

STATE OF MINNESOTA

Office of the State Auditor



Rebecca Otto
State Auditor

CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA

YEAR ENDED DECEMBER 31, 2015

Description of the Office of the State Auditor

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

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

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

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

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

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

Pension - monitors investment, financial, and actuarial reporting for approximately 700 public pension funds; and

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

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

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

Year Ended December 31, 2015



**Audit Practice Division
Office of the State Auditor
State of Minnesota**

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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MONTEVIDEO, MINNESOTA**

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

ORGANIZATION
2015

Office	Name	Term Expires
Commissioners		
1st District	Matt Gilbertson*	January 2019
2nd District	Jeffrey Lopez	January 2017
3rd District	David Nordaune	January 2017
4th District	Jim Dahlvang	January 2017
5th District	David Lieser	January 2019
Officers		
Elected		
Attorney	David Gilbertson	January 2019
Auditor/Treasurer	Jon Clauson	January 2019
Coroner	Erik Shelstad, M.D.**	January 2019
County Recorder and Registrar of Titles	Amy Rodeberg	January 2019
Sheriff	Stacy Tufto	January 2019
Appointed		
Assessor	Bonnie Crosby	Indefinite
Community Corrections	Midge Christianson	Indefinite
Deputy Registrar	Sandra Hodge	Indefinite
Highway Engineer	Steve Kubista	Indefinite
Land and Resource Management	Scott Williams	Indefinite
Veterans Service Officer	Tim Kolhei	Indefinite
Family Services Director	Patrick Bruflat	Indefinite
Data Processing	Ken Menning	Indefinite

*Chair 2015

**Erik Shelstad resigned on July 2, 2015. Dr. A. Quinn Strobel and Anoka County were appointed by the board to complete the term from August 1, 2015 through December 31, 2016.

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2015 the County adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, and GASB Statement No. 82, *Pension Issues*, which represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Chippewa County's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 2, 2016, 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Chippewa County's internal control over financial reporting and compliance.

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

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 2, 2016

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015
(Unaudited)**

The Auditor/Treasurer of Chippewa County offers readers of Chippewa County's financial statements this narrative overview and analysis of the financial activities of Chippewa County for the fiscal year ended December 31, 2015. 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 of Chippewa County exceeded its liabilities at the close of the most recent fiscal year (December 31, 2015) by \$63,068,554 (net position). Of this amount, \$5,943,741 (unrestricted net position) may be used to meet ongoing obligations to citizens and creditors.
- Chippewa County's total net position increased by \$1,069,004. The increase is largely from an increase in current and other assets net of deferred pension outflows.
- As of the close of the 2015 fiscal year, Chippewa County's governmental funds' ending fund balances were \$13,938,770, compared to \$13,810,010 in 2014. Approximately 22.1 percent of the amount (\$3,078,284) is available for spending at Chippewa County's discretion (unassigned fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 and deferred outflows of resources, and liabilities and deferred inflows of resources, using the accrual basis of accounting, with the difference reported as net position. Over time, increases or

decreases in net position may serve as a useful indicator of whether the financial health of the County is improving or deteriorating. It is also important to consider other nonfinancial factors, such as changes in the County's property tax base and the condition of County roads and other capital assets, to assess the overall health of the County.

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

The government-wide financial statements can be found on 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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Within the governmental funds, Chippewa County maintains two fund types: General and special revenue. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Road and Bridge Special Revenue Fund, Family Services Special Revenue Fund, and Ditch Revenue Special Revenue Fund, all of which are considered to be major funds.

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

The basic governmental fund financial statements can be found on Exhibits 3 through 6 of this report.

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

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

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

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

The basic fiduciary fund financial statements can be found on Exhibits 7 and 8 of this report.

Notes to the Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The budgetary statements referred to earlier in connection with the major governmental funds are presented immediately following the notes to the financial statements. Combining statements can be found on Exhibits B-1 and B-2 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Chippewa County, assets exceeded liabilities by \$63,068,554 on December 31, 2015.

The largest portion of net position (80.8 percent) reflects the County's investment in capital assets (for example: land; buildings; machinery and equipment; infrastructure; improvements to land; and construction in progress, net of accumulated depreciation). Chippewa County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Of Chippewa County's net position, 9.7 percent represents resources subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,943,741) may be used to meet the government's ongoing obligations to citizens and creditors.

Net Position

	Governmental Activities	
	2015	2014
Assets		
Current and other assets	\$ 18,809,486	\$ 16,800,680
Capital assets	50,984,460	51,086,005
Total Assets	\$ 69,793,946	\$ 67,886,685
Deferred Outflows of Resources		
Deferred pension outflows	\$ 800,269	\$ -
Liabilities		
Other liabilities	\$ 700,918	\$ 539,989
Long-term liabilities	6,215,881	1,491,175
Total Liabilities	\$ 6,916,799	\$ 2,031,164
Deferred Inflows of Resources		
Deferred pension inflows	\$ 608,862	\$ -
Net Position		
Investment in capital assets	\$ 50,984,460	\$ 51,086,005
Restricted	6,140,353	4,929,348
Unrestricted	5,943,741	9,840,168
Total Net Position, as reported	\$ 63,068,554	\$ 65,855,521
Change in accounting principles*		(4,350,527)
Prior period adjustments**		494,556
Total Net Position, as restated		\$ 61,999,550

*This is the first year the County implemented the new pension accounting and financial reporting standards, Governmental Accounting Standards Board (GASB) Statements 68, 71, and 82. The County had to make a prior year change in accounting principles to record the County's net pension liability and related deferred outflows of resources.

**The January 1, 2015, governmental activities' balances of loans receivable (\$324,742); due from other governments (\$169,814); and net position (\$494,556) were increased to correct a prior understatement.

Unrestricted net position at December 31, 2015--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 9.4 percent of the net position.

Governmental Activities

The County's activities increased net position by 1.7 percent (\$63,068,554) for 2015, compared to \$61,999,550 for 2014. Key elements in this increase in net position are as follows:

Changes in Net Position

	Governmental Activities	
	2015	2014
Revenues		
Program revenues		
Fees, charges, fines, and other	\$ 1,786,067	\$ 2,255,054
Operating grants and contributions	6,487,969	6,200,569
Capital grants and contributions	602,219	58,453
General revenues		
Property taxes	8,780,511	8,438,126
Other	998,012	1,237,695
Total Revenues	<u>\$ 18,654,778</u>	<u>\$ 18,189,897</u>
Expenses		
General government	\$ 3,783,935	\$ 3,460,503
Public safety	2,896,245	2,530,056
Highways and streets	4,201,275	3,978,901
Sanitation	353,125	273,583
Human services	4,763,755	4,802,596
Health	131,333	127,508
Culture and recreation	356,749	442,167
Conservation of natural resources	1,038,771	1,403,700
Economic development	53,821	50,388
Interest	6,765	9,976
Total Expenses	<u>\$ 17,585,774</u>	<u>\$ 17,079,378</u>
Increase in Net Position	\$ 1,069,004	\$ 1,110,519
Net Position - January 1, as restated (Note 1.E.)	<u>61,999,550</u>	<u>64,745,002</u>
Net Position - December 31, as reported	<u>\$ 63,068,554</u>	<u>\$ 65,855,521</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

Governmental Funds

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

As of the end of the current fiscal year, Chippewa County's governmental funds reported combined ending fund balances of \$13,938,770, an increase of \$128,760, or 0.9 percent, in comparison with the prior year. Of the combined ending fund balances, \$10,125,457 represents unrestricted fund balance, which is available for spending at the County Board's discretion. The remainder of the fund balance, \$3,813,313, is either nonspendable or is restricted to indicate that it is not available for new spending because it has already been committed 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 2015, it had an unrestricted fund balance of \$3,142,346. 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 40.7 percent of total General Fund expenditures. During 2015, the ending fund balance increased by \$168,338. Examples of contributing factors to this increase are higher than anticipated revenues in the County Recorder, Sheriff's Department, Boat and Water Safety Enforcement, Jail, 911 Dispatcher, and Weed Department accounts.

The Road and Bridge Special Revenue Fund had an unrestricted fund balance of \$3,358,736 at the end of 2015, representing 76.7 percent of its annual expenditures. The ending fund balance increased by \$29,296 during 2015, primarily due to reductions in fuel due to the mild winter experienced and reduced fuel prices during the period.

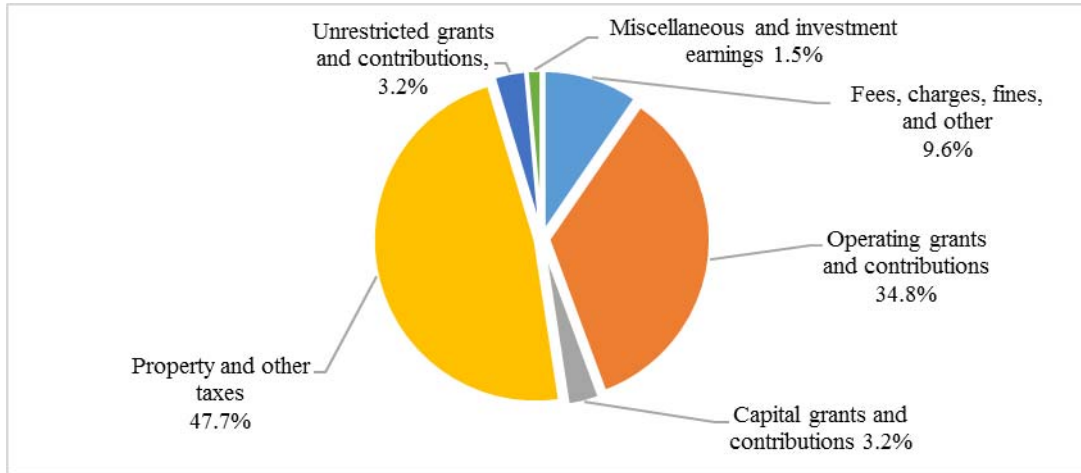
The Human Services Special Revenue Fund had an unrestricted fund balance of \$3,624,375 at the end of 2015, representing 75.6 percent of its annual expenditures. The ending fund balance increased by \$103,495 during 2015. The decrease was largely due to the Child Protection Grant state dollars and the increase in revenue from STSS dollars (MN Choices).

The Ditch Revenue Special Revenue Fund has a fund balance of \$2,306,847 at the end of 2015. The ending fund balance decreased by \$172,369 during 2015; the reduction is due to exceedingly wet conditions during the year that resulted in higher than anticipated repair costs.

GOVERNMENTAL ACTIVITIES

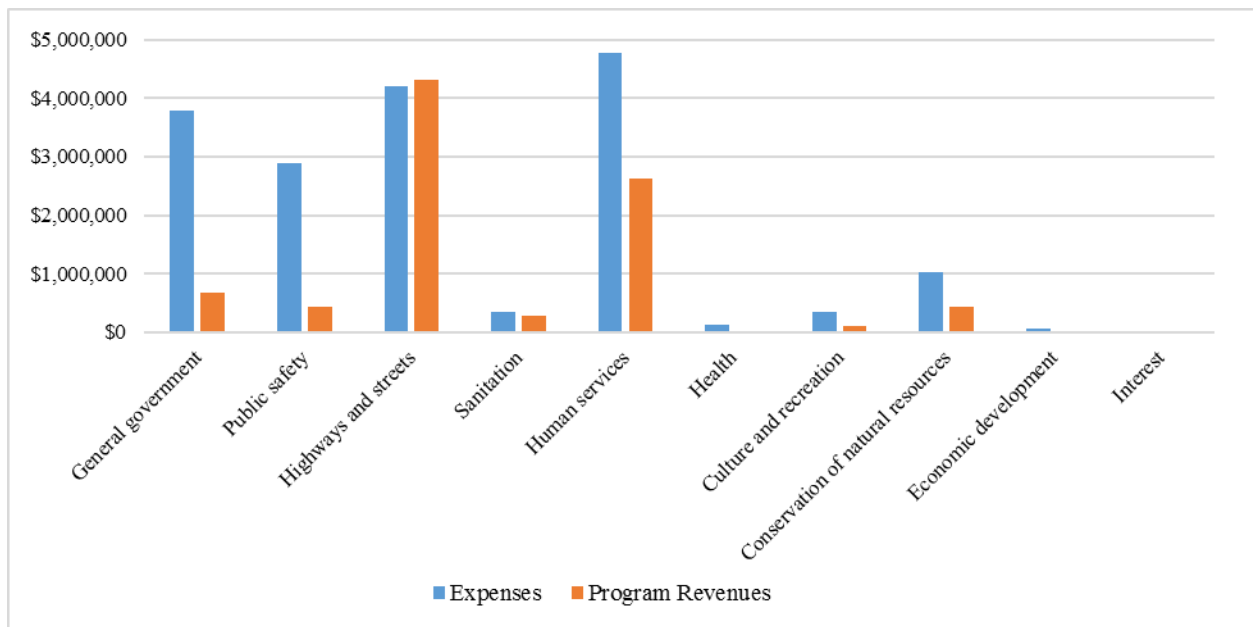
The County's total revenues were \$18,654,778. Table 1 presents the percent of total County revenues by source for the year ended December 31, 2015.

Table 1
Revenues by Source



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

Table 2
Expenses and Program Revenues



The cost of all governmental activities in 2015 was \$17,585,774. However, as shown on the Statement of Activities, Exhibit 2, the amount that Chippewa County taxpayers ultimately financed these activities through County taxes and non-program revenues was only \$8,709,519 because some of the cost was paid by those who directly benefited from the programs, \$1,786,067, or by other governments and organizations that subsidized certain programs with grants and contributions, \$7,090,188. The County paid for the remaining “public benefit” portion of governmental activities with \$9,778,523 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**

	2015	
	Total Cost of Services	Net Cost of Services
General government	\$ 3,783,935	\$ (3,104,639)
Public safety	2,896,245	(2,456,379)
Highways and streets	4,201,275	112,800
Sanitation	353,125	(74,842)
Human services	4,763,755	(2,140,911)
Health	131,333	(131,333)
Culture and recreation	356,749	(258,815)
Conservation of natural resources	1,038,771	(594,814)
Economic development	53,821	(53,821)
Interest	6,765	(6,765)
Totals	\$ 17,585,774	\$ (8,709,519)

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$555,693. Items contributing to this were septic system loan payments and pass-through environmental grants.

Over the course of the year, the County Board increased the General Fund expenditure budget by \$626,247. Several factors affecting the increase included pass-through expenditures for septic system loan repayments, higher than expected costs for operation of recycling and landfill activities, and repairs to Courthouse facility.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The County's capital assets for its governmental activities at December 31, 2015, totaled \$50,984,460 (net of accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and infrastructure. The investment in capital assets decreased \$101,545, or 0.2 percent, from the previous year. Major capital assets were reduced due to deletions and/or replacements of machinery and equipment resulting in a lesser value.

	Capital Assets at Year-End Net of Depreciation	
	<u>2015</u>	<u>2014</u>
Land and right-of-way	\$ 1,834,202	\$ 1,692,312
Infrastructure	43,534,957	43,593,388
Buildings	3,306,254	3,418,303
Machinery and equipment	2,067,507	2,207,082
Construction in progress	241,540	174,920
Total	<u>\$ 50,984,460</u>	<u>\$ 51,086,005</u>

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

Long-Term Debt

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

Additional information on the County's long-term debt 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 2016 budget, tax rates, and fees that will be charged for the year.

- The unemployment rate for Chippewa County at the end of 2015 was 4.2 percent. This compares with the state unemployment rate of 3.7 percent and national unemployment rate of 4.8 percent. This shows a moderate increase from the County's 3.9 percent rate of one year ago. The economic recovery continues, however, at a very slow rate. Agricultural land values show signs of falling back from historic high levels from the last several years creating shift in where tax dollars come from.

- The 2016 property tax levy for the County increased 4.77 percent (\$429,200) from 2015. The increase is due to several factors: personal services; capital outlay in aging County buildings (Courthouse, Community Services Center, and County Office Building); further reductions in property tax credits from the State of Minnesota; and reduced use of cash reserves in the General Revenue Fund.

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 Jon Clauson, 629 North 11th Street, Montevideo, Minnesota 56265.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Assets

Cash and pooled investments	\$	8,100,775
Investments		5,603,074
Receivables		4,934,565
Inventories		151,510
Prepaid items		19,562
Capital assets		
Non-depreciable		2,075,742
Depreciable - net of accumulated depreciation		48,908,718
		48,908,718
Total Assets	\$	69,793,946

Deferred Outflows of Resources

Deferred pension outflows	\$	800,269
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Liabilities

Accounts payable and other current liabilities	\$	515,131
Unearned revenue		7,500
Advance from other governments		178,287
Long-term liabilities		
Due within one year		149,070
Due in more than one year		1,061,722
Other postemployment benefits		335,928
Net pension liability		4,669,161
		4,669,161
Total Liabilities	\$	6,916,799

Deferred Inflows of Resources

Deferred pension inflows	\$	608,862
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Net Position

Investment in capital assets	\$	50,984,460
Restricted for		
General government		544,299
Public safety		167,892
Highways and streets		2,915,272
Human services		21,650
Conservation of natural resources		2,491,240
Unrestricted		5,943,741
		5,943,741
Total Net Position	\$	63,068,554

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Program Revenues			Net (Expense)
Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
<u>Functions/Programs</u>				
Governmental activities				
General government	\$ 3,783,935	\$ 561,290	\$ 118,006	\$ -
Public safety	2,896,245	186,031	253,835	-
Highways and streets	4,201,275	179,043	3,532,813	602,219
Sanitation	353,125	208,591	69,692	-
Human services	4,763,755	301,132	2,321,712	-
Health	131,333	-	-	-
Culture and recreation	356,749	36	97,898	-
Conservation of natural resources	1,038,771	349,944	94,013	-
Economic development	53,821	-	-	-
Interest	6,765	-	-	-
	\$ 17,585,774	\$ 1,786,067	\$ 6,487,969	\$ 602,219
Total Governmental Activities	\$ 17,585,774	\$ 1,786,067	\$ 6,487,969	\$ 602,219
 General Revenues				
Property taxes				\$ 8,780,511
Mortgage registry and deed tax				9,066
Payments in lieu of tax				117,755
Grants and contributions not restricted to specific programs				598,833
Miscellaneous				252,215
Unrestricted investment earnings				20,143
				\$ 9,778,523
Total general revenues				\$ 9,778,523
Change in net position				\$ 1,069,004
Net Position - Beginning, as restated (Note 1.E.)				61,999,550
Net Position - Ending				\$ 63,068,554

FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Assets</u>					
Cash and pooled investments	\$ 3,654,339	\$ 299,696	\$ 3,627,331	\$ 309,394	\$ 7,890,760
Undistributed cash in agency funds	134,721	25,672	44,322	3,100	207,815
Petty cash and change funds	2,100	-	100	-	2,200
Investments	500,200	3,102,874	-	2,000,000	5,603,074
Taxes receivable					
Delinquent	64,909	15,323	27,238	-	107,470
Special assessments receivable					
Delinquent	27,711	-	-	535	28,246
Noncurrent	389,621	-	-	730,856	1,120,477
Accounts receivable	36,878	180	-	-	37,058
Accrued interest receivable	5,579	1,793	-	-	7,372
Due from other governments	78,999	2,916,956	302,358	-	3,298,313
Inventories	-	151,510	-	-	151,510
Prepaid items	13,029	6,533	-	-	19,562
Loans receivable	22,815	312,814	-	-	335,629
Total Assets	\$ 4,930,901	\$ 6,833,351	\$ 4,001,349	\$ 3,043,885	\$ 18,809,486
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 279,113	\$ 22,681	\$ 134,380	\$ 5,647	\$ 441,821
Salaries payable	17,955	1,753	51	-	19,759
Contracts payable	-	23,628	-	-	23,628
Due to other governments	14,372	183	15,368	-	29,923
Unearned revenue	7,500	-	-	-	7,500
Advance from other governments	-	-	178,287	-	178,287
Total Liabilities	\$ 318,940	\$ 48,245	\$ 328,086	\$ 5,647	\$ 700,918
Deferred Inflows of Resources					
Unavailable revenue	\$ 483,048	\$ 2,928,121	\$ 27,238	\$ 731,391	\$ 4,169,798

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

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
(Continued)					
Fund Balances					
Nonspendable					
Prepaid items	\$ 13,029	\$ 6,533	\$ -	\$ -	\$ 19,562
Loans receivable	22,815	312,814	-	-	335,629
Inventories	-	151,510	-	-	151,510
Missing heirs	7,262	-	-	-	7,262
Unclaimed property	154	-	-	-	154
Restricted for					
Law library	95,364	-	-	-	95,364
Enhanced 911	161,933	-	-	-	161,933
Sheriff's contingency	1,665	-	-	-	1,665
Recorder's technology fund	241,915	-	-	-	241,915
Recorder's compliance fund	205,602	-	-	-	205,602
Law enforcement - drug task force	4,294	-	-	-	4,294
Attorney forfeiture	1,418	-	-	-	1,418
Highway allotments	-	27,392	-	-	27,392
Septic/sewer loans	179,951	-	-	-	179,951
Food stamp enhancement bonus	-	-	21,650	-	21,650
Ditch maintenance and repairs	-	-	-	2,306,847	2,306,847
Aquatic invasive species aid	51,165	-	-	-	51,165
Assigned for					
Vehicle purchases	64,062	-	-	-	64,062
Road and bridge	-	2,312,894	-	-	2,312,894
Capital land	-	155,842	-	-	155,842
Capital equipment	-	890,000	-	-	890,000
Human services	-	-	1,048,579	-	1,048,579
Program contingencies	-	-	300,000	-	300,000
Future building	-	-	1,450,796	-	1,450,796
Out-of-home placements	-	-	500,000	-	500,000
Out-of-home prevention services	-	-	125,000	-	125,000
Children's mental health	-	-	100,000	-	100,000
Mental health contingencies	-	-	100,000	-	100,000
Unassigned	3,078,284	-	-	-	3,078,284
Total Fund Balances	\$ 4,128,913	\$ 3,856,985	\$ 3,646,025	\$ 2,306,847	\$ 13,938,770
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 4,930,901	\$ 6,833,351	\$ 4,001,349	\$ 3,043,885	\$ 18,809,486

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015**

Fund balance - total governmental funds (Exhibit 3)	\$	13,938,770
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		50,984,460
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Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in governmental funds.		800,269
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Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred inflows of resources in the governmental funds.		4,169,798
--	--	-----------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.

Loans payable	\$ (572,560)	
Compensated absences	(638,232)	
Other postemployment benefits	(335,928)	
Net pension liability	<u>(4,669,161)</u>	(6,215,881)

Deferred inflows resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds.		<u>(608,862)</u>
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Net Position of Governmental Activities (Exhibit 1)	\$	<u>63,068,554</u>
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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>General</u>	<u>Road and Bridge</u>	<u>Family Services</u>	<u>Ditch</u>	<u>Total</u>
Revenues					
Taxes	\$ 5,430,333	\$ 1,225,616	\$ 2,120,955	\$ 225	\$ 8,777,129
Special assessments	189,576	-	-	274,054	463,630
Licenses and permits	7,765	18,000	-	-	25,765
Intergovernmental	1,092,495	2,946,477	2,464,661	10,481	6,514,114
Charges for services	604,887	48,294	181,029	-	834,210
Gifts and contributions	5,650	-	4,978	-	10,628
Investment earnings	8,321	7,021	2,801	2,000	20,143
Miscellaneous	485,768	169,884	120,103	1,260	777,015
Total Revenues	\$ 7,824,795	\$ 4,415,292	\$ 4,894,527	\$ 288,020	\$ 17,422,634
Expenditures					
Current					
General government	\$ 3,629,280	\$ -	\$ -	\$ -	\$ 3,629,280
Public safety	2,337,413	-	-	-	2,337,413
Highways and streets	-	4,007,708	-	-	4,007,708
Sanitation	351,581	-	-	-	351,581
Human services	-	-	4,659,699	-	4,659,699
Culture and recreation	406,207	-	-	-	406,207
Conservation of natural resources	571,084	-	-	460,389	1,031,473
Economic development	53,821	-	-	-	53,821
Intergovernmental					
Public safety	268,285	-	-	-	268,285
Highways and streets	-	374,136	-	-	374,136
Health	-	-	131,333	-	131,333
Debt service					
Principal	88,915	-	-	-	88,915
Interest	5,932	-	-	-	5,932
Total Expenditures	\$ 7,712,518	\$ 4,381,844	\$ 4,791,032	\$ 460,389	\$ 17,345,783
Excess of Revenues Over (Under) Expenditures	\$ 112,277	\$ 33,448	\$ 103,495	\$ (172,369)	\$ 76,851
Other Financing Sources (Uses)					
Loans issued	56,061	-	-	-	56,061
Net Change in Fund Balance	\$ 168,338	\$ 33,448	\$ 103,495	\$ (172,369)	\$ 132,912
Fund Balance - January 1, as restated (Note 1.E.)	3,960,575	3,827,689	3,542,530	2,479,216	13,810,010
Increase (decrease) in inventories	-	(4,152)	-	-	(4,152)
Fund Balance - December 31	\$ 4,128,913	\$ 3,856,985	\$ 3,646,025	\$ 2,306,847	\$ 13,938,770

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015**

Net change in fund balance - total governmental funds (Exhibit 5) \$ 132,912

Amounts reported for governmental activities in the statement of activities are different because:

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

Deferred inflows of resources - December 31	\$ 4,169,798	
Deferred inflows of resources - January 1	<u>(2,945,237)</u>	1,224,561

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. In the statement of activities, only the gain or loss on the disposal of capital assets is reported; whereas, in the governmental funds, the proceeds from the sale increase financial resources. The difference is the net book value of the assets disposed of.

Expenditures for general capital assets and infrastructure	\$ 2,076,018	
Net book value of disposed assets	(155,173)	
Current year depreciation	<u>(2,022,392)</u>	(101,547)

Debt issuance proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:

Debt issued		
Loans		(56,061)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal repayments		
Loans payable		88,915

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in compensated absences	\$ (30,223)	
Change in net OPEB liability	(58,174)	
Change in net pension liability, as restated	(83,573)	
Change in deferred outflows of resources, as restated	565,208	
Change in deferred inflows of resources	(608,862)	
Change in inventories	<u>(4,152)</u>	<u>(219,776)</u>

Change in Net Position of Governmental Activities (Exhibit 2) \$ 1,069,004

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FIDUCIARY FUNDS

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2015**

	Investment Trusts	Agency
<u>Assets</u>		
Cash and pooled investments	\$ 1,718,716	\$ 799,322
Investments	22,068,707	20,919
Due from other governments	-	101,191
Accrued interest receivable	40,175	-
Total Assets	\$ 23,827,598	\$ 921,432
<u>Liabilities</u>		
Due to other governments	-	\$ 921,432
<u>Net Position</u>		
Net position, held in trust	\$ 23,827,598	

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Investment Trusts</u>
<u>Additions</u>	
Contributions from participants	\$ 56,080,440
Investment earnings	<u>161,993</u>
Total Additions	\$ 56,242,433
<u>Deductions</u>	
Distributions to participants	<u>52,082,896</u>
Change in Net Position	\$ 4,159,537
Net Position - January 1	<u>19,668,061</u>
Net Position - December 31	<u><u>\$ 23,827,598</u></u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2015. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the County are discussed below.

A. Financial Reporting Entity

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

Joint Ventures and Jointly-Governed Organizations

The County participates in several joint ventures described in Note 4.C. The County also participates in jointly-governed organizations described in Note 4.D.

B. Basic Financial Statements

1. Government-Wide Statements

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

In the government-wide statement of net position, the governmental activities are presented on a consolidated basis and are reported on a full accrual, economic resource basis which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net position is reported in three parts: (1) 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 that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

The County reports the following major governmental funds:

- The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.
- The Road and Bridge Special Revenue Fund accounts for restricted revenues from the federal and state governments, as well as assigned property tax revenues used for the construction and maintenance of roads, bridges, and other projects affecting County roadways.
- The Family Services Special Revenue Fund accounts for restricted revenue resources from federal, state, and other oversight agencies, as well as assigned property tax revenues used for economic assistance and community social services programs.
- The Ditch Revenue Special Revenue Fund accounts for special assessment revenues levied against benefitted property to finance the cost of constructing and maintaining an agricultural drainage ditch system.

Additionally, the County reports the following fiduciary fund types:

- Investment trust funds report the external portion of investment pools and specific investments held for others.
- Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the 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 general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2015, based on market prices. 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 2015 were \$7,528.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

1. Deposits and Investments (Continued)

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

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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 offset by nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available resources.

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

Special assessments receivable consist of delinquent special assessments payable in the years 2010 through 2015 and deferred special assessments payable in 2016 and after. Unpaid special assessments at December 31 are classified in the financial statements as delinquent special assessments.

No allowance for uncollectible taxes/special assessments has been provided because such amounts are not expected to be material.

The County had no accounts receivable scheduled to be collected beyond one year.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

3. Inventories and Prepaid Items

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

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

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20 - 40
Building improvements	20 - 35
Public domain infrastructure	15 - 75
Furniture, equipment, and vehicles	3 - 15

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

5. Compensated Absences

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

6. Long-Term Obligations

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

At December 31, 2015, Chippewa County reported no bonded debt.

7. Pension Plan

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

7. Pension Plan (Continued)

payments and refunds are recognized when due and payable in accordance with the benefit terms. Plan investments are reported at fair value. The pension liability is liquidated through the General Fund and other governmental funds that have personal services.

8. Deferred Outflows/Inflows of Resources

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

8. Deferred Outflows/Inflows of Resources (Continued)

arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

9. Unearned/Unavailable Revenue

Governmental funds and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned. Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

10. Classification of Net Position

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

- Investment in capital assets - the amount of net position representing capital assets, net of accumulated depreciation.
- 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 investment in capital assets.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances

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

- Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.
- Restricted - amounts in which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.
- Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.
- Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board.
- 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
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

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

11. Classification of Fund Balances (Continued)

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

12. Minimum Fund Balance

Chippewa County has adopted a minimum fund balance policy for its governmental funds. The General Fund, the Road and Bridge Special Revenue Fund, and the Family Services Special Revenue Fund all are heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined it needs to maintain a minimum unrestricted fund balance (committed, assigned, and unassigned) of no less than five months of operating expenditures. At December 31, 2015, the County's unrestricted fund balance was at or above the minimum fund balance level, with the exception of the General Fund.

13. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities 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.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies (Continued)

E. Restatement of Fund Balance and Net Position

1. Change in Accounting Principles

During the year ended December 31, 2015, the County adopted new accounting guidance by implementing the provisions of GASB Statements 68, 71, and 82. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, requires governments providing defined benefit pensions to employees through pension plans administered through trusts to record their proportionate share of the net pension obligation as a liability on their financial statements along with related deferred outflows of resources, deferred inflows of resources, and pension expense. This statement also requires additional note disclosures and schedules in the required supplementary information.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, addresses an issue regarding amounts associated with contributions made to a pension plan after the measurement date of the net pension liability.

GASB Statement No. 82, *Pension Issues - an amendment of GASB Statement No. 68*, modifies the measure of payroll that is presented in the required supplementary information schedules.

GASB Statements 68 and 71 require the County to report its proportionate share of the PERA total employers' unfunded pension liability. As a result, beginning net position has been restated to record the County's net pension liability and related deferred outflows of resources, as disclosed in Note 1.E.3.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Fund Balance and Net Position (Continued)

2. Prior Period Adjustments

Restatement of Loans Receivable, Fund Balance, and Net Position

The January 1, 2015, Road and Bridge Special Revenue Fund and governmental activities loans receivable, fund balance, and net position increased by \$324,742 to correct a prior year understatement. The effect of the restatement on net position is disclosed in Note 1.E.3. The effect on fund balance is as follows:

	Balance at January 1, 2015, as Previously Reported	Prior Period Adjustment	Balance at January 1, 2015, as Restated
Road and Bridge Special Revenue Fund fund balance	\$ 3,502,947	\$ 324,742	\$ 3,827,689

Restatement of Due From Other Governments, Fund Balance, and Net Position

The January 1, 2015, Family Services Special Revenue Fund and governmental activities due from other governments, fund balance, and net position increased by \$169,814 to correct a prior year understatement. The effect of the restatement on net position is disclosed in Note 1.E.3. The effect on fund balance is as follows:

	Balance at January 1, 2015, as Previously Reported	Prior Period Adjustment	Balance at January 1, 2015, as Restated
Family Services Special Revenue Fund fund balance	\$ 3,372,716	\$ 169,814	\$ 3,542,530

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

1. Summary of Significant Accounting Policies

E. Restatement of Fund Balance and Net Position (Continued)

3. Restatement of Net Position

Restatements of net position for the governmental activities are as follows:

	<u>Governmental Activities</u>
Net Position, January 1, 2015, as previously reported	\$ 65,855,521
Change in accounting principles	
Net pension liability	(4,585,588)
Deferred outflows of resources	235,061
Restatement of Net Position	
Adjustment for loans receivable	324,742
Adjustment for due from other governments	<u>169,814</u>
Net Position, January 1, 2015, as restated	<u>\$ 61,999,550</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

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

Government-wide statement of net position	
Governmental activities	
Cash and pooled investments	\$ 8,100,775
Investments	5,603,074
Statement of fiduciary net position	
Cash and pooled investments	2,518,038
Investments	<u>22,089,626</u>
 Total Cash and Investments	 <u>\$ 38,311,513</u>
Checking	\$ 2,099,819
Petty cash and change funds	2,200
Savings	6,345,515
Money market	9,423,322
Certificates of deposit	17,860,926
Investments	<u>2,579,731</u>
 Total Cash and Investments	 <u>\$ 38,311,513</u>

a. Deposits

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

a. Deposits (Continued)

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 that is 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, 2015, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

At December 31, 2015, the County had the following investments:

	Credit Risk Credit Rating (Moody Rating)	Interest Rate Risk			Total Market Prices
		Less Than 1 Year	1 - 5 Years	5+ Years	
U.S. agency securities	AAA	\$ -	\$ -	\$ 2,579,731	\$ 2,579,731
MAGIC Fund	N/R	9,423,322	-	-	9,423,322
Total Investments		<u>\$ 9,423,322</u>	<u>\$ -</u>	<u>\$ 2,579,731</u>	<u>\$ 12,003,053</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the County's policy to invest only in securities that meet the ratings requirements set by state statute.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are 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.

Securities purchased that exceed available SIPC coverage shall be transferred to the County's custodian. At December 31, 2015, the County's investments were not exposed to custodial credit risk.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's investment balances at December 31, 2015, by issuer, not including negotiable certificates of deposit:

Issuer	Reported Amount
Federal Home Loan Bank	\$ 2,579,731
MAGIC Fund	9,423,322

c. External Investment Pool

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

Cash and pooled investments	
Belonging to the County	\$ 8,900,097
Held in trust for the Hospital	1,718,716
Total Cash and Pooled Investments	\$ 10,618,813

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2015, for the County's governmental activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 107,470	\$ -
Special assessments	1,148,723	933,265
Accounts receivable	37,058	-
Interest	7,372	-
Loans receivable	335,629	308,538
Due from other governments	3,298,313	-
Total Governmental Activities	\$ 4,934,565	\$ 1,241,803

Loans Receivable

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

On November 15, 2011, the County Board approved a \$348,072 loan to 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 over 25 years with repayments beginning in 2013.

Loan activity for the year ended December 31, 2015, was as follows:

	Beginning Balance, as Restated	Increase	Decrease	Ending Balance
Region 6W Community Corrections loan	\$ 36,939	\$ -	\$ 14,124	\$ 22,815
Clara City shop loan	324,742	-	11,928	312,814
Total	\$ 361,681	\$ -	\$ 26,052	\$ 335,629

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,200,819	\$ 30,510	\$ -	\$ 1,231,329
Right-of-way	491,493	111,380	-	602,873
Construction in progress	174,920	171,680	105,060	241,540
Total capital assets not depreciated	<u>\$ 1,867,232</u>	<u>\$ 313,570</u>	<u>\$ 105,060</u>	<u>\$ 2,075,742</u>
Capital assets depreciated				
Buildings	\$ 10,993,557	\$ 120,595	\$ -	\$ 11,114,152
Machinery and equipment	6,882,071	542,418	402,496	7,021,993
Infrastructure	63,375,953	1,204,497	-	64,580,450
Total capital assets depreciated	<u>\$ 81,251,581</u>	<u>\$ 1,867,510</u>	<u>\$ 402,496</u>	<u>\$ 82,716,595</u>
Less: accumulated depreciation for				
Buildings	\$ 7,575,254	\$ 232,644	\$ -	\$ 7,807,898
Machinery and equipment	4,674,989	526,820	247,323	4,954,486
Infrastructure	19,782,565	1,262,928	-	21,045,493
Total accumulated depreciation	<u>\$ 32,032,808</u>	<u>\$ 2,022,392</u>	<u>\$ 247,323</u>	<u>\$ 33,807,877</u>
Total capital assets depreciated, net	<u>\$ 49,218,773</u>	<u>\$ (154,882)</u>	<u>\$ 155,173</u>	<u>\$ 48,908,718</u>
Capital Assets, Net	<u>\$ 51,086,005</u>	<u>\$ 158,688</u>	<u>\$ 260,233</u>	<u>\$ 50,984,460</u>

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

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

General government	\$ 185,160
Public safety	271,398
Highways and streets, including depreciation of infrastructure assets	1,504,170
Sanitation	1,848
Human services	19,403
Culture and recreation	20,714
Conservation of natural resources	19,699
Total Depreciation Expense - Governmental Activities	<u>\$ 2,022,392</u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

B. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2015, were as follows:

	Governmental Activities
Accounts payable	\$ 441,821
Salaries payable	19,759
Contracts payable	23,628
Due to other governments	29,923
	<hr/>
Total Payables	\$ 515,131

2. Construction Commitments

Chippewa County did not have any active construction projects except for highway projects that are state-funded and, therefore, not obligations of the County at December 31, 2015.

3. Advances From Other Governments

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

4. Long-Term Debt

Loans Payable

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources

4. Long-Term Debt (Continued)

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2015
Hawk Creek Continuation Loan (SRF0119)	2016	\$ 8,024	2.0	\$ 72,398	\$ 7,906
Chippewa River Watershed Continuation Loan (SRF0122)	2016	7,521	2.0	67,862	7,410
Hawk Creek Watershed Loan (SRF0158)	2020	27,956	2.0	252,241	119,736
Chippewa River Watershed Loan (SRF0159)	2020	22,889	2.0	206,522	98,033
Chippewa River Continuation Loan (SRF0207)	2021	11,745	2.0	105,970	66,094
Hawk Creek Watershed Continuation Loan (SRF0231)	2023	8,252	2.0	74,451	60,722
Chippewa River Watershed Loan (SRF0232)	2024	13,232	2.0	119,391	108,492
Hawk Creek Watershed Loan (SRF 277)	2026	14,408	2.0	260,000	59,787
Chippewa River Watershed Loan (SRF 295)	2028	8,645	2.0	156,000	44,380
Total				<u>\$ 1,314,835</u>	<u>\$ 572,560</u>

5. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Clean water loans payable	\$ 605,413	\$ 56,062	\$ 88,915	\$ 572,560	\$ 76,902
Compensated absences	608,008	364,680	334,456	638,232	72,168
Long-Term Liabilities	<u>\$ 1,213,421</u>	<u>\$ 420,742</u>	<u>\$ 423,371</u>	<u>\$ 1,210,792</u>	<u>\$ 149,070</u>

For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge Special Revenue Fund, and Family Services Special Revenue Fund.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds

B. Liabilities and Deferred Inflows of Resources (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2015, were as follows:

Year Ending December 31	Loans Payable	
	Principal	Interest
2016	\$ 90,702	\$ 8,917
2017	76,902	7,171
2018	78,448	5,625
2019	80,025	4,049
2020	56,211	2,440
2021 - 2024	86,105	3,322
Total	<u>\$ 468,393</u>	<u>\$ 31,524</u>

Loans of \$104,167 for Hawk Creek Watershed (SRF 277) and Chippewa River Watershed (SRF 295) are not included in the debt service requirements because a fixed repayment schedule is not available.

7. Conduit Debt

In 2007, Chippewa County issued \$36,565,000 of Gross Revenue Hospital Bonds to provide financial assistance to the Montevideo Hospital for the acquisition, construction, and equipping of a new hospital located in the City of Montevideo. The bonds are secured by the property. They are financed and payable solely from revenues of the Hospital. Neither the County, the state, nor any political subdivision thereof, is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2015, the outstanding principal amount payable was \$33,435,000.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

2. Detailed Notes on All Funds (Continued)

C. Unearned Revenues/Deferred Inflows of Resources

Deferred inflows of resources consist of special assessments, taxes, state grants, interest and other receivables not collected soon enough after year-end to pay liabilities of the current period. Unearned revenues consist of state grants received but not yet earned. Unearned revenues and deferred inflows of resources at December 31, 2015, are summarized below by fund:

	Special Assessments	Taxes	Grants	Interest	Other	Total
Major governmental funds						
General	\$ 417,332	\$ 64,909	\$ 7,500	\$ 807	\$ -	\$ 490,548
Road and Bridge	-	15,323	2,906,783	1,253	4,762	2,928,121
Family Services	-	27,238	-	-	-	27,238
Ditch	731,391	-	-	-	-	731,391
Total	<u>\$ 1,148,723</u>	<u>\$ 107,470</u>	<u>\$ 2,914,283</u>	<u>\$ 2,060</u>	<u>\$ 4,762</u>	<u>\$ 4,177,298</u>
Liability						
Unearned revenue	\$ -	\$ -	\$ 7,500	\$ -	\$ -	\$ 7,500
Deferred inflows of resources						
Unavailable revenue	1,148,723	107,470	2,906,783	2,060	4,762	4,169,798
Total	<u>\$ 1,148,723</u>	<u>\$ 107,470</u>	<u>\$ 2,914,283</u>	<u>\$ 2,060</u>	<u>\$ 4,762</u>	<u>\$ 4,177,298</u>

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description (Continued)

General Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

Police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. For members first hired after June 30, 2010, but before July 1, 2014, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years. Benefits for members first hired after June 30, 2014, vest on a prorated basis from 50 percent after 10 years and increasing 5 percent for each year of service until fully vested after 20 years.

Local government employees of a county-administered facility who are responsible for the direct security, custody, and control of the county correctional facility and its inmates are covered by the Public Employees Correctional Fund. For members hired after June 30, 2010, benefits vest on a graduated schedule starting with 50 percent after 5 years and increasing 10 percent for each year of service until fully vested after 10 years.

2. Benefits Provided

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefit provisions are established by state statute and can be modified only by the state legislature. Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Benefit recipients receive a future annual 1.0 percent post-retirement benefit increase. If the funding ratio reaches 90 percent for two consecutive years, the benefit increase will revert to 2.5 percent. If, after reverting to a 2.5 percent benefit increase, the funding ratio declines to less than 80 percent for one year or less than 85 percent for two consecutive years, the benefit increase will decrease to 1.0 percent.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

2. Benefits Provided (Continued)

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Fund Coordinated and Basic Plan members. The retiring member receives 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 Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Fund Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in 2015. Public Employees Police and Fire Fund members were required to contribute 10.80 percent of their annual covered salary in 2015. Public Employees Correctional Fund members were required to contribute 5.83 percent of their annual covered salary in 2015.

In 2015, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Public Employees Police and Fire Fund	16.20
Public Employees Correctional Fund	8.75

The General Employees Retirement Fund Coordinated Plan member and employer contribution rates each reflect a 0.25 percent increase from 2014. The Public Employees Police and Fire Fund member and employer contribution rates increased 0.60 percent and 0.90 percent, respectively, from 2014.

The County's contributions for the year ended December 31, 2015, to the pension plans were:

General Employees Retirement Fund	\$	316,550
Public Employees Police and Fire Fund		116,654
Public Employees Correctional Fund		39,932

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans (Continued)

4. Pension Costs

General Employees Retirement Fund

At December 31, 2015, the County reported a liability of \$3,776,789 for its proportionate share of the General Employees Retirement Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.0729 percent. It was 0.0804 percent measured as of June 30, 2014. The County recognized pension expense of \$508,813 for its proportionate share of the General Employees Retirement Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 190,478
Difference between projected and actual investment earnings	357,651	-
Changes in proportion	-	264,234
Contributions paid to PERA subsequent to the measurement date	160,751	-
Total	\$ 518,402	\$ 454,712

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

General Employees Retirement Fund (Continued)

A total of \$160,751 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ (62,158)
2017	(62,158)
2018	(62,158)
2019	89,413

Public Employees Police and Fire Fund

At December 31, 2015, the County reported a liability of \$852,176 for its proportionate share of the Public Employees Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.075 percent. It was 0.073 percent measured as of June 30, 2014. The County recognized pension expense of \$151,029 for its proportionate share of the Public Employees Police and Fire Fund's pension expense.

The County also recognized \$6,750 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Fund. Legislation requires the State of Minnesota to contribute \$9 million to the Public Employees Police and Fire Fund each year, starting in fiscal year 2014, until the plan is 90 percent funded.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Police and Fire Fund (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 138,195
Difference between projected and actual investment earnings	148,478	-
Changes in proportion	18,001	-
Contributions paid to PERA subsequent to the measurement date	61,130	-
Total	\$ 227,609	\$ 138,195

A total of \$61,130 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expense Amount
2016	\$ 13,081
2017	13,081
2018	13,081
2019	13,081
2020	(24,040)

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs (Continued)

Public Employees Correctional Fund

At December 31, 2015, the County reported a liability of \$40,196 for its proportionate share of the Public Employees Correctional Fund's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the County's proportion was 0.26 percent. It was 0.27 percent measured as of June 30, 2014. The County recognized pension expense of \$42,707 for its proportionate share of the Public Employees Correctional Fund's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 15,389
Difference between projected and actual investment earnings	33,506	-
Changes in proportion	-	566
Contributions paid to PERA subsequent to the measurement date	20,752	-
Total	\$ 54,258	\$ 15,955

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

4. Pension Costs

Public Employees Correctional Fund (Continued)

A total of \$20,752 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31</u>	<u>Pension Expense Amount</u>
2016	\$ 3,058
2017	3,058
2018	3,058
2019	8,377

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2015, was \$702,549.

5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.75 percent per year
Active member payroll growth	3.50 percent per year
Investment rate of return	7.90 percent

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Fund and the Public Employees Police and Fire Fund, cost of living benefit increases for retirees are assumed to be 1.0 percent effective every January 1 through 2035 and 2037, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for all years for the Public Employees Correctional Fund.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the General Employees Retirement Fund was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. The experience study for the Public Employees Police and Fire Fund was for the period July 1, 2004, through June 30, 2009. The experience study for the Public Employees Correctional Fund was for the period July 1, 2006, through June 30, 2011.

In 2015, an updated experience study was done for PERA's General Employees Retirement Fund for the six-year period ending June 30, 2014, which would result in a larger pension liability. However, PERA will not implement the changes in assumptions until its June 30, 2016, estimate of pension liability.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

5. Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	45%	5.50%
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9 percent. The discount rate did not change since the prior measurement date. 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, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

7. Pension Liability Sensitivity

The following presents the County's proportionate share of the net pension liability calculated using the discount rate disclosed in the preceding paragraph, as well as what the County's proportionate share of the net pension liability would be if it were calculated using a discount rate 1.0 percentage point lower or 1.0 percentage point higher than the current discount rate:

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

7. Pension Liability Sensitivity (Continued)

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
Proportionate share of the General Employees Retirement Fund net pension liability	\$ 5,940,448	\$ 3,776,789	\$ 1,992,254
Public Employees Police and Fire Fund net pension liability	1,660,899	852,176	184,029
Public Employees Correctional Fund net pension liability	279,932	40,196	(151,689)

8. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

B. Defined Contribution Plan (Continued)

contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2015, were:

	Employee	Employer
Contribution amount	\$ 7,867	\$ 7,867
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Chippewa County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. For 2015, there were approximately 131 participants in the plan, including 8 retirees.

The OPEB liability is liquidated through the General Fund and other funds that have personal services.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation

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

ARC	\$	98,372
Interest on net OPEB obligation		12,499
Adjustment to ARC		(17,554)
		93,317
Annual OPEB cost (expense)	\$	93,317
Contributions made during the year		(35,143)
		58,174
Increase in net OPEB obligation	\$	58,174
Net OPEB Obligation - Beginning of Year		277,754
		335,928
Net OPEB Obligation - End of Year	\$	335,928

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 79,368	\$ 43,504	54.8%	\$ 224,772
December 31, 2014	94,374	41,392	43.9	277,754
December 31, 2015	93,317	35,143	37.7	335,928

Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$774,945 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$774,945. The covered payroll (annual payroll of active employees covered by the plan) was \$5,761,635, and the ratio of the UAAL to the covered payroll was 13.5 percent.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

3. Pension Plans and Other Postemployment Benefits

C. Other Postemployment Benefits (OPEB) (Continued)

Actuarial Methods and Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return (net of investment expenses), which is Chippewa County's implicit rate of return on the General Fund.

The annual health care cost trend is 7.5 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 10 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2015, was 23 years.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

A. Risk Management

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

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 \$490,000 per claim in 2015 and \$500,000 per claim in 2016. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

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

B. Contingent Liabilities

Amounts received or receivable from grant 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 government.

C. Joint Ventures

Countryside Public Health Service

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

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

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Countryside Public Health Service (Continued)

Financing is provided by state and federal grants, appropriations from member counties, and charges for services. Chippewa County's contribution for 2015 was \$131,333.

Complete financial statements of the Countryside Public Health Service can be obtained at P. O. Box 313, Benson, Minnesota 56215.

Region 6W Community Corrections

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

The County Boards of the participating counties have direct authority over and responsibility for community corrections activities.

Chippewa County's contribution for the year ended 2015 was \$268,285.

Complete financial statements for Region 6W Community Corrections can be obtained at 1215 Black Oak Avenue, P. O. Box 551, Montevideo, Minnesota 56265.

Montevideo-Chippewa Airport Commission

Chippewa County has joined with the City of Montevideo to form a joint powers agreement for the operation of the airport. The Montevideo-Chippewa Airport Commission was established June 5, 1970. The governing board is composed of ten members--seven are appointed by the City Council, one of whom is a Council member, and three are appointed by the County Board, two of whom are Board members.

Chippewa County's contribution for the year ended 2015 was \$12,493.

Complete financial statements of the City of Montevideo, which include the Montevideo-Chippewa Airport Commission, can be obtained at 103 Canton Avenue, Montevideo, Minnesota 56265.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Chippewa County-Montevideo Hospital

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

Chippewa County presents two investment trust funds for investments held by the County for the Chippewa-Montevideo Hospital. The County also has conduit debt related to the Hospital disclosed in Note 2.B.7. Chippewa County did not contribute to the Chippewa-Montevideo Hospital during 2015.

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

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

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

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

Financing is provided by charges for services to member and nonmember counties.

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwestern Minnesota Adult Mental Health Consortium Board

In November 1997, the Southwestern Minnesota Adult Mental Health Consortium Board was created under the authority of Minn. Stat. § 471.59. Presently its members include Big Stone, Chippewa, Cottonwood, Jackson, Kandiyohi, Lac qui Parle, McLeod, Meeker, Nobles, Renville, Swift, and Yellow Medicine Counties; Southwest Health and Human Services representing Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties, and Des Moines Valley Health and Human Services representing Cottonwood and Jackson Counties. The Board is headquartered in Windom, Minnesota. Des Moines Valley Health and Human Services (DVHHS) acts as fiscal agent.

The Board shall take actions and enter into such agreements as necessary to plan and develop within the Southwestern Minnesota Adult Mental Health Consortium Board's geographic jurisdiction, a system of care that serves the needs of adults with serious and persistent mental illness. The governing board is composed of one Board member from each of the participating counties. Financing is provided by state proceeds or appropriations for the development of the system of care.

A complete financial report of the Southwestern Minnesota Adult Mental Health Consortium Board can be obtained by contacting DVHHS at 11 Fourth Street, Windom, Minnesota 56111.

Southern Prairie Community Care

As of February 4, 2014, the Southern Prairie Health Purchasing Alliance changed its name to Southern Prairie Community Care. Chippewa, Cottonwood, Jackson, Kandiyohi, Lincoln, Lyon, Murray, Nobles, Redwood, Rock, Swift, and Yellow Medicine Counties entered into a joint powers agreement on June 26, 2012, to establish the Southern Prairie Health Purchasing Alliance, pursuant to the provisions of Minn. Stat. § 471.59. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Redwood, and Rock Counties in this agreement. The purpose of the Alliance is to plan, formulate, operate, and govern a rural care delivery system to improve the health and quality of life of the citizens of member counties. The Joint Powers Board is composed of one representative from each county.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Southwest Minnesota Private Industry Council, Inc.

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

SW MN PIC is governed by the Chief Elected Official Board which is composed of one representative from each member county. Chippewa County, as fiscal host of the MFIP/DWP Partnership, provided \$1,099,901 to this organization in 2015.

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

Supporting Hands Nurse Family Partnership

The Supporting Hands Nurse Family Partnership Board was established pursuant to Minn. Stat. §§ 145A.17 and 471.59 and a joint powers agreement, effective May 31, 2007. The Board is comprised of one representative from each county to the agreement. The counties in the agreement are Big Stone, Chippewa, Douglas, Grant, Lac qui Parle, Lincoln, Lyon, McLeod, Meeker, Murray, Pipestone, Pope, Redwood, Renville, Stevens, Swift, Traverse, and Yellow Medicine. Southwest Health and Human Services represents Lincoln, Lyon, Murray, Pipestone, Redwood, and Rock Counties in this agreement. Horizon Public Health represents Douglas, Grant, Pope, Stevens, and Traverse Counties in this agreement. Countryside Public Health represents Big Stone, Chippewa, Lac qui Parle, Swift, and Yellow Medicine Counties in this agreement. The purpose of this agreement is to organize, govern, plan, and administer a multi-county based nurse family partnership program specifically within the jurisdictional boundaries of the counties involved.

The governing board is composed of one Board member from each of the participating counties. Each participating county will contribute to the budget of the Supporting Hands Nurse Family Partnership. In 2015, Chippewa County did not make a contribution to the Partnership, as a contribution was made by the Countryside Public Health Service.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Supporting Hands Nurse Family Partnership (Continued)

McLeod County acts as fiscal agent for Supporting Hands Nurse Family Partnership. A complete financial report of the Supporting Hands Nurse Family Partnership can be obtained from McLeod County at 830 - 11th Street East, Glencoe, Minnesota 55336.

Southwest Minnesota Regional Emergency Communications Board

As of August 23, 2013, the Southwest Minnesota Regional Radio Board changed its name to the Southwest Minnesota Regional Emergency Communications Board. The Southwest Minnesota Regional Radio Board Joint Powers Board was established April 22, 2008, between Chippewa County, the City of Marshall, the City of Worthington, and 12 other counties under authority of Minn. Stat. §§ 471.59 and 403.39. The purpose of the agreement is to formulate a regional radio board to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in a Joint Powers Board consisting of one County Commissioner and one City Council member for each party to the agreement. The members representing counties and cities are appointed by their respective governing bodies for the membership of that governing body. In addition, voting members of the Board include a member of the Southwest Minnesota Regional Advisory Committee, a member of the Southwest Minnesota Regional Radio System User Committee, and a member of the Southwest Minnesota Owners and Operators Committee.

Financing is provided by the appropriations from member parties and by state and federal grants. During 2015, Chippewa County contributed \$2,459 to the Joint Powers Board.

Chippewa CARE Collaborative

The Chippewa CARE Collaborative is a collaboration to receive and expend grant funds on new prevention, early intervention, and services to address children's mental health issues. Chippewa County is a member and fiscal host for the Collaborative. Chippewa County reports the collaborative as an agency fund in the financial statements. The County did not make any contributions to the Collaborative in 2015.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

Pioneerland Library System

Chippewa County, along with 32 cities and 9 other counties, participates in the Pioneerland Library System in order to provide efficient and improved regional public library service. The Pioneerland Library System is governed by the Pioneerland Library System Board, composed of 35 members appointed by member cities and counties. During the year, Chippewa County contributed \$245,930 to the System. The City of Montevideo provided \$59,500 of the amount contributed by the County.

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

Coordinated Enforcement Effort (CEE) VI Task Force

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

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

The Task Force was established to receive and expend federal, state, and local grants and other related funds for the purpose of investigation of burglary, theft, narcotics, stolen property, and crimes of violence. Chippewa County has no operational or financial control over the CEE VI Task Force. During the year, Chippewa County contributed \$55,628 in funds to the Task Force. In an agent capacity, Kandiyohi County reports the cash transactions of the CEE VI Task Force as an agency fund on its financial statements.

Minnesota Counties Information System (MCIS)

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

C. Joint Ventures

Minnesota Counties Information System (MCIS) (Continued)

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

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

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

D. Jointly-Governed Organizations

Chippewa County, in conjunction with other local governments, has formed joint powers boards to provide a variety of services. The County participates along with other governments in the following organizations.

Tri-County Law Library

Tri-County Law Library was formed by Chippewa, Lac qui Parle, and Yellow Medicine Counties under the authority of Minn. Stat. § 134A.

The Law Library is managed by a board of trustees consisting of a district judge, one judge and one County Commissioner from each county, and one attorney residing in each participating county.

The Law Library is located in Chippewa County. Participating counties do not contribute to the Law Library, as it is funded by fees.

Chippewa County is the fiscal host for the Law Library. Chippewa County includes the activity of the Law Library in the General Fund.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

4. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations (Continued)

Region Five - Southwest Minnesota Homeland Security Emergency Management Organization

The Region Five - Southwest Minnesota Security Emergency Management Organization was established to provide for regional coordination of planning, training, purchase of equipment, and allocating emergency services and staff in order to better respond to emergencies and natural or other disasters within the region. Control is vested in the Board, which is composed of representatives appointed by each Board of County Commissioners. Chippewa County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

The Minnesota Criminal Justice Data Communications Network Joint Powers Agreement exists to create access for the County Sheriff and County Attorney to systems and tools available from the State of Minnesota, Department of Public Safety, and the Bureau of Criminal Apprehension to carry out criminal justice. During the year, Chippewa County made no payments to the joint powers.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. Chippewa County did not contribute to the SW-MIIC during 2015.

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REQUIRED SUPPLEMENTARY INFORMATION

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,729,835	\$ 5,729,835	\$ 5,430,333	\$ (299,502)
Special assessments	90,500	90,500	189,576	99,076
Licenses and permits	10,640	10,640	7,765	(2,875)
Intergovernmental	572,253	572,253	1,092,495	520,242
Charges for services	545,989	545,989	604,887	58,898
Gifts and contributions	-	-	5,650	5,650
Investment earnings	12,500	12,500	8,321	(4,179)
Miscellaneous	307,385	307,385	485,768	178,383
Total Revenues	\$ 7,269,102	\$ 7,269,102	\$ 7,824,795	\$ 555,693
Expenditures				
Current				
General government				
Commissioners	\$ 275,889	\$ 275,889	\$ 254,442	\$ 21,447
Law library	42,600	42,600	3,135	39,465
Auditor/treasurer	465,177	465,177	461,148	4,029
Accounting and auditing	40,000	40,000	36,418	3,582
Information technology	279,484	279,484	255,620	23,864
Central services	86,000	86,000	51,277	34,723
Elections	35,000	35,000	8,895	26,105
Attorney	438,650	438,650	379,156	59,494
Recorder	284,015	284,015	285,212	(1,197)
Geographic information systems	15,000	20,500	21,090	(590)
County assessor	283,893	283,893	290,486	(6,593)
Building and plant	729,831	862,831	683,955	178,876
Veterans service officer	166,862	166,862	159,451	7,411
Deputy registrar - license bureau	197,357	197,357	198,012	(655)
Other general government	206,031	269,531	540,983	(271,452)
Total general government	\$ 3,545,789	\$ 3,747,789	\$ 3,629,280	\$ 118,509

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 1,168,273	\$ 1,168,273	\$ 1,189,057	\$ (20,784)
Boat and water safety	1,677	1,677	3,886	(2,209)
Court security	4,031	6,031	4,543	1,488
D.A.R.E. program	1,475	1,675	1,619	56
Coroner	19,400	39,400	26,243	13,157
Jail	908,769	908,769	936,073	(27,304)
Victim witness program	58,141	58,141	60,370	(2,229)
Emergency management	45,982	45,982	47,432	(1,450)
Safety management	8,200	9,200	8,957	243
Dispatch	58,350	58,350	59,233	(883)
Total public safety	\$ 2,274,298	\$ 2,297,498	\$ 2,337,413	\$ (39,915)
Sanitation				
Household hazardous waste	\$ 4,500	\$ 4,500	\$ 3,423	\$ 1,077
Recycling	122,972	162,972	188,955	(25,983)
Solid waste	47,700	153,700	159,203	(5,503)
Total sanitation	\$ 175,172	\$ 321,172	\$ 351,581	\$ (30,409)
Culture and recreation				
Airport	\$ 20,015	\$ 24,762	\$ 12,493	\$ 12,269
Historical society	30,000	30,000	30,000	-
Regional library	311,219	311,219	286,591	24,628
Fairgrounds	47,000	47,200	52,700	(5,500)
Parks	40,000	40,000	24,423	15,577
Total culture and recreation	\$ 448,234	\$ 453,181	\$ 406,207	\$ 46,974

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Conservation of natural resources				
Extension	\$ 101,444	\$ 101,444	\$ 98,374	\$ 3,070
Soil and water conservation	82,000	82,000	82,000	-
Weed control	113,026	131,026	80,240	50,786
Water planning	12,450	77,450	76,027	1,423
Land resource management	196,132	198,132	224,091	(25,959)
County farm	500	10,500	10,352	148
	<u>500</u>	<u>10,500</u>	<u>10,352</u>	<u>148</u>
Total conservation of natural resources	\$ 505,552	\$ 600,552	\$ 571,084	\$ 29,468
Economic development				
Other	\$ 25,299	\$ 25,299	\$ 22,967	\$ 2,332
Community development	20,000	21,500	21,066	434
Prairie five	7,000	\$ 7,000	9,788	(2,788)
	<u>7,000</u>	<u>7,000</u>	<u>9,788</u>	<u>(2,788)</u>
Total economic development	\$ 52,299	\$ 53,799	\$ 53,821	\$ (22)
Intergovernmental				
Public safety	\$ 267,758	\$ 268,358	\$ 268,285	\$ 73
	<u>267,758</u>	<u>268,358</u>	<u>268,285</u>	<u>73</u>
Debt service				
Principal	\$ -	\$ 142,000	\$ 88,915	\$ 53,085
Interest	-	11,000	5,932	5,068
	<u>-</u>	<u>11,000</u>	<u>5,932</u>	<u>5,068</u>
Total debt service	\$ -	\$ 153,000	\$ 94,847	\$ 58,153
Total Expenditures	\$ 7,269,102	\$ 7,895,349	\$ 7,712,518	\$ 182,831
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ (626,247)	\$ 112,277	\$ 738,524
Other Financing Sources (Uses)				
Loans issued	-	-	56,061	56,061
	<u>-</u>	<u>-</u>	<u>56,061</u>	<u>56,061</u>
Net Change in Fund Balance	\$ -	\$ (626,247)	\$ 168,338	\$ 794,585
Fund Balance - January 1	3,960,575	3,960,575	3,960,575	-
	<u>3,960,575</u>	<u>3,960,575</u>	<u>3,960,575</u>	<u>-</u>
Fund Balance - December 31	\$ 3,960,575	\$ 3,334,328	\$ 4,128,913	\$ 794,585
	<u>3,960,575</u>	<u>3,334,328</u>	<u>4,128,913</u>	<u>794,585</u>

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 1,310,330	\$ 1,310,330	\$ 1,225,616	\$ (84,714)
Licenses and permits	18,000	18,000	18,000	-
Intergovernmental	3,123,550	3,123,550	2,946,477	(177,073)
Charges for services	56,100	56,100	48,294	(7,806)
Investment earnings	10,000	10,000	7,021	(2,979)
Miscellaneous	120,000	120,000	169,884	49,884
Total Revenues	\$ 4,637,980	\$ 4,637,980	\$ 4,415,292	\$ (222,688)
Expenditures				
Current				
Highways and streets				
Maintenance	\$ 1,238,950	\$ 1,238,950	\$ 1,203,491	\$ 35,459
Engineering/construction	2,489,375	2,489,375	2,185,829	303,546
Administration	256,350	256,350	247,148	9,202
Equipment and shop	518,925	518,925	371,240	147,685
Total highways and streets	\$ 4,503,600	\$ 4,503,600	\$ 4,007,708	\$ 495,892
Intergovernmental				
Highways and streets	368,000	368,000	374,136	(6,136)
Total Expenditures	\$ 4,871,600	\$ 4,871,600	\$ 4,381,844	\$ 489,756
Net Change in Fund Balance	\$ (233,620)	\$ (233,620)	\$ 33,448	\$ 267,068
Fund Balance - January 1, as restated (Note 1.E.)	3,827,689	3,827,689	3,827,689	-
Increase (decrease) in inventories	-	-	(4,152)	(4,152)
Fund Balance - December 31	\$ 3,594,069	\$ 3,594,069	\$ 3,856,985	\$ 262,916

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
FAMILY SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,260,721	\$ 2,260,721	\$ 2,120,955	\$ (139,766)
Intergovernmental	3,115,931	3,115,931	2,464,661	(651,270)
Charges for services	138,000	138,000	181,029	43,029
Gifts and contributions	5,000	5,000	4,978	(22)
Investment earnings	-	-	2,801	2,801
Miscellaneous	77,300	77,300	120,103	42,803
Total Revenues	\$ 5,596,952	\$ 5,596,952	\$ 4,894,527	\$ (702,425)
Expenditures				
Current				
Human services				
Income maintenance	\$ 1,528,298	\$ 1,528,298	\$ 1,513,881	\$ 14,417
Social services	4,269,287	4,269,287	3,145,818	1,123,469
Total human services	\$ 5,797,585	\$ 5,797,585	\$ 4,659,699	\$ 1,137,886
Intergovernmental				
Health	131,333	131,333	131,333	-
Total Expenditures	\$ 5,928,918	\$ 5,928,918	\$ 4,791,032	\$ 1,137,886
Net Change in Fund Balance	\$ (331,966)	\$ (331,966)	\$ 103,495	\$ 435,461
Fund Balance - January 1, as restated (Note 1.E.)	3,542,530	3,542,530	3,542,530	-
Fund Balance - December 31	\$ 3,210,564	\$ 3,210,564	\$ 3,646,025	\$ 435,461

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-4

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ -	\$ -	\$ 225	\$ 225
Special assessments	100,000	100,000	274,054	174,054
Intergovernmental	-	-	10,481	10,481
Charges for services	388,100	388,100	-	(388,100)
Investment earnings	2,500	2,500	2,000	(500)
Miscellaneous	-	-	1,260	1,260
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Revenues	\$ 490,600	\$ 490,600	\$ 288,020	\$ (202,580)
Expenditures				
Current				
Conservation of natural resources				
Other	490,600	490,600	460,389	30,211
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Change in Fund Balance	\$ -	\$ -	\$ (172,369)	\$ (172,369)
Fund Balance - January 1	<u>2,479,216</u>	<u>2,479,216</u>	<u>2,479,216</u>	<u>-</u>
Fund Balance - December 31	<u><u>\$ 2,479,216</u></u>	<u><u>\$ 2,479,216</u></u>	<u><u>\$ 2,306,847</u></u>	<u><u>\$ (172,369)</u></u>

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2015**

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

See Note 3.C. Other Postemployment Benefits (OPEB), for more information.

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

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
2015	0.0729%	\$ 3,776,789	\$ 5,178,429	72.93%	78.19%

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT FUND
DECEMBER 31, 2015**

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)
2015	\$ 316,550	\$ 316,550	\$ -	\$ 4,220,639	7.50%

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

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
2015	0.075%	\$ 852,176	\$ 691,058	123.31%	86.61%

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE FUND
DECEMBER 31, 2015**

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)
2015	\$ 116,654	\$ 116,654	\$ -	\$ 720,086	16.20%

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

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
2015	0.260%	\$ 40,196	\$ 462,071	8.70%	96.95%

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT A-11

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL FUND
DECEMBER 31, 2015**

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)
2015	\$ 39,776	\$ 39,932	\$ 156	\$ 454,579	8.78%

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

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

1. General Budget Policies

The County Board adopts estimated revenue and expenditure budgets for the General Fund and the special revenue funds. The expenditure budget is approved at the fund level. The legal level of budgetary control--the level at which expenditures may not legally exceed appropriations--is at the fund level.

The budgets may be amended or modified at any time by the County Board. Comparisons of final budgeted revenues and expenditures to actual are presented in required supplementary information for the General Fund and special revenue funds.

2. Budget Basis of Accounting

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

3. Budget Amendment

Fund	Original Budget	Expenditures Increase (Decrease)	Final Budget
General Fund	\$ 7,269,102	\$ 626,247	\$ 7,895,349

4. Excess of Expenditures Over Appropriations

There were no funds with expenditures over appropriations for the year ended December 31, 2016.

5. Other Postemployment Benefits Funded Status

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

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SUPPLEMENTARY INFORMATION

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

FIDUCIARY FUNDS

Investment Trust Funds

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

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

Agency Funds

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

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

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

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

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

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT B-1

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
DECEMBER 31, 2015**

	Pooled	Investments	Total
<u>Assets</u>			
Cash and pooled investments	\$ 1,718,716	\$ -	\$ 1,718,716
Investments	-	22,068,707	22,068,707
Accrued interest receivable	-	40,175	40,175
Total Assets	\$ 1,718,716	\$ 22,108,882	\$ 23,827,598
 <u>Net Position</u>			
Net position, held in trust for pool participant	\$ 1,718,716	\$ 22,108,882	\$ 23,827,598

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
INVESTMENT TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Pooled	Investments	Total
<u>Additions</u>			
Contributions from participants	\$ 41,076,183	\$ 15,004,257	\$ 56,080,440
Investment earnings	-	161,993	161,993
Total Additions	\$ 41,076,183	\$ 15,166,250	\$ 56,242,433
<u>Deductions</u>			
Distributions to participants	41,052,498	11,030,398	52,082,896
Change in Net Position	\$ 23,685	\$ 4,135,852	\$ 4,159,537
Net Position - January 1	1,695,031	17,973,030	19,668,061
Net Position - December 31	\$ 1,718,716	\$ 22,108,882	\$ 23,827,598

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>REGION 6W COMMUNITY CORRECTIONS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 287,193	\$ 1,742,963	\$ 1,598,637	\$ 431,519
Investments	20,813	41,785	41,679	20,919
Total Assets	\$ 308,006	\$ 1,784,748	\$ 1,640,316	\$ 452,438
<u>Liabilities</u>				
Due to other governments	\$ 308,006	\$ 1,784,748	\$ 1,640,316	\$ 452,438
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 57,205	\$ 327,694	\$ 323,578	\$ 61,321
<u>Liabilities</u>				
Due to other governments	\$ 57,205	\$ 327,694	\$ 323,578	\$ 61,321
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 232,004	\$ 20,937,292	\$ 20,909,767	\$ 259,529
<u>Liabilities</u>				
Due to other governments	\$ 232,004	\$ 20,937,292	\$ 20,909,767	\$ 259,529

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Balance January 1	Additions	Deductions	Balance December 31
<u>SOUTHERN PRAIRIE COMMUNITY CARE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,731	\$ 1,528,985	\$ 1,634,294	\$ (102,578)
Due from other governments	-	101,191	-	101,191
Total Assets	\$ 2,731	\$ 1,630,176	\$ 1,634,294	\$ (1,387)
<u>Liabilities</u>				
Due to other governments	\$ 2,731	\$ 1,630,176	\$ 1,634,294	\$ (1,387)
 <u>CARE COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 158,446	\$ 65,198	\$ 74,113	\$ 149,531
<u>Liabilities</u>				
Due to other governments	\$ 158,446	\$ 65,198	\$ 74,113	\$ 149,531
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 737,579	\$ 24,602,132	\$ 24,540,389	\$ 799,322
Investments	20,813	41,785	41,679	20,919
Due from other governments	-	101,191	-	101,191
Total Assets	\$ 758,392	\$ 24,745,108	\$ 24,582,068	\$ 921,432
<u>Liabilities</u>				
Due to other governments	\$ 758,392	\$ 24,745,108	\$ 24,582,068	\$ 921,432

OTHER SCHEDULES

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2015**

Shared Revenue

State

Highway users tax	\$	2,276,431
County program aid		274,200
PERA rate reimbursement		22,735
Disparity reduction aid		67,566
Police aid		71,780
Enhanced 911		84,345
Market value credit		227,408
Select Committee on Recycling and the Environment (SCORE)		69,692
Aquatic invasive species aid		36,201
		36,201

Total shared revenue **\$ 3,130,358**

Reimbursement for Services

Minnesota Department of Human Services	\$	390,345
		390,345

Payments

Local

Payments in lieu of taxes	\$	117,929
Local contributions		59,388
		59,388

Total payments **\$ 177,317**

Grants

State

Minnesota Department/Board/Office of Human Services	\$	728,969
Natural Resources		35,840
Public Safety		68,555
Revenue		5,500
Water and Soil Resources		45,014
Veterans Affairs		7,500
		7,500

Total state **\$ 891,378**

Federal

Department of Agriculture	\$	210,296
Health and Human Services		1,071,707
Homeland Security		46,727
Transportation		595,986
		595,986

Total federal **\$ 1,924,716**

Total state and federal grants **\$ 2,816,094**

Total Intergovernmental Revenue **\$ 6,514,114**

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Human Services State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	16162MN10152520	\$ 210,296
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00012	\$ 602,219
Passed Through Minnesota Department of Public Safety Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC16-2016- CHIPPWSD-00047	4,582
National Priority Safety Programs (Total expenditures for Highway Safety Cluster \$5,434)	20.616	A-ENFRC16-2016- CHIPPWSD-00047	852
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC16-2016- CHIPPWSD-00047	7,235
Total U.S. Department of Transportation			\$ 614,888
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	1401MNFPS	\$ 2,443
Temporary Assistance for Needy Families	93.558	1502MNTANF	112,210
Child Support Enforcement	93.563	1504MN4005	255,020
Refugee and Entrant Assistance - State-Administered Programs	93.566	1501MNRCA	255
Child Care and Development Block Grant	93.575	G1501MNCCDF	2,799
Community-Based Child Abuse Prevention Grants	93.590	1302MNFPG	14,976
Stephanie Tubbs Jones Child Welfare Services Program	93.645	1401MNCWSS	1,610
Foster Care - Title IV-E	93.658	1501MNFOST	83,473
Social Services Block Grant	93.667	1501MNSOSR	88,593
Children's Health Insurance Program	93.767	1401MN1420	75
Medical Assistance Program	93.778	1401MN5021	510,253
Total U.S. Department of Health and Human Services			\$ 1,071,707

**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	3000069796	\$ 3,500
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	4182DRMNP0000001 A-EMPG-2016- CHIPPWCO-013	7,861
Emergency Management Performance Grants	97.042		<u>35,366</u>
Total U.S. Department of Homeland Security			\$ <u>46,727</u>
Total Federal Awards			\$ <u>1,943,618</u>

The County did not pass any federal awards through to subrecipients during the year ended December 31, 2015.

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Chippewa County under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Chippewa County, it is not intended to and does not present the financial position or changes in net position of Chippewa County.

3. Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Chippewa County has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 1,924,716
Grants received more than 60 days after year-end, unavailable in 2015 Highway Planning and Construction (CFDA #20.205)	<u>18,902</u>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 1,943,618</u>

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**CHIPPEWA COUNTY
MONTEVIDEO, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

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

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

The major federal programs are:

Highway Planning and Construction	CFDA No. 20.205
Child Support Enforcement	CFDA No. 93.563

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

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

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2014-001

Audit Adjustment

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

Condition: During our audit, an adjustment was proposed and recorded to the Human Services Special Revenue Fund in the amount of \$227,437 that resulted in a reduction of due from other governments. This adjustment was individually material to this opinion unit and was necessary to fairly present assets and related revenues in Chippewa County's financial statements.

Context: The inability to make all necessary accrual adjustments or to detect misstatements in the financial statements increases the likelihood that the financial statements would not be fairly presented.

Effect: The following audit adjustment was reviewed and approved by County staff and is reflected in the financial statements: decreased due from other governments and related intergovernmental revenue reimbursements and state and federal grant revenue by \$227,437 for items that did not relate to 2015 and should not have been considered receivable at year-end.

Cause: Procedures were not in place to consider the full extent of all entries needed for financial reporting.

Recommendation: We recommend County staff review their financial statement closing procedures, trial balances, and journal entries in detail to ensure that all significant adjustments have been made that are considered necessary to fairly present the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The Chippewa County accounting staff will implement a stronger level of year-end review to determine and insure that significant adjustments have been made to enable a fair representation of the County's financial statement.

ITEM ARISING THIS YEAR

Finding 2015-001

Prior Period Adjustment

Criteria: A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements of the financial statements on a timely basis. Auditing standards identify one indication of a material weakness in internal control is the restatement of previously issued financial statements to reflect the correction of a material misstatement due to error.

Condition: During our audit, we identified prior period adjustments that resulted in significant changes to the County's financial statements. In the Road and Bridge Special Revenue Fund, a loan receivable balance of \$324,742 for a loan previously made to the City of Clara City was recorded to fairly present assets, and in the Family Services Special Revenue Fund, the reversal of a prior reduction of receivables of \$169,814 was recorded to fairly present assets. The prior period adjustments to restate the County's financial statements were reviewed and approved by the appropriate County staff and are reflected in the financial statements.

Context: The need for prior period adjustments can raise doubts as to the reliability of the County's financial information being presented.

Effect: The January 1, 2015, fund balance of the Road and Bridge Special Revenue Fund was restated (increased) by \$324,742, and the January 1, 2015, fund balance of the Human Services Special Revenue Fund was restated (increased) by \$169,814.

Cause: Oversight in recording loans receivable and reversing receivable related entries.

Recommendation: We recommend County staff review their financial statement closing procedures to ensure they have accurate and complete information necessary to fairly state the County's financial statements in accordance with generally accepted accounting principles.

Client's Response:

The Chippewa County accounting staff will implement a stronger level of year-end review to determine and insure that significant adjustments have been made to enable a fair representation of the County's financial statement.

PREVIOUSLY REPORTED ITEM RESOVED

Internal Accounting Controls (1999-001)

During the prior audit, we noted implementation of compensating controls in several departments to improve segregation of duties; however, the County's payroll process had one staff person who was responsible for setting up new employees, updating the payroll system for pay rate and deduction changes after the changes were approved, entering the timesheets into the payroll system, and verifying time entered into the payroll system was correct.

Resolution

Our review of the payroll process revealed an employee independent of the process now reviews the payroll journal and verifies that only information provided on approved timesheets or payroll change forms has been entered into the payroll system.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

None.

IV. OTHER FINDINGS AND RECOMMENDATIONS

MINNESOTA LEGAL COMPLIANCE

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding 2012-001

Driver Awareness Class

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

The provisions of [Minn. Stat., ch. 169] shall be applicable and uniform throughout this state and in all political subdivisions and municipalities therein, and no local authority shall enact or enforce any rule or regulation in conflict with the provisions of this chapter unless expressly authorized herein. Local authorities may adopt traffic regulations which are not in

conflict with the provisions of this chapter; provided, that when any local ordinance regulating traffic covers the same subject for which a penalty is provided for in this chapter, then the penalty provided for violation of said local ordinance shall be identical with the penalty provided for in this chapter for the same offense.

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

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

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

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

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

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

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

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

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

Client's Response:

On September 6, 2016, the County Attorney reiterated his opinion that the Driver Awareness Program is not in opposition to MS 169.022. The County continues to wait for new legislation for clarity.



REBECCA OTTO
STATE AUDITOR

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Chippewa County, Minnesota, as of and for the year ended December 31, 2015, 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, 2016.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2014-001 and 2015-001 to be material weaknesses.

Compliance and Other Matters

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

Minnesota Legal Compliance

The *Minnesota Legal Compliance Audit Guide for Counties*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested in connection with the audit of the County's financial statements: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the County does not have any tax increment financing.

In connection with our audit, nothing came to our attention that caused us to believe that Chippewa County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, except as described in the Schedule of Findings and Questioned Costs as item 2012-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Chippewa County's Response to Findings

Chippewa County's responses to the internal control and legal compliance findings identified in our audit have been included in the Schedule of Findings and Questioned Costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 2, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

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

Independent Auditor's Report

Board of County Commissioners
Chippewa County
Montevideo, Minnesota

Report on Compliance for Each Major Federal Program

We have audited Chippewa County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. 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.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2015.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of This Report

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

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

September 2, 2016

/s/Greg Hierlinger

GREG HIERLINGER, CPA
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