabilities	Amount
Accounts payable	$ 453,122
Salaries payable	525,192
Contracts payable	112,377
Claims payable	401,387
Due to other governments	86,719
Total Payables	$ 1,578,797

Interfund Transfers

Transfers To/From Other Funds

Transfers Out	Transfers In	Amount	Purpose
General Fund	Ditch Special Revenue Fund	$ 467,822	Buffer aid

Construction Commitments

The County has active construction projects and other commitments as of December 31, 2025. The projects and commitments include the following:

Active Construction Projects and Other Commitments as of December 31, 2025

Construction Commitments	Spent-to-Date	Remaining Commitment
SAP 012-596-001 Engineering	$ 50,111	$ 22,389
SAP 012-603-017 and SAP 012-603-018	-	865,924
SAP 012-601-023	-	162,210
CP 25-02	-	75,500
SP 012-596-001	-	434,616
Library roof	23,753	23,753
Total	$ 73,864	$ 1,584,392

Advances From Other Governments

Chippewa County is the designated fiscal host for the Southwest Minnesota Regional Minnesota Family Investment Program/Divisionary Work Program (MFIP/DWP) Partnership. This is a 14-county partnership created to administer MFIP/DWP funds. The participating counties previously advanced $273,742 to Chippewa County for cash flow purposes. During 2019, an additional $30,390 was advanced to Chippewa County from the participating entities. The outstanding balance at December 31, 2025, was $304,132. The funds will be returned when the partnership is dissolved.

Long-Term Debt

Loans Payable

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

Loans Payable as of December 31, 2025

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2025
Hawk Creek Watershed Loan (SRF277)	2026	$ 11,851	2.0	$ 106,929	$ 11,675
Chippewa River Watershed Loan (SRF295)	2028	17,268	2.0	155,802	41,904
Hawk Creek Watershed Loan (SRF300)	2029	18,114	2.0	163,441	60,813
Chippewa Countywide Septic System Upgrades Loan (SRF310)	2031	18,328	2.0	330,737	190,018
Chippewa County Septic System Upgrade II (SRF344)	2035	-	-	592,017	562,416
Chippewa County Septic System Upgrade III (SRF368)	2035	-	-	96,962	96,605
AgBMP Well Loans	2035	1,502-27,386	-	895,124	637,899
Total				$ 2,341,012	$ 1,601,330

Leases

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

Future Minimum Lease Obligations and Net Present Value of Minimum Lease Payments as of December 31, 2025

Year Ending December 31	Principal	Interest
2026	$ 36,520	$ 4,496
2027	37,498	2,658
2028	33,094	805
Total Governmental Activities Lease Payments	$ 107,112	$ 7,959

Changes in Long-Term Liabilities

Changes in Long-Term Liabilities for the Year Ended December 31, 2025

Long-Term Liabilities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	$ 1,339,607	$ 412,488	$ (150,765)	$ 1,601,330	$ 175,868
Leases payable	145,545	-	(38,433)	107,112	36,520
Compensated absences	1,379,357	326,594*	-	1,705,951	240,197
Total Long-Term Liabilities	$ 2,864,509	$ 739,082	$ (189,198)	$ 3,414,393	$ 452,585

*The change in the compensated absences liability is presented as a net change.

Debt Service Requirements

Debt service requirements at December 31, 2025, are as follows:

Debt Service Requirements as of December 31, 2025

Year Ending December 31	Loans Payable Principal	Loans Payable Interest
2026	$ 175,868	$ 5,699
2027	194,947	4,187
2028	194,304	2,823
2029	179,860	1,693
2030	174,048	900
2031-2035	585,698	181
Total	$ 1,504,725	$ 15,483

Loans of $96,605 for Chippewa County Septic System Upgrades III (SRF368) are not included in the debt service requirements because a fixed repayment schedule is not available.

Conduit Debt

In 2007, Chippewa County issued $36,565,000 of Gross Revenue Hospital Bonds, Series 2007, to provide financial assistance to the Hospital for the acquisition, construction, and equipping of a new hospital located in the City of Montevideo. The bonds are secured by the property. They are financed and payable solely from revenues of the Hospital. Neither the County, the state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. In 2016, Chippewa County issued $31,600,000 of Gross Revenue Hospital Refunding Bonds, Series 2016, to refund the Gross Revenue Bonds, Series 2007, which were redeemed on March 1, 2017. On May 14, 2025, the County issued $8,675,000 Solid Waste Disposal Revenue Bonds, Series 2025, with the obligation the sole responsibility of Riverview LLP. The outstanding principal payable at December 31, 2025, on these bonds was $30,295,000.

Deferred Inflows of Resources – Unavailable Revenue

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

Deferred Inflows of Resources by Fund as of December 31, 2025

Unavailable Revenue	Special Assessments	Taxes	Grants	Interest	Loan Receivable	Other	Total
Governmental Funds							
General Fund	$ 1,327,429	$ 132,042	$ -	$ 56,791	$ 285,090	$ 45,942	$ 1,847,294
Special Revenue Funds							
Road and Bridge	-	22,623	4,141,377	9,566	183,237	26,902	4,383,705
Family Services	-	65,022	-	-	-	60,020	125,042
Ditch	1,490,448	-	-	-	-	51,235	1,541,683
Total	$ 2,817,877	$ 219,687	$ 4,141,377	$ 66,357	$ 468,327	$ 184,099	$ 7,897,724

Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

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

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

As of the January 1, 2025, actuarial valuation, the following employees were covered by the benefit terms:

Employees Covered by the OPEB Benefit Terms as of the January 1, 2025, Actuarial Valuation

Type of Participant Covered by the OPEB Benefit Terms	Number of Participants
Inactive employees or beneficiaries currently receiving benefit payments	4
Active plan participants	115
Total	119

Total OPEB Liability

The County's total OPEB liability of $689,821 was measured as of January 1, 2025, and was determined by an actuarial valuation as of January 1, 2025. 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, 2025, reporting date was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

- The current inflation rate is 2.50 percent.
- The salary increases are graded by service years ranging from 11.50 percent for one year of service to 3.00 percent for 28 or more years of service.
- The health care cost trend is 6.50 percent, decreasing to 5.00 over six years and then 4.00 percent over the next 48 years.
- The salary scale used to value OPEB liabilities is similar to the table used to value pension liabilities for Minnesota public employees. The rates are based on the four-year experience study for the Public Employees Retirement Association of Minnesota Police and Fire Plan completed in 2020 and the four-year experience study for the Public Employees Retirement Association of Minnesota General Employees Plan completed in 2023 and the inflation assumption.
- The current year discount rate is 4.20 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, 2025.
- Mortality rates are based on Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2021 Generational Improvement Scale.

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

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

Changes in the Total OPEB Liability

Changes in the Total OPEB Liability
For the Year Ended December 31, 2025

OPEB Liability Changes	Amount
Balance at January 1, 2025	$ 725,887
Service cost	$ 50,532
Interest	30,342
Assumption changes	(68,084)
Differences between expected and actual experience	(12,756)
Benefit payments	(36,100)
Net change	$ (36,066)
Balance at December 31, 2025	$ 689,821

OPEB Liability Sensitivity

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

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate as of December 31, 2025

Change in Discount Rate	Discount Rate	Total OPEB Liability
1% Decrease	3.20%	$ 743,029
Current	4.20%	689,821
1% Increase	5.20%	640,131

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

Sensitivity of the Total OPEB Liability to Changes in the Health Care Trend Rates as of December 31, 2025

Change in Health Care Trend Rate	Health Care Trend Rates	Total OPEB Liability	
1% Decrease	5.50% Decreasing to 4.00%	$	618,730
Current	6.50% Decreasing to 5.00%		689,821
1% Increase	7.50% Decreasing to 6.00%		773,097

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

For the year ended December 31, 2025, the County recognized OPEB expense of $51,072.

Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB as of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources		Deferred Inflows of Resources	
Difference between expected and actual experience of the plan	$	8,902	$	110,760
Changes in actuarial assumptions		19,057		119,739
Contributions subsequent to the measurement date		48,134		-
Total	$	76,093	$	230,499

The $48,134 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2026. Other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Schedule of Amortization of Deferred Outflows and Inflows of Resources Related to OPEB As of December 31, 2025

Year Ended December 31	OPEB Expense Amount	
2026	$	(29,800)
2027		(36,354)
2028		(36,354)
2029		(39,915)
2030		(39,913)
Thereafter		(20,204)

Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2025:

- The health care trend rates were updated.
- The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study.
- The discount rate was changed from 4.00 percent to 4.20 percent.

Pension Plans

Defined Benefit Pension Plans

Plan Description

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

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

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

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

Benefits Provided

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

General Employees Plan benefit recipients will receive a post-retirement increase equal to 50 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 1.50 percent. The 2025 annual increase was 1.25 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Correctional Plan benefit recipients will receive a post-retirement increase equal to 100 percent of the cost-of-living adjustment announced by the Social Security Administration, with a minimum increase of at least 1.00 percent and a maximum of 2.50 percent. The 2025 annual increase was 2.50 percent. If the Correctional Plan's funding status declines to 85 percent or below for two consecutive years, or 80 percent for one year, the maximum will be lowered from 2.50 percent to 1.50 percent. If on January 1, after the year of the 1.50 percent increase, the funding level increases above the applicable 85 percent or 80 percent funding status, the increase returns to 2.50 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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

Benefits are based on a member's highest average salary for any 60 consecutive months of allowable service, age, and years of credit at termination of service. In the General Employees Plan, two methods are used to compute benefits for Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Coordinated Plan member is 1.20 percent of average salary for each of the first ten years of service and 1.70 percent of average salary for each remaining year. Under Method 2, the annuity accrual rate is 1.70 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. For Police and Fire Plan members, the annuity accrual rate is 3.00 percent of average salary for each year of service. For Correctional Plan members, the annuity accrual rate is 1.90 percent of average salary for each year of service earned before July 1, 2025, and 2.20 percent of average salary for years of service earned on or after July 1, 2025.

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 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 and disability qualification requirements vary by plan.

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. Correctional Plan member and employer contribution rates increased 1.00 percent and 1.50 percent, respectively, on July 1, 2025.

Member and Employer Required Contribution Rates

Pension Plan	Member Required Contribution	Employer Required Contribution
General Employees Plan – Coordinated Plan members	6.50%	7.50%
Police and Fire Plan	11.80%	17.70%
Correctional Plan	6.83%	10.25%

Employer Contributions for the Year Ended December 31, 2025

Pension Plan	Contribution
General Employees Plan	$ 482,843
Police and Fire Plan	222,623
Correctional Plan	83,622

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

Pension Costs

General Employees Plan

At December 31, 2025, the County reported a liability of $2,304,397 for its proportionate share of the General Employees Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.0707 percent. It was 0.0717 percent measured as of June 30, 2024. The County recognized pension expense of ($142,967) for its proportionate share of the General Employees Plan's pension expense.

Legislation requires the State of Minnesota to contribute $16 million to the General Employees Plan annually until September 15, 2031. This contribution meets the definition of a special funding situation. The County recognized an additional ($8,527) as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

General Employees Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total General Employees Plan Net Pension Liability Associated with the County		Amount
The County's proportionate share of the net pension liability	$	2,304,397
State of Minnesota's proportionate share of the net pension liability associated with the County		55,589
Total	$	2,359,986

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

General Employees Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual economic experience	$	219,558	$	-
Changes in actuarial assumptions		55,523		530,233
Difference between projected and actual investment earnings		-		916,941
Changes in proportion		82,006		279,068
Contributions paid to PERA subsequent to the measurement date		250,368		-
Total	$	607,455	$	1,726,242

The $250,368 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

General Employees Plan Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31		Pension Expense Amount
2026	$	(299,477)
2027		(559,655)
2028		(347,356)
2029		(162,667)

Police and Fire Plan

At December 31, 2025, the County reported a liability of $906,254 for its proportionate share of the Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.0841 percent. It was 0.0790 percent measured as of June 30, 2024. The County recognized pension expense of $269,290 for its proportionate share of the Police and Fire Plan's pension expense.

The State of Minnesota contributed $18 million to the Police and Fire Plan in the plan fiscal year ended June 30, 2025. The contribution consisted of $9 million in direct state aid that meets the definition of a special funding situation and $9 million in supplemental state aid that does not meet the definition of a special funding situation.

Legislation requires the State of Minnesota to pay direct state aid of $9 million on October 1. The direct state aid payment will increase by $17.7 million, which began on October 1, 2025. Thereafter, by October 1 of each year, the state will pay $26.7 million to the Police and Fire Fund until the fund is 110 percent funded for a minimum of three consecutive years. The County recognized an additional $8,239 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense related to the special funding situation.

Legislation also requires the State of Minnesota to contribute $9 million to the Police and Fire Plan each year, until the Police and Fire Plan and the State Patrol Plan are 100 percent funded for three consecutive years. The County recognized $6,961 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Plan.

Police and Fire Plan
Employer's Share of the Net Pension Liability and the State's Related Liability
As of December 31, 2025

Total Police and Fire Plan Net Pension Liability Associated with the County		Amount
The County's proportionate share of the net pension liability	$	906,254
State of Minnesota's proportionate share of the net pension liability associated with the County		31,415
Total	$	937,669

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

Police and Fire Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 418,718	$ -
Changes in actuarial assumptions	687,231	1,135,499
Difference between projected and actual investment earnings	-	404,474
Changes in proportion	164,759	33,679
Contributions paid to PERA subsequent to the measurement date	108,592	-
Total	$ 1,379,300	$ 1,573,652

The $108,592 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Police and Fire Plan Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ 277,334
2027	(161,910)
2028	(434,507)
2029	(5,501)
2030	21,640

Correctional Plan

At December 31, 2025, the County reported an asset of $224,827 for its proportionate share of the Correctional Plan's net pension asset. The net pension asset was measured as of June 30, 2025, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date. The County's proportion of the net pension asset was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2024, through June 30, 2025, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2025, the County's proportion was 0.3697 percent. It was 0.3497 percent measured as of June 30, 2024. The County recognized pension expense of ($343,026) for its proportionate share of the Correctional Plan's pension expense.

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

Correctional Plan
Deferred Outflows of Resources and Deferred Inflows of Resources
As of December 31, 2025

Individual Deferred Outflows of Resources and Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 38,896	$ -
Changes in actuarial assumptions	-	147,429
Difference between projected and actual investment earnings	-	188,137
Changes in proportion	-	15,479
Contributions paid to PERA subsequent to the measurement date	49,263	-
Total	$ 88,159	$ 351,045

The $49,263 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Correctional Plan Schedule of Amortization of
Deferred Outflows and Inflows of Resources
As of December 31, 2025

Year Ended December 31	Pension Expense Amount
2026	$ (45,134)
2027	(162,279)
2028	(73,423)
2029	(31,313)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2025, was ($216,703).

Actuarial Assumptions

The total pension liability in the June 30, 2025, actuarial valuation was determined using the individual entry-age normal actuarial cost method and the following additional actuarial assumptions:

Actuarial Assumptions for the Year Ended June 30, 2025

Actuarial Assumptions	General Employees Plan	Police and Fire Plan	Correctional Plan
Inflation	2.25% per year	2.25% per year	2.25% per year
Active Member Payroll Growth	3.00% per year	3.00% per year	3.00% per year
Investment Rate of Return	7.00%	7.00%	7.00%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on the Pub-2010 General Employee Mortality table for the General Employees Plan and the Pub-2010 Public Safety Employee Mortality tables for the Police and Fire and the Correctional Plans, with slight adjustments. Cost-of-living benefit increases for retirees are assumed to be 1.50 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, 2025, valuations were based on the results of actuarial experience studies. The experience study for the General Employees Plan was dated June 29, 2023. The experience study for the Police and Fire Plan and Correctional Plan was dated July 31, 2024. For all plans, a review of inflation and investment assumptions dated June 29, 2023, was utilized.

The long-term expected rate of return on pension plan investments is 7.00 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages.

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

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00 percent in 2025, which remains consistent with 2024. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Plan, the Police and Fire Plan, and the Correctional Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2025:

General Employees Plan

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

Police and Fire Plan

- Assumed rates of salary increases were reduced slightly.
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.
- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.
- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.
- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.

- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

Correctional Plan

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.

- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.
- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.
- Actuarial equivalent factors were updated to reflect changes in assumptions

Pension Liability Sensitivity

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

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate As of December 31, 2025

Change in Discount Rate	General Employees Plan Discount Rate	General Employees Plan Net Pension Liability (Asset)	Police and Fire Plan Discount Rate	Police and Fire Plan Net Pension Liability (Asset)	Correctional Plan Discount Rate	Correctional Plan Net Pension Liability (Asset)
1% Decrease	6.00%	$ 5,597,018	6.00%	$ 2,374,578	6.00%	$ 532,345
Current	7.00%	2,304,397	7.00%	906,254	7.00%	(224,827)
1% Increase	8.00%	(366,660)	8.00%	(299,471)	8.00%	(827,686)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and 0.25 percent of the assets in each member account annually. For the year ended December 31, 2025, the total employee and employer contributions were each $9,550, which represents five percent of covered payroll.

Note 4 – Risk Management

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

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at $1,000,000 per claim in 2025 and 2026. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

The County established a limited risk management program for health coverage in 2020. Premiums are paid into the Internal Service Fund by all other funds and are available to pay claims, claim reserves, and administrative costs of the program. The County has retained risk up to a $60,000 stop-loss per person insured (employee and eligible dependent) per year with an aggregate stop-loss of 125 percent of the estimated monthly covered benefits. Liabilities of the Internal Service Fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The December 31, 2025, liability is determined based on detailed reports received by the County from the third-party administrator for claims incurred, adjusted, and paid through February 28, 2026.

Changes in Claims Liabilities
For the Years Ended December 31, 2024, and 2025

Changes in Claims Liabilities	2024	2025
Unpaid claims, January 1	$ 167,063	$ 281,294
Incurred claims	(2,794,433)	(2,915,673)
Claims payments	2,908,664	3,035,766
Unpaid Claims, December 31	$ 281,294	$ 401,387

Note 5 – Summary of Significant Contingencies and Other Items

Contingent Liabilities

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

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

Joint Ventures

Countryside Public Health Service

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

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

Control is vested in the Countryside Public Health Service Board of Health. The Board consists of 11 members, six County Commissioners, one from each county, except the county with the largest population, which has two commissioners and five community representatives. Each member of the Board is appointed by the County Commissioners of the county represented.

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Chippewa County's contribution for 2025 was $221,353.

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

Region 6W Community Corrections

Chippewa County participates with Lac qui Parle, Swift, and Yellow Medicine Counties to provide community corrections services. Region 6W Community Corrections develops and implements humane and effective methods of prevention, control, punishment, and rehabilitation of offenders. The joint powers agreement was effective October 1, 1977.

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

Financing is provided by state and federal grants, and fees for services. Chippewa County's contribution for the year ended 2025 was $412,501.

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

CCM Health

Chippewa County participates with the City of Montevideo in a joint venture to provide acute inpatient and outpatient care to the Chippewa County area operating under the name CCM Health. The Hospital Commission consists of seven members—three appointed from Chippewa County and four from the City of Montevideo.

Chippewa County presents an external investment pool fund for investments held by the County for CCM Health, presented as an other custodial fund held by the County for CCM Health. The County also has conduit debt related to the Hospital disclosed in Note 3. Chippewa County did not contribute to CCM Health during 2025.

Complete financial statements can be obtained at CCM Health, 824 North 11th Street, Montevideo, Minnesota 56265.

Southwest Minnesota Private Industry Council, Inc.

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

SW MN PIC is governed by the Board of Directors, which is composed of seven members across the 14-county workforce service area. Chippewa County, as fiscal host of the MFIP/DWP Partnership, provided $1,041,625 to this organization in 2025.

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

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

Chippewa County entered into a joint powers agreement to create and operate the Kandiyohi – Region 6W Community Corrections Agencies Detention Center (commonly referred to as the Prairie Lakes Youth Programs [PLYP]), pursuant to Minn. Stat. § 471.59. The PLYP is a children's residential facility located in Willmar, Minnesota, serving children ages ten to 21. Through non-secure, group home, and secure environments, they provide individualized, trauma-informed, and culturally relevant care and treatment, including: substance use disorder addiction recovery, pet therapy, individual therapy, group therapy, family therapy, truancy support, and CHIPS support.

Control of the PLYP is vested in a joint board composed of one County Commissioner from each participating county. An Advisory Board has also been established, composed of the directors of the Kandiyohi County Community Corrections Agency and the Region 6W Community Corrections Agency, as well as the directors of the family services or human services departments of the counties participating in the agreement.

Financing is provided by charges for services to member and nonmember counties. Chippewa County's contribution to the PLYP for 2025 was $147,171.

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

Chippewa CARE Collaborative

The Chippewa CARE Collaborative is a collaboration to receive and expend grant funds on new prevention, early intervention, and services to address children's mental health issues. Chippewa County is a member and fiscal host for the Collaborative. Chippewa County reports the Collaborative as a custodial fund in the financial statements. The County did not contribute to the Collaborative during 2025.

Pioneerland Library System

Chippewa County, along with 18 cities and eight other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 27 members appointed by member cities and counties. During 2025, Chippewa County contributed $223,680 to the System. The City of Montevideo provided $32,467 of the amount contributed by the County.

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

Coordinated Enforcement Effort (CEE) VI Task Force

The Coordinated Enforcement Effort 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 2025, Chippewa County contributed $80,627 in funds to the Task Force. In an agent capacity, Kandiyohi County is the fiscal agent for the task force.

Minnesota Counties Information Systems (MCIS)

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

MCIS is governed by a 12-member Board, composed of a member appointed by each of the participating county's Board of Commissioners. Financing is obtained through user charges to the members. During 2025, Chippewa County contributed $98,780. Lake County is the fiscal agent for MCIS.

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

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

Port Authority of the City of Saint Paul Property Assessed Clean Energy Program (MinnPACE) Loan Program

The County has entered into an agreement with the Saint Paul Port Authority to facilitate the implementation and administration of the MinnPACE loan program. Through this program, qualifying commercial building owners within the County can receive loans from the Port Authority for the purpose of financing energy efficiency and conservation building improvement projects. While the County is not liable for the repayment of the loans in any manner, it does have certain responsibilities under the agreement. By participating, the County has agreed to: (1) levy assessments against the related properties in accordance with the loan agreements between the Port Authority and property owners, (2) collect scheduled assessment payments, and (3) transfer all collections to the Port Authority. The County has met those responsibilities for 2025. At December 31, 2025, the outstanding MinnPACE loans to be collected by the County are $125,200.

PrimeWest Health

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

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

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

Financing is provided by Medical Assistance and General Assistance Medical Care payments from the Minnesota Department of Human Services, initial start-up loans from the member counties, and by proportional contributions from member counties, if necessary, to cover operational costs. Chippewa County did not contribute to PrimeWest Health during 2025.

Complete financial information can be obtained from its administrative office at PrimeWest Health, 3905 Dakota Street, Suite 101, Alexandria, Minnesota 56308.

Subsequent Events

On March 17, 2026, the County issued Solid Waste Disposal Revenue Bonds (Riverview, LLP Project), Series 2026, in the amount of $8,990,000 as a conduit issuer. Bond issuance costs were paid by Riverview LLP; the obligation will be the sole responsibility of Riverview LLP.

On April 22, 2026, the County issued General Obligation Capital Improvement Plan Bonds, Series 2026A, in the amount of $4,255,000 to assist with costs associated with the construction of the County Family Services facility.

Required Supplementary Information

Exhibit A-1

Chippewa County
Montevideo, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 9,705,388	$ 9,705,388	$ 9,594,133	$ (111,255)
Special assessments	242,500	242,500	433,098	190,598
Licenses and permits	20,050	20,050	25,447	5,397
Intergovernmental	1,436,552	1,436,552	2,090,889	654,337
Charges for services	1,035,950	1,035,950	1,174,055	138,105
Fines and forfeits	3,000	3,000	-	(3,000)
Gifts and contributions	500	500	856	356
Investment earnings	252,500	252,500	1,009,907	757,407
Miscellaneous	499,751	499,751	658,157	158,406
Total Revenues	**$ 13,196,191**	**$ 13,196,191**	**$ 14,986,542**	**$ 1,790,351**
Expenditures				
Current				
General government				
Commissioners	$ 391,149	$ 391,149	$ 450,252	$ (59,103)
Law library	10,000	10,000	3,181	6,819
Auditor/treasurer	798,447	798,447	734,722	63,725
Human resources	131,709	131,709	140,846	(9,137)
Accounting and auditing	60,000	60,000	66,716	(6,716)
Information technology	554,008	554,008	477,158	76,850
Central services	298,200	298,200	266,498	31,702
Elections	50,500	50,500	10,921	39,579
Attorney	406,615	406,615	406,314	301
Recorder	390,122	390,122	492,646	(102,524)
Geographic information systems	25,000	25,000	14,745	10,255
County assessor	425,641	425,641	409,399	16,242
Building and plant	986,272	986,272	958,359	27,913
Veterans service officer	217,654	217,654	236,432	(18,778)
Deputy registrar – license bureau	339,588	339,588	335,505	4,083
PACE clean energy	80,000	80,000	-	80,000
Other general government	231,119	231,119	326,278	(95,159)
Total general government	**$ 5,396,024**	**$ 5,396,024**	**$ 5,329,972**	**$ 66,052**
Public safety				
Sheriff	$ 2,156,299	$ 2,156,299	$ 2,276,303	$ (120,004)
Boat and water safety	5,929	5,929	97,644	(91,715)
Court-ordered assessments	250,000	250,000	368,442	(118,442)
Court security	5,325	5,325	-	5,325
D.A.R.E. program	1,500	1,500	2,496	(996)
Coroner	22,500	22,500	33,563	(11,063)
Jail	1,830,709	1,830,709	1,652,883	177,826
Sentence to serve	-	-	24,958	(24,958)
Victim witness program	86,888	86,888	82,285	4,603
Restorative justice	230,075	230,075	221,018	9,057
Emergency management	181,492	181,492	217,325	(35,833)
Dispatch	141,550	141,550	212,042	(70,492)
Total public safety	**$ 4,912,267**	**$ 4,912,267**	**$ 5,188,959**	**$ (276,692)**

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

Exhibit A-1
(Continued)

Chippewa County
Montevideo, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Expenditures				
Current (Continued)				
Sanitation				
Household hazardous waste	$ 3,500	$ 3,500	$ 2,880	$ 620
Recycling	200,500	200,500	210,236	(9,736)
Solid waste	113,000	113,000	227,712	(114,712)
Total sanitation	**$ 317,000**	**$ 317,000**	**$ 440,828**	**$ (123,828)**
Culture and recreation				
Airport	$ 65,000	$ 65,000	$ 4,339	$ 60,661
Historical society	47,000	47,000	47,000	-
Regional library	62,600	62,600	63,221	(621)
Fairgrounds	59,000	59,000	66,407	(7,407)
Parks	26,200	26,200	38,463	(12,263)
Bike trail	5,000	5,000	-	5,000
Total culture and recreation	**$ 264,800**	**$ 264,800**	**$ 219,430**	**$ 45,370**
Conservation of natural resources				
Extension	$ 157,634	$ 157,634	$ 147,190	$ 10,444
Soil and water conservation	2,400	2,400	(176)	2,576
Weed control	255,674	255,674	161,754	93,920
Water planning	1,000	1,000	102,356	(101,356)
Land resource management	289,064	289,064	700,537	(411,473)
County farm	33,500	33,500	26,708	6,792
Total conservation of natural resources	**$ 739,272**	**$ 739,272**	**$ 1,138,369**	**$ (399,097)**
Economic development				
Community development	$ 235,000	$ 235,000	$ 395,035	$ (160,035)
Prairie Five	13,694	13,694	10,526	3,168
Other economic development	24,500	24,500	53,644	(29,144)
Total economic development	**$ 273,194**	**$ 273,194**	**$ 459,205**	**$ (186,011)**
Intergovernmental				
Public safety	$ 452,815	$ 452,815	$ 431,463	$ 21,352
Culture and recreation	243,680	243,680	238,788	4,892
Total intergovernmental	**$ 696,495**	**$ 696,495**	**$ 670,251**	**$ 26,244**
Debt service				
Principal	$ -	$ -	$ 175,593	$ (175,593)
Interest	-	-	11,097	(11,097)
Total debt service	**$ -**	**$ -**	**$ 186,690**	**$ (186,690)**
Total Expenditures	**$ 12,599,052**	**$ 12,599,052**	**$ 13,633,704**	**$ (1,034,652)**
Excess of Revenues Over (Under) Expenditures	**$ 597,139**	**$ 597,139**	**$ 1,352,838**	**$ 755,699**

Chippewa County
Montevideo, Minnesota

Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Other Financing Sources (Uses)				
Transfers out	$ -	$ -	$ (467,822)	$ (467,822)
Loans issued	-	-	412,488	412,488
Proceeds from sale of capital assets	15,000	15,000	20,652	5,652
Insurance recoveries	10,000	10,000	52,625	42,625
Total Other Financing Sources (Uses)	**$ 25,000**	**$ 25,000**	**$ 17,943**	**$ (7,057)**
Net Change in Fund Balance	**$ 622,139**	**$ 622,139**	**$ 1,370,781**	**$ 748,642**
Fund Balance – January 1	**10,059,731**	**10,059,731**	**10,059,731**	**-**
Fund Balance – December 31	**$ 10,681,870**	**$ 10,681,870**	**$ 11,430,512**	**$ 748,642**

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

Exhibit A-2

Chippewa County
Montevideo, Minnesota

Budgetary Comparison Schedule
Road and Bridge Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 2,175,982	$ 2,175,982	$ 2,449,382	$ 273,400
Licenses and permits	18,750	18,750	25,100	6,350
Intergovernmental	5,870,278	5,870,278	5,625,512	(244,766)
Charges for services	50,000	50,000	103,569	53,569
Investment earnings	150,000	150,000	468,401	318,401
Miscellaneous	50,000	50,000	105,272	55,272
Total Revenues	**$ 8,315,010**	**$ 8,315,010**	**$ 8,777,236**	**$ 462,226**
Expenditures				
Current				
Highways and streets				
Maintenance	$ 3,506,514	$ 3,506,514	$ 2,159,963	$ 1,346,551
Engineering/construction	9,528,328	9,528,328	6,196,386	3,331,942
Administration	405,979	405,979	420,629	(14,650)
Equipment and shop	1,123,375	1,123,375	451,726	671,649
Total highways and streets	**$ 14,564,196**	**$ 14,564,196**	**$ 9,228,704**	**$ 5,335,492**
Intergovernmental				
Highways and streets	**$ 465,000**	**$ 465,000**	**$ 611,842**	**$ (146,842)**
Debt service				
Principal	$ -	$ -	$ 2,324	$ (2,324)
Interest	-	-	437	(437)
Total debt service	**$ -**	**$ -**	**$ 2,761**	**$ (2,761)**
Total Expenditures	**$ 15,029,196**	**$ 15,029,196**	**$ 9,843,307**	**$ 5,185,889**
Excess of Revenues Over (Under) Expenditures	**$ (6,714,186)**	**$ (6,714,186)**	**$ (1,066,071)**	**$ 5,648,115**
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	$ -	$ -	$ 11,800	$ 11,800
Insurance recoveries	-	-	4,900	4,900
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 16,700**	**$ 16,700**
Net Change in Fund Balance	**$ (6,714,186)**	**$ (6,714,186)**	**$ (1,049,371)**	**$ 5,664,815**
Fund Balance – January 1	**10,762,657**	**10,762,657**	**10,762,657**	**-**
Increase (decrease) in inventories	**-**	**-**	**(42,619)**	**(42,619)**
Fund Balance – December 31	**$ 4,048,471**	**$ 4,048,471**	**$ 9,670,667**	**$ 5,622,196**

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

Exhibit A-3

Chippewa County
Montevideo, Minnesota

Budgetary Comparison Schedule
Family Services Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Taxes	$ 4,871,058	$ 4,871,058	$ 4,752,973	$ (118,085)
Intergovernmental	4,295,520	4,295,520	4,566,226	270,706
Charges for services	355,000	355,000	265,853	(89,147)
Gifts and contributions	-	-	850	850
Settlements	-	-	46,371	46,371
Miscellaneous	121,200	121,200	91,395	(29,805)
Total Revenues	**$ 9,642,778**	**$ 9,642,778**	**$ 9,723,668**	**$ 80,890**
Expenditures				
Current				
Human services				
Income maintenance	$ 2,233,623	$ 2,233,623	$ 2,110,618	$ 123,005
Social services	6,975,649	6,975,649	6,431,812	543,837
Total human services	**$ 9,209,272**	**$ 9,209,272**	**$ 8,542,430**	**$ 666,842**
Intergovernmental				
Health	**$ 221,353**	**$ 221,353**	**$ 267,724**	**$ (46,371)**
Debt service				
Principal	$ -	$ -	$ 10,782	$ (10,782)
Interest	-	-	1,998	(1,998)
Total debt service	**$ -**	**$ -**	**$ 12,780**	**$ (12,780)**
Total Expenditures	**$ 9,430,625**	**$ 9,430,625**	**$ 8,822,934**	**$ 607,691**
Net Change in Fund Balance	**$ 212,153**	**$ 212,153**	**$ 900,734**	**$ 688,581**
Fund Balance – January 1	**3,223,103**	**3,223,103**	**3,223,103**	**-**
Fund Balance – December 31	**$ 3,435,256**	**$ 3,435,256**	**$ 4,123,837**	**$ 688,581**

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

Exhibit A-4

Chippewa County
Montevideo, Minnesota

Budgetary Comparison Schedule
Ditch Special Revenue Fund
For the Year Ended December 31, 2025

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget
Revenues				
Special assessments	$ 900,000	$ 900,000	$ 771,763	$ (128,237)
Intergovernmental	-	-	154,563	(154,563)
Investment earnings	20,000	20,000	72,331	(52,331)
Miscellaneous	-	-	43,963	(43,963)
Total Revenues	**$ 920,000**	**$ 920,000**	**$ 1,042,620**	**$ (379,094)**
Expenditures				
Current				
Conservation of natural resources				
Other	**$ 960,034**	**$ 960,034**	**$ 447,770**	**$ 512,264**
Debt service				
Principal	$ -	$ -	$ 499	$ (499)
Interest	-	-	94	(94)
Total debt service	**$ -**	**$ -**	**$ 593**	**$ (593)**
Total Expenditures	**$ 960,034**	**$ 960,034**	**$ 448,363**	**$ 511,671**
Excess of Revenues Over (Under) Expenditures	**$ (40,034)**	**$ (40,034)**	**$ 594,257**	**$ (890,765)**
Other Financing Sources (Uses)				
Transfers in	$ -	$ -	$ 467,822	$ 467,822
Proceeds from sale of capital assets	-	-	4,200	4,200
Insurance recoveries	-	-	11,175	11,175
Total Other Financing Sources (Uses)	**$ -**	**$ -**	**$ 483,197**	**$ 483,197**
Net Change in Fund Balance	**$ (40,034)**	**$ (40,034)**	**$ 1,077,454**	**$ (407,568)**
Fund Balance – January 1	**2,316,946**	**2,316,946**	**2,316,946**	**-**
Increase (decrease) in inventories	**-**	**-**	**29,949**	**29,949**
Fund Balance – December 31	**$ 2,276,912**	**$ 2,276,912**	**$ 3,424,349**	**$ (377,619)**

Exhibit A-5

Chippewa County
Montevideo, Minnesota

Schedule of Changes in Total OPEB Liability and Related Ratios
Other Postemployment Benefits
December 31, 2025

	2025	2024	2023	2022
Total OPEB Liability				
Service cost	$ 50,532	$ 51,765	$ 50,257	$ 67,631
Interest	30,342	28,641	18,613	18,321
Differences between expected and actual experience	(12,756)	-	(145,960)	-
Changes of assumption or other inputs	(68,084)	-	(92,510)	-
Benefit payments	(36,100)	(37,182)	(56,007)	(51,935)
Net change in total OPEB liability	**$ (36,066)**	**$ 43,224**	**$ (225,607)**	**$ 34,017**
Total OPEB Liability – Beginning	**725,887**	**682,663**	**908,270**	**874,253**
Total OPEB Liability – Ending	**$ 689,821**	**$ 725,887**	**$ 682,663**	**$ 908,270**
Covered-employee payroll	$ 7,810,691	$ 7,456,140	$ 7,238,971	$ 6,703,423
Total OPEB liability (asset) as a percentage of covered-employee payroll	8.83%	9.74%	9.43%	13.55%

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

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

Exhibit A-6

Chippewa County
Montevideo, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA General Employees Retirement Plan
December 31, 2025

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 (%)
2025	0.0707	$ 2,304,397	$ 55,589	$ 2,359,986	$ 6,261,601	36.80	90.78
2024	0.0717	2,650,560	68,538	2,719,098	6,066,314	43.69	89.08
2023	0.0776	4,339,305	119,561	4,458,866	6,168,083	70.35	83.10
2022	0.0721	5,710,344	167,379	5,877,723	5,402,375	105.70	76.67
2021	0.0751	3,108,886	95,036	3,203,922	5,246,765	59.25	87.00
2020	0.0722	4,328,720	133,435	4,462,155	5,149,249	84.07	79.06
2019	0.0698	3,859,086	119,995	3,979,081	4,941,712	78.09	80.23
2018	0.0704	3,905,503	128,195	4,033,698	4,733,400	82.51	79.53
2017	0.0704	4,494,290	68,149	4,562,439	4,533,198	99.14	75.90
2016	0.0702	5,697,862	90,231	5,788,093	4,357,074	130.77	68.91

The measurement date for each year is June 30.

Exhibit A-7

Chippewa County
Montevideo, Minnesota

Schedule of Contributions
PERA General Employees Retirement Plan
December 31, 2025

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) (%)
2025	$ 482,843	$ 482,843	$ -	$ 6,437,913	7.50
2024	463,931	463,931	-	6,184,475	7.50
2023	450,035	450,035	-	6,000,465	7.50
2022	433,692	433,692	-	5,782,563	7.50
2021	411,047	411,047	-	5,480,615	7.50
2020	385,883	385,883	-	5,145,296	7.50
2019	377,390	377,390	-	5,031,833	7.50
2018	361,703	361,703	-	4,822,666	7.50
2017	349,227	349,227	-	4,656,307	7.50
2016	334,168	334,168	-	4,455,883	7.50

The County's year-end is December 31.

Exhibit A-8

Chippewa County
Montevideo, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Police and Fire Plan
December 31, 2025

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 (%)
2025	0.0841	$ 906,254	$ 31,415	$ 937,669	$ 1,207,655	75.04	91.78
2024	0.0790	1,038,950	39,604	1,078,554	1,093,540	95.01	90.17
2023	0.0732	1,264,069	50,952	1,315,021	961,193	131.51	86.47
2022	0.0627	2,728,456	119,123	2,847,579	761,672	358.22	70.53
2021	0.0612	452,330	20,324	472,654	720,162	62.81	93.66
2020	0.0623	821,181	19,355	840,536	704,085	116.63	87.19
2019	0.0670	713,283	N/A	713,283	705,369	101.12	89.26
2018	0.0702	748,260	N/A	748,260	740,077	101.11	88.84
2017	0.0750	1,012,589	N/A	1,012,589	773,432	130.92	85.43
2016	0.0760	3,050,012	N/A	3,050,012	732,687	416.28	63.88

The measurement date for each year is June 30.
N/A – Not Applicable

Exhibit A-9

Chippewa County
Montevideo, Minnesota

Schedule of Contributions
PERA Public Employees Police and Fire Plan
December 31, 2025

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) (%)
2025	$ 222,623	$ 222,623	$ -	$ 1,257,756	17.70
2024	204,097	204,097	-	1,153,088	17.70
2023	179,756	179,756	-	1,015,414	17.70
2022	150,224	150,224	-	848,725	17.70
2021	131,050	131,050	-	740,391	17.70
2020	127,850	127,850	-	722,318	17.70
2019	117,206	117,206	-	691,483	16.95
2018	115,615	115,615	-	713,675	16.20
2017	126,010	126,010	-	777,841	16.20
2016	121,380	121,380	-	749,260	16.20

The County's year-end is December 31.

Exhibit A-10

Chippewa County
Montevideo, Minnesota

Schedule of Proportionate Share of Net Pension Liability
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025

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 (%)
2025	0.3697	$ (224,827)	$ 920,754	(24.42)	105.18
2024	0.3497	106,574	887,591	12.01	97.54
2023	0.3616	163,461	847,675	19.28	95.94
2022	0.3319	1,103,236	729,200	151.29	74.58
2021	0.2880	(47,313)	636,791	(7.43)	101.61
2020	0.2672	72,502	581,027	12.48	96.67
2019	0.2385	33,020	510,785	6.46	98.17
2018	0.2307	37,943	471,259	8.05	97.64
2017	0.2400	684,002	477,503	143.25	67.89
2016	0.2500	913,285	461,040	198.09	58.16

The measurement date for each year is June 30.

Exhibit A-11

Chippewa County
Montevideo, Minnesota

Schedule of Contributions
PERA Public Employees Local Government Correctional Service Retirement Plan
December 31, 2025

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) (%)
2025	$ 83,622	$ 83,622	$ -	$ 881,281	9.49
2024	79,965	79,965	-	913,798	8.75
2023	76,111	76,111	-	869,543	8.75
2022	67,039	67,039	-	766,155	8.75
2021	60,203	60,203	-	688,027	8.75
2020	55,100	55,058	42	629,728	8.74
2019	48,772	48,942	(170)	557,396	8.78
2018	41,002	41,002	-	468,595	8.75
2017	41,585	41,585	-	475,262	8.75
2016	41,341	41,341	-	472,467	8.75

The County's year-end is December 31.

Notes to the Required Supplementary Information

For the Year Ended December 31, 2025

Note 1 – General Budget Policies

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

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

Note 2 – Budget Basis of Accounting

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

Note 3 – Excess of Expenditures Over Budget

The following major fund had expenditures in excess of budget for the year ended December 31, 2025:

Excess of Expenditures Over Budget as of December 31, 2025

Fund	Expenditures	Final Budget	Excess
General Fund	$ 13,633,704	$ 12,599,052	$ 1,034,652

The expenditures in excess of budget were funded by available fund balance.

Note 4 – Employer Contributions to Other Postemployment Benefits

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

The following changes in actuarial assumptions occurred:

<u>2025</u>

- The health care trend rates were updated.
- The retirement, withdrawal, and salary increase rates for non-police were updated to reflect the latest experience study.
- The discount rate was changed from 4.00 percent to 4.20 percent.

2024

No changes in actuarial assumptions occurred in 2024.

2023

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

2022

No changes in actuarial assumptions occurred in 2022.

2021

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans Headcount-Weighted Mortality tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The salary increase rates were changed from a flat 3.00 percent per year for all employees to rates which vary by service and contract group.
- The retirement and withdrawal tables for non-public safety employees were updated.
- The inflation rate changed from 2.50 percent to 2.00 percent.
- The discount rate changed from 3.80 percent to 2.00 percent.

2020

No changes in actuarial assumptions occurred in 2020.

2019

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

- The discount rate was changed from 3.30 percent to 3.80 percent.

2018

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

Note 5 – 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

2025

- The combined service annuity loading factors increased from 15 percent to 19 percent for vested terminated members and from 3.00 percent to 44 percent for non-vested, terminated members.
- The assumed post-retirement benefit increase changed from 1.25 percent to 1.50 percent.
- The post-retirement benefit increase formula changed to 100 percent of the Social Security annual increase, between 1.00 percent and 1.75 percent, beginning January 1, 2026. If the funded ratio (on a market value of assets basis) is less than 85 percent for the last two consecutive annual valuations or is less than 80 percent in the most recent actuarial valuation, the maximum is reduced to 1.50 percent. Previously, the benefit increase was 50 percent of the Social Security annual increase, between 1.00 percent and 1.50 percent.
- The 1.00 percent additional employer contribution is eliminated when the plan reaches 98 percent funded status (on an actuarial value of assets basis); this contribution was previously scheduled to stop when the plan reached 100 percent funded status.

2024

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates.
- Assumed rates of withdrawal were increased for both males and females.
- Assumed rates of disability were decreased.
- Slight adjustments were made to the use of the Pub-2010 General Mortality table as recommended in the most recent experience study.

- Minor changes to form of payment assumptions were applied for male and female retirees.
- Minor changes to assumptions were made with respect to missing participant data.
- The workers' compensation offset for disability benefits was eliminated.
- The actuarial equivalent factors were updated to reflect changes in assumptions.

<u>2023</u>

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

<u>2022</u>

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

<u>2021</u>

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

<u>2020</u>

- The price inflation assumption was decreased from 2.50 percent to 2.25 percent.
- The payroll growth assumption was decreased from 3.25 percent to 3.00 percent.
- Assumed salary increase rates were changed as recommended in the June 30, 2019, experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019, experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019, experience study. The

new rates are based on service and are generally lower than the previous rates for years two to five and slightly higher thereafter.

- Assumed rates of disability were changed as recommended in the June 30, 2019, experience study. The change results in fewer predicted disability retirements for males and females.

- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Employee Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 Disabled Annuitant Mortality table to the Pub-2010 General/Teacher Disabled Retiree Mortality table, with adjustments.

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

- The assumed spouse age difference was changed from two years older for females to one year older.

- The assumed number of married male new retirees electing the 100 percent Joint and Survivor option changed from 35 percent to 45 percent. The assumed number of married female new retirees electing the 100 percent Joint and Survivor option changed from 15 percent to 30 percent. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

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

2019

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

2018

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

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

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

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

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

- Contribution stabilizer provisions were repealed.

- Post-retirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90 percent funding to 50 percent of the Social Security cost-of-living adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.

- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to the Rule of 90 retirees, disability benefit recipients, or survivors.

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

<u>2017</u>

- 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.

<u>2016</u>

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

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

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

Public Employees Police and Fire Plan

<u>2025</u>

- Assumed rates of salary increases were reduced slightly.

- Assumed rates of retirement were adjusted, resulting in an overall increase in unreduced (full) retirements and an overall increase in reduced (early) retirements.

- Assumed rates of withdrawal were modified; the new rates will increase predicted terminations, especially in the first few years of employment.

- Assumed rates of disabled retirement were significantly increased, especially for ages over age 30.

- Continued to use the Pub-2010 Public Safety Mortality table with rates adjusted to better fit observed experience.
- Percent married assumption for female retirees lowered from 70 percent to 65 percent.
- Minor changes were made to form of payment assumptions for retirees.
- Minor changes were made to assumptions made with respect to missing participant data.
- The combined service annuity load changed from 33 percent to 13 percent for vested, terminated members and from 2.00 percent to 38 percent for non-vested, terminated members.
- The period of time needed for benefit recipients to receive their first benefit increase was reduced by one year (from 36 months to 24 months for a full increase).
- The January 1, 2026, benefit increase changed from 1.00 percent to 3.00 percent; subsequent January 1 increases will be 1.00 percent.
- The threshold to end the $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 90 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years to 100 percent funded for both PERA Police and Fire and State Patrol Retirement Fund for three consecutive years (on an actuarial value of assets basis).
- The threshold to end the additional $9 million annual state aid contribution changed from the earlier of July 1, 2048, or 100 percent funded for a minimum of three consecutive years to 110 percent funded for a minimum of three consecutive years (on an actuarial value of assets basis).
- An additional $17.7 million in direct state aid will be paid annually each October 1 beginning October 1, 2025, through June 30, 2048.
- Joint and survivor actuarial equivalent factors were updated to reflect changes in assumptions.

<u>2024</u>

- The state contribution of $9 million per year will continue until the earlier of: (1) both the Public Employees Retirement Association Police and Fire Plan and the State Patrol Retirement Fund attaining 90 percent funded status for three consecutive years (on an actuarial value of assets basis), or (2) July 1, 2048. The contribution was previously due to expire upon attainment of 90 percent funded status for one year.
- The additional $9 million contribution will continue until the Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis or July 1, 2048, if earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

<u>2023</u>

- The investment return assumption was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.40 percent to 7.00 percent.

- A one-time direct state aid contribution of $19.4 million occurred on October 1, 2023.

- The vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded ten-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after ten years.

- A one-time, non-compounding benefit increase of 3.00 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.

- A total and permanent duty disability benefit was added effective July 1, 2023.

<u>2022</u>

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

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

<u>2021</u>

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

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

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

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

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

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

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

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

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

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

2020

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

2019

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

2018

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

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

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

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

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

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

2017

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

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

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

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

- The assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

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

Public Employees Local Government Correctional Service Retirement Plan

2025

- Assumed rates of salary increases were reduced slightly and changed to service-based (vs. age-based).
- Assumed rates of retirement were adjusted resulting in an overall increase in unreduced (full) retirements and reduced (early) retirements.
- Assumed rates of withdrawal were changed from age-based rates after three years of service to service-based for all years; the new rates result in an increase in predicted terminations for males and females.
- Minor changes were made to assumed rates of disability retirements.
- Continued to use the Pub-2010 Public Safety Mortality table, with no adjustments.
- Minor changes were made to the assumed percent married, beneficiary age difference, and form of payment assumptions for future retirees.
- Minor changes were made to assumptions made with respect to missing participant data.

- The combined service annuity load was changed from 35 percent to 9.00 percent for vested, terminated members, and from 1.00 percent to 119 percent for non-vested, terminated members.

- The benefit payable to a member who qualifies for a duty disability benefit was changed to 47.50 percent of average salary plus, for each year of service in excess of 25 years, 1.90 percent for each year of allowable service before July 1, 2025, and 2.20 percent for each year of allowable service beginning after June 30, 2025.

- Actuarial equivalent factors were updated to reflect changes in assumptions.

2024

- Employee contribution rates will increase from 5.83 percent of pay to 6.83 percent of pay, effective July 1, 2025.

- Employer contribution rates will increase from 8.75 percent of pay to 10.25 percent of pay, effective July 1, 2025.

- The benefit multiplier was changed from 1.90 percent to 2.20 percent for service earned after June 30, 2025.

2023

- The investment return rate was changed from 6.50 percent to 7.00 percent.

- The single discount rate changed from 5.42 percent to 7.00 percent.

- A one-time direct state aid contribution of $5.3 million occurred on October 1, 2023.

- A one-time, non-compounding benefit increase of 2.50 percent, minus the actual 2024 adjustment, will be payable in a lump sum for calendar year 2024 by March 31, 2024.

- The maximum benefit increase will revert back to 2.50 percent, if the maximum increase is 1.50 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

2022

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

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

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

2021

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

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

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

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

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

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

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

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

- Assumed rates of disability were lowered.

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

- Minor changes to form of payment assumptions were applied.

<u>2020</u>

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

<u>2019</u>

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

<u>2018</u>

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

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

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

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

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

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

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

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

2017

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

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

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

2016

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

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

Supplementary Information

Fiduciary Funds

Other Custodial Funds

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

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

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

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

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

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

Conduit Debt Custodial Fund – to account for collection and payment of application funds related to Solid Waste Disposal Revenue Bonds, which is reported as conduit debt for Chippewa County.

Civil Process Custodial Fund – to account for the collection of civil process fees and the related distribution.

Exhibit B-1

Chippewa County
Montevideo, Minnesota

Combining Statement of Fiduciary Net Position
Fiduciary Funds – Custodial Funds
December 31, 2025

	Region 6W Community Corrections	State Revenue	Taxes and Penalties
Assets			
Cash and pooled investments	$ 1,306,489	$ 93,112	$ 473,451
Investments	667,052	-	-
Taxes receivable for other governments	-	-	459,717
Accounts receivable	-	16,326	-
Total Assets	**$ 1,973,541**	**$ 109,438**	**$ 933,168**
Liabilities			
Due to other governments	**$ -**	**$ 93,112**	**$ 473,451**
Net Position			
Restricted for individuals, organizations, and other governments	**$ 1,973,541**	**$ 16,326**	**$ 459,717**

	CARE Collaborative	CCM Health	Jail Canteen	Total Custodial Funds
	$ 407,549	$ 7,267,442	$ 10,162	$ 9,558,205
	-	-	-	667,052
	-	-	-	459,717
	-	-	-	16,326
	$ 407,549	**$ 7,267,442**	**$ 10,162**	**$ 10,701,300**
	$ -	**$ -**	**$ -**	**$ 566,563**
	$ 407,549	**$ 7,267,442**	**$ 10,162**	**$ 10,134,737**

Exhibit B-2

Chippewa County
Montevideo, Minnesota

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds – Custodial Funds
For the Year Ended December 31, 2025

	Region 6W Community Corrections	State Revenue	Taxes and Penalties
Additions			
Interest earnings	$ 27,581	$ -	$ -
Property tax collections for other governments	-	-	15,819,652
Fees collected for the state	-	790,109	936,821
Payments from the state	1,401,467	-	-
Refunds collected for other entities	-	-	152,206
Payments from other entities	1,431,140	-	-
Total Additions	**$ 2,860,188**	**$ 790,109**	**$ 16,908,679**
Deductions			
Beneficiary payments to individuals	$ 2,096,092	$ -	$ -
Payments of property taxes to other governments	-	-	15,682,587
Payments to the state	-	773,783	941,553
Administrative expense	-	-	-
Payments to other entities	350,598	-	153,443
Total Deductions	**$ 2,446,690**	**$ 773,783**	**$ 16,777,583**
Change in Net Position	**$ 413,498**	**$ 16,326**	**$ 131,096**
Net Position – January 1	**1,560,043**	**-**	**328,621**
Net Position – December 31	**$ 1,973,541**	**$ 16,326**	**$ 459,717**

CARE Collaborative	CCM Health	Jail Canteen	Conduit Debt	Civil Process	Total Custodial Funds
$ -	$ -	$ -	$ -	$ -	$ 27,581
-	-	-	-	-	15,819,652
-	-	-	-	-	1,726,930
130,684	-	-	260,249	-	1,792,400
-	-	-	-	-	152,206
13,482	82,790,325	28,581	-	460,683	84,724,211
$ 144,166	**$ 82,790,325**	**$ 28,581**	**$ 260,249**	**$ 460,683**	**$ 104,242,980**
$ -	$ -	$ 14,165	$ -	$ -	$ 2,110,257
-	-	-	-	-	15,682,587
-	-	-	-	-	1,715,336
6,000	-	-	-	-	6,000
93,617	82,222,833	13,974	260,249	460,683	83,555,397
$ 99,617	**$ 82,222,833**	**$ 28,139**	**$ 260,249**	**$ 460,683**	**$ 103,069,577**
$ 44,549	**$ 567,492**	**$ 442**	**$ -**	**$ -**	**$ 1,173,403**
363,000	**6,699,950**	**9,720**	**-**	**-**	**8,961,334**
$ 407,549	**$ 7,267,442**	**$ 10,162**	**$ -**	**$ -**	**$ 10,134,737**

Other Schedules

Exhibit C-1

Chippewa County
Montevideo, Minnesota

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025

		Governmental Funds
Appropriations and Shared Revenue		
State		
Highway users tax	$	5,158,357
County program aid		884,384
PERA rate reimbursement		41,327
Disparity reduction aid		67,565
Police aid		160,528
Enhanced 911		170,974
Market value credit		218,902
Select Committee on Recycling and the Environment (SCORE)		86,705
Aquatic invasive species aid		33,558
Riparian protection aid		110,025
Local homeless prevention aid		26,994
Statewide affordable housing aid		39,334
Cannabis aid		5,454
Voting Operations, Technology, and Election Resources (VOTER)		12,400
Total appropriations and shared revenue	**$**	**7,016,507**
Reimbursement for Services		
Minnesota Department of Human Services	$	847,879
Local		303,665
Total reimbursement for services	**$**	**1,151,544**
Payments		
State		
Payments in lieu of taxes	$	150,514
Local		
Payments in lieu of taxes		14,218
Other contributions		31,306
Total payments	**$**	**196,038**
Grants		
State		
Minnesota Department/Board of/Office of		
Human Services	$	415,679
Children, Youth, and Families		348,157
IT Services		71,775
Natural Resources		40,661
Public Safety		164,557
Transportation		64,731
Water and Soil Resources		58,034
Veterans Affairs		7,500
Total state	**$**	**1,171,094**

Exhibit C-1
(Continued)

Chippewa County
Montevideo, Minnesota

Schedule of Intergovernmental Revenue
For the Year Ended December 31, 2025

		Governmental Funds
Grants (Continued)		
Federal		
Department of		
Agriculture	$	269,197
Transportation		215,703
Treasury		16,000
Health and Human Services		2,300,240
Homeland Security		100,867
Total federal	**$**	**2,902,007**
Total state and federal grants	**$**	**4,073,101**
Total Intergovernmental Revenue	**$**	**12,437,190**

Exhibit C-2

Chippewa County
Montevideo, Minnesota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through Minnesota Department of Human Services				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN101S2514	$ 167,618	$ -
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN127Q7503	33,309	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN101S2520	851	-
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $269,197)				
Passed Through Minnesota Department of Children, Youth, and Families				
SNAP Cluster				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN101S2514	61,704	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN127Q7503	5,652	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	252MN101S2520	63	-
(Total State Administrative Matching Grants for the Supplemental Nutrition Assistance Program 10.561 $269,197)				
Total U.S. Department of Agriculture			**$ 269,197**	**$ -**
U.S. Department of Transportation				
Passed Through Minnesota Department of Transportation				
Highway Planning and Construction	20.205	1052116	$ 193,088	$ 193,088
Passed Through Minnesota Department of Public Safety				
Highway Safety Cluster				
State and Community Highway Safety	20.600	F-ENFRC25-2025-CHIPPWSD	18,299	8,163
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFRC25-2025-CHIPPWSD	4,316	1,662
Total U.S. Department of Transportation			**$ 215,703**	**$ 202,913**
U.S. Department of the Treasury				
Direct				
COVID-19 – Local Assistance and Tribal Consistency Fund	21.032		**$ 16,000**	**$ -**
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services				
MaryLee Allen Promoting Safe and Stable Families Program	93.556	2401MNFPSS	$ 7,661	$ -
Temporary Assistance for Needy Families	93.558	2501MNTANF	957,352	-
Child Support Services	93.563	2501MNSCSS	231,293	-
Child Support Services	93.563	2501MNICSS	7,644	-
(Total Child Support Services 93.563 $321,666)				
Refugee and Entrant Assistance State/Replacement Designee Administered Programs	93.566	2501MNRCMA	942	-
CCDF Cluster				
Child Care and Development Block Grant	93.575	2501MNCCDF	3,275	-
Community-Based Child Abuse Prevention Grants	93.590	2402MNBCAP	1,618	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	2401MNCWSS	3,245	-
Foster Care Title IV-E	93.658	2501MNFOST	65,076	-
(Total Foster Care Title IV-E 93.658 $155,326)				
Social Services Block Grant	93.667	2501MNSOSR	94,578	-
Children's Health Insurance Program	93.767	2405MN5021	138	-
Medicaid Cluster				
Grants to States for Medicaid	93.778	2505MN5ADM	778,527	-
Grants to States for Medicaid	93.778	2505MN5MAP	3,317	-
(Total Grants to States for Medicaid 93.778 $781,844)				

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

Chippewa County
Montevideo, Minnesota

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2025

Federal Grantor Pass-Through Agency Program or Cluster Title	Assistance Listing Number	Pass-Through Grant Numbers	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services (Continued)				
Passed Through Minnesota Department of Children, Youth, and Families				
Child Support Services	93.563	2501MNSCSS	73,212	-
Child Support Services	93.563	2501MNICSS	9,517	-
(Total Child Support Services 93.563 $321,666)				
Foster Care Title IV-E	93.658	2501MNFOST	90,250	-
(Total Foster Care Title IV-E 93.658 $155,326)				
Total U.S. Department of Health and Human Services			**$ 2,327,645**	**$ -**
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources				
Boating Safety Financial Assistance	97.012	None Provided	$ 60,000	$ -
Passed Through Minnesota Department of Public Safety				
Hazard Mitigation Grant	97.039	A-HMGP-DR4442-CHIPPWCO-012	40,867	-
Total U.S. Department of Homeland Security			**$ 100,867**	**$ -**
Total Federal Awards			**$ 2,929,412**	**$ 202,913**

Totals by Cluster	
Total expenditures for SNAP Cluster	$ 269,197
Total expenditures for Highway Safety Cluster	18,299
Total expenditures for CCDF Cluster	3,275
Total expenditures for Medicaid Cluster	781,844

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2025

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

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

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of Chippewa County under programs of the federal government for the year ended December 31, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule of Expenditures of Federal Awards presents only a selected portion of the operations of Chippewa County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Chippewa County.

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

Note 2 – De Minimis Cost Rate

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

Note 3 – Reconciliation to Schedule of Intergovernmental Revenue

Reconciliation to Schedule of Intergovernmental Revenue

Reconciling Items	Amount
Federal grant revenue per Schedule of Intergovernmental Revenue	$ 2,902,007
Grants received more than 60 days after year-end, considered unavailable revenue in 2025	
MaryLee Allen Promoting Safe and Stable Families Program (Assistance Listing Number 93.556)	511
Child Support Services (Assistance Listing Number 93.563)	6,739
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	911
Foster Care Title IV-E (Assistance Listing Number 93.658)	18,022
Grants to States for Medicaid (Assistance Listing Number 93.778)	5,556
Unavailable revenue in 2024, recognized as revenue in 2025	
MaryLee Allen Promoting Safe and Stable Families Program (Assistance Listing Number 93.556)	(704)
Refugee and Entrant Assistance State/Replacement Designee Administered Programs (Assistance Listing Number 93.566)	(466)
Stephanie Tubbs Jones Child Welfare Services Program (Assistance Listing Number 93.645)	(1,254)
Foster Care Title IV-E (Assistance Listing Number 93.658)	(1,910)
Expenditures per Schedule of Expenditures of Federal Awards	$ 2,929,412

Management and Compliance Section

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
525 Park Street
Saint Paul, MN 55103

Independent Auditor's 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*

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

We have audited, in accordance with the 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, 2025, 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 2, 2026.

Report on Internal Control Over Financial Reporting

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

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

Report on Compliance and Other Matters

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

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

Minnesota Legal Compliance

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

Purpose of This Report

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

/s/Julie Blaha	*/s/Lisa Young*
Julie Blaha State Auditor	Lisa Young, CPA Deputy State Auditor

September 2, 2026

STATE OF MINNESOTA

Julie Blaha
State Auditor

Office of the State Auditor

Suite 500
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Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Chippewa County's compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Chippewa County's major federal programs for the year ended December 31, 2025. Chippewa County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Qualified Opinion on Medicaid Cluster

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Chippewa County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Medicaid Cluster for the year ended December 31, 2025.

Unmodified Opinion on the Other 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 other major federal program identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended December 31, 2025.

Basis for Qualified and Unmodified Opinions

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

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

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Matter Giving Rise to Qualified Opinion on Medicaid Cluster

As described in the accompanying Schedule of Findings and Questioned Costs, Chippewa County did not comply with requirements regarding Assistance Listing Number 93.778 Medicaid Cluster as described in finding number 2025-001 for Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

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

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2025-001 to be a material weakness.

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

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

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

/s/Julie Blaha	*/s/Lisa Young*
Julie Blaha State Auditor	Lisa Young, CPA Deputy State Auditor

September 2, 2026

Chippewa County
Montevideo, Minnesota

Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2025

Section I – Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:
- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Federal Awards

Internal control over the major federal programs:
- Material weaknesses identified? **Yes**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for the major federal programs: **Unmodified, except for Medicaid Cluster, which is qualified.**

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

Identification of the major federal programs:

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

Dollar threshold used to distinguish between Type A and Type B programs: $1,000,000.

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

Section II – Financial Statement Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

2025-001 **Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting**
Prior Year Finding Number: 2024-001
Year of Finding Origination: 2023
Type of Finding: Internal Control Over Compliance and Compliance
Severity of Deficiency: Material Weakness and Modified Opinion

Federal Agency: U.S. Department of Health and Human Services
Program: 93.778 Grants to States for Medicaid
Award Number and Year: 2505MN5ADM, 2025

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, document, and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

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

Condition: The following exceptions were noted in the sample of 40 expenditures tested:

- One claim included activity that was not allocated based on the full-time equivalent (FTE) split.
- Two timesheets tested included payroll costs that were incorrectly reported as Social Service Time Studies (SSTS) participants payroll expense.

In addition, the following exception was noted during testing of the second and fourth quarter DHS reports:

- The fourth quarter DHS-2556 report had $67,721 of revenue reported on line 8 – revenue offsets section 1, which should have been reported in the revenue lines under that same section, resulting in an understatement of total expenditures.

Questioned Costs: $73,831. $6,110 known questioned costs were determined based on exceptions noted from a sample of transactions tested, and $67,721 known questioned costs were determined based on the exceptions noted in the DHS-2556 reports tested.

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

Total Grants to States for Medicaid expenditures reported on the Schedule of Expenditures of Federal Awards (SEFA) are $781,844, consisting of 1,417 transactions. The sample of 40 transactions totaled $244,550. The reporting population consisted of four quarterly DHS-2550 and four quarterly DHS-2556 reports; the sample was two quarterly DHS-2550 and two quarterly DHS-2556 reports. The sample sizes were based on guidance from Chapter 11 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

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

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

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

View of Responsible Official: Acknowledge

COUNTY MINNESOTA
AUDITOR/TREASURER

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Representation of Chippewa County
Montevideo, Minnesota

Corrective Action Plan

For the Year Ended December 31, 2025

Finding Number: 2025-001
Finding Title: Activities Allowed or Unallowed, Allowable Costs/Cost Principles, and Reporting
Program: 93.778 Grants to States for Medicaid

Name of Contact Person Responsible for Corrective Action:
Jennifer Bakkelund, Fiscal and Support Supervisor

Corrective Action Planned:
Work with courthouse to make salary adjustment entry to move the working costs to admin codes for the months prior to joining Time study.

Once finished, will resubmit reports to show this change and the change of reporting the reduction in revenue on the 2556 report where it was only shown on the expense side and not the revenue side of the report in accordance with DHS instructions.

Anticipated Completion Date:
September 30, 2026

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Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2025

Finding Number: 2024-001
Year of Finding Origination: 2023
Finding Title: Activities Allowed or Unallowed and Allowable Costs/Cost Principles
Program: 93.778 Grants to States for Medicaid

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

- One claim was included in a DHS-2550 report as eligible expenditures but was not eligible for federal reimbursement.
- One claim included in a DHS-2556 report was reported as a reduction of Intergovernmental Federal Revenue rather than a Services and Charges expenditure.
- For eight timesheets tested, the payroll costs were allocated on an incorrect full-time equivalent (FTE) split on the DHS-2550 and DHS-2556 reports.
- One timesheet was included in the DHS-2556 reports for Social Service Time Study Random Moment Time Study (SSTS RMS) Participants Payroll Expense rather than Non SSTS RMS Participants Payroll Expense.

Summary of Corrective Action Previously Reported: Due to overlap of when we found the errors from 2023 and the corrections of those in 2024, this triggered other areas we knew would have to change in 2024. This included more movement in personnel expenses for programs not considered under federal financial participation. These programs were all removed from the Family Services budget by January 1, 2025. The corrections to our internal systems were corrected in 2025. Chippewa County staff will connect with DHS to review the corrections made in our system as it pertains to the quarterly reports and will adjust as they instruct.

For the Administrative split being used each year, we will use the A87 Report to determine the rate. It will be shared with the Payroll department, the County Auditor/Treasurer's department and Family Services accounting staff prior to the start of the year or prior to any mid-year change.

More oversight will be given to placement of "Other" charges that are paid in County systems and to make sure placement of those are correct in the quarterly reports.

Status: Not Corrected. In regard to the 2023 error in this category, that was corrected. The 3 supervisors were included in the time study that was incorrect. They were correctly placed later.

2025 Time study issue was due to turn over and that the state does not allow for workers to be added once they start. They can only be added the 20th of the last month before quarter end. The workers are all trained for the Time study within the first week of starting.

We will develop a policy of when a social worker starts, payroll will place in Admin Social worker codes. The Supervisor of the worker will have to contact payroll once the worker has been added to the time study. Payroll will then move the worker to the FTE codes.

2550 with the unclaimable cost was found and corrected at the same time auditors were informed.

2556 was discussed with DHS on how this affects their reimbursement. As long as revenue was reported, the Other line and Services line did not affect their calculations.

However, the reporting of the reduction of the revenue was in error and needs to be resubmitted to DHS.

Finding Number: 2024-002
Year of Finding Origination: 2024
Finding Title: Eligibility
Program: 93.778 Grants to States for Medicaid

Summary of Condition: The Minnesota Department of Human Services maintains the computer system, MAXIS, which is used by Chippewa County to support the eligibility determination process. In the case files tested for eligibility, not all documentation to support participant eligibility was available, updated, or input correctly. The following exceptions were noted in the sample of 40 case files tested:

- One participant's citizenship was not verified.
- Two case files did not calculate or document the participant's income correctly.
- Two case files had an asset listed in MAXIS that did not match the documentation in the case file.

Summary of Corrective Action Previously Reported: Cases where there was an income discrepancy have been reviewed and updated. Peacetime instructions used during COVID are no longer in place. MAXIS cases have reverted to pre-pandemic processing and will be reviewed and updated. Specific income calculations were reviewed with staff. Supervisor will promote annotation on documents for clarification, as well as clear and concise case noting.

Desk reviews are completed periodically for review of income, assets and citizenship and all transfer in cases are reviewed for the like. Supervisor will request that each worker review citizenship (STAT/MEMB/MEMI and imaging) at healthcare renewal month to ensure accuracy.

Policy and procedure review for staff on reviewing forms for asset information. This also relates to the self-attestation of cash on the review forms.

Status: Fully Corrected. Corrective action was taken.