

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

YEAR ENDED DECEMBER 31, 2019



Hoffman, Philipp, & Knutson, PLLC

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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BAGLEY, MINNESOTA**

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INTRODUCTORY SECTION

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

ORGANIZATION SCHEDULE
DECEMBER 31, 2019

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Mark Titera	January 2023
2 nd District	Dean Newland	January 2021
3 rd District	Neal Illies	January 2023
4 th District	John Nelson, Chair	January 2021
5 th District	Mark Larson	January 2023
Officers		
Elected:		
Attorney	Alan Rogalla	January 2023
Sheriff	Darin Halvorson	January 2023
Auditor-Treasurer	Allen L. Paulson	January 2023
Recorder	Brenda Knable	January 2023
Appointed:		
Assessor	Jamie Freeman	Indefinite
Highway Engineer	Dan Sauve	Indefinite
Land Commissioner	Bruce Cox	Indefinite
Veterans Service Officer	Lindsey Lamwers	Indefinite
Environmental Services	Daniel Hecht	Indefinite
Human Services Board:		
Member	Marilyn Shamp	July 2020
Chair	Julie Sundquist	July 2021
Member	John Nelson	December 2020
Member	Dean Newland	December 2020
Member	Mark Larson	December 2022
Member	Mark Titera	December 2022
Member	Neal Illies	December 2022
Director	Jamie Halverson	Indefinite

FINANCIAL SECTION

Colleen Hoffman, Director
Crystelle Philipp, CPA
Marit Knutson, CPA



Hoffman, Philipp, & Knutson, PLLC

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Clearwater County

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clearwater County, Minnesota, as of and for the year ended December 31, 2019, 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 over financial reporting 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 of 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 over financial reporting 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 over financial reporting. 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 the Clearwater County, Minnesota, as of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The introductory section and the other schedules section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and other schedules sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2020, on our consideration of Clearwater 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 the County's internal control over financial reporting and compliance.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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* is presented for purposes of additional analysis 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.



Hoffman, Philipp, & Knutson, PLLC
September 29, 2020



CLEARWATER COUNTY COMMISSIONERS

213 Main Ave. N. Bagley, MN 56621 • Fax: (218) 694-6244

**MARK
TITERA**
District #1

**DEAN
NEWLAND**
District #2

**NEAL
ILLIES**
District #3

**JOHN
NELSON**
District #4

**MARK
LARSON**
District #5

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

The management of Clearwater County offers readers of the County's Financial Statements this narrative overview and analysis of the financial activities of Clearwater County for the fiscal year ended December 31, 2019. The Management's Discussion and Analysis provides comparisons with the previous year and is designed to focus on the current year's activities, resulting changes, and currently known facts, and should be read in conjunction with the County's basic financial statements that follow this section.

FINANCIAL HIGHLIGHTS

The total net position of governmental activities is \$62,370,543, of which \$47,723,051 is the net investment in capital assets, \$5,796,871 is restricted for specific purposes, and \$8,850,621 is unrestricted. The total net position of governmental activities increased by \$3,269,100 for the year ended December 31, 2019. This is attributed mainly to highway infrastructure projects funded by State revenues.

At the close of 2019, the County's governmental funds reported combined ending fund balances of \$17,858,040, an increase of \$3,631,930 from the prior year. Of the total fund balance amount, \$321,881 is non-spendable, \$3,027,824 is legally or contractually restricted, \$10,047,411 is assigned for specific purposes, and \$4,460,924 is noted as unassigned fund balance. Maintaining an adequate fund balance is necessary to provide County services throughout the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Clearwater County's basic financial statements, which are comprised of 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.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the County's finances. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The *Statement of Net Position* presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position is reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

In the *Statement of Net Position* and the *Statement of Activities*, the County's activities 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 government-wide financial statements can be found as Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Clearwater County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds 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, fund-level financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing 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 short-term financing decisions. Both the Balance Sheet – Governmental Funds and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

The County reports two governmental fund types: General and Special Revenue. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, and the Land Management Special Revenue Fund, all of which are considered to be major funds. Data from the other nonmajor Special Revenue Funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in combining statements after the notes to the financial statements.

Clearwater County adopts annual budgets for its governmental funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with their budgets.

Fiduciary Funds Fiduciary funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, or other funds. Clearwater County's fiduciary funds consist of nine agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. In addition, the fiduciary funds are not reflected in the government-wide financial statements because those resources are not available to support the County's programs. The County is responsible for ensuring that the assets reported in these funds are used for their

intended purposes. All fiduciary activities are reported in Statement 3, Combining Statement of Changes in Assets and Liabilities, All Agency Funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 22 of this report.

Other information—In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The County also provides supplementary and other information including combining statements, budgetary comparison schedules, a ditch balance sheet, a Schedule of Intergovernmental Revenue, and a Schedule of Expenditures of Federal Awards.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, net position serves as a useful indicator of the County's financial position. The County's assets exceeded liabilities by \$62,370,543 at the close of the fiscal year. The largest portion of the County's net position (approximately 77 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 9 percent of the County's net position is restricted and 14 percent of the County's net position is unrestricted. The unrestricted net position amount of \$8,850,621, as of December 31, 2019, may be used to meet the County's ongoing obligations to citizens.

The County's overall financial position increased from last year. Total assets increased by \$3,100,195, primarily due to highway infrastructure projects financed by State revenues. Total liabilities decreased by \$221,066. Deferred outflows of resources related to pensions and other post-employment activities decreased by \$1,603,666, and deferred inflows of resources related to pensions and other post-employment activities decreased by \$1,551,505 from the prior year, due to a reduction in net pension liability. This resulted in an increased net position of \$3,269,100 from the prior year.

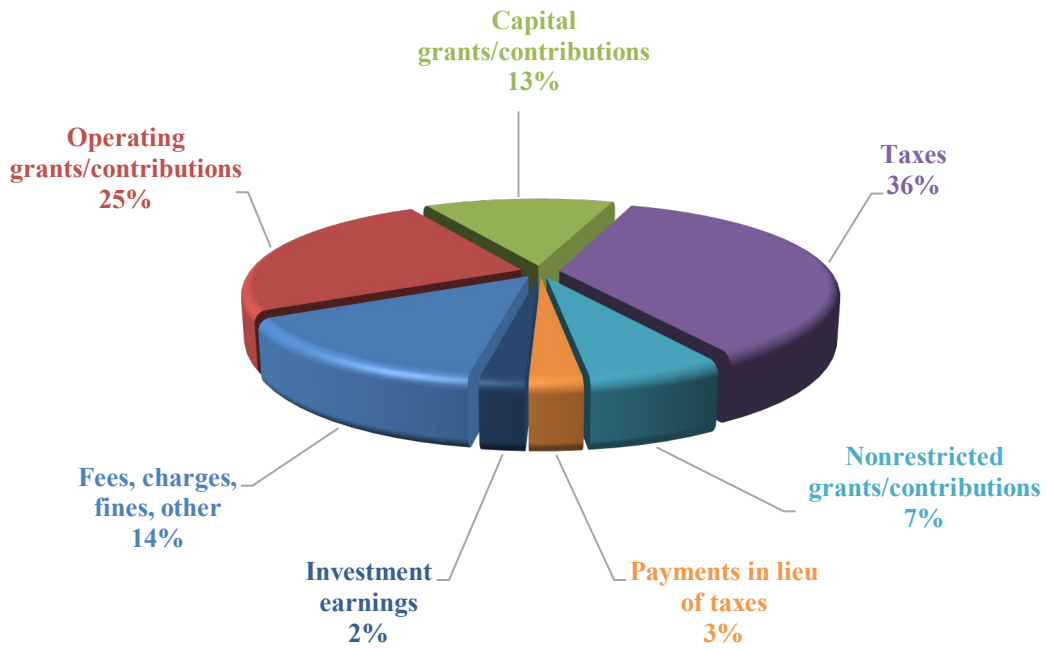
NET POSITION

	Governmental Activities	
	2019	2018
Current and other assets	\$ 22,157,498	\$ 19,582,009
Capital assets	47,723,051	47,198,345
Total assets	\$ 69,880,549	\$ 66,780,354
Deferred outflows - pensions and OPEB	\$ 896,241	\$ 2,499,907
Other liabilities	\$ 1,239,395	\$ 1,260,179
Long-term liabilities outstanding	4,978,523	5,178,805
Total liabilities	\$ 6,217,918	\$ 6,438,984
Deferred inflows - pensions and OPEB	\$ 2,188,329	\$ 3,739,834
Net position		
Net investment in capital assets	\$ 47,723,051	\$ 47,198,345
Restricted	5,796,871	5,205,244
Unrestricted	8,850,621	6,697,854
Total net position	\$ 62,370,543	\$ 59,101,443

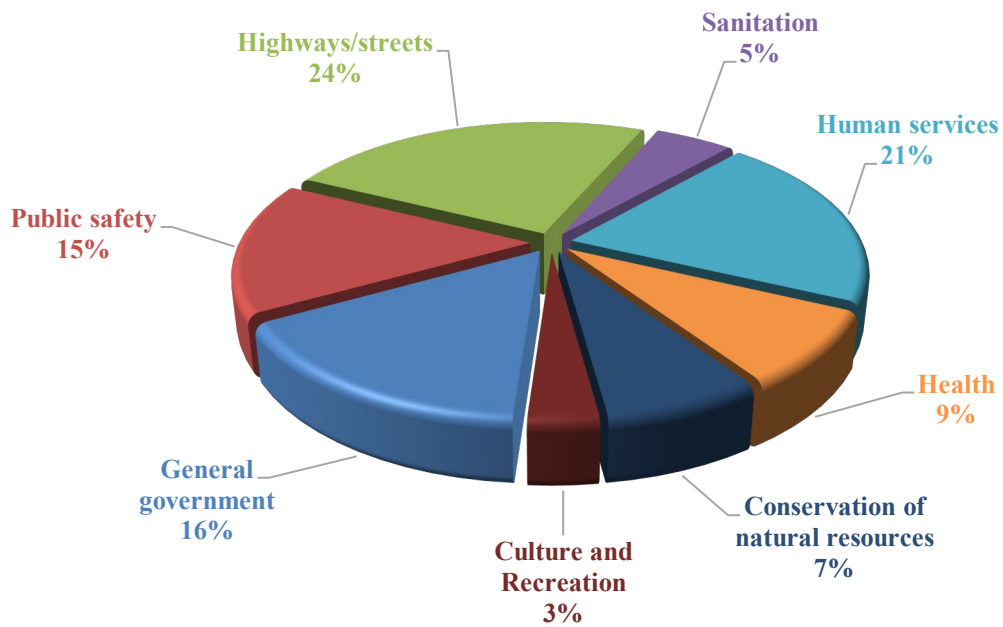
CHANGES IN NET POSITION

	Governmental Activities	
	2019	2018
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 2,902,425	\$ 3,636,183
Operating grants and contributions	5,129,540	4,786,629
Capital grants and contributions	2,769,389	2,703,166
General Revenues		
Taxes	7,494,380	6,997,217
Grants and contributions not restricted to specific programs	1,377,136	1,518,974
Payments in lieu of taxes	542,399	538,767
Investment earnings	454,666	187,057
Miscellaneous	104,149	92,892
Total revenues	\$ 20,774,084	\$ 20,460,885
Expenses		
General government	\$ 2,767,143	\$ 2,605,681
Public safety	2,691,443	2,774,996
Highways and streets	4,227,053	3,748,611
Sanitation	896,250	872,880
Human services	3,570,616	3,754,644
Health	1,498,915	1,443,482
Culture and recreation	573,489	512,060
Conservation of natural resources	1,276,775	1,225,549
Economic development	2,800	2,800
Interest	500	1,500
Total expenses	\$ 17,504,984	\$ 16,942,203
Increase (decrease)	\$ 3,269,100	\$ 3,518,682
Net position, January 1, as previously reported	\$ 59,101,443	\$ 55,608,084
Prior period adjustment	-	(25,323)
Net position, January 1, as restated	\$ 59,101,443	\$ 55,582,761
Net position, December 31	\$ 62,370,543	\$ 59,101,443

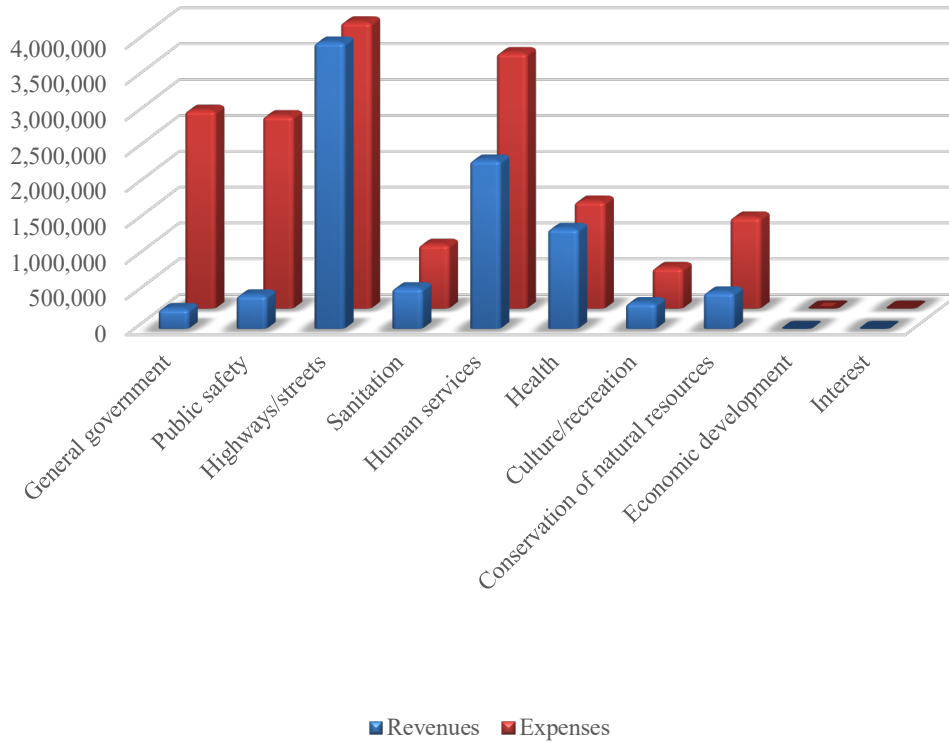
Revenues by Source



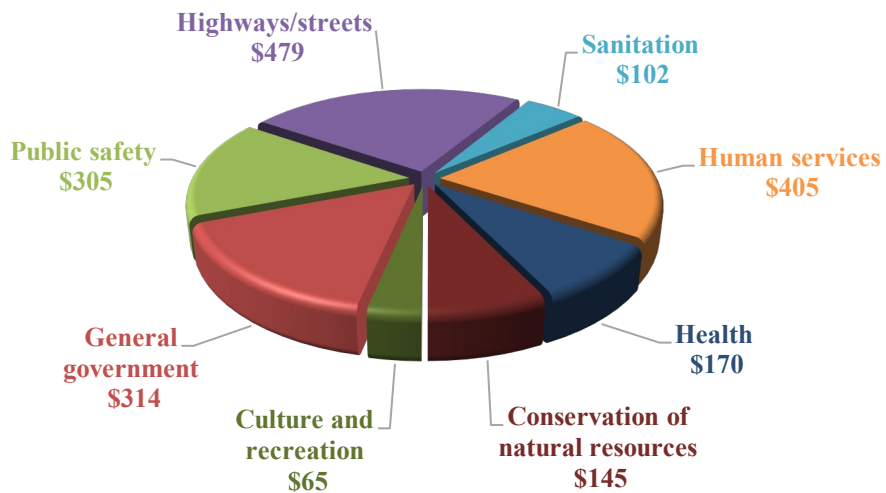
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,818 Population as of July 1, 2019



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, with a focus on short-term inflows of resources, outflows of resources, and balances of spendable resources. In particular, unrestricted fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

Governmental Funds

At the end of 2019, the County's governmental funds reported combined ending fund balances of \$17,858,040. Of this amount, approximately 2 percent constitutes non-spendable fund balance, 17 percent constitutes legally or contractually restricted fund balance, 56 percent constitutes specifically assigned fund balance, and 25 percent constitutes unassigned fund balance. Clearwater County reported no committed fund balance at December 31, 2019.

The General Fund is the operating fund of the County. At the end of the current fiscal year, the General Fund's total fund balance was \$7,787,942. The General Fund's restricted fund balance was \$637,656, assigned fund balance was \$2,680,059, and unassigned fund balance was \$4,470,227. As a measure of the General Fund's liquidity, it is useful to compare both unrestricted fund balance and total fund balance to total fund expenditures for 2019. Unrestricted fund balance represents 104 percent of total General Fund expenditures, while total fund balance represents 113 percent of that same amount.

In 2019, the fund balance amount in the General Fund increased by \$1,265,485. The primary reason for this was due to increased property tax revenue and investment earnings, and County departments operating within their budgets.

The fund balance of the Road and Bridge Special Revenue Fund increased by \$2,058,092 in 2019. This was due to increased intergovernmental revenue due to construction projects started but not yet completed.

The fund balance of the Human Services Special Revenue Fund increased by \$118,010 from the prior year, as a result of a slight decrease in program costs.

The fund balance of the Land Management Special Revenue Fund increased \$17,082, due to a slight decrease in land and timber sales along with a lesser decrease in expenditures.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgeted revenues and expenditures as approved for 2019.

Actual revenues were less than overall final budgeted revenues by \$97,436, with the largest variances in taxes and charges for services. Actual expenditures were less than overall final budgeted expenditures by \$795,133, mainly as a result of decreased spending in general government and public safety.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2019, amounted to \$47,723,051 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately one percent. This increase was mainly due to highway construction projects added to infrastructure and various equipment purchases.

	Governmental Activities	
	2019	2018
Land	\$ 988,578	\$ 951,891
Construction in progress	2,587,427	1,641,135
Infrastructure	40,383,986	40,338,984
Buildings and improvements	1,847,182	2,041,764
Machinery and equipment	1,915,878	2,224,571
Total capital assets	<u>\$ 47,723,051</u>	<u>\$ 47,198,345</u>

Additional information on 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 debt outstanding as final payment of \$20,000 was paid from the Ditch Fund for the General Obligation Bonds issued for the watershed in 1999.

	Governmental Activities	
	2019	2018
General Obligation Bonds	<u>\$ -</u>	<u>\$ 20,000</u>

The County's net decrease in debt of \$20,000 during the fiscal year was attributable to the repayment of debt.

Minnesota Statutes limit the amount of debt that a County may have to three percent of its total market value, excluding revenue bonds. At the end of the fiscal year, the County has no long-term debt.

Additional information on the County's long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- For 2020, the most significant challenge will be adjusting to the impacts of the worldwide Coronavirus pandemic. The total extent of the impact on the County, both financially and operationally, are still uncertain at this time.

- The unemployment rate for Clearwater County was 10.2 percent as of December 31, 2019. This is considerably higher than the statewide rate of 3.5 percent and the national average rate of 3.4 percent.
- According to the United States Census Bureau, the population for Clearwater County was 8,818 at July 1, 2019, an increase of 123 since 2010. This ranks Clearwater County 74th of 87 in the State of Minnesota.
- The economic trends in our community, as well as our population figures, have stayed relatively stable over the past years, and thus there has been little change in the economic profile of the community.
- On December 10, 2019, Clearwater County set its 2020 revenue and expenditure budgets.

REQUESTS FOR INFORMATION

This annual financial report is designed to provide a general overview of Clearwater County for all those with an interest in the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Clearwater County Auditor/Treasurer, Department 202, 213 Main Avenue North, Bagley, Minnesota 56621-8304.

BASIC FINANCIAL STATEMENTS

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities
<u>Assets</u>	
Cash and pooled investments	\$ 17,136,371
Investments	792,230
Taxes receivable - prior	152,573
Special assessments receivable - prior	54,062
Accounts receivable	16,939
Accrued interest receivable	50,470
Contracts receivable	372,529
Due from other governments	3,260,443
Inventories	321,881
Capital assets	
Non-depreciable	3,576,005
Depreciable - net of accumulated depreciation	44,147,046
Total Assets	\$ 69,880,549
<u>Deferred Outflows of Resources</u>	
Related to pensions	\$ 877,576
Related to other post employment benefits	18,665
Total Deferred Outflows of Resources	\$ 896,241
<u>Liabilities</u>	
Current	
Accounts payable	\$ 327,157
Salaries payable	301,101
Contracts payable	9,365
Due to other governments	250,768
Compensated absences	351,004
Noncurrent	
Other Post Employment Benefits	127,221
Net Pension Liability	4,360,571
Compensated absences	490,731
Total Liabilities	\$ 6,217,918
<u>Deferred Inflows of Resources</u>	
Related to pensions	\$ 2,162,825
Related to other post employment benefits	25,504
Total Deferred Inflows of Resources	\$ 2,188,329
<u>Net Position</u>	
Net investment in capital assets	\$ 47,723,051
Amounts restricted for	
General government	151,081
Public safety	268,376
Highways and streets	4,122,914
Conservation of natural resources	1,224,368
Debt service	30,132
Unrestricted amounts	8,850,621
Total Net Position	\$ 62,370,543

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Program Revenues				Net (Expense)
Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position	
Functions/Programs					
Governmental activities					
General government	\$ 2,767,143	\$ 194,785	\$ 86,467	\$ -	\$ (2,485,891)
Public safety	2,691,443	224,584	245,925	-	(2,220,934)
Highways and streets	4,227,053	130,282	2,022,797	2,696,288	622,314
Sanitation	896,250	35,842	535,885	-	(324,523)
Human services	3,570,616	553,114	1,800,630	-	(1,216,872)
Health	1,498,915	1,203,928	195,435	-	(99,552)
Culture and recreation	573,489	239,107	124,322	-	(210,060)
Conservation of natural resources	1,276,775	320,783	118,079	73,101	(764,812)
Economic development	2,800	-	-	-	(2,800)
Interest	500	-	-	-	(500)
Total governmental activities	\$ 17,504,984	\$ 2,902,425	\$ 5,129,540	\$ 2,769,389	\$ (6,703,630)
 General revenues					
Taxes					\$ 7,494,380
Payments in lieu of taxes					542,399
Grants and contributions not restricted to specific programs					1,377,136
Investment earnings					454,666
Miscellaneous					104,149
Total general revenues					\$ 9,972,730
Change in net position					\$ 3,269,100
Net position - January 1					59,101,443
Net position - December 31					\$ 62,370,543

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Special Revenue Funds			Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Human Services	Land Management		
<u>Assets</u>						
Cash and pooled investments	\$ 7,106,426	\$ 5,338,215	\$ 2,312,158	\$ 1,188,697	\$ 1,190,875	\$ 17,136,371
Investments	762,098	-	-	-	30,132	792,230
Taxes receivable - prior	96,735	21,394	24,957	-	9,487	152,573
Special assessments receivable - prior	-	-	-	-	54,062	54,062
Accounts receivable	891	-	-	-	16,048	16,939
Accrued interest receivable	50,470	-	-	-	-	50,470
Contracts receivable	-	-	-	372,529	-	372,529
Due from other funds	99,407	609	-	-	-	100,016
Due from other governments	47,576	2,908,704	231,256	-	72,907	3,260,443
Inventories	-	321,881	-	-	-	321,881
Total Assets	\$ 8,163,603	\$ 8,590,803	\$ 2,568,371	\$ 1,561,226	\$ 1,373,511	\$ 22,257,514
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 125,189	\$ 62,156	\$ 124,235	\$ 2,380	\$ 13,197	\$ 327,157
Salaries payable	122,875	48,295	68,288	7,665	53,978	301,101
Contracts payable	-	9,365	-	-	-	9,365
Due to other funds	609	-	-	92,513	6,894	100,016
Due to other governments	64,842	78,837	10,812	69,673	26,604	250,768
Total Liabilities	\$ 313,515	\$ 198,653	\$ 203,335	\$ 172,231	\$ 100,673	\$ 988,407
Deferred Inflows of Resources						
Taxes	\$ 62,146	\$ 13,943	\$ 16,270	\$ -	\$ 6,014	\$ 98,373
Special assessments	-	-	-	-	45,769	45,769
County State Aid Highway Allotment	-	2,894,396	-	-	-	2,894,396
Land and timber sales	-	-	-	372,529	-	372,529
Total Deferred Inflows of Resources	\$ 62,146	\$ 2,908,339	\$ 16,270	\$ 372,529	\$ 51,783	\$ 3,411,067
Fund Balances						
Nonspendable	\$ -	\$ 321,881	\$ -	\$ -	\$ -	\$ 321,881
Restricted	637,656	1,469,519	-	852,597	68,052	3,027,824
Assigned	2,680,059	3,692,411	2,348,766	163,869	1,162,306	10,047,411
Unassigned	4,470,227	-	-	-	(9,303)	4,460,924
Total Fund Balances	\$ 7,787,942	\$ 5,483,811	\$ 2,348,766	\$ 1,016,466	\$ 1,221,055	\$ 17,858,040
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,163,603	\$ 8,590,803	\$ 2,568,371	\$ 1,561,226	\$ 1,373,511	\$ 22,257,514

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019**

Fund balances - total governmental funds (Exhibit 3)	\$	17,858,040
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		47,723,051
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		3,411,067
<p>Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds:</p>		
<p>Deferred outflows of resources related to other post-employment benefits</p>	\$ 18,665	
<p>Deferred outflows of resources related pensions</p>	<u>877,576</u>	896,241
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
<p>Compensated absences payable</p>	\$ (841,735)	
<p>Other post-employment benefits</p>	(127,221)	
<p>Net pension liability</p>	<u>(4,360,571)</u>	(5,329,527)
<p>Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the governmental funds:</p>		
<p>Deferred inflows of resources related to other post employment benefits</p>	\$ (25,504)	
<p>Deferred inflows of resources related to pensions</p>	<u>(2,162,825)</u>	<u>(2,188,329)</u>
Net position of governmental activities (Exhibit 1)	\$	<u>62,370,543</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Special Revenue Funds			Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Land Management		
Revenues						
Taxes	\$ 4,814,850	\$ 1,021,927	\$ 1,177,279	\$ -	\$ 471,299	\$ 7,485,355
Special assessments	-	-	-	-	493,255	493,255
Licenses and permits	26,088	-	-	310	300	26,698
Intergovernmental	1,917,509	5,800,045	1,916,239	84,959	382,991	10,101,743
Charges for services	577,934	125,921	412,514	4,000	1,226,613	2,346,982
Fines and forfeitures	132	-	-	-	-	132
Investment earnings	454,664	-	-	-	2	454,666
Land and timber sales	-	-	-	413,196	-	413,196
Miscellaneous	261,816	4,361	140,600	61,074	12,857	480,708
Total Revenues	\$ 8,052,993	\$ 6,952,254	\$ 3,646,632	\$ 563,539	\$ 2,587,317	\$ 21,802,735
Expenditures						
Current						
General government	\$ 2,800,447	\$ -	\$ -	\$ -	\$ -	\$ 2,800,447
Public safety	2,444,170	-	-	-	-	2,444,170
Highways and streets	-	4,844,987	-	-	44	4,845,031
Sanitation	-	-	-	-	855,727	855,727
Human services	-	-	3,528,622	-	56,069	3,584,691
Health	72,224	-	-	-	1,477,571	1,549,795
Culture and recreation	571,324	-	-	-	-	571,324
Conservation of natural resources	823,956	-	-	453,944	400	1,278,300
Economic development	2,800	-	-	-	-	2,800
Total Current	\$ 6,714,921	\$ 4,844,987	\$ 3,528,622	\$ 453,944	\$ 2,389,811	\$ 17,932,285
Debt service						
Principal retirement	\$ -	\$ -	\$ -	\$ -	\$ 20,000	\$ 20,000
Interest	-	-	-	-	500	500
Total Debt Service	\$ -	\$ -	\$ -	\$ -	\$ 20,500	\$ 20,500
Capital outlay						
General government	\$ 111,942	\$ -	\$ -	\$ -	\$ -	\$ 111,942
Public safety	53,158	-	-	-	-	53,158
Highways and streets	-	48,365	-	-	-	48,365
Sanitation	-	-	-	-	24,347	24,347
Total Capital Outlay	\$ 165,100	\$ 48,365	\$ -	\$ -	\$ 24,347	\$ 237,812
Total Expenditures	\$ 6,880,021	\$ 4,893,352	\$ 3,528,622	\$ 453,944	\$ 2,434,658	\$ 18,190,597
Excess of Revenues Over (Under) Expenditures	\$ 1,172,972	\$ 2,058,902	\$ 118,010	\$ 109,595	\$ 152,659	\$ 3,612,138

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	General	Road and Bridge	Special Revenue Funds		Other Governmental Funds (Statement 2)	Total Governmental Funds
			Human Services	Land Management		
Other Financing Sources (Uses)						
Transfers in	\$ 92,513	\$ -	\$ -	\$ -	\$ -	\$ 92,513
Transfers out	-	-	-	(92,513)	-	(92,513)
Total Other Financing Sources (Uses)	\$ 92,513	\$ -	\$ -	\$ (92,513)	\$ -	\$ -
Net Change in Fund Balance	\$ 1,265,485	\$ 2,058,902	\$ 118,010	\$ 17,082	\$ 152,659	\$ 3,612,138
Fund Balance - January 1	6,522,457	3,405,117	2,230,756	999,384	1,068,396	14,226,110
Increase (decrease) in inventories	-	19,792	-	-	-	19,792
Fund Balance - December 31	\$ 7,787,942	\$ 5,483,811	\$ 2,348,766	\$ 1,016,466	\$ 1,221,055	\$ 17,858,040

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 3,612,138

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

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.

Expenditures for general capital assets and infrastructure	\$ 2,365,798	
Current year depreciation	(1,841,092)	524,706

Revenues in the Statement of Activities that do not provide current
financial resources are not reported as revenues in the governmental funds.

Change in deferred inflows of resources	(1,044,577)
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The repayment of the principal of long-term debt consumes the current financial
resources of governmental funds; however, the transaction has no effect on net position.

Principal repayment of general obligation bonds	20,000
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Some expenses reported in the Statement of Activities do not require the
use of current financial resources and, therefore, are not reported as
expenditures in governmental funds.

Change in		
Inventories	\$ 19,792	
Compensated absences payable	(5,525)	
Other post-employment benefits	31,506	
Deferred outflows related to other post-employment benefits	18,665	
Deferred inflows related to other post-employment benefits	(25,504)	
Net pension liability	163,221	
Deferred outflows related to net pension liability	(1,622,331)	
Deferred inflows related to net pension liability	1,577,009	156,833

Change in net position of governmental activities (Exhibit 2) \$ 3,269,100

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019**

	<u>Agency (Statement 3)</u>
<u>Assets</u>	
Cash and pooled investments	<u>\$ 448,105</u>
<u>Liabilities</u>	
Due to other governments	<u>\$ 448,105</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

I. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). 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

Clearwater County was established December 20, 1902, and is an organized county having the powers, duties, and privileges granted counties by Minnesota Statutes, Chapter 373. 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 Board Coordinator, appointed by the County Board, serves as the clerk of the Board of Commissioners but has no vote.

B. Joint Ventures

The County participates in joint ventures and jointly-governed organizations which are described in Notes section VII, subdivisions C and D, respectively.

C. Basic Financial Statements

1. Government-Wide Statements

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

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

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

C. Basic Financial Statements (Continued)

2. Fund Financial Statements

The fund financial statements provide information about the County's 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. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for and reports all financial resources of the general government not accounted for in another fund.

The Road and Bridge Special Revenue Fund is used to account for and report financial transactions of County highway operations. Financing is provided by annual tax levy, intergovernmental revenues, and charges for services restricted and assigned to various highways and streets purposes.

The Human Services Special Revenue Fund is used to account for and report financial services provided to persons receiving public assistance. Financing is provided by annual tax levy and intergovernmental revenues assigned to various human services purposes.

Land Management Special Revenue Fund is used to account for financial transactions of forest and timber management. Financing is provided by various grants and timber sales, payments in lieu of taxes, and the sale and rental of tax forfeited land.

Additionally, the County reports the following fund types:

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes other than debt service or capital projects.

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 agency capacity.

D. 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

D. Measurement Focus and Basis of Accounting (Continued)

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. The County considers tax revenues to be available if they are collected within 60 days after the end of the current period. Intergovernmental revenues, land and timber sales, charges for services, and investment earnings are all considered to be 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.

As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements.

E. 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 Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2019, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2019 were \$454,203; and total investment earnings were \$454,666.

Clearwater 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 Minnesota Statute, § 471.59. The MAGIC Fund is not registered with the Securities and Exchange Commission, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

2. Receivables and Payables

Activities between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (the current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance account in applicable government 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 on May 15 and the second half due on October 15. Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as prior taxes receivable.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

2. Receivables and Payables (Continued)

All receivables are shown net of an allowance for uncollectible amounts, if applicable.

3. Inventories

All inventories are valued at cost using the weighted average 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.

Inventories, as reported in the fund financial statements, are offset by a fund balance account to indicate that they do not constitute available spendable resources.

4. Capital Assets

Capital assets, which include land, construction in progress, infrastructure (e.g., roads, bridges, sidewalks, and similar items), buildings and improvements, and machinery and equipment, are reported in the applicable government-wide financial statements. Capital assets have initial useful lives extending beyond two years and a dollar amount for capitalization per assets of \$5,000, except land and construction in progress which is capitalized regardless of cost. Capital assets are recorded at historical cost or estimated historical cost when purchased or constructed. Donated capital assets are recorded at acquisition value at the date of acquisition.

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

Infrastructure, buildings and improvements, and machinery and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	30-80
Buildings and improvements	10-40
Machinery and equipment	4-30

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This element represents a consumption of net position that applies to future periods, and therefore, will not be recognized as an outflow of resources (expense) until that time. The County reports deferred outflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and the pension funds in which County employees participate.

In addition to liabilities, the Statement of Net Position and Balance Sheet report a separate section for deferred inflows of resources. This element represents an acquisition of net position or fund balance that applies to future periods, and therefore, will not be recognized as an inflow of resources (revenue) until that time. The County reports property taxes, special assessments, County State Aid Highway Allotments, and land and timber sales, as inflows of resources in the governmental fund financial statements. In addition, the County reports deferred inflows of resources in the government-wide Statement of Net Position in relation to the activity of other post-employment benefits and the pension funds in which County employees participate. Accordingly, such amounts are deferred and recognized as inflows of resources in the period that they become available.

6. Long-Term Obligations

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental and business-type activities. Bond premiums and discounts, if material, are deferred and amortized over the life of the bonds using the effective interest method.

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are immediately expensed.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources when issued. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

7. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave 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. Compensated absences are accrued when incurred in the government-wide financial statements. 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, and are charged to the department from which the employee resigned or retired.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Other Postemployment Benefits (OPEB)

Under Minnesota statute 471.61, subdivision 2b, public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in a group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees are able to add dependent coverage during open enrollment period or qualifying life event prior to retirement. All premiums are funded on pay-as-you-go basis. The liability was determined, in accordance with GASB Statement No. 75, at January 1, 2019. The County uses the actuarial method of valuation to determine its Other Post-Employment Benefit liability.

9. Pensions

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

10. Net Position and Fund Balance

Net position in the government-wide statement of net position is classified in the following categories:

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

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

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

In the fund financial statements, the County classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent because it is either not in spendable form or legally or contractually required to be maintained intact.

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

10. Net Position and Fund Balance (Continued)

regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes imposed by a motion of the County Board (which is the highest level of decision making authority) and do not lapse at year-end. To remove the constraint on specified use of committed resources the County Board shall pass a motion. The County reported no committed fund balance at December 31, 2019.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither restricted nor committed. The County Board has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the County Auditor/Treasurer.

Unassigned – includes positive fund balance within the General Fund, which has not been classified within the above-mentioned categories, and negative fund balances in other governmental funds.

The County will maintain an unrestricted fund balance in the General Fund of an amount not less than 35 to 50 percent of next year’s budgeted expenditures of the General Fund. Unrestricted fund balance can be “spent down” if there is an anticipated budget shortfall. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded property taxes and transfers of fund balances within a four year period.

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The County Board will set aside amounts by motion as deemed necessary that can only be expended when a natural disaster, flooding, tornado, etc., exist as the need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely. The County did not identify an amount for stabilization as of December 31, 2019.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are needed. When committed, assigned or unassigned resources are available for use, it is the County’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

11. Use of Estimates

The preparation of financial statements in conformity with deferred outflows/inflows of resources accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosure of contingent amounts 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

II. Stewardship, Compliance, and Accountability

A. Land Management

The County manages approximately 92,440 acres of state-owned tax-forfeited land. This land generates revenues primarily from recreational land leases and land and timber sales. Land management costs, including forestry costs such as site preparation, seedlings, tree planting, and logging roads, are accounted for as current operating expenditures. Revenues in excess of expenditures are distributed to the County and cities, towns, and school districts within the County according to state statute.

B. Deficit Unassigned Fund Balance

The Energy Assistance Special Revenue Fund had a deficit unassigned fund balance of \$9,303 as of December 31, 2019. This deficit will be eliminated with future revenues.

III. 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 are reported as follows:

Governmental funds	
Cash and pooled investments	\$ 17,136,371
Investments	792,230
Fiduciary funds	
Cash and pooled investments	448,105
Total cash and investments	\$ 18,376,706
Cash on hand	\$ 14,037
Checking accounts	2,011,026
Savings accounts	5,937,420
Certificates of deposit	1,984,431
Investments	8,429,792
Total deposits and investments	\$ 18,376,706

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Deposits

Minnesota Statutes, §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the Board. Minnesota Statute, § 118A.03 requires that all County deposits be covered by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County's policy is to minimize its exposure to custodial credit risk by requiring all deposits to be insured or collateralized in accordance with Minnesota Statute § 118A.03. As of December 31, 2019, the County's deposits were not exposed to custodial credit risk.

Investments

Minnesota Statutes, §§ 118A.04 and 118A.05 generally authorize the following types of investments available to the County:

- (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 Minnesota Statute, § 118A.04, subdivision 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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's policy is to diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. The County invests in both short-term and long-term investments so that a portion of the portfolio matures evenly over time as necessary to provide the cash flow and liquidity needed for operations.

At December 31, 2019, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
MAGIC Fund	\$ 3,615,572	\$ 3,615,572	\$ -	\$ -
Negotiable Certificates of Deposit	1,001,438	-	1,001,438	-
Federal Home Loan Bank	498,810	-	498,810	-
Money Market	29,004	29,004	-	-
Municipal Bonds	2,784,968	1,093,788	1,362,708	328,472
Federal Home Loan Mortgage Corporation	500,000	-	500,000	-
Total Investments	\$ 8,429,792	\$ 4,738,364	\$ 3,362,956	\$ 328,472
	100%	56%	40%	4%

Credit Risk

Generally, a 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.

The County's exposure to credit risk as of December 31, 2019, is as follows:

	S & P Rating	Fair Value
Federal Home Loan Bank	AA+	\$ 498,810
Federal Home Loan Mortgage Corporation	AA+	500,000
Municipal Bonds	AA+	828,472
Municipal Bonds	A	497,855
Municipal Bonds	AA	897,406
Municipal Bonds	AAA	561,235
Negotiable Certificates of Deposit	N/R	1,001,438
MAGIC Cash Management Funds	N/A	3,615,572
Money Market	N/A	29,004
		\$ 8,429,792

N/A – not applicable

N/R – not rated

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County's investment policy is to minimize custodial credit risk by limiting investments to the types of securities permitted by Minnesota Statute, Chapter 118A and by obtaining broker certification forms and documentation of perfected security interest in pledged collateral from authorized financial institutions, brokers/dealers, and intermediaries or advisors. Some brokers have excess SIPC coverage which may mitigate all or part of custodial credit risk.

At December 31, 2019, the following investments may be subject to custodial credit risk:

Federal Home Loan Mortgage Corporation	\$ 433,928
Federal Home Loan Bank	432,896
Municipal Bonds	<u>2,416,954</u>
Total Custodial Credit Risk	<u>\$ 3,283,778</u>

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, excluding U.S. guaranteed investments, external investment pools, and mutual funds. The County's policy is to diversify use of investment instruments to avoid incurring unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions, or maturities. At December 31, 2019, the County had no investments subject to concentration of credit risk.

Fair Value Measurement

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

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

At December 31, 2019, the County had the following recurring fair value measurements:

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments

Fair Value Measurement (Continued)

	December 31, 2019	Fair Value Measurements Using	
		Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Municipal Bonds	\$ 2,784,968	\$ -	\$ 2,784,968
Debt Securities	998,810	-	998,810
Money Market	29,004	29,004	-
Negotiable Certificates of Deposit	1,001,438	-	1,001,438
Total Investments by Fair Value Level	\$ 4,814,220	\$ 29,004	\$ 4,785,216
 Investments measured at the net asset value - MAGIC	 \$ 3,615,572		

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices. The County had no Level 3 investments at December 31, 2019.

MAGIC is a local government investment pool which is quoted at a net asset value (NAV). The County invests in this pool for the purpose of the joint investment of the County's money with those of other counties to enhance the investment earnings accruing to each member.

MAGIC Portfolio is valued using amortized cost. Shares of the MAGIC Portfolio are available to be redeemed upon proper notice without restrictions under normal operating conditions. There are no limits to the number of redemptions that can be made as long as the County has a sufficient number of shares to meet their redemption request. The MAGIC Fund's Board of Trustees can suspend the right of withdrawal or postpone the date of payment if the Trustees determine that there is an emergency that makes the sale of a Portfolio's securities or determination of its net asset value not reasonably practical.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

2. Receivables

Receivables as of December 31, 2019, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>
Taxes receivable	\$ 152,573
Special assessments	54,062
Accounts receivable	16,939
Accrued interest receivable	50,470
Contracts receivable	372,529
Due from other governments	<u>3,260,443</u>
Total	<u>\$ 3,907,016</u>

At December 31, 2019, there were no uncollectible accounts not scheduled for collection during the subsequent year.

3. Operating Lease

Sanford Health of Northern Minnesota entered into a lease agreement with Clearwater County for the use of the hospital building in Bagley, Minnesota, as well as certain equipment. The initial lease term was for three years commencing February 1, 2012, with the option to renew the lease for two additional three-year terms. The lease has subsequently been extended for one-year terms with the current annual amendment expiring on January 31, 2021. Lease payments are \$6,833.33 per month and are equal to the depreciation expense on the leased assets. Payments received on this lease totaled \$82,000 for the year ended December 31, 2019.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

4. Capital Assets

Capital asset activity for the governmental activities for the year ended December 31, 2019, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 951,891	\$ 36,687	\$ -	\$ 988,578
Construction in progress	1,641,135	2,275,153	1,328,861	2,587,427
Total capital assets not depreciated	<u>\$ 2,593,026</u>	<u>\$ 2,311,840</u>	<u>\$ 1,328,861</u>	<u>\$ 3,576,005</u>
Capital assets being depreciated				
Infrastructure	\$ 60,867,900	\$ 1,273,173	\$ -	\$ 62,141,073
Buildings and improvements	9,175,835	23,334	-	9,199,169
Machinery and equipment	7,357,084	214,478	300,174	7,271,388
Total capital assets being depreciated	<u>\$ 77,400,819</u>	<u>\$ 1,510,985</u>	<u>\$ 300,174</u>	<u>\$ 78,611,630</u>
Less: accumulated depreciation for				
Infrastructure	\$ 20,528,916	\$ 1,228,171	\$ -	\$ 21,757,087
Buildings and improvements	7,134,071	217,916	-	7,351,987
Machinery and equipment	5,132,513	395,005	172,008	5,355,510
Total accumulated depreciation	<u>\$ 32,795,500</u>	<u>\$ 1,841,092</u>	<u>\$ 172,008</u>	<u>\$ 34,464,584</u>
Total capital assets, depreciated, net	<u>\$ 44,605,319</u>	<u>\$ (330,107)</u>	<u>\$ 128,166</u>	<u>\$ 44,147,046</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,198,345</u>	<u>\$ 1,981,733</u>	<u>\$ 1,457,027</u>	<u>\$ 47,723,051</u>

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

Governmental Activities	
General government	\$ 40,744
Public safety	218,010
Highways and streets, including depreciation of infrastructure assets	1,517,755
Sanitation	38,576
Human services	19,577
Culture and recreation	2,165
Conservation of natural resources	4,265
Total Depreciation Expense - Governmental Activities	<u>\$ 1,841,092</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources (Continued)

4. Capital Assets (Continued)

Construction Contracts

Construction in progress consists of highway construction projects. The County had three active highway construction projects and commitments as of December 31, 2019, with \$2,065,737 spent to date and remaining contract commitments of \$1,550,153, which will be funded with state aid highway allotments.

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2019, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Land Management Special Revenue Fund	\$ 92,513	Forfeited land and timber sales
	Energy Assistance Special Revenue Fund	6,894	Cash deficit
Total Due to General Fund		\$ 99,407	
Road and Bridge Special Revenue Fund	General Fund	609	Reimbursement
Total Due To/From Other Funds		\$ 100,016	

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2019 consisted of the following operating transfers:

Transfer to General Fund from			
Land Management Special Revenue Fund	\$ 92,513		Forfeited land and timber sales

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2019 were as follows:

Accounts payable	\$ 327,157
Salaries payable	301,101
Contracts payable	9,365
Due to other governments	250,768
Total Payables	\$ 888,391

All payable amounts are scheduled for payment during the subsequent year.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Compensated Absences

Under the County's personnel policies and union contracts, employees are granted vacation in varying amounts based on their length of service.

a. Accrued Vacation Leave

Accrued vacation leave shall become available for the employee's use upon completion of the probation period. Vacation leave shall accrue at the end of a pay period and shall not be available for use until it has accrued. Unused vacation leave shall accrue to a maximum of 24 times the employee's monthly accrual rate.

The following schedule shall be used to determine the appropriate level of vacation accrual based upon an employee's length of service:

<u>Length of Service</u>	<u>Hours/Month</u>
0 through 4 years	8
5 through 9 years	12
After 9 years	16

b. Accrued Sick Leave

Sick leave starts to accrue immediately upon employment with the County. New full-time employees shall accrue sick leave on a pro-rata condition at the rate of eight hours per month based upon the hours worked. New permanent part-time employees shall accrue sick leave on a pro-rata condition as per hours worked. Sick leave shall be accumulated until a maximum accumulation of 720 hours is reached. Sick leave accrued in excess of the prescribed maximum sick leave accrual shall be credited into a deferred sick leave category. Deferred sick leave shall be banked for additional use in long-term illness. This deferred sick leave may only be used when the entire regular sick leave balance is exhausted.

For the governmental activities, compensated absences are generally liquidated by the General Fund, the Road and Bridge Special Revenue Fund, the Human Services Special Revenue Fund, the Land Management Special Revenue Fund, the Nursing Service Special Revenue Fund, and the Solid Waste Management Special Revenue Fund.

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$691,500 at December 31, 2019, is available to employees in the event of illness-related absences and is not paid to them at termination.

3. Operating Leases

The County is obligated under certain leases accounted for as operating leases. During fiscal year 2019, lease expenditures approximated \$31,698 for noncancelable leases with terms in excess of one year. These expenditures were for the use of multi-function copiers, printers, and scanners.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Operating Leases (Continued)

The following schedule, by years, of the future minimum rental payments required under operating leases that have an initial or remaining noncancelable lease terms in excess of one year as of December 31, 2019:

<u>Year ended December 31</u>	<u>Amount</u>
2020	\$32,131
2021	\$20,733
2022	\$14,834
2023	\$ 9,883
2024	\$ 432

4. Long-Term Debt

Bonds Payable

Clearwater County General Obligation Watershed Bonds, Series 1999, represent debt incurred for construction in the Red Lake Watershed District. These bonds had an original issue amount of \$445,000. They carried a net interest rate of 5.052 percent and were due in semi-annual installments paid from the Ditch Special Revenue Fund through February, 2019. The balance of \$20,000 was paid in 2019, and no further debt service requirements are applicable.

5. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
G.O. Watershed Bonds, Series 1999	\$ 20,000	\$ -	\$ 20,000	\$ -	\$ -
Net OPEB Payable	158,727	-	31,506	127,221	-
Compensated Absences	836,210	487,060	481,535	841,735	351,004
Net Pension Liability	<u>4,523,793</u>	<u>-</u>	<u>163,222</u>	<u>4,360,571</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 5,538,730</u>	<u>\$ 487,060</u>	<u>\$ 696,263</u>	<u>\$ 5,329,527</u>	<u>\$ 351,004</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

6. Deferred Inflows of Resources

Deferred inflows of resources consist of taxes, special assessments, land and timber sales, and County State Aid Highway Allotments (CSAH), not collected soon enough after year-end to pay liabilities of the current period, and other receivables received but not yet earned. Deferred inflows of resources at December 31, 2019, are summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Land & Timber Sales</u>	<u>CSAH</u>	<u>Total</u>
Major governmental funds					
General	\$ 62,146	\$ -	\$ -	\$ -	\$ 62,146
Road and Bridge	13,943	-	-	2,894,396	2,908,339
Human Services	16,270	-	-	-	16,270
Land Management	-	-	372,529	-	372,529
Solid Waste	6,014	45,745	-	-	51,759
Ditch	-	24	-	-	24
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 98,373</u>	<u>\$ 45,769</u>	<u>\$ 372,529</u>	<u>\$ 2,894,396</u>	<u>\$ 3,411,067</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2019, were as follows:

	General	Road and Bridge	Human Services	Land Management	Other Governmental Funds	Total Governmental Funds
Fund Balances						
Nonspendable						
Inventories	\$ -	\$ 321,881	\$ -	\$ -	\$ -	\$ 321,881
Restricted for						
AIS prevention	\$ 117,316	\$ -	\$ -	\$ -	\$ -	\$ 117,316
Boat and water safety	1,664	-	-	-	-	1,664
Conservation of natural resources	-	-	-	-	37,920	37,920
County State Highway Allotments	-	1,469,519	-	-	-	1,469,519
Debt service	-	-	-	-	30,132	30,132
Enhanced 911	67,254	-	-	-	-	67,254
Handgun permits	27,366	-	-	-	-	27,366
Help America Vote Act	70,502	-	-	-	-	70,502
Law library	33,217	-	-	-	-	33,217
Memorial forest	-	-	-	352,892	-	352,892
Missing heirs	26,305	-	-	-	-	26,305
Probation	30,994	-	-	-	-	30,994
Recorder's equipment	5,019	-	-	-	-	5,019
Riparian protection aid	216,535	-	-	-	-	216,535
Sheriff's contingent fund	3,690	-	-	-	-	3,690
Sheriff's forfeited property	20,933	-	-	-	-	20,933
Snowmobile safety	823	-	-	-	-	823
Technology	16,038	-	-	-	-	16,038
Timber development	-	-	-	499,705	-	499,705
Total restricted	\$ 637,656	\$ 1,469,519	\$ -	\$ 852,597	\$ 68,052	\$ 3,027,824
Assigned to						
General government	\$ 1,337,124	\$ -	\$ -	\$ -	\$ -	\$ 1,337,124
Public safety	12,719	-	-	-	-	12,719
Culture and recreation	424,674	-	-	-	-	424,674
Forfeited land	-	-	-	163,869	-	163,869
Health	701,403	-	-	-	50,243	751,646
Highways and streets	-	3,692,411	-	-	5,623	3,698,034
Human services	-	-	2,348,766	-	-	2,348,766
Conservation	204,139	-	-	-	-	204,139
Sanitation	-	-	-	-	1,106,440	1,106,440
Total assigned	\$ 2,680,059	\$ 3,692,411	\$ 2,348,766	\$ 163,869	\$ 1,162,306	\$ 10,047,411
Unassigned	\$ 4,470,227	\$ -	\$ -	\$ -	\$ (9,303)	\$ 4,460,924
Total Fund Balances	\$ 7,787,942	\$ 5,483,811	\$ 2,348,766	\$ 1,016,466	\$ 1,221,055	\$ 17,858,040

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

A. Plan Description

Clearwater County provides a single-employer defined benefit healthcare plan to eligible retirees and their dependents. The plan offers medical insurance benefits. The County provides for retirees by Minnesota Statute § 471.61, subdivision 2b. The retiree healthcare plan does not issue a publicly available financial report. No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The contribution requirements of the plan and the County are established and may be amended by the Clearwater County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees are required to pay 100 percent of the total premium cost. Since the premium is determined on the entire active and retiree population, the retirees are receiving an implicit rate subsidy. This post-employment benefit is funded on a pay-as-you-go basis usually paying retiree benefits out of the General Fund. For 2019, there were approximately 127 participants in the plan, with no retirees.

B. Total OPEB Liability

The County's total OPEB liability of \$127,201 was determined by an actuarial valuation date of January 1, 2019 and measurement date of January 1, 2019 through January 1, 2020.

The total OPEB liability in the fiscal year-end December 31, 2019, actuarial valuation was determined using the following actuarial methods and assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date:	January 1, 2019
Measurement Date:	January 1, 2019
Reporting Date:	December 31, 2019
Actuarial Cost Method:	Entry Age, level percentage of pay
Amortization of Deferred Resource Flows:	Average of expected remaining service on a closed basis for differences between expected and actual experience and assumption changes.
Discount Rate:	3.80%
20-Year Municipal Bond Yield:	3.80%
Inflation Rate:	2.50%
Salary Increases:	3.00%
Medical Trend Rate:	6.50% as of January 1, 2019, grading to 5.00% over 6 years.

The current year discount rate is 3.80 percent, which is a change from the prior year rate of 3.30 percent. For the current valuation, the discount rate was selected from a range of the 20-year municipal bond yield. The municipal bond rate assumption of 3.80 percent was set by considering published rate information for 20-year high quality, tax-exempt, general obligation municipal bonds as of the measurement date.

Mortality rates are based on RP-2014 tables (blue collar for public safety, white collar for others) with MP-2018 Generational Improvement Scale.

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB) (Continued)

C. OPEB Liability Sensitivity

The following presents the total OPEB Liability of the County, calculated using the discount rate of 3.80%, as well as what the County's total OPEB Liability would be if it were calculated using a discount rate that is 1.00 percentage point lower or 1.00 percentage point higher than the current discount rate:

OPEB Liability (Asset) at Different Discount Rates			
OPEB Sensitivity			
1% Lower	2.80%	\$	134,334
Current Discount Rate	3.80%	\$	127,221
1% Higher	4.80%	\$	120,472

The following presents the total OPEB liability of Clearwater County, calculated using the health care cost-trend of 6.25% decreasing to 5.00% over 6 years, as well as what the County's total OPEB Liability would be if it were calculated using health care trend rates that are 1.00 percentage point lower or 1.00 percentage point higher than the current health care cost trend rate:

OPEB Trend Rates			
OPEB Liability (Asset) at Healthcare Trend Rates			
1% Lower	5.25%	\$	117,796
Current Discount Rate	6.25%	\$	127,221
1% Higher	7.25%	\$	138,072

D. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the County recognized OPEB expense of \$6,419.

At December 31, 2019, Clearwater County reported its proportionate share of OPEB's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ -	\$ 24,223
Assumption changes	-	1,281
Estimated employer contributions	18,665	-
Total	\$ 18,665	\$ 25,504

The \$18,665 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2020.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

D. OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB
(Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Future Recognition
2020	\$ (6,377)
2021	\$ (6,377)
2022	\$ (6,377)
2023	\$ (6,373)

E. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire personnel) to the RP-2014 White Collar Mortality Tables with MP-2018 Generational Scale (with Blue Collar adjustment for Police and Fire personnel).
- The retirement and withdrawal tables for Police and Fire personnel were updated.
- The discount rate was changed from 3.30% to 3.80%.

There was no change in plan methods or plan provisions in 2019.

V. Defined Benefit Pension Plans

A. Plan Descriptions

Clearwater County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan

Eligible full-time and certain part-time employees of Clearwater County are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

A. Plan Descriptions (Continued)

2. Public Employees Police and Fire Fund

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

3. Local Government Correctional Plan

The Correctional Plan was established for correctional officers serving in county and regional corrections facilities. Eligible participants must be responsible for the security, custody, and control of the facilities and their inmates.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan 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 PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For 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.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity of benefit for at least 36 months as of June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired after June 30, 2010, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. The annuity accrual rate is 1.9 percent of average salary for each year of service in that plan. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 100 percent of the COLA announced by SSA, with a minimum increase of at least 1 percent and a maximum of 2.5 percent. If the plan's funding status declines to 85 percent or below for two consecutive years or 80 percent for one year, the maximum will be lowered from 2.5 percent to 1.5 percent. Recipients that have been receiving the annuity of benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity of benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in calendar year 2019 and Clearwater County was required to contribute 7.50 percent for Coordinated Plan members. Clearwater County's contributions to the General Employees Fund for the year ended December 31, 2019, were \$357,494. Clearwater County's contributions were equal to the required contributions as set by state statute.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

C. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.8 percent of pay to 11.3 percent, and employer rates increased from 16.2 percent to 16.95 percent on January 1, 2019. Clearwater County's contributions to the Police and Fire Fund for the year ended December 31, 2019, were \$97,441. Clearwater County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Plan members were required to contribute 5.83 percent of their annual covered salary and Clearwater County was required to contribute 8.75 percent of pay for plan members in fiscal year 2019. Clearwater County's contributions to the Correctional Fund for the year ended December 31, 2019, were \$55,238. Clearwater County's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, Clearwater County reported a liability of \$3,748,724 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with Clearwater County totaled \$116,573. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of the date. Clearwater County's proportionate share of the net pension liability was based on Clearwater County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019. At June 30, 2019, Clearwater County's proportionate share was .0678 percent which was a decrease of .0030 percent from its proportion measured as of June 30, 2018.

Proportionate share of the net pension liability	\$ 3,748,724
State of Minnesota's proportionate share of the net pension liability associated with Clearwater County	116,573
Total	\$ 3,865,297

There were no provision changes during the measurement period.

For the year ended December 31, 2019, Clearwater County recognized pension expense of \$289,272 for its proportionate share of the General Employees Plan's pension expense. In addition, Clearwater County recognized an additional \$8,731 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

At December 31, 2019, Clearwater County reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 107,780	\$ -
Changes in actuarial assumptions	-	310,041
Net collective difference between projected and actual investment earnings	-	399,790
Changes in proportion	-	227,969
Contributions paid to PERA subsequent to the measurement date	177,789	-
Total	\$ 285,569	\$ 937,800

\$177,789 reported as deferred outflows of resources related to pensions resulting from Clearwater County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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:
2020	\$ (314,753)
2021	\$ (400,882)
2022	\$ (120,426)
2023	\$ 6,041
2024	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2019, Clearwater County reported a liability of \$567,432 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Clearwater County's proportionate share of the net pension liability was based on Clearwater County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all PERA's participating employers. At June 30, 2019, Clearwater County's proportionate share was .0533 percent which was an increase of .0029 percent from its proportionate share measured as of June 30, 2018. Clearwater County also recognized \$7,195 for the year ended December 31, 2019 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

Legislation passed in 2013 required the State of Minnesota begin contribution \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

There were no provision changes during the measurement period.

For the year ended December 31, 2019, Clearwater County recognized pension expense of \$99,748 for its proportionate share of the Police and Fire Plan's pension expense.

As of December 31, 2019, Clearwater County reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 23,244	\$ 80,655
Changes in actuarial assumptions	441,727	609,772
Net collective difference between projected and actual investment earnings	-	113,093
Changes in proportion	49,611	16,203
Contributions paid to PERA subsequent to the measurement date	49,114	-
Total	<u>\$ 563,696</u>	<u>\$ 819,723</u>

\$49,114 reported as deferred outflows of resources related to pensions resulting from Clearwater County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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:
2020	\$ (39,378)
2021	\$ (68,509)
2022	\$ (205,349)
2023	\$ 3,421
2024	\$ 4,674

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2019, Clearwater County reported a liability of \$44,415 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. Clearwater County's proportionate share of the net pension liability was based on Clearwater County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the County's proportionate share was .3208 percent, a decrease of .0157 percent from its proportion measured as of June 30, 2018.

There were no provision changes during the measurement period.

For the year ended December 31, 2019 the County recognized pension expense of \$58,943 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2019, the County reported its proportionate share of the Correctional Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 1,711	\$ 7,428
Changes in actuarial assumptions	-	413,942
Difference between projected and actual investment earnings	-	58,743
Changes in proportion	-	25,189
Contributions paid to PERA subsequent to the measurement date	<u>26,600</u>	<u>-</u>
Total	<u>\$ 28,311</u>	<u>\$ 505,302</u>

\$26,600 reported as deferred outflows of resources related to pensions resulting from Clearwater County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. 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>
2020	\$ (269,105)
2021	(219,869)
2022	(15,047)
2023	430
2024	-

The total pension expense for all plans recognized by Clearwater County for the year ended December 31, 2019, was \$447,963.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants for all plans were based on RP-2014 tables males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan, 1.0 percent per year for the Police and Fire Plan, and 2.0 percent per year for the Correctional Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for the Police and Fire Plan was completed in 2016. The five-year experience study for the Correctional Plan, prepared by a former actuary, was completed in 2012. The mortality assumption for the Correctional Plan is based on the Police and Fire Plan experience study completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

E. Actuarial Assumptions (Continued)

Correctional Fund

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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 long-term expected rate of return on pensions plan investments is 7.5 percent. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%

F. Discount Rates

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund, the Police and Fire Fund, and the Correctional Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

G. Pension Liability Sensitivity (Continued)

Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates			Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates		
General Employees Fund			Police and Fire Fund		
1% Lower	6.50%	\$ 6,162,700	1% Lower	6.50%	\$ 1,240,302
Current Discount Rate	7.50%	\$ 3,748,724	Current Discount Rate	7.50%	\$ 567,432
1% Higher	8.50%	\$ 1,755,506	1% Higher	8.50%	\$ 11

Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates		
Correctional Fund		
1% Lower	6.50%	\$ 473,369
Current Discount Rate	7.50%	\$ 44,415
1% Higher	8.50%	\$ (298,819)

H. Pension Plan Fiduciary Net Position

Detailed information about each 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.

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Three employees are covered by the Public Employees Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution 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. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employee's contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount no to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VI. Public Employees Defined Contribution Plan (Defined Contribution Plan) (Continued)

Total contributions made by Clearwater County during fiscal year 2019 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 3,668	\$ 3,668	5%	5%	5%

VII. Summary of Significant Contingencies and Other Items

A. 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, in connection with the normal conduct of its affairs, may be involved in various claim judgments and litigation. Enbridge, Inc., is currently challenging tax valuations for the years 2012-2017 through litigation, which may affect Clearwater County. For the tax valuations for 2012-2013 and 2014, these cases are pending judgment. The tax years of 2015, 2016, and 2017 are in the pre-trial stage. Any loss is dependent on the outcome of these lawsuits. The County may be subject to a loss of considerably more than \$25,000 in future tax revenue. The exact amount of loss of future tax revenue, if any, will depend on the outcome of the litigation.

B. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Insurance Trust (MCIT) to cover workers' compensation and property and casualty liabilities. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for each of the past three fiscal years.

The Worker's Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2019 and 2020. 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. The 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.

C. Subsequent Event

Subsequent to year end, the World Health Organization declared the spread of Coronavirus disease a worldwide pandemic. The pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the County, the pandemic may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and personnel costs. Management believes the County is taking appropriate action to mitigate the negative

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Subsequent Event (Continued)

effects, however, the full impact of the pandemic is unknown and cannot be reasonably estimated as these events occurred subsequent to year end and are still developing.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) established the Coronavirus Relief Fund. On July 6, 2020, Clearwater received \$1,110,134 from the Coronavirus Relief Fund to support local government coronavirus relief efforts. Clearwater County has certified its intent to follow federal guidelines for the use of funds received, and any unspent funding must be returned to the State by December 10, 2020.

D. Joint Ventures

1. Clearwater Economic Development Organization

The Clearwater Economic Development Organization was formed in 1998 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Clearwater County; the Cities of Bagley, Clearbrook, Gonvick, Leonard, and Shevlin; the townships of Copley and Pine Lake; and Independent School District Numbers 162 and 2311. The purpose of the Clearwater Economic Development Organization is to foster environmentally sound economic development and perpetuate a stable and progressive business climate within Clearwater County.

Control of the Development Organization is vested in the Clearwater Economic Development Organization Board of Directors which is composed of two Directors appointed by the County and one Director appointed from each of the other members. In the event of dissolution, the net assets of the Development Organization shall be distributed to the respective members in proportion to the contribution of each.

The Clearwater Economic Development Organization has no long-term debt. Financing is provided by appropriations from the members. Clearwater County did not contribute to the Development Organization for the year ended December 31, 2019. Clearwater County, in an agent capacity, reports the cash transactions of the Development Organization as an agency fund on its financial statements. Complete financial information can be obtained from Clearwater County Auditor/Treasurer, 213 North Main Avenue, Bagley, Minnesota 56621.

2. Homeland Security & Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board

The HSEM Region 3 Emergency Managers Joint Powers Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, § 471.59 and Minnesota Statutes, Chapter 12. Members include Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties.

The purpose of the HSEM Region 3 Emergency Managers Joint Powers Board is to engage in planning, training, and/or the purchase of equipment in order to better respond to emergencies and natural and other disasters within HSEM Region 3; specifically, within the jurisdictional boundaries of the member counties.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

2. Homeland Security & Emergency Management (HSEM) Region 3 Emergency Managers Joint Powers Board (Continued)

Control is vested in the HSEM Region 3 Emergency Managers Joint Powers Board, which is composed of one representative from each member county, appointed by their respective governing bodies as provided in the HSEM Region 3 Emergency Managers Board's Joint Powers Agreement.

The HSEM Region 3 Emergency Managers Joint Powers Board has no long-term debt. Financing will be provided by a Homeland Security Grant Program and other grant programs and awards. Complete financial information can be obtained from the Clay County Sheriff's Office, 915 9th Avenue North, Moorhead, Minnesota 56560.

3. Joint County Natural Resources Board

The Joint County Natural Resources Board was formed in 1985 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Aitkin, Beltrami, Clearwater, Koochiching, Lake of the Woods, Mahnomon, Marshall, and Roseau Counties. The purpose of the Natural Resources Board is to gather information on and formulate policies for the development, utilization, and protection of natural resources in Northern Minnesota and to ensure that there is an interrelated plan for the use and protection of both public and private resources.

Control of the Natural Resources Board is vested in the Joint County Natural Resources Board which is composed of at least one resident of each county appointed by their respective county board, as provided in the Natural Resources Board's bylaws. In the event of dissolution, the net assets at the time shall be distributed to the respective member counties in proportion to the contribution of each.

The Joint County Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties. Clearwater County contributed \$500 to the Natural Resources Board for the year ended December 31, 2019. Complete financial information can be obtained from the Natural Resources Board's Treasurer, Box 808, Baudette, Minnesota 56623.

4. Mississippi Headwaters Board

The Mississippi Headwaters Board was established on February 22, 1980, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Aitkin, Beltrami, Cass, Clearwater, Crow Wing, Hubbard, Itasca, and Morrison Counties. The purpose of the Board is to prepare, adopt, and implement a comprehensive land use plan designed to protect and enhance the Mississippi River and related shore-land areas within the counties. The Board consists of eight members, one appointed from each participating county. Financing is provided by federal, state, and local grants, and appropriations from member counties. Clearwater County made no contribution to the Mississippi Headwaters Board for the year ended December 31, 2019. Cass County maintains the accounting records of the Board.

Complete financial information can be obtained from the Mississippi Headwaters Board, Cass County Courthouse, 4th Street and Minnesota Avenue, Walker, Minnesota 56484.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

5. North Country Community Health Service

The North Country Community Health Service was formed in 1979 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Hubbard, and Lake of the Woods Counties. The purpose of the Health Service is to develop and implement policies and procedures to promote efficiency and economy in the delivery of community health services.

Control of the Health Service is vested in the North Country Health Service Board which is composed of three members appointed by Beltrami County and two members appointed by each of the other member counties, as provided in the Health Service's bylaws. In the event of dissolution of the North Country Health Service Board, the net assets of the Health Service at that time shall be divided among the member counties in the same proportion as their allocated share of subsidy funds as determined by the Minnesota Department of Health.

The North Country Community Health Service has no long-term debt. Financing is provided by state and federal grants and appropriations from member counties. Clearwater County did not contribute to the Health Service for the year ended December 31, 2019. Clearwater County, in an agent capacity, reports the cash transactions of the Health Service as an agency fund on its financial statements.

Complete financial information can be obtained from Clearwater County Auditor/Treasurer's Office or the Health Service's office located at 212 Main Avenue North, Bagley, Minnesota 56621.

6. Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established September 22, 1993, and amended May 4, 1995, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Cook, Itasca, Clearwater, Lake of the Woods, Marshall, Pennington, and St. Louis Counties. The purpose of the Land Use Coordinating Board is to formulate land use plans or general policies needed for the protection, sustainable use, and development of lands and natural resources in Northern Minnesota.

The Northern Counties Land Use Coordinating Board is composed of two elected county commissioners from each member county except St. Louis County, which has three members, as provided in the Land Use Coordinating Board's bylaws. In the event of dissolution of the Northern Counties Land Use Coordinating Board, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

The Land Use Coordinating Board has no long-term debt. Financing is provided by appropriations from member counties. Clearwater County did not contribute to the Land Use Coordinating Board for the year ended December 31, 2019. St. Louis County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from the St. Louis County Auditor, 100 North Fifth Avenue West, Duluth, Minnesota 55802.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

7. Northwest Emergency Communications Board

The Northwest Emergency Communications Board was formed in 2007 under the authority of the Joint Powers Act, pursuant to Minnesota Statutes, §§ 403.39 and 471.59. Members include Becker, Beltrami, Clearwater, Clay, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties and the County of Moorhead. The purpose of the Northwest Emergency Communications Board is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

Control is vested in the Northwest Emergency Communications Board, which is composed of one county commissioner from each member county and one County council member from the member County, appointed by their respective governing bodies as provided in the Northwest Emergency Communications Board's Joint Powers Agreement.

The Northwest Emergency Communications Board has no long-term debt. Financing is provided by annual contributions from members, reflective of the extent of participation and use of services. Clearwater County contributed \$2,500 to the Northwest Emergency Communications Board for the year ended December 31, 2019. Complete financial information can be obtained from Itasca County, 123 NE 4th Street, Grand Rapids, MN 55744.

8. Northwest Minnesota Six County Joint Powers Board

The Northwest Minnesota Six County Joint Powers Board was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Marshall, Pennington, Polk, and Red Lake Counties. The purpose of the Board is to receive and expend funds for beaver damage control.

The Northwest Minnesota Six County Joint Powers Board is composed of one representative appointed by each county board from the six counties. Each county also has one alternate appointed to the Board, and the Board may choose to have non-voting advisory members on the Board. In the event of dissolution, the net assets shall be distributed to the respective member counties in proportion to the contribution of each.

Financing is provided by grants from the State of Minnesota or contributions. Complete financial information can be obtained from the Red Lake Watershed District, P.O. Box 803, Thief River Falls, Minnesota 56701.

9. Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February, 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as "Pine to Prairie." The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative's purpose is to meet or exceed

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

9. Northwest Service Cooperative (Continued)

the needs of participating members by developing and delivering high quality, cost-effective services and programs that will support the activities of its members. The NWSC charges sufficient rates so that the participating members experience no financial benefit or burden.

The NWSC is governed by a Board of Directors consisting of school board members elected at large by their peers, one County representative, with a maximum of three at-large appointees and three ex-officio superintendents.

Clearwater County contributed \$160 to the Northwest Regional Radio Board for the year ended December 31, 2019. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

10. Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the Association is to provide a mechanism whereby the counties may cooperatively provide for a data processing disaster recovery plan and back-up system.

Control of the Association is vested in the Northwestern Counties Data Processing Security Association Joint Powers Board, which is composed of one county commissioner appointed by each member county board. In the event of dissolution, the net assets of the Association at that time shall be distributed to the respective member counties in proportion to the contribution of each.

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Clearwater County did not contribute to the Association for the year ended December 31, 2019.

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Clearwater County, in an agent capacity, reports the cash transactions of the Association as an agency fund on its financial statements. Clearwater County Auditor/Treasurer's Office or the Health Service's office located at 212 Main Avenue North, Bagley, Minnesota 56621.

11. Northwestern Minnesota Household Hazardous Waste Management Group

The Northwestern Minnesota Household Hazardous Waste Management Group was formed in 1992 under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Kittson, Lake of the Woods, Marshall, Pennington, Polk, Red Lake, and Roseau Counties. The purpose of the Waste Management Group is to cooperatively manage, handle, and transport household hazardous waste, provide public education on safe waste management, and provide for the disposition of non-recyclable household hazardous waste materials.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

11. Northwestern Minnesota Household Hazardous Waste Management Group (Continued)

Control of the Waste Management Group is vested in the Northwestern Minnesota Household Hazardous Waste Management Group Joint Powers Board, which is composed of one county commissioner from each of the member counties, as provided in the Waste Management Group's bylaws.

Responsibility for budgeted expenditures is shared with the first 50 percent divided equally among the member counties, and the remaining 50 percent divided on a population-ratio basis. In the event of dissolution, the net assets shall be divided among the member counties in the same proportion as their respective financial responsibilities.

The Waste Management Group has no long-term debt. Financing is provided by appropriations from the member counties when needed. Clearwater County contributed \$4,817 to the Waste Management Group for the year ended December 31, 2019. Clearwater County, in an agent capacity, reports the cash transactions as an agency fund on its financial statements. Complete financial information can be obtained from Clearwater County Auditor/Treasurer's Office or the Waste Management Group's Office, P.O. Box 186, Bagley, Minnesota 56621.

12. Northwestern Minnesota Juvenile Center

The Northwestern Minnesota Juvenile Center was formed under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, effective August 1971, and includes Beltrami, Cass, Clearwater, Hubbard, Kittson, Lake of the Woods, Pennington, and Roseau Counties. The purpose of the Center is to provide rehabilitation and other services to juveniles under the jurisdiction of the court system. The offices of the Center are located in Bemidji, with satellite homes at various locations.

Control of the Center is vested in the Northwestern Minnesota Juvenile Center Joint Powers Board, which is composed of at least one member appointed by each participating county, as provided in the Center's bylaws. At present, there are 13 directors: Beltrami, Cass, Hubbard, Pennington, and Roseau Counties have two directors each; the other member counties have one director each. In the event of dissolution, the net assets of the Center shall be divided among the member counties in the same proportion as their respective financial responsibilities.

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Clearwater County purchased services from the Northwestern Minnesota Juvenile Center of \$165,167 for the year ended December 31, 2019. Beltrami County, in an agent capacity, reports the cash transactions of the Northwestern Minnesota Juvenile Center as an agency fund on its financial statements. Complete financial information can be obtained from the Beltrami County Auditor/Treasurer's Office or at the Center's office, P.O. Box 247, Bemidji, Minnesota 56619.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

13. Paul Bunyan Task Force

The Paul Bunyan Task Force was established July 16, 1992, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Cass, Clearwater, Hubbard, and Mahnomen Counties, the City of Bemidji, and the White Earth Reservation. The purpose of the Paul Bunyan Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

Control of the Paul Bunyan Task Force is established by a majority vote represented with one vote from each member organization. In the event of dissolution of the Task Force, the net assets shall be liquidated to the member organizations based on their percentage of population of all member counties and cities.

The Paul Bunyan Task Force has no long-term debt. Financing is provided by the profits from forfeitures and seizures pursuant to Minnesota Statute, § 609.531. The City of Bemidji, in an agent capacity, reports the cash transactions of the Task Force on its financial statements. Complete financial information can be obtained from the City of Bemidji, Administrative Offices - County Hall, 317 - 4th Street N.W., Bemidji, Minnesota 56601.

14. PrimeWest County-Based Purchasing Initiative

PrimeWest County-Based Purchasing Initiative Joint Powers Board was established in December 1998 by a joint powers agreement among 13 counties, including Beltrami, Big Stone, Clearwater, Douglas, Grant, Hubbard, McLeod, Meeker, Pipestone, Pope, Renville, Stevens, and Traverse, under the authority of Minnesota Statute, § 471.59. The purpose of this agreement is to plan and administer a multi-county, county-based purchasing program for medical assistance and general assistance medical care services and other health care programs as authorized by Minnesota Statute, § 256B.692.

Control of PrimeWest County-Based Purchasing Initiative is vested in a Joint Powers Board, composed of two Commissioners from each member county (one active and one alternate). Each member of the Joint Powers Board is appointed by the County Commissioners of the county he or she represents.

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

Financing is provided by medical assistance and general assistance medical care payments from the Minnesota Department of Human Services. Complete financial information can be obtained from its administrative office at PrimeWest County-Based Purchasing Initiative, 2209 Jefferson Street, Suite 101, Alexandria, Minnesota 56308.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

E. Jointly-Governed Organizations

1. Giziibii Resource Conservation and Development (RC&D) Council

The Giziibii RC&D Council was incorporated in June 1974 to help people protect and develop their economic, natural, and social resources in ways that improve their area's economy, environment, and quality of life. It serves the residents of Beltrami, Clearwater, Hubbard, Lake of the Woods, and Mahnomen Counties, and three reservations which include, Red Lake, Leach Lake, and White Earth. Clearwater County did not contribute to the Giziibii RC&D Council for the year ended December 31, 2019.

2. Lake Agassiz Regional Library

The Lake Agassiz Regional Library, a consolidated public library system serving over 134,228 residents, was formed in 1961 pursuant to Minnesota Statutes, §§ 134.20 and 471.59, and includes the counties of Becker, Clay, Clearwater, Mahnomen, Norman, Polk, and Wilkin, as well as the cities of Breckenridge, Crookston, Detroit Lakes, Mahnomen, and Moorhead. Control of the Library is vested in the Lake Agassiz Regional Library Board of trustees which is composed of 23 individuals who represent 12 signatory entities. Clearwater County appropriated \$101,910 to the Lake Agassiz Regional Library for the year ended December 31, 2019.

3. Minnesota Association of Governments Investing for Counties

The Minnesota Association of Governments Investing for Counties ("MAGIC") is a joint powers entity in the form of a common law trust organized and existing under the laws of the State of Minnesota in accordance with the provisions of the Minnesota Joint Powers Act. The Fund was established in the fall of 1990 for the purpose of allowing Minnesota Counties and instrumentalities of Counties to pool their investment funds to seek the highest possible investment yield, while maintaining liquidity and preserving capital. For more information, please contact a representative at 1-800-731-7150.

4. Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Clearwater, Lake of the Woods, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County did not contribute to the Caucus for the year ended December 31, 2019.

5. Red Lake Watershed District

The Red Lake Watershed District was formed pursuant to Minnesota Statute, § 103D.201, effective January 25, 1969, and includes land within Beltrami, Clearwater, Itasca, Clearwater, Mahnomen, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations

5. Red Lake Watershed District (Continued)

Control of the District is vested in the Red Lake Watershed District Board of Managers which is composed of seven members having staggered terms of three years each, with two appointed by the Polk County Board and one each appointed by the County Boards of Beltrami, Clearwater, Marshall, Pennington, and Red Lake. Clearwater County's responsibility does not extend beyond making this appointment.

6. Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minnesota Statutes, Chapter 103D, and includes Becker, Clay, Clearwater, Mahnommen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administer legal drainage systems, issue applications and permits, educate the public on conservation issues, and provide dispute resolution. Control of the Wild Rice Watershed District is vested in a Board of Managers which is composed of seven members appointed by the county commissioners of Becker, Clay, Mahnommen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and the remaining counties each appoint one member.

REQUIRED SUPPLEMENTARY INFORMATION

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,087,500	\$ 5,087,500	\$ 4,814,850	\$ (272,650)
Licenses and permits	28,925	28,925	26,088	(2,837)
Intergovernmental	1,777,739	1,777,739	1,917,509	139,770
Charges for services	822,985	822,985	577,934	(245,051)
Fines and forfeitures	6,100	6,100	132	(5,968)
Investment earnings	151,200	151,200	454,664	303,464
Miscellaneous	275,980	275,980	261,816	(14,164)
Total Revenues	\$ 8,150,429	\$ 8,150,429	\$ 8,052,993	\$ (97,436)
Expenditures				
Current				
General government				
Commissioners	\$ 261,229	\$ 261,229	\$ 232,342	\$ 28,887
District court	32,000	32,000	40,171	(8,171)
Law library	9,000	9,000	4,351	4,649
County auditor/treasurer	554,664	554,664	534,192	20,472
County assessor	284,979	284,979	249,745	35,234
Elections	19,000	19,000	20,048	(1,048)
Accounting and auditing services	105,000	105,000	95,666	9,334
Management information systems	447,129	447,129	400,982	46,147
Personnel	13,650	13,650	1,119	12,531
Attorney	342,265	342,265	305,530	36,735
Safety control coordinator	1,000	1,000	822	178
Recorder	333,664	333,664	341,165	(7,501)
Motor pool	20,600	20,600	21,233	(633)
Buildings and grounds	10,000	10,000	14,680	(4,680)
Building maintenance	307,875	307,875	288,620	19,255
Veterans service officer	94,204	94,204	92,923	1,281
Insurance	234,750	234,750	121,704	113,046
Other general government	27,400	27,400	35,154	(7,754)
Total general government	\$ 3,098,409	\$ 3,098,409	\$ 2,800,447	\$ 297,962
Public safety				
Sheriff	\$ 1,124,073	\$ 1,124,073	\$ 1,001,058	\$ 123,015
Boat and water safety	12,403	12,403	1,521	10,882
Handgun permits	19,840	19,840	19,112	728
Coroner	32,000	32,000	20,580	11,420
Enhanced 911	73,302	73,302	51,949	21,353
Snowmobile safety	3,904	3,904	1,327	2,577
DARE program	1,000	1,000	3,697	(2,697)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current				
Public safety (Continued)				
Emergency services	17,285	17,285	16,654	631
Rural signing	25,000	25,000	7,104	17,896
Law enforcement center	1,511,605	1,511,605	1,154,411	357,194
Probation and parole	128,220	128,220	104,907	23,313
Radio jail project	15,000	15,000	646	14,354
Sentence to serve	74,915	74,915	49,341	25,574
Law enforcement center canteen	25,000	25,000	4,819	20,181
Other public safety	9,504	9,504	7,044	2,460
Total public safety	\$ 3,073,051	\$ 3,073,051	\$ 2,444,170	\$ 628,881
Health				
Hospice	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Medical facilities management	10,000	10,000	52,224	(42,224)
Total health	\$ 30,000	\$ 30,000	\$ 72,224	\$ (42,224)
Culture and recreation				
Historical society	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Parks	364,978	364,978	380,440	(15,462)
Regional library	101,910	101,910	101,910	-
Snowmobile and ski trails	50,000	50,000	72,974	(22,974)
Total culture and recreation	\$ 532,888	\$ 532,888	\$ 571,324	\$ (38,436)
Conservation of natural resources				
Agricultural society	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Aquatic invasive species	103,662	103,662	128,052	(24,390)
County extension	121,825	121,825	114,612	7,213
Environmental services	101,067	101,067	127,070	(26,003)
Predator and weed control	63,250	63,250	44,804	18,446
Riparian protection aid	16,795	16,795	36,412	(19,617)
Soil and water conservation	69,360	69,360	69,360	-
Soil survey	134,000	134,000	132,880	1,120
Water planning	41,774	41,774	41,774	-
Wetlands administration	105,190	105,190	93,329	11,861
Other conservation of natural resources	668	668	663	5
Total conservation of natural resources	\$ 792,591	\$ 792,591	\$ 823,956	\$ (31,365)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Economic development				
Emerging Leader Program	\$ 500	\$ 500	\$ 500	\$ -
Mississippi Headwaters Board	1,500	1,500	1,500	-
Red River Valley Development	800	800	800	-
Total economic development	\$ 2,800	\$ 2,800	\$ 2,800	\$ -
Total Current Expenditures	\$ 7,529,739	\$ 7,529,739	\$ 6,714,921	\$ 814,818
Capital outlay				
General government	\$ 94,415	\$ 94,415	\$ 111,942	\$ (17,527)
Public safety	51,000	51,000	53,158	(2,158)
Total capital outlay	\$ 145,415	\$ 145,415	\$ 165,100	\$ (19,685)
Total Expenditures	\$ 7,675,154	\$ 7,675,154	\$ 6,880,021	\$ 795,133
Excess of Revenues Over (Under) Expenditures	\$ 475,275	\$ 475,275	\$ 1,172,972	\$ 697,697
Other Financing Sources (Uses)				
Transfers in	95,000	95,000	92,513	(2,487)
Net Change in Fund Balance	\$ 570,275	\$ 570,275	\$ 1,265,485	\$ 695,210
Fund Balance - January 1	6,522,457	6,522,457	6,522,457	-
Fund Balance - December 31	\$ 7,092,732	\$ 7,092,732	\$ 7,787,942	\$ 695,210

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,037,147	\$ 1,037,147	\$ 1,021,927	\$ (15,220)
Intergovernmental	6,174,620	6,174,620	5,800,045	(374,575)
Charges for services	160,995	160,995	125,921	(35,074)
Miscellaneous	9,004	9,004	4,361	(4,643)
Total Revenues	\$ 7,381,766	\$ 7,381,766	\$ 6,952,254	\$ (429,512)
Expenditures				
Current				
Highways and Streets				
Administration	\$ 550,628	\$ 550,628	\$ 460,970	\$ 89,658
Maintenance	1,645,911	1,645,911	1,397,779	248,132
Construction	4,463,606	4,463,606	2,265,885	2,197,721
Equipment maintenance and shop	435,000	435,000	354,079	80,921
Materials for resale	-	-	72,734	(72,734)
Township roads	-	-	258,576	(258,576)
Other highways and streets	60,101	60,101	34,964	25,137
Capital outlay				
Highways and streets	379,500	379,500	48,365	331,135
Total Expenditures	\$ 7,534,746	\$ 7,534,746	\$ 4,893,352	\$ 2,641,394
Net Change in Fund Balance	\$ (152,980)	\$ (152,980)	\$ 2,058,902	\$ 2,211,882
Fund Balance - January 1	3,405,117	3,405,117	3,405,117	-
Increase (decrease) in inventories	-	-	19,792	19,792
Fund Balance - December 31	\$ 3,252,137	\$ 3,252,137	\$ 5,483,811	\$ 2,231,674

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,442,668	\$ 1,442,668	\$ 1,177,279	\$ (265,389)
Intergovernmental	6,781,046	6,781,046	1,916,239	(4,864,807)
Charges for services	539,294	539,294	412,514	(126,780)
Miscellaneous	200,883	200,883	140,600	(60,283)
Total Revenues	\$ 8,963,891	\$ 8,963,891	\$ 3,646,632	\$ (5,317,259)
Expenditures				
Current				
Human Services				
Income maintenance	\$ 3,170,988	\$ 3,170,988	\$ 1,648,268	\$ 1,522,720
Social services	5,964,756	5,964,756	1,880,354	4,084,402
Total Expenditures	\$ 9,135,744	\$ 9,135,744	\$ 3,528,622	\$ 5,607,122
Net Change in Fund Balance	\$ (171,853)	\$ (171,853)	\$ 118,010	\$ 289,863
Fund Balance - January 1	2,230,756	2,230,756	2,230,756	-
Fund Balance - December 31	\$ 2,058,903	\$ 2,058,903	\$ 2,348,766	\$ 289,863

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 200	\$ 200	\$ 310	\$ 110
Intergovernmental	66,700	66,700	84,959	18,259
Charges for services	1,000	1,000	4,000	3,000
Land and timber sales	365,000	365,000	413,196	48,196
Miscellaneous	38,950	38,950	61,074	22,124
Total Revenues	\$ 471,850	\$ 471,850	\$ 563,539	\$ 91,689
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	\$ 524,148	\$ 524,148	\$ 310,929	\$ 213,219
Forest access road	46,000	46,000	27,633	18,367
Timber development	82,449	82,449	58,784	23,665
Payments in lieu of taxes	59,149	59,149	56,598	2,551
Total Expenditures	\$ 711,746	\$ 711,746	\$ 453,944	\$ 257,802
Excess of Revenues Over (Under) Expenditures	\$ (239,896)	\$ (239,896)	\$ 109,595	\$ 349,491
Other Financing Sources (Uses)				
Transfers out	-	-	(92,513)	(92,513)
Net Change in Fund Balance	\$ (239,896)	\$ (239,896)	\$ 17,082	\$ 256,978
Fund Balance - January 1	999,384	999,384	999,384	-
Fund Balance - December 31	\$ 759,488	\$ 759,488	\$ 1,016,466	\$ 256,978

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 5

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$7,513	\$8,393
Interest cost	5,283	5,403
Differences between expected and actual experience	(30,279)	-
Changes of assumption or other inputs	(1,602)	-
Benefit payments	<u>(12,421)</u>	<u>(20,662)</u>
Net change in total OPEB liability	(\$31,506)	(\$6,866)
Total OPEB Liability - Beginning	<u>158,727</u>	<u>165,593</u>
Total OPEB Liability - Ending	<u>\$127,221</u>	<u>\$158,727</u>
Covered-employee payroll	\$3,862,165	\$4,094,191
Total OPEB liability (asset) as a percentage of covered-employee payroll	3%	4%

This schedule is intended to present 10 years and will be updated as information becomes available.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 6

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2019**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019	\$ 357,494	\$ 357,494	\$ -	\$ 4,766,587	7.5%
December 31, 2018	\$ 365,509	\$ 365,509	\$ -	\$ 4,868,842	7.5%
December 31, 2017	\$ 359,656	\$ 359,656	\$ -	\$ 4,774,402	7.5%
December 31, 2016	\$ 351,527	\$ 351,527	\$ -	\$ 4,687,027	7.5%
December 31, 2015	\$ 350,346	\$ 350,346	\$ -	\$ 4,671,266	7.5%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019	\$ 97,441	\$ 97,441	\$ -	\$ 574,873	16.95%
December 31, 2018	\$ 88,784	\$ 88,784	\$ -	\$ 548,047	16.2%
December 31, 2017	\$ 84,527	\$ 84,527	\$ -	\$ 521,773	16.2%
December 31, 2016	\$ 81,374	\$ 81,374	\$ -	\$ 502,314	16.2%
December 31, 2015	\$ 77,245	\$ 77,245	\$ -	\$ 476,822	16.2%

PUBLIC EMPLOYEES CORRECTIONAL FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019	\$ 55,238	\$ 55,238	\$ -	\$ 631,291	8.75%
December 31, 2018	\$ 61,599	\$ 61,599	\$ -	\$ 703,797	8.75%
December 31, 2017	\$ 64,065	\$ 64,065	\$ -	\$ 732,172	8.75%
December 31, 2016	\$ 56,933	\$ 56,933	\$ -	\$ 650,663	8.75%
December 31, 2015	\$ 58,248	\$ 58,248	\$ -	\$ 665,697	8.75%

Note: This schedule is intended to present 10 years and will be updated as information becomes available.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2019**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0678%	\$ 3,748,724	\$ 116,573	\$ 3,865,297	\$ 4,842,494	77.41%	80.23%
June 30, 2018	0.0709%	\$ 3,931,236	\$ 128,978	\$ 4,060,214	\$ 4,824,596	81.48%	79.53%
June 30, 2017	0.0731%	\$ 4,780,658	\$ 58,704	\$ 4,839,362	\$ 4,823,862	99.10%	75.90%
June 30, 2016	0.0746%	\$ 6,159,830	\$ 79,104	\$ 6,238,934	\$ 4,671,494	131.86%	68.90%
June 30, 2015	0.0799%	\$ 4,140,834	\$ -	\$ 4,140,834	\$ 4,693,208	88.23%	78.20%

PUBLIC EMPLOYEES POLICE AND FIRE FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0533%	\$ 567,432	\$ -	\$ 567,432	\$ 562,251	100.92%	89.26%
June 30, 2018	0.0504%	\$ 537,212	\$ -	\$ 537,212	\$ 531,383	101.10%	88.84%
June 30, 2017	0.0510%	\$ 688,561	\$ -	\$ 688,561	\$ 519,185	132.62%	85.40%
June 30, 2016	0.0500%	\$ 2,006,587	\$ -	\$ 2,006,587	\$ 485,959	412.91%	63.90%
June 30, 2015	0.0490%	\$ 556,755	\$ -	\$ 556,755	\$ 451,688	123.26%	86.60%

PUBLIC EMPLOYEES CORRECTIONAL FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability and the Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.3208%	\$ 44,415	\$ -	\$ 44,415	\$ 649,651	6.84%	98.17%
June 30, 2018	0.3365%	\$ 55,344	\$ -	\$ 55,344	\$ 716,616	7.72%	97.64%
June 30, 2017	0.3400%	\$ 969,003	\$ -	\$ 969,003	\$ 707,868	136.89%	67.90%
June 30, 2016	0.3600%	\$ 1,315,130	\$ -	\$ 1,315,130	\$ 696,180	188.91%	58.20%
June 30, 2015	0.3800%	\$ 58,748	\$ -	\$ 58,748	\$ 681,053	8.63%	96.90%

Note: This schedule is intended to present 10 years and will be updated as information becomes available.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

I. Budgetary Information

A. Budget Policy

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at fiscal year-end.

From mid-June to July of each year, all departments and agencies submit requests for appropriations to the County Auditor/Treasurer so that a budget can be prepared. On or before September 15, the proposed budget and levies are adopted by the County Board. The Board holds public hearings, and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function, and department. The County's department head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the departmental level.

B. Excess of Expenditures Over Budget

The following departments had expenditures in excess of budget for the year ended December 31, 2019:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
District court	\$ 40,171	\$ 32,000	\$ (8,171)
Elections	20,048	19,000	(1,048)
Recorder	341,165	333,664	(7,501)
Motor pool	21,233	20,600	(633)
Buildings and grounds	14,680	10,000	(4,680)
Other general government	35,154	27,400	(7,754)
Public safety			
DARE program	3,697	1,000	(2,697)
Health			
Medical facilities management	52,224	10,000	(42,224)
Culture and recreation			
Parks	380,440	364,978	(15,462)
Snowmobile and ski trails	72,974	50,000	(22,974)
Conservation of natural resources			
Aquatic invasive species	128,052	103,662	(24,390)
Environmental services	127,070	101,067	(26,003)
Riparian protection aid	36,412	16,795	(19,617)
Capital outlay			
General government	111,972	94,415	(17,557)
Public safety	53,158	51,000	(2,158)
Road and Bridge Special Revenue Fund			
Highways and Streets			
Materials for resale	72,734	-	(72,734)
Township roads	258,576	-	(258,576)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

II. Other Post-Employment Benefits (OPEB)

Assets have not been accumulated in a trust that meets the criteria in paragraph four of GASB Statement 75 to pay related benefits. For more information, refer to Schedules 5 of this section and the Notes to the Financial Statements Section IV., Other Post-Employment Benefits.

2019 Changes

Changes in Actuarial Assumptions

The most recent actuarial valuation date is January 1, 2019. Since the last actuarial valuation as of January 1, 2017, the following actuarial assumptions have been changed:

- The health care trend rates were changed to better anticipate short term and long term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for Police and Fire personnel were updated.
- The discount rate was changed from 3.30% to 3.80%.

Changes in Plan Provisions

There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

The most recent actuarial valuation date is January 1, 2017. Since the last actuarial valuation as of January 1, 2014, the following actuarial assumptions have been changed:

- The health care trend rates were changed to better anticipate short-term and long-term medical increases.
- The mortality table was updated from RP-2000 Combined healthy Table projected to 2014 with Scale BB to the RP-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).
- The withdrawal and retirement tables for all employees were updated.
- The discount rate was changed from 4.50% to 3.30%.

Changes in Plan Provisions

Since the last actuarial valuation as of January 1, 2014, the following plan provisions have changed:

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Net Pension Liability

The information presented in the required supplementary schedules was used in the actuarial valuation for purposes of determining the actuarially determined contribution rates. The assumptions and methods used for this actuarial valuation were recommend by PERA and adopted by the County Commissioners.

General Employees Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

General Employees Fund

2018 Changes

Changes in Plan Provisions (Continued)

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

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80 percent for active members and 60.00 percent for vested and non-vested deferred members. The revised CSA load are now 0.00 percent for active member liability, 15.00 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00 percent per year for all years to 1.00 percent per year through 2044 and 2.50 percent per year thereafter.

Changes in Plan Provisions

- The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter to 1.00 percent per year for all years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2035 and 2.50 percent per year thereafter.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

General Employees Fund

2015 Changes (Continued)
Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

Police and Fire Fund

2019 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes
Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- Postretirement benefit increases were changed to 1.00 percent for all years, with no trigger.
- An end date of July 1, 2048 was added to the existing \$9.0 million state contribution.
- New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier.
- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Police and Fire Fund (Continued)

2017 Changes

Changes in Actuarial Assumptions

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Police and Fire Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent.
- The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after the attainment of the 90.00 percent funding threshold was changed from inflation up to 2.50 percent, to a fixed rate of 2.50 percent.

Correctional Fund

2019 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2018 Changes

Changes in Actuarial Assumptions

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Correctional Fund

2018 Changes

Changes in Actuarial Assumptions (Continued)

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Postretirement benefit increases were changed from 2.50 percent per year with a provision to reduce to 1.00 percent if the funding status declines to a certain level, to 100 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 2.50 percent, beginning January 1, 2019. If the funding status declines to 85.00 percent for two consecutive years or 80.00 percent for one year, the maximum increase will be lowered to 1.50 percent.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2017 Changes

Changes in Actuarial Assumptions

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016, and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to MP-2016).
- The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 35.00 percent for vested members and 1.00 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Correctional Fund (Continued)

2016 Changes

Changes in Actuarial Assumptions

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

- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.5 percent for inflation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- There have been no changes since the prior valuation.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

SUPPLEMENTARY INFORMATION

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

The Ditch Special Revenue Fund is used to account for and report the financing of public improvements or services to ditches. Financing is provided by special assessments levied against benefited properties restricted for conservation of natural resources and debt service.

The Energy Assistance Special Revenue Fund is used to account for and report the funds received from the state and assigned to the Energy Assistance Program.

The Nursing Service Special Revenue Fund is used to account for and report the financial transactions of the nursing service. Financing is provided by charges for services and intergovernmental revenues assigned to nursing service purposes.

The Solid Waste Management Special Revenue Fund is used to account for and report solid waste management operations including landfill, incinerator, recycling, and disposal sites and enforcement of regulations as required by the Minnesota Pollution Control Agency. Financing is provided by special assessments and intergovernmental revenues assigned to various solid waste purposes.

The Unorganized Townships Special Revenue Fund is used to account for and report road maintenance and financial activities assigned to the unorganized townships of the County.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Special Revenue Funds					Total Nonmajor Governmental Funds (Exhibit 3)
	Ditch	Energy Assistance	Nursing Service	Solid Waste Management	Unorganized Townships	
Assets						
Cash and pooled investments	\$ 37,723	\$ -	\$ 17,930	\$ 1,129,599	\$ 5,623	\$ 1,190,875
Investments	30,132	-	-	-	-	30,132
Taxes receivable - prior	-	-	-	9,487	-	9,487
Special assessments receivable - prior	221	-	-	53,841	-	54,062
Accounts receivable	-	-	16,048	-	-	16,048
Due from other governments	-	-	72,907	-	-	72,907
Total Assets	\$ 68,076	\$ -	\$ 106,885	\$ 1,192,927	\$ 5,623	\$ 1,373,511
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 2,409	\$ 6,196	\$ 4,592	\$ -	\$ 13,197
Salaries payable	-	-	50,446	3,532	-	53,978
Due to other funds	-	6,894	-	-	-	6,894
Due to other governments	-	-	-	26,604	-	26,604
Total Liabilities	\$ -	\$ 9,303	\$ 56,642	\$ 34,728	\$ -	\$ 100,673
Deferred Inflows of Resources						
Taxes	\$ -	\$ -	\$ -	\$ 6,014	\$ -	\$ 6,014
Special assessments	24	-	-	45,745	-	45,769
Total Deferred Inflows of Resources	\$ 24	\$ -	\$ -	\$ 51,759	\$ -	\$ 51,783
Fund Balances						
Restricted for						
Conservation of natural resources	\$ 37,920	\$ -	\$ -	\$ -	\$ -	\$ 37,920
Debt service	30,132	-	-	-	-	30,132
Assigned to						
Nursing service	-	-	50,243	-	-	50,243
Sanitation	-	-	-	1,106,440	-	1,106,440
Unorganized townships	-	-	-	-	5,623	5,623
Unassigned	-	(9,303)	-	-	-	(9,303)
Total Fund Balances	\$ 68,052	\$ (9,303)	\$ 50,243	\$ 1,106,440	\$ 5,623	\$ 1,221,055
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 68,076	\$ -	\$ 106,885	\$ 1,192,927	\$ 5,623	\$ 1,373,511

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Statement 2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds					Total Nonmajor Governmental Funds (Exhibit 5)
	Ditch	Energy Assistance	Nursing Service	Solid Waste Management	Unorganized Townships	
Revenues						
Taxes	\$ -	\$ -	\$ -	\$ 471,299	\$ -	\$ 471,299
Special assessments	28,862	-	-	464,393	-	493,255
Licenses and permits	-	-	-	300	-	300
Intergovernmental	-	51,491	195,858	134,096	1,546	382,991
Charges for services	-	-	1,192,340	34,273	-	1,226,613
Investment earnings	-	2	-	-	-	2
Miscellaneous	-	-	11,588	1,269	-	12,857
Total Revenues	\$ 28,862	\$ 51,493	\$ 1,399,786	\$ 1,105,630	\$ 1,546	\$ 2,587,317
Expenditures						
Current						
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ 44	\$ 44
Sanitation	-	-	-	855,727	-	855,727
Human services	-	56,069	-	-	-	56,069
Health	-	-	1,477,571	-	-	1,477,571
Conservation of natural resources	400	-	-	-	-	400
Debt service						
Principal retirement	20,000	-	-	-	-	20,000
Interest	500	-	-	-	-	500
Capital outlay						
Sanitation	-	-	-	24,347	-	24,347
Total Expenditures	\$ 20,900	\$ 56,069	\$ 1,477,571	\$ 880,074	\$ 44	\$ 2,434,658
Net Change in Fund Balance	\$ 7,962	\$ (4,576)	\$ (77,785)	\$ 225,556	\$ 1,502	\$ 152,659
Fund Balance - January 1	60,090	(4,727)	128,028	880,884	4,121	1,068,396
Fund Balance - December 31	\$ 68,052	\$ (9,303)	\$ 50,243	\$ 1,106,440	\$ 5,623	\$ 1,221,055

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 28,580	\$ 28,580	\$ 28,862	\$ 282
Expenditures				
Current				
Conservation of natural resources				
Administration	\$ 355	\$ 355	\$ 400	\$ (45)
Ditch maintenance and repair	28,547	28,547	-	28,547
Total current	\$ 28,902	\$ 28,902	\$ 400	\$ 28,502
Debt service				
Principal retirement	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Interest	500	500	500	-
Total debt service	\$ 20,500	\$ 20,500	\$ 20,500	\$ -
Total Expenditures	\$ 49,402	\$ 49,402	\$ 20,900	\$ 28,502
Net Change in Fund Balance	\$ (20,822)	\$ (20,822)	\$ 7,962	\$ 28,784
Fund Balance - January 1	60,090	60,090	60,090	-
Fund Balance - December 31	\$ 39,268	\$ 39,268	\$ 68,052	\$ 28,784

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
ENERGY ASSISTANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 82,382	\$ 82,382	\$ 51,491	\$ (30,891)
Investment earnings	-	-	2	2
Total Revenues	\$ 82,382	\$ 82,382	\$ 51,493	\$ (30,889)
Expenditures				
Current				
Human services				
Administration	\$ 33,057	\$ 33,057	\$ 43,320	\$ (10,263)
Energy assistance	49,325	49,325	12,749	36,576
Total Expenditures	\$ 82,382	\$ 82,382	\$ 56,069	\$ 26,313
Net Change in Fund Balance	\$ -	\$ -	\$ (4,576)	\$ (4,576)
Fund Balance - January 1	(4,727)	(4,727)	(4,727)	-
Fund Balance - December 31	\$ (4,727)	\$ (4,727)	\$ (9,303)	\$ (4,576)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
NURSING SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 163,291	\$ 163,291	\$ 195,858	\$ 32,567
Charges for services	1,431,007	1,431,007	1,192,340	(238,667)
Miscellaneous	11,278	11,278	11,588	310
Total Revenues	\$ 1,605,576	\$ 1,605,576	\$ 1,399,786	\$ (205,790)
Expenditures				
Current				
Health				
Nursing service	1,510,648	1,510,648	1,477,571	33,077
Net Change in Fund Balance	\$ 94,928	\$ 94,928	\$ (77,785)	\$ (172,713)
Fund Balance - January 1	128,028	128,028	128,028	-
Fund Balance - December 31	\$ 222,956	\$ 222,956	\$ 50,243	\$ (172,713)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 443,000	\$ 443,000	\$ 471,299	\$ 28,299
Special assessments	455,000	455,000	464,393	9,393
License and permits	300	300	300	-
Intergovernmental	129,400	129,400	134,096	4,696
Charges for services	25,100	25,100	34,273	9,173
Miscellaneous	500	500	1,269	769
Total Revenues	\$ 1,053,300	\$ 1,053,300	\$ 1,105,630	\$ 52,330
Expenditures				
Current				
Sanitation				
Demolition landfill	\$ 122,504	\$ 122,504	\$ 112,096	\$ 10,408
Household hazardous waste	8,000	8,000	6,222	1,778
Recycling	93,423	93,423	82,062	11,361
Solid waste collection	350,923	350,923	332,052	18,871
Solid waste disposal	354,187	354,187	323,295	30,892
Capital Outlay				
Sanitation	32,000	32,000	24,347	7,653
Total Expenditures	\$ 961,037	\$ 961,037	\$ 880,074	\$ 80,963
Net Change in Fund Balance	\$ 92,263	\$ 92,263	\$ 225,556	\$ 133,293
Fund Balance - January 1	880,884	880,884	880,884	-
Fund Balance - December 31	\$ 973,147	\$ 973,147	\$ 1,106,440	\$ 133,293

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 12

**BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,546	\$ 1,546
Expenditures				
Current				
Highways and streets				
Township roads	-	-	44	(44)
Net Change in Fund Balance	\$ -	\$ -	\$ 1,502	\$ 1,502
Fund Balance - January 1	4,121	4,121	4,121	-
Fund Balance - December 31	<u>\$ 4,121</u>	<u>\$ 4,121</u>	<u>\$ 5,623</u>	<u>\$ 1,502</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

FIDUCIARY FUNDS

Agency Funds

The Clearwater Collaborative Agency Fund is used to account for financial transactions of the collaborative.

The County-Wide Economic Development Agency Fund is used to account for financial transactions of a joint venture to foster environmentally-sound economic development and perpetuate a stable and progressive business climate within the County.

The North Country Community Health Service Agency Fund is used to account for financial transactions of a joint venture to provide health services.

The Northwest Counties Data Processing Security Association Agency Fund is used to account for financial transactions of a joint venture to provide written computer disaster recovery plan and back-up site.

The Northwestern Minnesota Household Hazardous Waste Management Group Agency Fund is used to account for financial transactions of a joint venture that provides household hazardous waste management services.

The School Districts Agency Fund is used to account for the collection and payment of funds due to the school districts.

The State Agency Fund is used to account for the payment to the State of Minnesota for tax-forfeited state deeds and the distribution of the State's share of delinquent and severed mineral interest tax collections.

The Taxes and Penalties Agency Fund is used to account for the collection of taxes and penalties, special assessments, and mortgage registry taxes and their payment to the various County funds and taxing districts.

The Towns and Cities Agency Fund is used to account for the collection and payment of funds due towns and cities.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Statement 3

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>CLEARWATER COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 20,964	\$ 72,964	\$ 30,459	\$ 63,469
<u>Liabilities</u>				
Due to other governments	\$ 20,964	\$ 72,964	\$ 30,459	\$ 63,469
 <u>COUNTY-WIDE ECONOMIC DEVELOPMENT</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 30,458	\$ -	\$ 29,071	\$ 1,387
<u>Liabilities</u>				
Due to other governments	\$ 30,458	\$ -	\$ 29,071	\$ 1,387
 <u>NORTH COUNTRY COMMUNITY HEALTH SERVICE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 150,141	\$ 1,448,784	\$ 1,446,209	\$ 152,716
<u>Liabilities</u>				
Due to other governments	\$ 150,141	\$ 1,448,784	\$ 1,446,209	\$ 152,716
 <u>NORTHWEST COUNTIES DATA PROCESSING SECURITY ASSOCIATION</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ -	\$ -	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ -	\$ -	\$ -

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>NORTHWESTERN MINNESOTA HOUSEHOLD HAZARDOUS WASTE MANAGEMENT GROUP</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 131,038	\$ 226,680	\$ 211,639	\$ 146,079
<u>Liabilities</u>				
Due to other governments	\$ 131,038	\$ 226,680	\$ 211,639	\$ 146,079
 <u>SCHOOL DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 36,101	\$ 2,955,564	\$ 2,964,255	\$ 27,410
<u>Liabilities</u>				
Due to other governments	\$ 36,101	\$ 2,955,564	\$ 2,964,255	\$ 27,410
 <u>STATE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 4,525	\$ 3,719,706	\$ 3,711,297	\$ 12,934
<u>Liabilities</u>				
Due to other governments	\$ 4,525	\$ 3,719,706	\$ 3,711,297	\$ 12,934

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

*Statement 3
(Continued)*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 20,325	\$ 25,886	\$ 17,233	\$ 28,978
<u>Liabilities</u>				
Due to other governments	\$ 20,325	\$ 25,886	\$ 17,233	\$ 28,978
 <u>TOWNS AND CITIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,389	\$ 3,151,411	\$ 3,137,668	\$ 15,132
<u>Liabilities</u>				
Due to other governments	\$ 1,389	\$ 3,151,411	\$ 3,137,668	\$ 15,132
 <u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 394,941	\$ 11,600,995	\$ 11,547,831	\$ 448,105
<u>Liabilities</u>				
Due to other governments	\$ 394,941	\$ 11,600,995	\$ 11,547,831	\$ 448,105

OTHER SCHEDULES

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2019**

	Assets		Total Assets
	Cash and Investments	Special Assessments Receivable - Prior	
County Ditches			
2	\$ 3,557	\$ 221	\$ 3,778
3	12,632		12,632
Project 113	30,132	-	30,132
Red Lake Watershed Ditches			
County Ditches			
1	244	-	244
5	2,277	-	2,277
72	4,608	-	4,608
Judicial Ditches			
2 Branch A	1,457	-	1,457
2 Branch B	2,138	-	2,138
4	148	-	148
Clearwater River Project 3	82		82
Ditch #2 Costs	10	-	10
Lost River Improvements	81	-	81
Lost River Project 4	3,867	-	3,867
Lost River Project 51	1,661	-	1,661
Pine Lake Dam	4,672	-	4,672
Wild Rice Allocation	289	-	289
Total	\$ 67,855	\$ 221	\$ 68,076

Schedule 13

Deferred Inflows of Resources	Fund Balance Restricted	Total Deferred Inflows and Fund Balance
\$ 24	\$ 3,754	\$ 3,778
	12,632	12,632
-	30,132	30,132
-	244	244
-	2,277	2,277
-	4,608	4,608
-	1,457	1,457
-	2,138	2,138
-	148	148
-	82	82
-	10	10
-	81	81
-	3,867	3,867
-	1,661	1,661
-	4,672	4,672
-	289	289
\$ 24	\$ 68,052	\$ 68,076

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 14

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2019**

Shared Revenue	
State	
Aquatic ISP Aid	\$ 109,726
County program aid	764,799
Disparity reduction aid	38,537
Enhanced 911	79,520
Highway users tax	5,636,706
Market value credit	208,644
PERA rate reimbursement	21,917
Police state aid	88,784
Riparian Protection Aid	74,205
Total Shared Revenue	\$ 7,022,838
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 167,965
Payments	
Payments in lieu of taxes	\$ 542,399
Grants	
Local	
Mental Health Collaborative	\$ 28,135
Northwest Minnesota Foundation	15,000
Other	43,162
Total Local	\$ 86,297
State	
Minnesota Department/Board of	
Agriculture	\$ 3,750
Commerce	51,491
Corrections	33,856
Health	3,463
Historical Society	1,009
Human Services	542,489
Natural Resources	116,704
Peace Officer Standards and Training	11,930
Pollution Control Agency	68,862
Public Safety	30,037
Veteran Affairs	7,500
Water and Soil Resources	124,322
Total State	\$ 995,413
Federal	
Department of	
Agriculture	\$ 142,422
Health and Human Services	1,110,713
Homeland Security	31,898
Justice	1,798
Total Federal	\$ 1,286,831
Total Grants	\$ 2,368,541
Total Intergovernmental Revenue	\$ 10,101,743

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures
U.S. Department of Agriculture			
Passed Through North Country Community Health Services Special Supplemental Nutrition Assistance Program for Women, Infants, and Children	10.557	Not provided	\$ 9,907
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	<u>132,515</u>
Total U.S. Department of Agriculture			\$ 142,422
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2018-CLRWTRAO	\$ 1,798
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-1801MNFPS	2,646
TANF Cluster Temporary Assistance for Needy Families	93.558	1901MFTANF	\$ 144,533
Passed Through North Country Community Health Services Temporary Assistance for Needy Families	93.558	2019G996115	<u>24,908</u> 169,441
Passed Through Minnesota Department of Human Services Child Support Enforcement	93.563	1904MNCSES	\$ 12,252
Child Support Enforcement	93.563	1904MNCSEST	<u>146,797</u> 159,049
Refugee and Entrant Assistance	93.566	1701MNRCA	165
Community Based Child Abuse Prevention Grant	93.590	G-1802MNFPRG	1,092
Passed Through Minnesota Department of Human Services CCDF Cluster Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G1901MNCDF	2,019
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1801MNCWSS	1,499
Foster Care Title IV-E	93.658	1901MNFOST	79,422
Social Services Block Grant	93.667	G-1901MNSOSR	95,957

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 15
(Continued)

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services (Continued)			
Chafee Foster Care Independence Program	93.674	G-1901MNCILP	\$ 1,500
Children's Health Insurance Program	93.767	1905MN0301	122
Medicaid Cluster			
Medical Assistance Program	93.778	1905MN5ADM	\$ 462,903
Medical Assistance Program	93.778	1905MN5MAP	38,484
Passed Through North Country Community Health Services			
Medical Assistance Program	93.778	1905MN5ADM	16,562
Passed Through North Country Community Health Services			
Maternal, Infant, and Early Childhood Home Visiting Program	93.870	D89NC23539	58,907
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	20,945
Total U.S. Department of Health and Human Services			\$ 1,110,713
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources			
Boating Safety Financial Assistance	97.012	CLEARWATER SBG	\$ 1,521
Direct			
Emergency Food and Shelter National Board Program	97.024	Not provided	8,595
Passed Through Minnesota Department of Public Safety			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	EMPG-20190130-956	21,782
Total U.S. Department of Homeland Security			\$ 31,898
Total Federal Awards			\$ 1,286,831
Clearwater County did not pass any federal awards through to subrecipients during the year ended December 31, 2019.			
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 132,515
Total expenditures for TANF Cluster			169,441
Total expenditures for CCDF Cluster			2,019
Total expenditures for Medicaid Cluster			517,949

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019

I. Reporting Entity

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

II. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clearwater County under programs of the federal government for the year ended December 31, 2019. 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 Clearwater County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clearwater County.

III. Summary of Significant Accounting Policies

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

IV. Subrecipients

During 2019, the County did not pass any federal awards through to subrecipients.

MANAGEMENT AND COMPLIANCE SECTION



Hoffman, Philipp, & Knutson, PLLC

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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
Clearwater County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clearwater County as of and for the year ended December 31, 2019, 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 29, 2020.

Internal Control Over Financial Reporting

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

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

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

Costs as items 2019-001, 2019-002, 2019-003, and 2019-004 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Clearwater County's financial statements are free of 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 Minnesota Statute, § 6.65, contains seven categories of compliance to be tested: 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.

In connection with our audit, nothing came to our attention that caused us to believe that the County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions.

Clearwater County's Responses to Findings and Questioned Costs

The County's responses to the findings identified in our audit have been included in the accompanying 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.



Hoffman, Philipp, & Knutson, PLLC
September 29, 2020



Hoffman, Philipp, & Knutson, PLLC

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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
Clearwater County

Report on Compliance for Each Major Federal Program

We have audited Clearwater County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2019. The 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 the 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 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 Clearwater 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 of the major federal programs. However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Programs

In our opinion, Clearwater County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Clearwater 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.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2019-004 to be a material weakness.

Clearwater County's Responses to Findings

Clearwater County's responses to findings identified in our audit have been included in the accompanying 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 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.



Hoffman, Philipp, & Knutson, PLLC
September 29, 2020

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019

I. SUMMARY OF AUDITOR'S RESULTS

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

B. Financial Statements

Internal control over financial reporting:

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

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

D. Federal Awards

Internal control over major programs:

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

E. The type of report the auditor issued on compliance for major federal programs: **Unmodified**

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

G. The major programs were:

- **Child Support Enforcement** **CFDA #93.563**

Medicaid Cluster:

- **Medical Assistance** **CFDA #93.778**

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

I. Clearwater County qualified as a low-risk auditee? **No**

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2019-001

Prior Audit Finding Number: 1996-005

Finding Title: Segregation of Duties

Criteria: The management of Clearwater County is responsible for establishing and maintaining internal control. This responsibility includes the internal controls over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. Adequate segregation of duties is a key internal control in an organization's accounting system, and where segregation of duties may not be cost effective, compensating controls should be in place.

Condition: Due to the limited number of personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible. Generally, one person is responsible for the financial information and activity within County departments.

Context: The small size and available staffing within the County limits the internal control that management can design and implement into the organization.

Effect: Without adequate segregation of duties, opportunities for errors and irregularities or fraudulent activities to occur are created and may not be detected in a timely manner.

Cause: This is not unusual in operations the size of Clearwater County, where, because of staffing limitations, it is impractical to achieve a desirable level of segregation of duties. Management has determined that, given limited resources, it is not feasible to achieve the desired level of segregation of duties.

Recommendation: Management should continually be aware that segregation of duties is not adequate from an internal control point of view. We recommend the County Board be aware that limited staffing causes inherent risks in safeguarding the County's assets and the proper reporting of financial activity. We recommend the County Board continue to implement oversight procedures and monitor those procedures to determine if they are still effective internal controls.

Clearwater County's Response: *The Clearwater County Board and department heads are aware of the internal control weakness present with a limited number of employees. Department heads are, therefore, alert to the activity in their offices and exercise personal oversight on all financial functions.*

Finding Number: 2019-002

Prior Audit Finding Number: 2007-001

Finding Title: Documenting and Monitoring Internal Controls

Criteria: The financial statements are the responsibility of Clearwater County's management. Internal

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control over financial reporting is a process designed to provide reliable assurance about the achievement of the County's objectives with regard to reliability of financial reporting, and compliance

with applicable laws and regulations. These controls must include a process for risk assessment and monitoring to ensure effectiveness and efficiency of operations.

Condition: Internal controls over financial reporting and the safeguarding of assets against unauthorized acquisition, use, or disposition include controls related to financial reporting and operational objectives. The County does not have a process for risk assessment and monitoring to ensure the internal controls are effective.

Context: Although Clearwater County has a system of internal controls in spite of limited staff, they do not have written documentation of the process for monitoring those controls.

Effect: Without a documented process for monitoring internal controls, the County cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations.

Cause: The County has never formalized its policies and procedures for internal controls and monitoring of those controls into a written comprehensive document.

Recommendation: We recommend the County formalize written documentation of their internal controls, including an assessment on risk and the process used to minimize the risks, and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

Clearwater County's Response: *The Clearwater County Board and Department heads are aware of their responsibility for internal control over financial reporting, operations, and compliance. They are working on implementing new policies and procedures relevant to internal control and safeguarding of assets.*

Finding Number: 2019-003

Prior Audit Finding Number: 2015-008

Finding Title: Capital Assets

Criteria: The County is required by GAAP to account for and depreciate its capital assets over their estimated useful lives. Specifically, Governmental Accounting Standards Board Statement 34 (GASB 34) requires governments to include capital assets on the statement of net position and to report depreciation expense for those assets on the statement of activities. A capital asset policy should be adopted that defines the County's accounting policies over capital assets, such as capitalization thresholds, useful lives, and depreciation methods.

Condition: The County Board has a capital assets policy; however, the policy does not provide specific requirements or guidance to determine estimated useful lives or use of salvage values.

Context: Estimated useful lives are not consistently used in calculating depreciation of the County's capital assets. Salvage value amounts are not consistently considered in the calculation of depreciation amounts.

Effect: The County's capital assets may not be consistently accounted for, due to lack of policy

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guidance.

Cause: The County does not have a process to ensure the capital asset system reconciles to financial reporting. There is no clear guidance regarding infrastructure capitalization, useful lives, or salvage value.

Recommendation: We recommend the County implement a process to reconcile the capital assets system to financial reporting to ensure accuracy. The County Board should approve a capital asset policy that includes guidance for infrastructure capitalization, useful lives, and salvage values.

Clearwater County's Response: *The County Auditor/Treasurer is working on a policy.*

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

PREVIOUSLY REPORTED ITEM NOT RESOLVED

Finding Number: 2019-004

Prior Audit Finding Number: 2015-013

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Transportation's Highway Planning and Construction Cluster (CFDA No. 20.205), Award No. 00015, 2015

Pass-Through Agency: Minnesota Department of Transportation

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.318 states that the non-federal entity must use its own documented procurement procedures which reflect applicable state, local, and tribal laws and regulations, provided that the procurements conform with applicable federal law and the standards identified in this regulation. The Uniform Guidance provides for a grace period for implementation of the new procurement standards provided that election is documented with the choice to use previous procurement standards.

Condition: For 2015, the County's written purchasing policy did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318, including provisions for written standards of conduct and suspension and debarment. The County also had not enacted the waiver offered by the Uniform Guidance for implementation of the new procurement standards. The policy had not been amended for 2019.

Questioned Costs: Not applicable.

Context: This issue was discovered during the audit of the major federal program; however, it impacts federal programs County-wide. Written policies that reflect the specific components of federal regulations improve controls to help ensure compliance with federal award requirements. The County did adopt procurement policies in October 2017; however, additional information related to the Uniform Guidance will need to be added.

Effect: Noncompliance with federal program requirements. Additionally, the lack of written policies and procedures that reflect the Uniform Guidance procurement requirements could increase the risk of

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noncompliance with other federal program requirements.

Cause: The County was not aware of the Uniform Guidance requirements.

Recommendation: We recommend the County further develop and implement policies that include the specific components of the Uniform Guidance requirements in written procurement policies and procedures.

Clearwater County's Response: *The County Auditor/Treasurer is working on improvements to their policy.*

IV. PREVIOUSLY REPORTED ITEMS RESOLVED

2015-006 Journal Entries
2015-007 Disbursement Internal Controls



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CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 2019-001
Prior Audit Finding Number: 1996-005
Finding Title: Segregation of Duties

Name of Contact Person Responsible for Corrective Action: Allen Paulson, County Auditor/Treasurer

Corrective Action Planned: Due to the limited number of people employed by Clearwater county, it is not possible to segregate duties sufficiently as to eliminate all internal control risk. The County Auditor/Treasurer, through external sources and vendors, continues to make every effort to educate department heads on the value of maintaining internal controls and encourages the cross-training of existing employees.

Anticipated Completion Date: *None. This is an ongoing task with no completion date.*

Finding Number: 2019-002
Prior Audit Finding Number: 2007-001
Finding Title: Documenting and Monitoring Internal Controls

Name of Contact Person Responsible for Corrective Action: Allen Paulson, County Auditor/Treasurer

Corrective Action Planned: The County will continue to assess and improve its inventory and asset management procedures. The County will review the internal control policies to determine which require updating and which new policies are needed.

Anticipated Completion Date: *This is an ongoing task with no completion date.*

Finding Number: 2019-003
Prior Audit Finding Number: 2015-008
Finding Title: Capital Assets

Name of Person Responsible for Corrective Action: Allen Paulson, County Auditor/Treasurer and County Engineer.

Corrective Action Planned: Clearwater County will develop a capital asset policy that includes guidance for infrastructure capitalization and useful lives.

Anticipated Completion Date: *December 31, 2020.*

Finding Number: 2019-004

Prior Audit Finding Number: 2015-013

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: Highway Planning and Construction Cluster (CFDA No. 20-205)

Name of Person Responsible for Corrective Action: Allen Paulson, County Auditor/Treasurer; Dan Suave, County Engineer; Jamie Halvorson, Director of Human Services

Corrective Action Planned: The County will implement policies that include the specific components of the Uniform Guidance requirements in procurement policies and procedures.

Anticipated Completion Date: *December 31, 2020.*



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SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2019

Finding Number: 1996-005

Finding Title: Segregation of Duties

Summary of Condition: Due to the limited number of personnel within the County, segregation of the accounting functions necessary to ensure adequate internal accounting control is not possible.

Summary of Corrective Action Previously Reported: The Clearwater County Board and department heads are aware of the internal control weakness present with a limited number of employees. Department heads are, therefore, alert to the activity in their offices and exercise personal oversight on all financial functions.

Status: Not Corrected. The County Board and management are aware of segregation of duties and internal control weakness with a limited number of staff. However, steps are taken to make sure staff are cross trained and duties/responsibilities are shared. County Board continues to implement oversight procedures and monitors those procedures.

Finding Number: 2007-001

Finding Title: Internal Controls

Summary of Condition: Management must implement internal controls over financial reporting and safeguarding of assets, and continue to be aware of their responsibility and to maintain suitable skills, knowledge, and expertise to sufficiently review, understand, and approve the County's financial statements, including notes.

Summary of Corrective Action Previously Reported: The Clearwater County Board and Department heads are aware of the internal control over financial reporting, operation, and compliance. They are working on implementing new policies and procedures relevant to internal control and safeguarding of assets.

Status: Not Corrected. County Board and management continues to implement oversight procedures and monitors those procedures for effective internal controls.

Finding Number: 2015-006

Finding Title: Journal Entries

Summary of Condition: Journal entries entered into the general ledger system are not being reviewed and approved.

Summary of Corrective Action: A procedure has been established to require review and approval of journal entries by someone other than the person making the journal entries. This person obtains an understanding of the journal entry and its purpose before approval. The approval is documented by signature on a journal entry form or a printed copy of the journal entry made.

Status: Fully Corrected.

Finding Number: 2015-007

Finding Title: Disbursement Internal Controls

Summary of Condition: Personnel responsible for adding a new vendor or changing existing vendor files are also responsible for processing payments to vendors. No procedures were established to have personnel independent of the vendor payment process review a listing of new, or changes to, vendors.

Summary of Corrective Action: All disbursements now have appropriate approval documented prior to entry into the IFS general ledger system. Duties of personnel who have the ability to process payments are segregated from the duties of personnel who have the ability to add new vendors or change existing vendor files. Personnel independent of the vendor payment process review new vendors or changes to existing vendors.

Status: Fully Corrected.

Finding Number: 2015-008

Finding Title: Capital Assets

Summary of Condition: The County Board has a capital assets policy; however, the policy does not provide requirements or guidance to determine estimated useful lives or use of salvage values.

Summary of Corrective Action: The County Board will approve a capital asset policy that includes guidance for infrastructure capitalization, useful lives, and salvage values.

Status: Not Corrected.

Finding Number: 2015-013

Finding Title: Uniform Guidance Written Procurement Policies and Procedures

Program: U.S. Department of Transportation's Highway Planning and Construction Cluster (CFDA No. 20.205), Award No. 00015, 2015

Pass-Through Agency: Minnesota Department of Transportation

Summary of Condition: The County's written purchasing policy did not have the required components of a procurement policy in accordance with Title 2 U.S. *Code of Federal Regulations* § 200.318, including provisions for written standards of conduct and suspension and debarment.

Summary of Corrective Action: The County will further develop and implement policies that include the specific components of the Uniform Guidance requirements in written procurement policies and procedures.

Status: Not Corrected.