

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

YEAR ENDED DECEMBER 31, 2020



Hoffman, Philipp, & Martell, 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, 2020**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Mark Titera	January 2023
2 nd District	Dean Newland	January 2025
3 rd District	Neal Illies	January 2023
4 th District	John Nelson, Chair	January 2025
5 th District	Mark Larson	January 2023
Officers		
Elected:		
Attorney	Kathryn Lorsbach	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 2022
Chair	Julie Sundquist	July 2023
Member	John Nelson	December 2024
Member	Dean Newland	December 2024
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 Martell, CPA



Hoffman, Philipp, & Martell, 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, 2020, 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, 2020, 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note II.D. to the financial statements, in 2020, the County adopted new accounting guidance by implementing the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities, and therefore represents a change in accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and 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.

Supplementary and 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 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 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 27, 2021, 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.

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive style.

Hoffman, Philipp, & Martell, PLLC
September 27, 2021



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, 2020. 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 \$67,463,559, of which \$49,261,232 is the net investment in capital assets, \$5,939,330 is restricted for specific purposes, and \$12,262,997 is unrestricted. The total net position of governmental activities increased by \$5,093,016 for the year ended December 31, 2020. This is attributed mainly to highway infrastructure projects funded by State revenues.

At the close of 2020, the County's governmental funds reported combined ending fund balances of \$19,554,734, an increase of \$1,725,236 from the prior year. Of the total fund balance amount, \$293,339 is non-spendable, \$1,696,694 is legally or contractually restricted, \$510,000 is the committed fund balance, \$11,438,736 is assigned for specific purposes, and \$5,513,058 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, deferred outflows of resources, liabilities, and deferred inflows of resources 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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference reported as net position. Over

time, increases or decreases in net position may serve as a useful indicator of whether the financial 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, and the Human Services 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 report assets held in a trustee or agency capacity for others and which therefore, cannot be used to support the government's own programs. Clearwater County's fiduciary funds consist of one private purpose trust fund which is used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments, and eight custodial funds which are used to report resources held by

the County in a purely custodial capacity. The Social Welfare Private-Purpose Trust Fund is presented in the Statement of Fiduciary Net Position – Fiduciary Funds and the Statement of Changes in Fiduciary Net Position – Fiduciary Funds. Custodial funds 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. Custodial Fund activities are reported in Statement 3 and Statement 4.

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 \$67,463,559 at the close of the fiscal year. The largest portion of the County’s net position (approximately 73 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 18 percent of the County’s net position is unrestricted. The unrestricted net position amount of \$12,262,997, as of December 31, 2020, 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 \$4,277,313, primarily due to highway infrastructure projects financed by State revenues. Total liabilities increased by \$148,159. Deferred outflows of resources related to pensions and other post-employment activities decreased by \$199,845, and deferred inflows of resources related to pensions and other post-employment activities decreased by \$1,163,707 from the prior year, due to a reduction in deferred inflows related to pensions. This resulted in an increased net position of \$5,093,016 from the prior year.

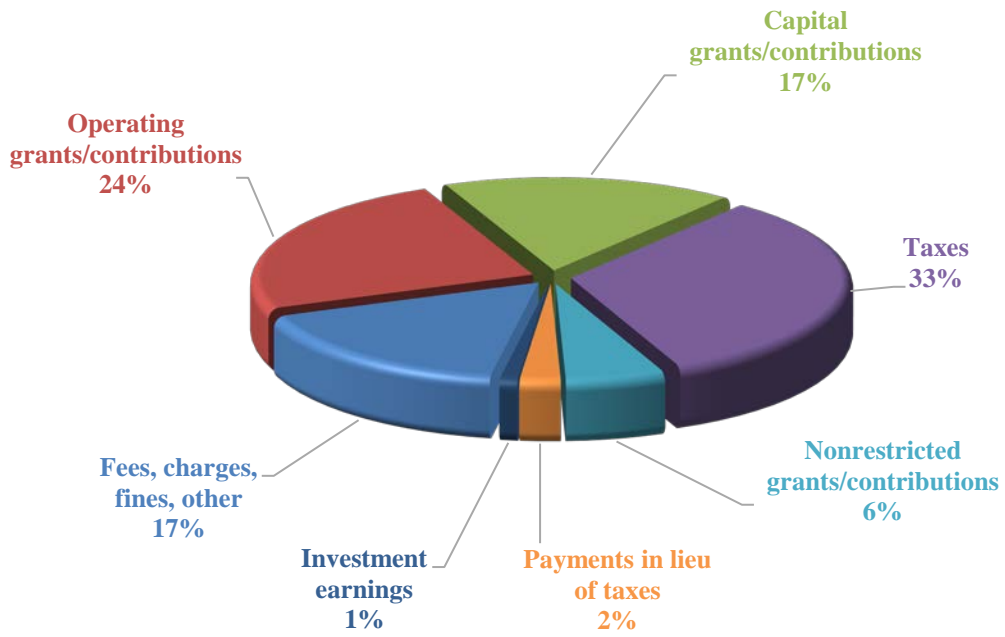
NET POSITION

	Governmental Activities	
	2020	2019
Current and other assets	\$ 24,896,630	\$ 22,157,498
Capital assets	49,261,232	47,723,051
Total assets	\$ 74,157,862	\$ 69,880,549
Deferred outflows - pensions and OPEB	\$ 696,396	\$ 896,241
Other liabilities	\$ 592,676	\$ 1,239,395
Long-term liabilities outstanding	5,773,401	4,978,523
Total liabilities	\$ 6,366,077	\$ 6,217,918
Deferred inflows - pensions and OPEB	\$ 1,024,622	\$ 2,188,329
Net position		
Net investment in capital assets	\$ 49,261,232	\$ 47,723,051
Restricted	5,939,330	5,796,871
Unrestricted	12,262,997	8,850,621
Total net position	\$ 67,463,559	\$ 62,370,543

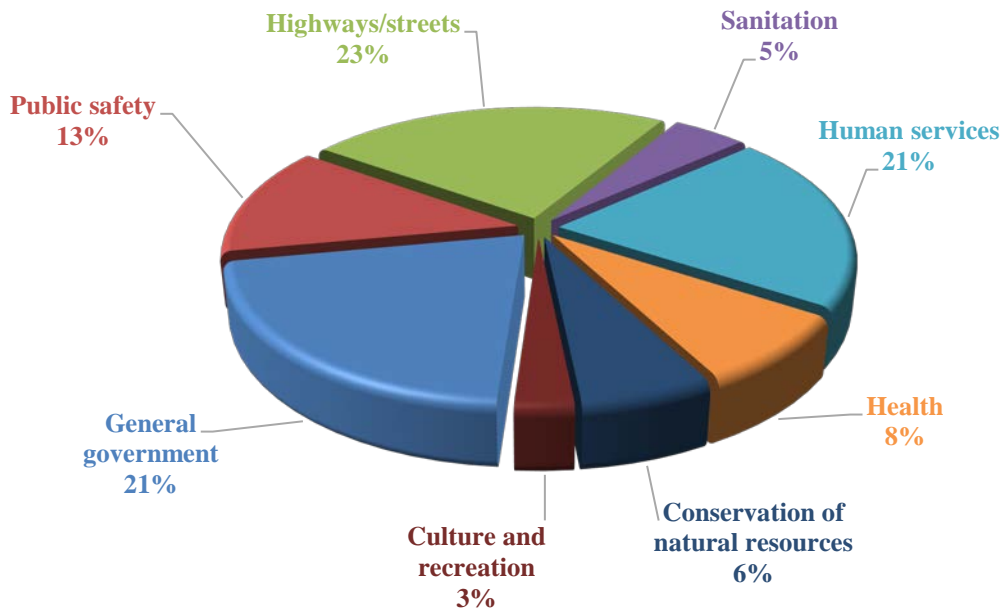
CHANGES IN NET POSITION

	Governmental Activities	
	2020	2019
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 3,781,537	\$ 2,902,425
Operating grants and contributions	5,739,097	5,129,540
Capital grants and contributions	4,068,237	2,769,389
General Revenues		
Taxes	7,781,131	7,494,380
Grants and contributions not restricted to specific programs	1,361,087	1,377,136
Payments in lieu of taxes	554,824	542,399
Investment earnings	239,254	454,666
Miscellaneous	104,722	104,149
Total revenues	\$ 23,629,889	\$ 20,774,084
Expenses		
General government	\$ 3,878,103	\$ 2,767,143
Public safety	2,376,927	2,691,443
Highways and streets	4,394,286	4,227,053
Sanitation	893,293	896,250
Human services	3,847,978	3,570,616
Health	1,490,371	1,498,915
Culture and recreation	508,380	573,489
Conservation of natural resources	1,144,635	1,276,775
Economic development	2,900	2,800
Interest	-	500
Total expenses	\$ 18,536,873	\$ 17,504,984
Increase (decrease)	\$ 5,093,016	\$ 3,269,100
Net position, January 1, as previously reported	62,370,543	59,101,443
Net position, December 31	\$ 67,463,559	\$ 62,370,543

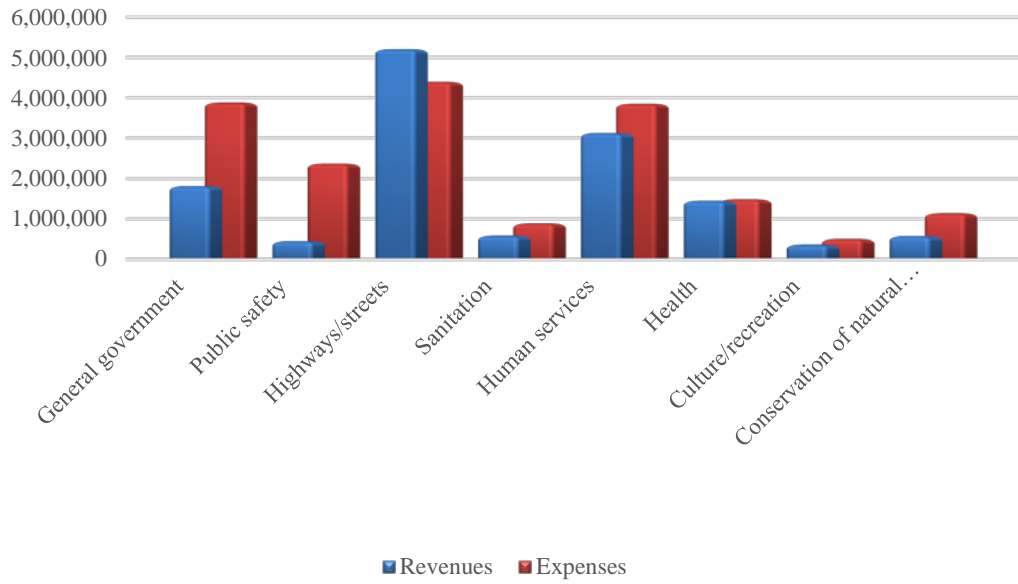
Revenues by Source



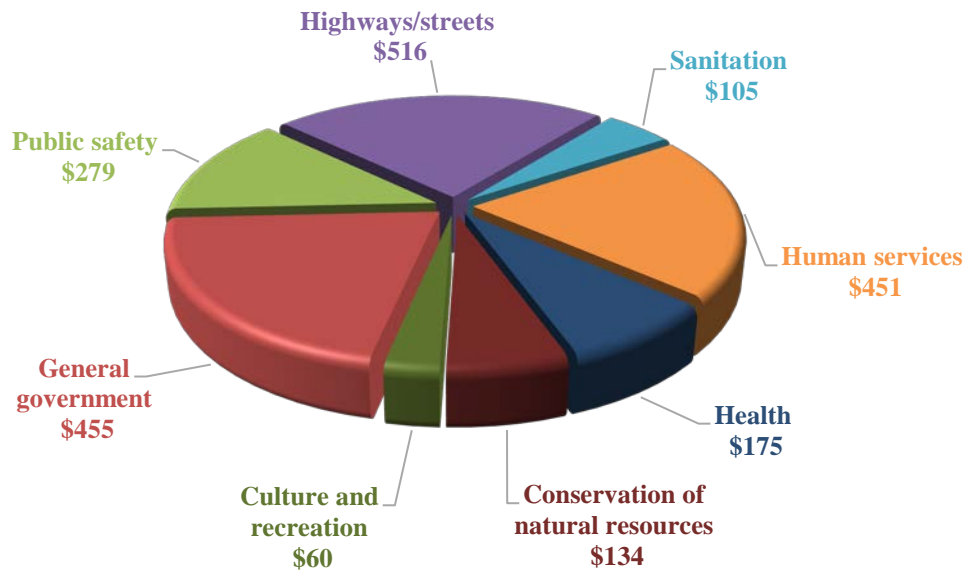
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,524 Population as of April 1, 2020



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 2020, the County's governmental funds reported combined ending fund balances of \$19,554,734. Of this amount, approximately two percent constitutes non-spendable fund balance, nine percent constitutes legally or contractually restricted fund balance, three percent constitutes the committed fund balance, 58 percent constitutes specifically assigned fund balance, and 28 percent constitutes unassigned fund balance.

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 \$9,360,534. The General Fund's restricted fund balance was \$848,907, assigned fund balance was \$2,991,846, and unassigned fund balance was \$5,519,781. 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 2020. Unrestricted fund balance represents 109 percent of total General Fund expenditures, while total fund balance represents 120 percent of that same amount.

In 2020, the fund balance amount in the General Fund increased by \$1,572,592. The primary reasons for this were a budgeted increase in reserves and departments spending within their budgets.

The fund balance of the Road and Bridge Special Revenue Fund decreased by \$1,133,855 in 2020. This was due to State aid revenue received in the prior year which was spent for construction projects completed in 2020.

The fund balance of the Human Services Special Revenue Fund increased by \$956,938 from the prior year, as a result of receiving a large estate gift in 2020.

GENERAL FUND BUDGETARY HIGHLIGHTS

There was one amendment to the original budgeted revenues and expenditures as approved for 2020.

Actual revenues were more than overall final budgeted revenues by \$1,185,701, with the largest positive variance in intergovernmental revenue. Actual expenditures were more than overall final budgeted expenditures by \$421,836, with the largest variances in general government and capital outlay.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2020, amounted to \$49,261,232 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately three percent. This increase was mainly due to highway construction projects added to infrastructure and various equipment purchases.

Clearwater County	Governmental Activities	
	2020	2019
Investment in Capital Assets:		
Land	\$ 988,578	\$ 988,578
Construction in progress	1,642,811	2,587,427
Infrastructure	43,004,018	40,383,986
Buildings and improvements	1,659,770	1,847,182
Machinery and equipment	1,966,055	1,915,878
Total capital assets	\$ 49,261,232	\$ 47,723,051

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

Long-Term 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.

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 2021, the most significant challenge will be adjusting to the continuing 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 7.4 percent as of December 31, 2020. This is higher than the statewide rate of 6.5 percent and the national average rate of 6.7 percent.
- According to the United States Census Bureau, the population for Clearwater County was 8,524 at April 1, 2020, a decrease of 171 since the 2010 census of 8,695. This ranks Clearwater County 74th of 87 in the State of Minnesota.
- On December 1, 2020, Clearwater County set its 2021 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, 2020**

	Governmental Activities
<u>Assets</u>	
Cash and pooled investments	\$ 18,120,558
Investments	832,005
Taxes receivable - prior	156,137
Special assessments receivable - prior	48,329
Accounts receivable	75,447
Accrued interest receivable	58,614
Contracts receivable	330,532
Due from other governments	4,981,669
Inventories	293,339
Capital assets	
Non-depreciable	2,631,389
Depreciable - net of accumulated depreciation	46,629,843
Total Assets	\$ 74,157,862
<u>Deferred Outflows of Resources</u>	
Related to pensions	\$ 683,460
Related to other post employment benefits	12,936
Total Deferred Outflows of Resources	\$ 696,396
<u>Liabilities</u>	
Accounts payable	\$ 266,234
Salaries payable	98,322
Contracts payable	20,963
Due to other governments	207,157
Long-term liabilities	
Due within one year	366,502
Due in more than one year	505,584
Net Pension Liability	4,780,244
Other Post Employment Benefits	121,071
Total Liabilities	\$ 6,366,077
<u>Deferred Inflows of Resources</u>	
Related to pensions	\$ 1,005,495
Related to other post employment benefits	19,127
Total Deferred Inflows of Resources	\$ 1,024,622
<u>Net Position</u>	
Net investment in capital assets	\$ 49,261,232
Amounts restricted for	
General government	140,675
Public safety	407,233
Highways and streets	3,950,025
Conservation of natural resources	1,441,397
Unrestricted amounts	12,262,997
Total Net Position	\$ 67,463,559

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
General government	\$ 3,878,103	\$ 311,579	\$ 365,233	\$ 1,141,913	\$ (2,059,378)
Public safety	2,376,927	211,135	240,607	-	(1,925,185)
Highways and streets	4,394,286	200,643	2,143,858	2,860,203	810,418
Sanitation	893,293	47,366	542,442	-	(303,485)
Human services	3,847,978	1,138,118	1,984,501	-	(725,359)
Health	1,490,371	1,195,794	258,939	-	(35,638)
Culture and recreation	508,380	273,981	92,502	-	(141,897)
Conservation of natural resources	1,144,635	402,921	111,015	66,121	(564,578)
Economic development	2,900	-	-	-	(2,900)
Total governmental activities	\$ 18,536,873	\$ 3,781,537	\$ 5,739,097	\$ 4,068,237	\$ (4,948,002)
General revenues					
Taxes					\$ 7,781,131
Payments in lieu of taxes					554,824
Grants and contributions not restricted to specific programs					1,361,087
Investment earnings					239,254
Miscellaneous					104,722
Total general revenues					\$ 10,041,018
Change in net position					\$ 5,093,016
Net position - January 1					62,370,543
Net position - December 31					\$ 67,463,559

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Special Revenue Funds		Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Human Services		
<u>Assets</u>					
Cash and pooled investments	\$ 8,165,089	\$ 4,089,105	\$ 3,192,476	\$ 2,673,888	\$ 18,120,558
Investments	832,005	-	-	-	832,005
Taxes receivable - prior	96,673	21,224	29,233	9,007	156,137
Special assessments receivable - prior	-	-	-	48,329	48,329
Accounts receivable	45,757	-	8,360	21,330	75,447
Accrued interest receivable	58,614	-	-	-	58,614
Contracts receivable	-	-	-	330,532	330,532
Due from other funds	119,064	6,394	-	-	125,458
Due from other governments	292,734	4,374,107	245,474	69,354	4,981,669
Inventories	-	293,339	-	-	293,339
Total Assets	\$ 9,609,936	\$ 8,784,169	\$ 3,475,543	\$ 3,152,440	\$ 25,022,088
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 101,548	\$ 32,429	\$ 89,245	\$ 43,012	\$ 266,234
Salaries payable	42,611	14,708	24,201	16,802	98,322
Contracts payable	-	20,963	-	-	20,963
Due to other funds	5,824	-	23	119,611	125,458
Due to other governments	31,385	67,673	36,200	71,899	207,157
Total Liabilities	\$ 181,368	\$ 135,773	\$ 149,669	\$ 251,324	\$ 718,134
Deferred Inflows of Resources					
Taxes	\$ 68,034	\$ 15,032	\$ 20,170	\$ 6,353	\$ 109,589
Special assessments	-	-	-	40,812	40,812
County State Aid Highway Allotment	-	4,283,408	-	-	4,283,408
Land and timber sales	-	-	-	315,411	315,411
Total Deferred Inflows of Resources	\$ 68,034	\$ 4,298,440	\$ 20,170	\$ 362,576	\$ 4,749,220
Fund Balances					
Nonspendable	\$ -	\$ 293,339	\$ -	\$ -	\$ 293,339
Restricted	848,907	-	-	950,694	1,799,601
Committed	-	-	510,000	-	510,000
Assigned	2,991,846	4,056,617	2,795,704	1,594,569	11,438,736
Unassigned	5,519,781	-	-	(6,723)	5,513,058
Total Fund Balances	\$ 9,360,534	\$ 4,349,956	\$ 3,305,704	\$ 2,538,540	\$ 19,554,734
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,609,936	\$ 8,784,169	\$ 3,475,543	\$ 3,152,440	\$ 25,022,088

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020**

Fund balances - total governmental funds (Exhibit 3)	\$	19,554,734
<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>		49,261,232
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		4,749,220
<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>	\$ 12,936	
<p>Deferred outflows of resources related pensions</p>	<u>683,460</u>	696,396
<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>	\$ (872,086)	
<p>Other post-employment benefits</p>	(121,071)	
<p>Net pension liability</p>	<u>(4,780,244)</u>	(5,773,401)
<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>	\$ (19,127)	
<p>Deferred inflows of resources related to pensions</p>	<u>(1,005,495)</u>	<u>(1,024,622)</u>
Net position of governmental activities (Exhibit 1)	\$	<u>67,463,559</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue Funds		Other	Total
		Road and Bridge	Human Services	Governmental Funds (Statement 2)	
Revenues					
Taxes	\$ 4,807,238	\$ 1,027,345	\$ 1,505,062	\$ 430,270	\$ 7,769,915
Special assessments	-	-	-	509,937	509,937
Licenses and permits	36,303	-	-	672	36,975
Intergovernmental	3,270,202	3,753,652	2,115,404	551,576	9,690,834
Charges for services	691,576	198,483	298,514	1,211,956	2,400,529
Fines and forfeitures	8,435	-	-	-	8,435
Investment earnings	239,254	-	-	-	239,254
Land and timber sales	-	-	-	456,650	456,650
Miscellaneous	257,780	2,160	839,604	63,998	1,163,542
Total Revenues	\$ 9,310,788	\$ 4,981,640	\$ 4,758,584	\$ 3,225,059	\$ 22,276,071
Expenditures					
Current					
General government	\$ 3,921,296	\$ -	\$ -	\$ -	\$ 3,921,296
Public safety	2,469,985	-	-	-	2,469,985
Highways and streets	-	5,298,704	-	13,936	5,312,640
Sanitation	-	-	-	853,856	853,856
Human services	-	-	3,801,646	64,042	3,865,688
Health	72,943	-	-	1,456,596	1,529,539
Culture and recreation	506,215	-	-	-	506,215
Conservation of natural resources	704,064	-	-	444,460	1,148,524
Economic development	2,900	-	-	-	2,900
Total Current	\$ 7,677,403	\$ 5,298,704	\$ 3,801,646	\$ 2,832,890	\$ 19,610,643

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	General	Special Revenue Funds		Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services		
Expenditures (Continued)					
Capital outlay					
General government	\$ 76,359	\$ -	\$ -	\$ -	\$ 76,359
Public safety	75,584	-	-	-	75,584
Highways and streets	-	788,249	-	-	788,249
Total Capital Outlay	\$ 151,943	\$ 788,249	\$ -	\$ -	\$ 940,192
Total Expenditures	\$ 7,829,346	\$ 6,086,953	\$ 3,801,646	\$ 2,832,890	\$ 20,550,835
Excess of Revenues Over (Under) Expenditures	\$ 1,481,442	\$ (1,105,313)	\$ 956,938	\$ 392,169	\$ 1,725,236
Other Financing Sources (Uses)					
Transfers in	\$ 91,150	\$ -	\$ -	\$ -	\$ 91,150
Transfers out	-	-	-	(91,150)	(91,150)
Total Other Financing Sources (Uses)	\$ 91,150	\$ -	\$ -	\$ (91,150)	\$ -
Net Change in Fund Balance	\$ 1,572,592	\$ (1,105,313)	\$ 956,938	\$ 301,019	\$ 1,725,236
Fund Balance - January 1	7,787,942	5,483,811	2,348,766	2,237,521	17,858,040
Increase (decrease) in inventories	-	(28,542)	-	-	(28,542)
Fund Balance - December 31	\$ 9,360,534	\$ 4,349,956	\$ 3,305,704	\$ 2,538,540	\$ 19,554,734

**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, 2020**

Net change in fund balances - total governmental funds (Exhibit 5) **\$ 1,725,236**

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	\$	3,922,312	
Current year depreciation		(1,895,292)	
Net book value of disposed assets		<u>(488,839)</u>	1,538,181

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			1,338,153
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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	\$	(28,542)	
Compensated absences payable		(30,351)	
Other post-employment benefits		6,150	
Deferred outflows related to other post-employment benefits		(5,729)	
Deferred inflows related to other post-employment benefits		6,377	
Net pension liability		(419,673)	
Deferred outflows related to net pension liability		(194,116)	
Deferred inflows related to net pension liability		<u>1,157,330</u>	<u>491,446</u>

Change in net position of governmental activities (Exhibit 2) **\$ 5,093,016**

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 3)	Total Fiduciary Funds
	<hr/>	<hr/>	<hr/>
<u>Assets</u>			
Cash and pooled investments	\$ 40,324	\$ 510,051	\$ 550,375
Due from other governments	-	407,558	407,558
	<hr/>	<hr/>	<hr/>
Total Assets	\$ 40,324	\$ 917,609	\$ 957,933
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Liabilities</u>			
Accounts payable	-	274,539	274,539
Due to other governments	-	199,166	199,166
	<hr/>	<hr/>	<hr/>
Total Liabilities	\$ -	\$ 473,705	\$ 473,705
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	\$ 40,324	\$ 443,904	\$ 484,228
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 4)	Total Fiduciary Funds
Additions			
Property tax collections for other governments	\$ -	\$ 9,488,395	\$ 9,488,395
Intergovernmental receipts for other governments	-	2,057,183	2,057,183
Appropriations from County	-	22,500	22,500
Fees for other governments	-	243,629	243,629
Investment earnings	-	226	226
Miscellaneous	148,021	3,700	151,721
Total Additions	\$ 148,021	\$ 11,815,633	\$ 11,963,654
Deductions			
Payments of property tax to other governments	\$ -	\$ 6,382,108	\$ 6,382,108
Payments to state	-	3,118,777	3,118,777
Administrative expense	-	132,572	132,572
Payments to other entities/individuals	149,913	2,135,917	2,285,830
Total Deductions	\$ 149,913	\$ 11,769,374	\$ 11,919,287
Change in net position	\$ (1,892)	\$ 46,259	\$ 44,367
Net Position – January 1, as previously reported	\$ -	\$ -	\$ -
Prior period adjustment	42,216	397,645	439,861
Net Position – January 1, as restated	\$ 42,216	\$ 397,645	\$ 439,861
Net Position – December 31	\$ 40,324	\$ 443,904	\$ 484,228

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020

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 D and E, 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.

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.

Fiduciary Funds are custodial in nature and do not present results of operations or have a measurement focus. The County reports the following fiduciary funds:

The Social Welfare Private-Purpose Trust Fund is used to manage the day-to-day finances of Clearwater County citizens that are not able to manage their own finances.

Custodial Funds are used to report resources held by the reporting government in a purely custodial 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, 2020, 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 2020 were \$238,811; and total investment earnings were \$239,254.

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. Investments

The County's investment policy is established and may be amended by its Board with a majority vote of its members. Investments are reported at fair value. The County categorizes the fair value measurements of its investments in accordance with generally accepted accounting principles, including GASB Statement 72. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement 72 establishes a fair value hierarchy. The hierarchy is based on valuation inputs, categorized at three levels, dependent on whether the inputs to those valuations are observable or unobservable in the marketplace.

Net appreciation (depreciation) in fair value of investments includes net unrealized and realized gains and losses. Purchases and sales of securities are recorded on a trade-date basis. Investment income is recognized as earned.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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.

Special assessments receivable consists of uncollected special assessments payable in the years 2010 through 2020. Special assessments receivable are offset by unavailable revenue for the amount not collectible within 60 days of December 31 to indicate that they are not available to pay current expenditures. No allowance for uncollectible special assessments is shown because such amounts are not expected to be material.

Activity 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”.

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

4. 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.

5. 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 donation.

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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

5. Capital Assets (Continued)

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

Depreciation for new assets is pro-rated. Construction in progress is transferred out in the year that the final payment is made. Capital asset costs include purchase price, freight, and installation. No salvage values are used.

6. 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 deferred 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.

7. Long-Term Obligations

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental fund types recognize the face amount of the debt as other financing sources when issued.

8. 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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Compensated Absences (Continued)

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

9. 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, 2020. The County uses the actuarial method of valuation to determine its Other Post-Employment Benefit liability.

10. Pension Plan

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

11. 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

11. Net Position and Fund Balance (Continued)

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 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.

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, 2020.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

11. Net Position and Fund Balance (Continued)

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.

12. 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.

II. Stewardship, Compliance, and Accountability

A. Land Management

The County manages approximately 92,559 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 Unorganized Townships Special Revenue Fund had a deficit unassigned fund balance of \$6,723 as of December 31, 2020. This deficit will be eliminated with future revenues.

C. Change in Accounting Principles - Restatement of Net Position

During the year ended December 31, 2020, the County adopted new accounting guidance by implementing the provisions of GASB Statement No. 84, *Fiduciary Activities*, which establishes criteria for identifying and reporting fiduciary activities. The implementation of this statement has resulted in changing the presentation of the financial statements by recording the Social Welfare Private-Purpose Trust Fund that was not previously reported, and recognizing the net position of custodial funds when no event has occurred to compel the County to disburse fiduciary resources. Beginning net position has been restated to reflect these changes.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

II. Stewardship, Compliance, and Accountability

C. Change in Accounting Principles - Restatement of Net Position (Continued)

	Social Welfare Private-Purpose Trust Fund	Custodial Funds
Net Position, January 1, 2020, as previously reported	\$ -	\$ -
Change in accounting principles	42,216	397,645
Net Position, January 1, 2020, as restated	\$ 42,216	\$ 397,645

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	\$ 18,120,558
Investments	832,005
Fiduciary funds	
Cash and pooled investments	550,375
Total cash and investments	\$ 19,502,938
Cash on hand	\$ 14,047
Checking accounts	1,869,063
Savings accounts	10,579,266
Certificates of deposit	2,006,130
Investments	5,034,432
Total deposits and investments	\$ 19,502,938

**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, 2020, 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, 2020, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
MAGIC Fund	\$ 694,129	\$ 694,129	\$ -	\$ -
Negotiable Certificates of Deposit	2,025,319	496,139	1,529,080	-
Money Market	281,280	281,280	-	-
Municipal Bonds	2,033,704	419,141	847,563	767,000
Total Investments	<u>\$ 5,034,432</u>	<u>\$ 1,890,689</u>	<u>\$ 2,376,643</u>	<u>\$ 767,000</u>
	100%	38%	47%	15%

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, 2020, is as follows:

	S & P Rating	Fair Value
Municipal Bonds	AA+	\$ 334,821
Municipal Bonds	A+	512,070
Municipal Bonds	AA	753,785
Municipal Bonds	AAA	433,028
Negotiable Certificates of Deposit	N/R	2,025,319
MAGIC Cash Management Funds	N/A	694,129
Money Market	N/A	281,280
		<u>\$ 5,034,432</u>

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, 2020, the following investments may be subject to custodial credit risk:

Municipal Bonds	\$ 1,533,705
Negotiable Certificates of Deposit	<u>30,151</u>
Total investments subject to custodial credit risk:	<u>\$ 1,563,856</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, 2020, 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.

**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)

At December 31, 2020, the County had the following recurring fair value measurements:

	December 31, 2020	<u>Fair Value Measurements Using</u>	
		<u>Quotes Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>
Investments by Fair Value Level			
Municipal Bonds	\$ 2,033,704	\$ -	2,033,703
Money Market	281,280	281,280	-
Negotiable Certificates of Deposit	<u>2,025,319</u>	<u>-</u>	<u>2,025,320</u>
Total Investments by Fair Value Level	<u>\$ 4,340,303</u>	<u>\$ 281,280</u>	<u>\$ 4,059,023</u>
 Investments measured at the net asset value - MAGIC	 <u>\$ 694,129</u>		

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, 2020.

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, 2020, for the County's governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	<u>Total Receivables</u>
Taxes receivable	\$ 156,137
Special assessments	48,329
Accounts receivable	75,447
Accrued interest receivable	58,614
Contracts receivable	330,532
Due from other governments	<u>4,981,669</u>
Total	<u>\$ 5,650,728</u>

At December 31, 2020, all receivables were 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, 2022. Lease payments are \$6,970 per month and are equal to the depreciation expense on the leased assets. Payments received on this lease totaled \$83,640 for the year ended December 31, 2020.

**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, 2020, was as follows:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 988,578	\$ -	\$ -	\$ 988,578
Construction in progress	2,587,427	2,923,582	3,868,198	1,642,811
Total capital assets not depreciated	<u>\$ 3,576,005</u>	<u>\$ 2,923,582</u>	<u>\$ 3,868,198</u>	<u>\$ 2,631,389</u>
Capital assets being depreciated				
Infrastructure	\$ 62,141,073	\$ 3,926,736	\$ -	\$ 66,067,809
Buildings and improvements	9,199,169	29,839	-	9,229,008
Machinery and equipment	7,271,388	910,353	557,957	7,623,784
Total capital assets being depreciated	<u>\$ 78,611,630</u>	<u>\$ 4,866,928</u>	<u>\$ 557,957</u>	<u>\$ 82,920,601</u>
Less: accumulated depreciation for				
Infrastructure	\$ 21,757,087	\$ 1,306,704	\$ -	\$ 23,063,791
Buildings and improvements	7,351,987	217,251	-	7,569,238
Machinery and equipment	5,355,510	371,337	69,118	5,657,729
Total accumulated depreciation	<u>\$ 34,464,584</u>	<u>\$ 1,895,292</u>	<u>\$ 69,118</u>	<u>\$ 36,290,758</u>
Total capital assets, depreciated, net	<u>\$ 44,147,046</u>	<u>\$ 2,971,636</u>	<u>\$ 488,839</u>	<u>\$ 46,629,843</u>
Governmental Activities Capital Assets, Net	<u>\$ 47,723,051</u>	<u>\$ 5,895,218</u>	<u>\$ 4,357,037</u>	<u>\$ 49,261,232</u>

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

Governmental Activities	
General government	\$ 40,019
Public safety	210,932
Highways and streets, including depreciation of infrastructure assets	1,580,901
Sanitation	38,577
Human services	19,575
Culture and recreation	2,165
Conservation of natural resources	3,123
Total Depreciation Expense - Governmental Activities	<u>\$ 1,895,292</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2020, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Land Management Special Revenue Fund	\$ 91,150	Forfeited land and timber sales
	Energy Assistance Special Revenue Fund	5,997	Cash deficit
	Nursing Service Special Revenue Fund	15,194	Cash deficit
	Unorganized Townships Special Revenue Fund	<u>6,723</u>	Cash deficit
Due to General Fund:		<u>\$ 119,064</u>	
Road and Bridge Special Revenue Fund	General Fund	\$ 5,824	Charges for services
	Human Services Special Revenue Fund	23	Charges for services
	Solid Waste Special Revenue Fund	250	Charges for services
	Nursing Service Special Revenue Fund	<u>297</u>	Charges for services
Due to Road and Bridge Special Revenue Fund		<u>\$ 6,394</u>	
Total Due To/From Other Funds		<u>\$ 125,458</u>	

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, 2020 consisted of the following operating transfers:

Transfer to General Fund from			
Land Management Special Revenue Fund	\$ 91,150		Forfeited land and timber sales

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2020 were as follows:

Accounts payable	\$ 266,234
Salaries payable	98,322
Contracts payable	20,963
Due to other governments	<u>207,157</u>
Total Payables	<u>\$ 592,676</u>

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. Construction Contracts

Construction in progress consists of a highway construction project. The County had one active highway construction project and commitment as of December 31, 2020, with \$1,217,648 spent to date and remaining contract commitments of \$134,379, which will be funded with state aid highway allotments.

3. 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 \$697,470 at December 31, 2020, is available to employees in the event of illness-related absences and is not paid to them at termination.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

4. Operating Leases

The County is obligated under certain leases accounted for as operating leases. During fiscal year 2020, lease expenditures approximated \$34,100 for noncancelable leases with terms in excess of one year. These expenditures were for the use of multi-function copiers, printers, and scanners.

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, 2020:

<u>Year ended December 31</u>	<u>Amount</u>
2021	\$22,702
2022	\$16,803
2023	\$11,853
2024	\$ 2,402

3. Long-Term Debt

At December 31, 2020, Clearwater County has no long-term debt obligations.

4. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Net OPEB Payable	\$ 127,221	\$ -	\$ 6,150	\$ 121,071	\$ -
Compensated Absences	841,735	558,486	528,135	872,086	366,502
Net Pension Liability	4,360,571	419,673	-	4,780,244	-
Governmental Activities Long-Term Liabilities	\$ 5,329,527	\$ 978,159	\$ 534,285	\$ 5,773,401	\$ 366,502

**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, 2020, 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	\$ 68,034	\$ -	\$ -	\$ -	\$ 68,034
Road and Bridge	15,032	-	-	4,283,408	4,298,440
Human Services	20,170	-	-	-	20,170
Land Management	-	-	315,411	-	315,411
Solid Waste	6,353	40,790	-	-	47,143
Ditch	-	22	-	-	22
	<u>-</u>	<u>22</u>	<u>-</u>	<u>-</u>	<u>22</u>
Total	<u>\$ 109,589</u>	<u>\$ 40,812</u>	<u>\$ 315,411</u>	<u>\$ 4,283,408</u>	<u>\$ 4,749,220</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

D. Fund Balances

Fund balances at year-end December 31, 2020, were as follows:

	General	Road and Bridge	Human Services	Other Governmental Funds	Total Governmental Funds
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 293,339	\$ -	\$ -	\$ 293,339
Restricted by enabling legislation					
AIS prevention	\$ 192,234	\$ -	\$ -	\$ -	\$ 192,234
Boat and water safety	2,530	-	-	-	2,530
Conservation of natural resources	-	-	-	101,256	101,256
DARE program	2,662	-	-	-	2,662
Enhanced 911	133,371	-	-	-	133,371
Handgun permits	31,524	-	-	-	31,524
Help America Vote Act	70,502	-	-	-	70,502
Law library	31,416	-	-	-	31,416
Memorial forest	-	-	-	352,892	352,892
Missing heirs	26,551	-	-	-	26,551
Probation	33,245	-	-	-	33,245
Recorder's process compliance	10,835	-	-	-	10,835
Recorder's technology	1,371	-	-	-	1,371
Riparian protection aid	298,469	-	-	-	298,469
Sheriff's contingent fund	4,290	-	-	-	4,290
Sheriff's forfeited property	9,907	-	-	-	9,907
Timber development	-	-	-	496,546	496,546
Total restricted	\$ 848,907	\$ -	\$ -	\$ 950,694	\$ 1,799,601
Committed to					
Burials	\$ -	\$ -	\$ 20,000	\$ -	\$ 20,000
Chemical dependency	-	-	10,000	-	10,000
Children's services	-	-	180,000	-	180,000
Mental health	-	-	150,000	-	150,000
Severence	-	-	150,000	-	150,000
Total committed	\$ -	\$ -	\$ 510,000	\$ -	\$ 510,000
Assigned to					
General government	\$ 1,497,077	\$ -	\$ -	\$ -	\$ 1,497,077
Public safety	12,045	-	-	-	12,045
Culture and recreation	413,983	-	-	-	413,983
Forfeited land	-	-	-	207,740	207,740
Energy assistance	-	-	-	1,378	1,378
Health	764,602	-	-	48,380	812,982
Highways and streets	-	4,056,617	-	-	4,056,617
Human services	-	-	2,795,704	-	2,795,704
Conservation	304,139	-	-	-	304,139
Sanitation	-	-	-	1,337,071	1,337,071
Total assigned	\$ 2,991,846	\$ 4,056,617	\$ 2,795,704	\$ 1,594,569	\$ 11,438,736
Unassigned	\$ 5,519,781	\$ -	\$ -	\$ (6,723)	\$ 5,513,058
Total Fund Balances	\$ 9,360,534	\$ 4,349,956	\$ 3,305,704	\$ 2,538,540	\$ 19,554,734

**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 2020, there were approximately 81 participants in the plan, which includes 3 retirees.

B. Total OPEB Liability

The County's total OPEB liability of \$121,071 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, 2020, 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, 2020
Reporting Date:	December 31, 2020
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. 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, and the most recent actuarial valuation for PERA dated June 30, 2020.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

C. Changes in Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at January 1, 2019	\$ 127,221
Changes for the year:	
Service cost	7,738
Interest cost	4,777
Benefit payments	(18,665)
Net change in Total OPEB Liability	(6,150)
Total OPEB Liability at January 1, 2020	\$ 121,071

D. 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:

Sensitivity Analysis (in Thousands)			
OPEB Liability (Asset) at Different			
Discount Rates			
OPEB Sensitivity			
1% Lower	2.80%	\$	128,378
Current Discount Rate	3.80%	\$	121,071
1% Higher	4.80%	\$	114,161

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%	\$	110,412
Current Discount Rate	6.25%	\$	121,071
1% Higher	7.25%	\$	133,404

E. Fund Status and Funding Progress

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

E. Fund Status and Funding Progress (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

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

For the year ended December 31, 2020, the County recognized OPEB expense of \$6,138. The County reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Liability losses/gains	\$ -	\$ 18,167
Assumption changes	-	960
Estimated employer contributions	12,936	-
Total	\$ 12,936	\$ 19,127

The \$12,936 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, 2021.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

IV. Other Post-Employment Benefits (OPEB)

G. 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:

<u>Year ended December 31:</u>	<u>Future Recognition</u>
2021	\$ (6,377)
2022	\$ (6,377)
2023	\$ (6,373)
2024	\$ -
2025	\$ -
Thereafter	\$ -

H. Changes in Actuarial Assumptions and Plan Provisions

The following changes in actuarial assumptions occurred in 2019/2020:

- 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 were no changes in plan methods or plan provisions in 2019/2020.

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

The General Employees Retirement Plan covers certain full time and part-time employees of Clearwater County. 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 Plan

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 percent for each of the first 10 years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is 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. 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 on 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. For Police and Fire Plan 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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. For Correctional Plan 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.

Benefit increases are provided to benefit recipients each January. 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 or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

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 fiscal year 2020 and Clearwater County was required to contribute 7.50 percent for Coordinated Plan members. Clearwater County's contributions to the General Employees Fund for

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

C. Contributions

1. General Employees Fund Contributions (Continued)

the year ended December 31, 2020, were \$382,476. Clearwater County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 11.3 percent of their annual covered salary to 11.8 percent and employer rates increased from 16.95 percent to 17.70 percent on January 1, 2020. Clearwater County's contributions to the Police and Fire Fund for the year ended December 31, 2020, were \$106,901. Clearwater County's contributions were equal to the required contributions as set by state statute.

3. Correctional Fund Contributions

Correctional 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 2020. Clearwater County's contributions to the Correctional Fund for the year ended December 31, 2020, were \$55,979. 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, 2020, the Clearwater County reported a liability of \$4,041,788 for its proportionate share of the General Employees Fund's net pension liability. Clearwater County's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. 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 \$124,575. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .0674 percent at the end of the measurement period and .0678 percent for the beginning of the period.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

Clearwater County's	
Proportionate share of the net pension liability	\$ 4,041,788
State of Minnesota's proportionate share of the net pension liability associated with Clearwater County	124,575
Total	\$ 4,166,363

There were no provision changes during the measurement period.

For the year ended December 31, 2020, Clearwater County recognized pension expense of \$353,537 for its proportionate share of the General Employees Plan's pension expense. In addition, Clearwater County recognized \$10,842 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the annual \$16 million contribution.

At December 31, 2020, 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	\$ 37,130	\$ 15,293
Changes in actuarial assumptions	-	152,314
Net collective difference between projected and actual investment earnings investment earnings	46,457	-
Changes in proportion	-	137,240
Contributions paid to PERA subsequent to the measurement date	200,077	-
Total	\$ 283,664	\$ 304,847

The \$200,077 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, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

Year ended December 31:	Pension Expense Amount:
2021	\$ (335,429)
2022	\$ (54,974)
2023	\$ 71,493
2024	\$ 97,650
2025	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2020, Clearwater County reported a liability of \$664,326 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA’s participating employers. Clearwater County’s proportionate share was .0504 percent at the end of the measurement period and .0533 percent for the beginning of the period.

The State of Minnesota also contributed \$13.5 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2020. The contribution consisted of \$4.5 million in direct state aid that does meet the definition of a special funding situation and \$9.0 million in supplemental state aid that does not meet the definition of a special funding situation. The \$4.5 million direct state was paid on October 1, 2019. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$4.5 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota’s pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2020, Clearwater County recognized pension expense of \$109,698 for its proportionate share of the Police and Fire Plan’s pension expense. Clearwater County recognized \$4,536 as grant revenue for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$4.5 million to the Police and Fire Fund.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. Clearwater County recognized \$4,816 for the year ended December 31, 2020 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's	
Proportionate share of the net pension liability	\$ 664,326
State of Minnesota's proportionate share of	
the net pension liability associated with	
Clearwater County	<u>15,654</u>
Total	<u><u>\$ 679,980</u></u>

At December 31, 2020, 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	\$ 29,709	\$ 31,298
Changes in actuarial assumptions	220,865	419,301
Net collective difference between projected and actual investment earnings		
investment earnings	19,843	-
Changes in proportion	35,876	29,810
Contributions paid to PERA subsequent to the measurement date	<u>57,450</u>	<u>-</u>
Total	<u><u>\$ 363,743</u></u>	<u><u>\$ 480,409</u></u>

The \$57,450 reported as deferred outflows of resources related to pensions resulting from Clearwater County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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:
2021	\$ (44,426)
2022	\$ (181,266)
2023	\$ 27,504
2024	\$ 28,755
2025	\$ (4,683)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

3. Correctional Plan Pension Costs

At December 31, 2020, Clearwater County reported a liability of \$74,130 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2020, 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 the Clearwater County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2019 through June 30, 2020, relative to the total employer contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .2732 percent at the end of the measurement period and .3208 percent for the beginning of the period.

For the year ended December 31, 2020 Clearwater County recognized pension expense of \$62,000 for its proportionate share of the Correctional Plan's pension expense.

At December 31, 2020, Clearwater 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	\$ 855	\$ 27,717
Changes in actuarial assumptions	-	183,795
Difference between projected and actual investment earnings	4,639	-
Changes in proportion	-	8,727
Contributions paid to PERA subsequent to the measurement date	<u>30,559</u>	<u>-</u>
Total	<u>\$ 36,053</u>	<u>\$ 220,239</u>

The \$30,559 reported as deferred outflows of resources related to pensions resulting from Clearwater County contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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>
2021	\$ (217,747)
2022	(12,925)
2023	2,553
2024	13,374
2025	-

E. The total pension expense for all plans recognized by Clearwater County for the year ended December 31, 2020, was \$545,429.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

F. Actuarial Assumptions

The total pension liability in the June 30, 2020, actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

	<u>General Employees Fund</u>	<u>Police and Fire Fund</u>	<u>Correctional Fund</u>
Inflation	2.25% per year	2.50% per year	2.50% per year
Active Member Payroll Growth	3.00% per year	3.25% per year	3.25% per year
Investment Rate of Return	7.50%	7.50%	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on Pub-2010 General Employee Mortality table for the General Employees Plan and RP 2014 tables for the Police and Fire and the Correctional Plans for 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 and 2.0 percent per year for the Correctional Plan. For the Police and Fire Plan, cost of living benefit increases for retirees are 1.0 percent per year as set by state statute.

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of actuarial experience studies. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation. The four-year experience study used for the Police and Fire Plan was completed in 2016. The five-year experience study used 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. Inflation and investment return assumptions for the Police and Fire Plan and the Correctional Plan are based on the General Employees Retirement Plan experience study completed in 2019. The most recent four-year experience studies for the Police and Fire Plan and the Correctional Plan were completed in 2020. The recommended assumptions for those plans were adopted by the Board and will be effective with the July 1, 2021 actuarial valuations if approved by the Legislature.

The following changes in actuarial assumptions and plan provisions occurred in 2020:

General Employees Fund

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

F. Actuarial Assumptions

General Employees Fund

Changes in Actuarial Assumptions: (Continued)

- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

Police and Fire Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

Correctional Fund

Changes in Actuarial Assumptions:

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

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 on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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V. Defined Benefit Pension Plans

F. Actuarial Assumptions (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5%	5.10%
International Stocks	17.5%	5.30%
Bonds (Fixed Income)	20.0%	0.75%
Alternative Assets (Private Markets)	25.0%	5.90%
Cash	2.0%	0.00%
Total	100%	

G. Discount Rates

The discount rate used to measure the total pension liability in 2020 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 positions 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.

H. 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:

Sensitivity Analysis			Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates			Net Pension Liability (Asset) at Different Discount Rates		
General Employees Fund			Police and Fire Fund		
1% Lower	6.50%	\$ 6,477,585	1% Lower	6.50%	\$ 1,324,097
Current Discount Rate	7.50%	\$ 4,041,788	Current Discount Rate	7.50%	\$ 664,326
1% Higher	8.50%	\$ 2,032,452	1% Higher	8.50%	\$ 118,481

Sensitivity Analysis		
Net Pension Liability (Asset) at Different Discount Rates		
Correctional Fund		
1% Lower	6.50%	\$ 460,711
Current Discount Rate	7.50%	\$ 74,130
1% Higher	8.50%	\$ (235,386)

I. 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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 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 not 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.

Total contributions made by Clearwater County during fiscal year 2020 were:

Contribution Amount		Percentage of Cover Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 3,807	\$ 3,807	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. The County Attorney estimates that the potential claims against the County not covered by insurance resulting from such litigation would not materially affect the financial statements of the County.

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.

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BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

B. Risk Management (Continued)

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 2020 and 2021. 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

In 2019, 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 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 May 10, 2021, the American Rescue Plan Act established by the Coronavirus Local Fiscal Recovery Fund, which provides a combined \$65.1 billion in assistance to eligible local governments to help turn the tide on the pandemic, address its economic fallout, and lay foundation for a strong and equitable recovery. The Act requires that these funds are allocated based on each county's population share of the total population of all counties, using the latest available population data from the U.S. Census Bureau. The Treasury makes use of the 2019 Census for the purposes of this allocation. In 2021, the Coronavirus Local Fiscal Recovery Fund has allocated \$1,712,793 to Clearwater County.

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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

1. Clearwater Economic Development Organization (Continued)

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, 2020. 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.

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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

3. Joint County Natural Resources Board (Continued)

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, 2020. 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, 2020. 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.

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, 2020. 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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, Koochiching, 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, 2020. 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.

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, Mahnommen, 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, 2020. Complete financial information can be obtained from Itasca County, 123 NE 4th Street, Grand Rapids, MN 55744.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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 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 Service Cooperative for the year ended December 31, 2020. 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures

10. Northwestern Counties Data Processing Security Association (Continued)

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, 2020.

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.

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, 2020. 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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, 2020. 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.

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 Mahnomon 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Joint Ventures (Continued)

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.

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, 2020.

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 \$105,990 to the Lake Agassiz Regional Library for the year ended December 31, 2020.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

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, Mahnommen, 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, 2020.

5. Minnesota Red River Basin Commission (RRBC)

The RRBC is a charitable, not-for-profit organization designed to help facilitate a cooperative approach to water management within the Basin and is a well-established forum for identifying, developing, and implementing solutions to cross-boundary issues. The RRBC is led by 41 directors representing the diversity of this multi-jurisdictional Basin and is comprised of local, state, provincial, and First Nation government representation, the environmental community, and at-large members. It maintains offices in Fargo, ND and Winnipeg, MB and is dedicated to innovation in the management of the Red River Basin’s water resources. The County did not contribute to the RRBC for the year ended December 31, 2020.

6. 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, Lake of the Woods, Mahnommen, 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.

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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

E. Jointly-Governed Organizations (Continued)

7. Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minnesota Statutes, Chapter 103D, and includes Becker, Clay, Clearwater, Mahnomen, 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, Mahnomen, 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, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 5,188,500	\$ 5,188,500	\$ 4,807,238	\$ (381,262)
Licenses and permits	27,225	27,225	36,303	9,078
Intergovernmental	1,794,597	1,794,597	3,270,202	1,475,605
Charges for services	637,750	637,750	691,576	53,826
Fines and forfeitures	5,100	5,100	8,435	3,335
Investment earnings	180,500	180,500	239,254	58,754
Miscellaneous	291,415	291,415	257,780	(33,635)
Total Revenues	\$ 8,125,087	\$ 8,125,087	\$ 9,310,788	\$ 1,185,701
Expenditures				
Current				
General government				
Commissioners	\$ 238,168	\$ 238,168	\$ 225,124	\$ 13,044
District court	40,000	40,000	71,705	(31,705)
Law library	9,000	9,000	7,994	1,006
County auditor/treasurer	526,520	526,520	513,486	13,034
County assessor	271,784	271,784	234,949	36,835
Elections	85,000	85,000	63,864	21,136
Accounting and auditing services	38,000	38,000	25,818	12,182
Management information systems	478,127	478,127	475,175	2,952
Personnel	13,650	13,650	69	13,581
Attorney	329,582	329,582	319,041	10,541
Safety control coordinator	1,000	1,000	195	805
Recorder	339,362	339,362	324,995	14,367
Planning advisory commission	5,379	5,379	1,532	3,847
Motor pool	20,600	20,600	15,098	5,502
Buildings and grounds	32,000	32,000	16,569	15,431
Building maintenance	308,227	308,227	297,309	10,918
Veterans service officer	93,463	93,463	107,465	(14,002)
Insurance	266,850	266,850	131,734	135,116
Other general government	27,500	27,500	1,089,174	(1,061,674)
Total general government	\$ 3,124,212	\$ 3,124,212	\$ 3,921,296	\$ (797,084)
Public safety				
Sheriff	\$ 1,072,795	\$ 1,072,795	\$ 983,663	\$ 89,132
Boat and water safety	11,861	11,861	1,243	10,618
Handgun permits	16,889	16,889	19,952	(3,063)
Coroner	40,500	40,500	33,148	7,352
Enhanced 911	28,302	28,302	13,642	14,660
Snowmobile safety	3,478	3,478	2,121	1,357
DARE program	1,000	1,000	-	1,000

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current				
Public safety (Continued)				
Emergency services	30,000	40,090	12,803	27,287
Rural signing	10,000	10,000	8,718	1,282
Law enforcement center	1,300,043	1,300,043	1,185,172	114,871
Probation and parole	132,100	132,100	130,587	1,513
Radio jail project	15,000	15,000	5,058	9,942
Sentence to serve	63,607	63,607	57,929	5,678
Law enforcement center canteen	15,000	15,000	4,015	10,985
Other public safety	7,774	7,774	11,934	(4,160)
Total public safety	\$ 2,748,349	\$ 2,758,439	\$ 2,469,985	\$ 288,454
Health				
Hospice	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Medical facilities management	11,000	11,000	52,943	(41,943)
Total health	\$ 31,000	\$ 31,000	\$ 72,943	\$ (41,943)
Culture and recreation				
Historical society	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Parks	360,898	360,898	313,981	46,917
Regional library	105,990	105,990	105,990	-
Snowmobile and ski trails	50,200	50,200	70,244	(20,044)
Total culture and recreation	\$ 533,088	\$ 533,088	\$ 506,215	\$ 26,873
Conservation of natural resources				
Agricultural society	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Aquatic invasive species	109,410	109,410	90,779	18,631
County extension	121,471	121,471	100,046	21,425
Environmental services	132,684	132,684	110,192	22,492
Predator and weed control	57,250	57,250	48,703	8,547
Riparian protection aid	12,650	12,650	12,850	(200)
Soil and water conservation	69,360	69,360	70,372	(1,012)
Soil survey	198,830	198,830	97,070	101,760
Water planning	42,524	42,524	41,774	750
Wetlands administration	100,024	100,024	96,620	3,404
Other conservation of natural resources	668	668	658	10
Total conservation of natural resources	\$ 879,871	\$ 879,871	\$ 704,064	\$ 175,807

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	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	900	900	900	-
Total economic development	\$ 2,900	\$ 2,900	\$ 2,900	\$ -
Total Current Expenditures	\$ 7,319,420	\$ 7,329,510	\$ 7,677,403	\$ (347,893)
Capital outlay				
General government	-	-	76,359	(76,359)
Public safety	78,000	78,000	75,584	2,416
Total capital outlay	\$ 78,000	\$ 78,000	\$ 151,943	\$ (73,943)
Total Expenditures	\$ 7,397,420	\$ 7,407,510	\$ 7,829,346	\$ (421,836)
Excess of Revenues Over (Under) Expenditures	\$ 727,667	\$ 717,577	\$ 1,481,442	\$ 763,865
Other Financing Sources (Uses)				
Transfers in	-	-	91,150	91,150
Net Change in Fund Balance	\$ 727,667	\$ 717,577	\$ 1,572,592	\$ 855,015
Fund Balance - January 1	7,787,942	7,787,942	7,787,942	-
Fund Balance - December 31	\$ 8,515,609	\$ 8,505,519	\$ 9,360,534	\$ 855,015

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,037,147	\$ 1,037,147	\$ 1,027,345	\$ (9,802)
Intergovernmental	4,127,719	4,127,719	3,753,652	(374,067)
Charges for services	118,855	118,855	198,483	79,628
Miscellaneous	51,145	51,145	2,160	(48,985)
Total Revenues	\$ 5,334,866	\$ 5,334,866	\$ 4,981,640	\$ (353,226)
Expenditures				
Current				
Highways and Streets				
Administration	\$ 542,442	\$ 542,442	\$ 474,214	\$ 68,228
Maintenance	1,514,627	1,514,627	1,210,833	303,794
Construction	2,771,916	2,771,916	2,937,470	(165,554)
Equipment maintenance and shop	435,000	435,000	324,821	110,179
Materials for resale	-	-	27,885	(27,885)
Township roads	-	-	268,756	(268,756)
Other highways and streets	60,101	60,101	54,725	5,376
Capital outlay				
Highways and streets	408,000	408,000	788,249	(380,249)
Total Expenditures	\$ 5,732,086	\$ 5,732,086	\$ 6,086,953	\$ (354,867)
Net Change in Fund Balance	\$ (397,220)	\$ (397,220)	\$ (1,105,313)	\$ (708,093)
Fund Balance - January 1	5,483,811	5,483,811	5,483,811	-
Increase (decrease) in inventories	-	-	(28,542)	(28,542)
Fund Balance - December 31	\$ 5,086,591	\$ 5,086,591	\$ 4,349,956	\$ (736,635)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ -	\$ -	\$ 1,505,062	\$ 1,505,062
Intergovernmental	1,458,353	1,458,353	2,115,404	657,051
Charges for services	532,268	532,268	298,514	(233,754)
Miscellaneous	173,065	173,065	839,604	666,539
Total Revenues	\$ 2,163,686	\$ 2,163,686	\$ 4,758,584	\$ 2,594,898
Expenditures				
Current				
Human Services				
Income maintenance	\$ 1,804,253	\$ 1,804,253	\$ 1,725,114	\$ 79,139
Social services	2,120,813	2,120,813	2,076,532	44,281
Total Expenditures	\$ 3,925,066	\$ 3,925,066	\$ 3,801,646	\$ 123,420
Net Change in Fund Balance	\$ (1,761,380)	\$ (1,761,380)	\$ 956,938	\$ 2,718,318
Fund Balance - January 1	2,348,766	2,348,766	2,348,766	-
Fund Balance - December 31	\$ 587,386	\$ 587,386	\$ 3,305,704	\$ 2,718,318

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 4

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS
OTHER POST-EMPLOYMENT BENEFITS
FOR THE YEAR ENDED DECEMBER 31, 2020**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$7,738	\$7,513	\$8,393
Interest cost	4,777	5,283	5,403
Differences between expected and actual experience	-	(30,279)	-
Changes of assumption or other inputs	-	(1,602)	-
Benefit payments	(18,665)	(12,421)	(20,662)
Net change in total OPEB liability	(\$6,150)	(\$31,506)	(\$6,866)
Total OPEB Liability - Beginning	127,221	158,727	165,593
Total OPEB Liability - Ending	<u>\$121,071</u>	<u>\$127,221</u>	<u>\$158,727</u>
Covered-employee payroll	\$3,978,030	\$3,862,165	\$4,094,191
Total OPEB liability (asset) as a percentage of covered-employee payroll	3%	3%	4%

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 5

**SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020	\$ 382,476	\$ 382,476	\$ -	\$ 5,099,680	7.5%
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, 2020	\$ 106,901	\$ 106,901	\$ -	\$ 603,959	17.70%
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, 2020	\$ 55,979	\$ 55,979	\$ -	\$ 639,760	8.75%
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 6

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020	0.0674%	\$ 4,041,788	\$ 124,575	\$ 4,166,363	\$ 4,831,050	83.66%	79.06%
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, 2020	0.0504%	\$ 664,326	\$ 15,654	\$ 679,980	\$ 569,143	116.72%	87.19%
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, 2020	0.2732%	\$ 74,130	\$ -	\$ 74,130	\$ 580,278	12.77%	96.67%
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, 2020

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 major 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, 2020:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund			
General government			
District court	\$ 71,705	\$ 40,000	\$ (31,705)
Veterans service officer	107,465	93,463	(14,002)
Other general government	1,089,174	27,500	(1,061,674)
Public safety			
Handgun permits	19,952	16,889	(3,063)
Other public safety	11,934	7,774	(4,160)
Health			
Medical facilities management	52,943	11,000	(41,943)
Culture and recreation			
Snowmobile and ski trails	70,244	50,200	(20,044)
Conservation of natural resources			
Riparian protection aid	12,850	12,650	(200)
Soil and water conservation	70,372	69,360	(1,012)
Capital outlay			
General government	76,359	-	(76,359)
Road and Bridge Special Revenue Fund			
Highways and Streets			
Construction	2,937,470	2,771,916	(165,554)
Materials for resale	27,885	-	(27,885)
Township roads	268,756	-	(268,756)
Capital outlay			
Highways and streets	788,249	408,000	(380,249)

**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 Section II of the Notes to the Required Supplementary Information and the Notes to the Financial Statements Section IV., Other Post-Employment Benefits.

2020/2019 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 recommended by PERA and adopted by the County Commissioners.

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

General Employees Fund

2019 Changes (Continued)

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.
- 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

General Employees Fund

2017 Changes

Changes in Plan Provisions (Continued)

- 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.

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

2020 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Police and Fire Fund

2019 Changes (Continued)

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.

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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Police and Fire Fund

2017 Changes

Changes in Actuarial Assumptions (Continued)

- 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.

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

2020 Changes

Changes in Actuarial Assumptions

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Correctional Fund

2020 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

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.
- 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.

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).

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Correctional Fund

2017 Changes

Changes in Actuarial Assumptions (Continued)

- 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.

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 Land Management Special Revenue Fund is used to account for and report funds received from state programs, charges for services, and revenue from land and timber sales and financial activities assigned to land management.

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, 2020**

	Special Revenue Funds						Total Nonmajor Governmental Funds (Exhibit 3)
	Ditch	Energy Assistance	Land Management	Nursing Service	Solid Waste Management	Unorganized Townships	
Assets							
Cash and pooled investments	\$ 101,256	\$ -	\$ 1,210,587	\$ -	\$ 1,362,045	\$ -	\$ 2,673,888
Taxes receivable - prior	-	-	-	-	9,007	-	9,007
Special assessments receivable - prior	22	-	-	-	48,307	-	48,329
Accounts receivable	-	-	-	21,330	-	-	21,330
Contracts receivable	-	-	330,532	-	-	-	330,532
Due from other governments	-	7,416	-	61,938	-	-	69,354
Total Assets	\$ 101,278	\$ 7,416	\$ 1,541,119	\$ 83,268	\$ 1,419,359	\$ -	\$ 3,152,440
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 41	\$ 6,341	\$ 6,709	\$ 29,921	\$ -	\$ 43,012
Salaries payable	-	-	2,676	12,688	1,438	-	16,802
Due to other funds	-	5,997	91,150	15,491	250	6,723	119,611
Due to other governments	-	-	68,363	-	3,536	-	71,899
Total Liabilities	\$ -	\$ 6,038	\$ 168,530	\$ 34,888	\$ 35,145	\$ 6,723	\$ 251,324
Deferred Inflows of Resources							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 6,353	\$ -	\$ 6,353
Special assessments	22	-	-	-	40,790	-	40,812
Land and timber sales	-	-	315,411	-	-	-	315,411
Total Deferred Inflows of Resources	\$ 22	\$ -	\$ 315,411	\$ -	\$ 47,143	\$ -	\$ 362,576
Fund Balances							
Restricted for							
Conservation of natural resources	\$ 101,256	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,256
Memorial forest	-	-	352,892	-	-	-	352,892
Timber development	-	-	496,546	-	-	-	496,546
Assigned to							
Energy assistance	-	1,378	-	-	-	-	1,378
Forfeited land	-	-	207,740	-	-	-	207,740
Nursing service	-	-	-	48,380	-	-	48,380
Sanitation	-	-	-	-	1,337,071	-	1,337,071
Unorganized townships	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	(6,723)	(6,723)
Total Fund Balances	\$ 101,256	\$ 1,378	\$ 1,057,178	\$ 48,380	\$ 1,337,071	\$ (6,723)	\$ 2,538,540
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 101,278	\$ 7,416	\$ 1,541,119	\$ 83,268	\$ 1,419,359	\$ -	\$ 3,152,440

**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, 2020**

	Special Revenue Funds						Total Nonmajor Governmental Funds (Exhibit 5)
	Ditch	Energy Assistance	Land Management	Nursing Service	Solid Waste Management	Unorganized Townships	
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 430,270	\$ -	\$ 430,270
Special assessments	34,396	-	-	-	475,541	-	509,937
Licenses and permits	-	-	272	-	400	-	672
Intergovernmental	-	74,723	85,014	258,939	131,310	1,590	551,576
Charges for services	-	-	1,467	1,163,658	46,831	-	1,211,956
Land and timber sales	-	-	456,650	-	-	-	456,650
Miscellaneous	-	-	31,727	32,136	135	-	63,998
Total Revenues	\$ 34,396	\$ 74,723	\$ 575,130	\$ 1,454,733	\$ 1,084,487	\$ 1,590	\$ 3,225,059
Expenditures							
Current							
Highways and streets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,936	\$ 13,936
Sanitation	-	-	-	-	853,856	-	853,856
Human services	-	64,042	-	-	-	-	64,042
Health	-	-	-	1,456,596	-	-	1,456,596
Conservation of natural resources	1,192	-	443,268	-	-	-	444,460
Total Expenditures	\$ 1,192	\$ 64,042	\$ 443,268	\$ 1,456,596	\$ 853,856	\$ 13,936	\$ 2,832,890
Excess of Revenues Over (Under) Expenditures	\$ 33,204	\$ 10,681	\$ 131,862	\$ (1,863)	\$ 230,631	\$ (12,346)	\$ 392,169
Other Financing Sources (Uses)							
Transfers out	-	-	(91,150)	-	-	-	(91,150)
Net Change in Fund Balance	\$ 33,204	\$ 10,681	\$ 40,712	\$ (1,863)	\$ 230,631	\$ (12,346)	\$ 301,019
Fund Balance - January 1	68,052	(9,303)	1,016,466	50,243	1,106,440	5,623	2,237,521
Fund Balance - December 31	\$ 101,256	\$ 1,378	\$ 1,057,178	\$ 48,380	\$ 1,337,071	\$ (6,723)	\$ 2,538,540

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 7

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 34,506	\$ 34,506	\$ 34,396	\$ (110)
Expenditures				
Current				
Conservation of natural resources				
Administration	\$ 1,114	\$ 1,114	\$ 400	\$ 714
Ditch maintenance and repair	33,446	33,446	792	32,654
Total Expenditures	\$ 34,560	\$ 34,560	\$ 1,192	\$ 33,368
Net Change in Fund Balance	\$ (54)	\$ (54)	\$ 33,204	\$ 33,258
Fund Balance - January 1	68,052	68,052	68,052	-
Fund Balance - December 31	\$ 67,998	\$ 67,998	\$ 101,256	\$ 33,258

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 8

**BUDGETARY COMPARISON SCHEDULE
ENERGY ASSISTANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 15,410	\$ 15,410	\$ 74,723	\$ 59,313
Expenditures				
Current				
Human services				
Administration	\$ 11,560	\$ 11,560	\$ 45,520	\$ (33,960)
Energy assistance	3,850	3,850	18,522	(14,672)
Total Expenditures	\$ 15,410	\$ 15,410	\$ 64,042	\$ (48,632)
Net Change in Fund Balance	\$ -	\$ -	\$ 10,681	\$ 10,681
Fund Balance - January 1	(9,303)	(9,303)	(9,303)	-
Fund Balance - December 31	\$ (9,303)	\$ (9,303)	\$ 1,378	\$ 10,681

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 300	\$ 300	\$ 272	\$ (28)
Intergovernmental	84,740	84,740	85,014	274
Charges for services	2,000	2,000	1,467	(533)
Land and timber sales	396,000	396,000	456,650	60,650
Miscellaneous	31,500	31,500	31,727	227
Total Revenues	\$ 514,540	\$ 514,540	\$ 575,130	\$ 60,590
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	\$ 420,195	\$ 420,195	\$ 304,815	\$ 115,380
Forest access road	34,000	34,000	7,639	26,361
Timber development	60,074	60,074	71,699	(11,625)
Payments in lieu of taxes	59,910	59,910	59,115	795
Total Expenditures	\$ 574,179	\$ 574,179	\$ 443,268	\$ 130,911
Excess of Revenues Over (Under) Expenditures	\$ (59,639)	\$ (59,639)	\$ 131,862	\$ 191,501
Other Financing Sources (Uses)				
Transfers out	-	-	(91,150)	(91,150)
Net Change in Fund Balance	\$ (59,639)	\$ (59,639)	\$ 40,712	\$ 100,351
Fund Balance - January 1	1,016,466	1,016,466	1,016,466	-
Fund Balance - December 31	\$ 956,827	\$ 956,827	\$ 1,057,178	\$ 100,351

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
NURSING SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 153,585	\$ 153,585	\$ 258,939	\$ 105,354
Charges for services	1,435,634	1,435,634	1,163,658	(271,976)
Miscellaneous	4,950	4,950	32,136	27,186
Total Revenues	\$ 1,594,169	\$ 1,594,169	\$ 1,454,733	\$ (139,436)
Expenditures				
Current				
Health				
Nursing service	1,480,377	1,480,377	1,456,596	23,781
Net Change in Fund Balance	\$ 113,792	\$ 113,792	\$ (1,863)	\$ (115,655)
Fund Balance - January 1	50,243	50,243	50,243	-
Fund Balance - December 31	\$ 164,035	\$ 164,035	\$ 48,380	\$ (115,655)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 500,450	\$ 500,450	\$ 430,270	\$ (70,180)
Special assessments	465,000	465,000	475,541	10,541
License and permits	300	300	400	100
Intergovernmental	142,800	142,800	131,310	(11,490)
Charges for services	25,000	25,000	46,831	21,831
Miscellaneous	600	600	135	(465)
Total Revenues	\$ 1,134,150	\$ 1,134,150	\$ 1,084,487	\$ (49,663)
Expenditures				
Current				
Sanitation				
Demolition landfill	\$ 116,450	\$ 116,450	\$ 96,883	\$ 19,567
Household hazardous waste	8,000	8,000	8,353	(353)
Recycling	103,586	103,586	70,288	33,298
Solid waste collection	366,471	370,971	345,650	25,321
Solid waste disposal	349,210	349,210	332,682	16,528
Total Expenditures	\$ 943,717	\$ 948,217	\$ 853,856	\$ 94,361
Net Change in Fund Balance	\$ 190,433	\$ 185,933	\$ 230,631	\$ 44,698
Fund Balance - January 1	1,106,440	1,106,440	1,106,440	-
Fund Balance - December 31	\$ 1,296,873	\$ 1,292,373	\$ 1,337,071	\$ 44,698

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 12

**BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 1,590	\$ 1,590
Expenditures				
Current				
Highways and streets				
Township roads	-	-	13,936	(13,936)
Net Change in Fund Balance	\$ -	\$ -	\$ (12,346)	\$ (12,346)
Fund Balance - January 1	5,623	5,623	5,623	-
Fund Balance - December 31	<u>\$ 5,623</u>	<u>\$ 5,623</u>	<u>\$ (6,723)</u>	<u>\$ (12,346)</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

FIDUCIARY FUNDS

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs.

CUSTODIAL FUNDS

The Economic Development Custodial Fund is used to account for financial transactions of the Economic Development Agency.

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

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

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

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

The State Custodial 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 Custodial 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 Custodial Fund is used to account for the collection and payment of funds due towns and cities.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2020**

	Custodial Funds			
	Economic Development	Clearwater Collaborative	North Country Community Health Services	NW Minnesota Household Hazardous Waste
<u>Assets</u>				
Cash and pooled investments	\$ 1,387	\$ 43,936	\$ 276,232	\$ 129,027
Due from other governments	-	16,637	380,651	
Total Assets	\$ 1,387	\$ 60,573	\$ 656,883	\$ 129,027
<u>Liabilities</u>				
Accounts payable	\$ -	\$ -	\$ 224,427	\$ 615
Due to other governments	-	-	149,358	
Total Liabilities	\$ -	\$ -	\$ 373,785	\$ 615
<u>Net Position</u>				
Restricted for Individuals, organizations, other governments	\$ 1,387	\$ 60,573	\$ 283,098	\$ 128,412

Statement 3

Custodial Funds				
School District	State Fund	Taxes and Penalties	Towns and Cities	Total Other Custodial Funds
\$ 32,902	\$ 5,187	\$ 38,987	\$ (17,607)	\$ 510,051
-	10,270	-	-	407,558
\$ 32,902	\$ 15,457	\$ 38,987	\$ (17,607)	\$ 917,609
\$ 43,243	\$ 225	\$ -	\$ 6,029	\$ 274,539
-	13,263	-	36,545	199,166
\$ 43,243	\$ 13,488	\$ -	\$ 42,574	\$ 473,705
\$ (10,341)	\$ 1,969	\$ 38,987	\$ (60,181)	\$ 443,904

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2020**

	<u>Economic Development</u>	<u>Clearwater Collaborative</u>	<u>North Country Community Health Services</u>	<u>NW Minnesota Household Hazardous Waste</u>
Additions				
Property tax collections for other governments	\$ -	\$ -	\$ -	\$ -
Intergovernmental receipts for other governments	-	42,819	2,014,364	-
Appropriations from County	-	22,500	-	-
Fees for other governments	-	-	-	243,629
Investment earnings	-	-	-	226
Miscellaneous	-	3,151	229	320
Total Additions	\$ -	\$ 68,470	\$ 2,014,593	\$ 244,175
Deductions				
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -
Payments to state	-	-	-	-
Administrative expense	-	-	21,913	110,659
Payments to other entities/individuals	-	84,734	1,907,009	144,174
Total Deductions	\$ -	\$ 84,734	\$ 1,928,922	\$ 254,833
Change in net position	\$ -	\$ (16,264)	\$ 85,671	\$ (10,658)
Net Position – January 1, as previously reported	\$ -	\$ -	\$ -	\$ -
Prior period adjustment	1,387	76,837	197,427	139,070
Net Position – January 1, as restated	\$ 1,387	\$ 76,837	\$ 197,427	\$ 139,070
Net Position – December 31	\$ 1,387	\$ 60,573	\$ 283,098	\$ 128,412

Statement 4

<u>School District</u>	<u>State Fund</u>	<u>Taxes and Penalties</u>	<u>Towns and Cities</u>	<u>Total Other Custodial Funds</u>
\$ 3,189,844	\$ 3,121,910	\$ 43,318	\$ 3,133,323	\$ 9,488,395
-	-	-	-	2,057,183
-	-	-	-	22,500
-	-	-	-	243,629
-	-	-	-	226
-	-	-	-	3,700
<u>\$ 3,189,844</u>	<u>\$ 3,121,910</u>	<u>\$ 43,318</u>	<u>\$ 3,133,323</u>	<u>\$ 11,815,633</u>
\$ 3,189,750	\$ -	\$ 24,656	\$ 3,167,702	\$ 6,382,108
-	3,118,777	-	-	3,118,777
-	-	-	-	132,572
-	-	-	-	2,135,917
<u>\$ 3,189,750</u>	<u>\$ 3,118,777</u>	<u>\$ 24,656</u>	<u>\$ 3,167,702</u>	<u>\$ 11,769,374</u>
<u>\$ 94</u>	<u>\$ 3,133</u>	<u>\$ 18,662</u>	<u>\$ (34,379)</u>	<u>\$ 46,259</u>
\$ -	\$ -	\$ -	\$ -	\$ -
<u>(10,435)</u>	<u>(1,164)</u>	<u>20,325</u>	<u>(25,802)</u>	<u>397,645</u>
<u>\$ (10,435)</u>	<u>\$ (1,164)</u>	<u>\$ 20,325</u>	<u>\$ (25,802)</u>	<u>\$ 397,645</u>
<u>\$ (10,341)</u>	<u>\$ 1,969</u>	<u>\$ 38,987</u>	<u>\$ (60,181)</u>	<u>\$ 443,904</u>

OTHER SCHEDULES

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2020**

	<u>Assets</u>		<u>Total Assets</u>
	<u>Cash and Investments</u>	<u>Special Assessments Receivable - Prior</u>	
County Ditches			
2	\$ 2,970	\$ 22	\$ 2,992
3	25,262	-	25,262
Project 113	34,914	-	34,914
Red Lake Watershed Ditches			
County Ditches			
1	244	-	244
5	4,470	-	4,470
72	7,995	-	7,995
Judicial Ditches			
2 Branch A	2,457	-	2,457
2 Branch B	4,155	-	4,155
4	148	-	148
Clearwater River Project 3	82	-	82
Ditch #2 Costs	10	-	10
Lost River Improvements	81	-	81
Lost River Project 4	3,842	-	3,842
Lost River Project 51	1,695	-	1,695
Pine Lake Dam	11,566	-	11,566
Wild Rice Allocation	1,365	-	1,365
Total	\$ 101,256	\$ 22	\$ 101,278

Schedule 13

Deferred Inflows of Resources	Fund Balance Restricted	Total Deferred Inflows and Fund Balance
\$ 22	\$ 2,970	\$ 2,992
-	25,262	25,262
-	34,914	34,914
-	244	244
-	4,470	4,470
-	7,995	7,995
-	2,457	2,457
-	4,155	4,155
-	148	148
-	82	82
-	10	10
-	81	81
-	3,842	3,842
-	1,695	1,695
-	11,566	11,566
-	1,365	1,365
\$ 22	\$ 101,256	\$ 101,278

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 14

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2020**

Shared Revenue	
State	
Aquatic ISP Aid	\$ 122,010
County program aid	789,236
Disparity reduction aid	47,638
Enhanced 911	72,893
Highway users tax	3,614,859
Market value credit	210,097
Police state aid	92,935
Riparian Protection Aid	73,922
	<hr/>
Total Shared Revenue	\$ 5,023,590
Reimbursement for Services	
State	
Minnesota Department of Human Services	\$ 170,913
	<hr/>
Payments	
Payments in lieu of taxes	\$ 554,824
	<hr/>
Grants	
Local	
Mental Health Collaborative	\$ 15,501
Northwest Minnesota Foundation	15,000
Other	11,492
	<hr/>
Total Local	\$ 41,993
State	
Minnesota Department/Board of	
Commerce	\$ 74,723
Corrections	42,180
Finance and employee relations	256,250
Health	60,805
Human Services	585,112
Natural Resources	110,816
Peace Officer Standards and Training	10,350
Pollution Control Agency	71,856
Public Safety	6,609
Secretary of State	18,318
Water and Soil Resources	92,502
	<hr/>
Total State	\$ 1,329,521
Federal	
Department of	
Agriculture	\$ 150,269
Election Assistance Commission	17,271
Health and Human Services	1,137,831
Homeland Security	17,311
Justice	15,640
Treasury	1,231,671
	<hr/>
Total Federal	\$ 2,569,993
Total Grants	\$ 3,941,507
	<hr/>
Total Intergovernmental Revenue	\$ 9,690,834
	<hr/> <hr/>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 15

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures	Passed Through to Subrecipients
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	\$ 7,747	-
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	142,522	\$ -
Total U.S. Department of Agriculture			\$ 150,269	\$ -
U.S. Department of Justice				
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2020-CLRWTRAO	\$ 15,640	\$ -
U.S. Department of the Treasury				
Passed Through Minnesota Department of Revenue COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	\$ 1,110,134	\$ 45,000
Passed Through the City of Bagley COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	2,714	-
Passed Through the City of Gonvisk COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	21,623	-
Passed Through the Town of Copley COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	21,550	-
Passed Through the Town of Eddy COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	8,475	-
Passed Through the Town of Falk COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	6,775	-
Passed Through the Town of Holst COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	9,575	-
Passed Through the Town of LaPrairie COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	8,850	-
Passed Through the Town of Moose Creek COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	6,100	-
Passed Through the Town of Pine Lake COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	10,875	-
Passed Through the Town of Popple COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	13,550	-
Passed Through the Town of Shevlin COVID-19 - Coronavirus Relief Fund	21.019	SLT0016	11,450	-
Total U.S. Department of the Treasury			\$ 1,231,671	\$ 45,000
U.S. Department of Election Assistance Commission				
Passed Through Minnesota Department of Secretary of State Help America Vote Act Requirements Payments	90.404	Not provided	\$ 17,271	\$ -
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-2001MNFPS	\$ 3,525	\$ -
TANF Cluster Temporary Assistance for Needy Families	93.558	2001MFTANF	\$ 144,340	-
Passed Through North Country Community Health Services Temporary Assistance for Needy Families	93.558	2020G996115	20,359	164,699

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

*Schedule 15
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Health and Human Services				
Passed Through Minnesota Department of Human Services Child Support Enforcement	93.563	2004MNCSES	\$ 10,392	-
Child Support Enforcement	93.563	2004MNCSEST	<u>149,213</u>	-
Refugee and Entrant Assistance	93.566	2001MNRMA	193	-
Community Based Child Abuse Prevention Grant	93.590	G-1901MNFPRG	720	-
Passed Through Minnesota Department of Human Services CCDF Cluster				
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	G2001MNCCDF	1,846	-
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2001MNCWSS	2,059	-
Foster Care Title IV-E	93.658	2001MNFPOST	66,319	-
Social Services Block Grant	93.667	G-2001MNSOSR	85,618	-
Chafee Foster Care Independence Program	93.674	G-2001MNCILP	1,000	-
Children's Health Insurance Program	93.767	2005MN5021	341	-
Medicaid Cluster				
Medical Assistance Program	93.778	1905MN5ADM	\$ 512,427	-
Medical Assistance Program	93.778	1905MN5MAP	45,621	-
Passed Through North Country Community Health Services Medical Assistance Program	93.778	1905MN5ADM	<u>19,074</u>	-
Passed Through North Country Community Health Services Maternal, Infant, and Early Childhood Home Visiting Program				
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	<u>19,088</u>	-
Total U.S. Department of Health and Human Services			\$ 1,137,831	\$ -
U.S. Department of Homeland Security				
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	CLEARWATER SBG	\$ 389	\$ -
Direct				
Emergency Food and Shelter National Board Program	97.024	Not provided	<u>16,922</u>	-
Total U.S. Department of Homeland Security			\$ 17,311	\$ -
Total Federal Awards			\$ 2,569,993	\$ 45,000
Totals by Cluster				
Total expenditures for SNAP Cluster			\$ 142,522	
Total expenditures for TANF Cluster			\$ 164,699	
Total expenditures for CCDF Cluster			\$ 1,846	
Total expenditures for Medicaid Cluster			\$ 577,122	

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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, 2020. 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 2020, the County passed through direct federal awards to a subrecipient under federal award CFDA 21.019 in the amount of \$45,000.

MANAGEMENT AND COMPLIANCE SECTION

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



Hoffman, Philipp, & Martell, 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, 2020, 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 27, 2021.

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 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 2020-001 and 2020-002 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 Clearwater County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Clearwater County's Responses to Findings

Clearwater 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 result 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, & Martell, PLLC
September 27, 2021

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



Hoffman, Philipp, & Martell, 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, 2020. The County's major federal program is identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 the major federal program.

However, our audit does not provide a legal determination of the County's compliance.

Opinion on the Major Federal Program

In our opinion, 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 program for the year ended December 31, 2020.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-003. Our opinion on each major federal program is not modified with respect to this matter.

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

Report on Internal Control Over Compliance

Management of 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.

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

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-003, that we consider to be a significant deficiency.

Clearwater County's Response to Finding

Clearwater County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Clearwater County's response was not subjected to the auditing procedures applied in the audit of noncompliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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

A handwritten signature in blue ink that reads "Hoffman, Philipp, & Martell". The signature is written in a cursive style with a small flourish at the end.

Hoffman, Philipp, & Martell, PLLC
September 27, 2021

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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? **Yes**

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 program was:

COVID-19 - Coronavirus Relief Fund CFDA #21.019

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: 2020-001

Prior Years Audit Finding Numbers: 1996-005, 2019-001

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: 2020-002

Prior Years Audit Finding Numbers: 2007-001, 2019-002

Finding Title: Documenting and Monitoring Internal Controls

Criteria: The financial statements are the responsibility of Clearwater County's management. Internal control over financial reporting is a process designed to provide reliable assurance about the

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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.*

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM REPORTED THIS YEAR

Finding Number: 2020-003

Finding Title: Subrecipient Monitoring

Program: U.S. Department of the Treasury’s COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019), Award No. SLT0016, 2020

Pass-Through Agency: Minnesota Management and Budget

Criteria: Title 2 U.S. *Code of Federal Regulations* § 200.303 states that the auditee must establish and maintain effective internal control over the federal award that provides reasonable assurance that the auditee is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Also, the County must comply with the requirements for pass-through entities as identified in Title 2 U.S. *Code of Federal Regulations* § 200.332, such as clearly identifying the award to the subrecipient and evaluating the subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the award.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Condition: The County did not document risk assessment procedures performed over its subrecipients. Award information, including the CFDA number, was not provided to subrecipients, and there were no signed subrecipient agreements in place.

Questioned Costs: Not applicable.

Context: The County passed funds to local governments who have been operating for many years and with whom the County is familiar with. The County also passed funds to non-profit organizations in order to provide assistance for their continuing operations. For all subrecipients, the County reviewed detailed listings of expenditures, along with supporting documentation, prior to the funds being reported to Minnesota Management and Budget.

Effect: The County is not meeting all federal regulations pertaining to subrecipient monitoring.

Cause: The County was not aware of the full extent of requirements for subrecipient monitoring.

Recommendation: We recommend the County document its rationale of who is a subrecipient, including guidance followed at the time of determination, and to document risk assessments completed for those identified as subrecipients in order to determine further monitoring procedures that should be performed. We further recommend that signed subrecipient agreements be put in place that provides subrecipients with all information required under the Uniform Guidance.

Clearwater County's Response: *The County will document its determination of who is a subrecipient, the guidance followed at the time of determination, and will perform risk assessments completed for identified subrecipients so that further monitoring procedures can be performed. Additionally, signed subrecipient agreements will be in place to provide all subrecipients with the required information.*

IV. PREVIOUSLY REPORTED ITEMS RESOLVED

2019-003 Capital Assets

2019-004 Uniform Guidance Written Procurement Policies and Procedures



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

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2020

Finding Number: 2020-001
Prior Years Audit Finding Numbers: 1996-005, 2019-001
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: December 31, 2021.

Finding Number: 2020-002
Prior Years Audit Finding Numbers: 2007-001, 2019-002
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: December 31, 2021.

Finding Number: 2020-003
Finding Title: Subrecipient Monitoring
Program: U.S. Department of the Treasury's COVID-19 – Coronavirus Relief Fund (CFDA No. 21.019)

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

Corrective Action Planned: Any monies received and passed through to other entities will have written agreements and risk assessment procedures in place. The County will be diligent in knowing the requirements for subrecipient monitoring and will pass this information onto its subrecipients.

Anticipated Completion Date: December 31, 2021.



CLEARWATER COUNTY COMMISSIONERS

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SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2020

Prior Years Audit Finding Numbers: 1996-005, 2019-001

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.

Prior Years Audit Finding Numbers: 2007-001, 2019-002

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.

Prior Years Audit Finding Numbers: 2015-008, 2019-003

Finding Title: Capital Assets

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

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

Status: Fully Resolved.

Prior Years Audit Finding Numbers: 2015-013, 2019-004

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: In 2019, 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 has developed and implemented policies that include the specific components of the Uniform Guidance requirements in their written procurement policies and procedures.

Status: Fully Resolved.