

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

YEAR ENDED DECEMBER 31, 2022



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, 2022**

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
<b>Commissioners</b>		
1 <sup>st</sup> District	Mark Titera, Chair	January 2027
2 <sup>nd</sup> District	Dean Newland	January 2025
3 <sup>rd</sup> District	Neal Illies <sup>1</sup>	January 2023
4 <sup>th</sup> District	John Nelson	January 2025
5 <sup>th</sup> District	Mark Larson	January 2027
<b>Officers</b>		
Elected:		
Attorney	Kathryn Lorsbach	January 2027
Sheriff	Darin Halvorson	January 2027
Auditor-Treasurer	Allen L. Paulson	January 2027
Recorder	Brenda Knable	January 2027
Appointed:		
Assessor	Terrie Johnson	Indefinite
Highway Engineer	Dan Sauve	Indefinite
Land Commissioner	Bruce Cox	Indefinite
Veterans Service Officer	Logan LeClair	Indefinite
Environmental Services	Daniel Hecht	Indefinite
Human Services Board:		
Lay member	Marilyn Shamp	July 2024
Chair - Lay member	Julie Sundquist	July 2023
Member	John Nelson	December 2024
Member	Dean Newland	December 2024
Member	Mark Larson	December 2026
Member	Mark Titera	December 2026
Member	Neal Illies	December 2022
Director	Jamie Halverson	Indefinite

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1 Stuart Dukek was elected to replace Neil Illies as Commissioner of 3<sup>rd</sup> District. His term expires January 2027. He also replaces Neil on the Human Services Board.

## **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  
Bagley, Minnesota

#### **Report on the Audit of the Financial Statements**

##### ***Opinion***

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, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the 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 Clearwater County, as of December 31, 2022, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### ***Basis for Opinion***

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

##### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that individually they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

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

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clearwater County's basic financial statements. The accompanying combining and individual nonmajor fund financial statements, budgetary comparison schedules, and the Schedule of Expenditures of Federal Awards and related notes, as required by Title U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to

the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedule, and the Schedule of Expenditures of Federal Awards and related notes are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

***Other Information***

Management is responsible for the other information included in the annual report. The other information is comprised of an introductory section and other schedules, as listed in the table of contents, but does not include the basic financial statements and our auditor’s report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2023, 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 this 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.



Hoffman, Philipp, & Martell, PLLC  
August 14, 2023



# CLEARWATER COUNTY COMMISSIONERS

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

**MARK  
TITERA**  
District #1

**DEAN  
NEWLAND**  
District #2

**STUART  
DUKEK**  
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, 2022. 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 \$75,348,023, of which \$57,190,905 is the net investment in capital assets, \$4,810,085 is restricted for specific purposes, and \$13,347,033 is unrestricted. The total net position of governmental activities increased by \$1,466,744 for the year ended December 31, 2022. This is attributed mainly to highway infrastructure projects funded by State revenues.

At the close of 2022, the County's governmental funds reported combined ending fund balances of \$22,281,499, a decrease of \$613,904 from the prior year. Of the total fund balance amount, \$304,000 is non-spendable, \$3,896,274 is legally or contractually restricted, \$1,375,648 is the committed fund balance, \$13,366,435 is assigned for specific purposes, and \$3,339,142 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 are 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, the Land Management Special Revenue Fund, and the Nursing Service 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 \$75,348,023 at the close of the fiscal year. The largest portion of the County’s net position (approximately 76 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 six 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 \$13,347,033, as of December 31, 2022, 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 \$1,966,109, primarily due to highway infrastructure projects financed by State revenues, and unspent American Rescue Plan Funds. Total liabilities increased by \$5,192,638, primarily due to an increase in the net pension liability. Deferred outflows of resources related to pensions and other post-employment activities increased by \$774,586, and deferred inflows of resources related to pensions and other post-employment activities decreased by \$3,907,294 from the prior year, due to changes in actuarial valuations. This resulted in an increased net position of \$1,466,744 from the prior year.

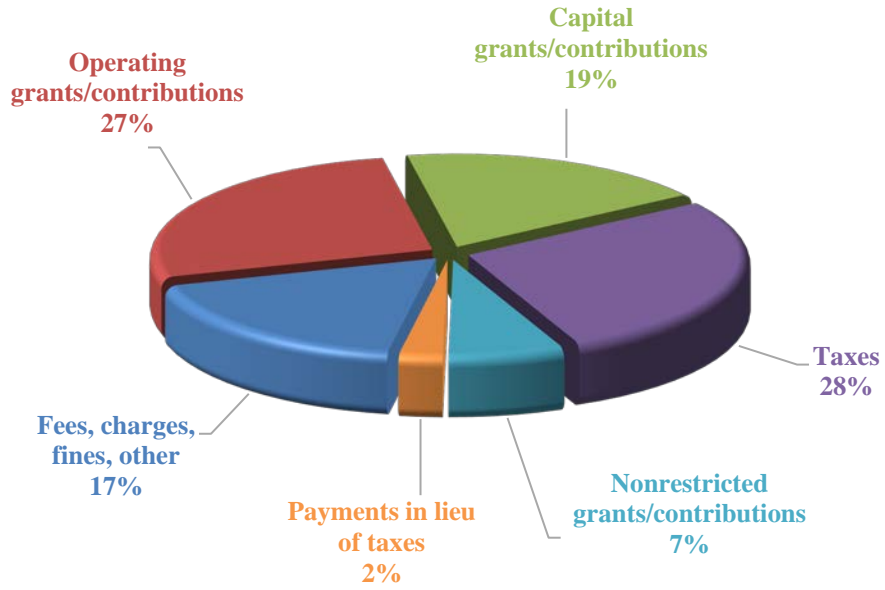
**NET POSITION**

	<b>Governmental Activities</b>	
	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 24,863,445	\$ 26,816,183
Capital assets	<u>57,190,905</u>	<u>53,272,058</u>
Total assets	<u>\$ 82,054,350</u>	<u>\$ 80,088,241</u>
Deferred outflows of resources		
Related to pensions and OPEB	<u>\$ 3,932,398</u>	<u>\$ 3,157,812</u>
Other liabilities	\$ 764,902	\$ 901,019
Long-term liabilities outstanding	<u>9,587,672</u>	<u>4,258,917</u>
Total liabilities	<u>\$ 10,352,574</u>	<u>\$ 5,159,936</u>
Deferred inflows of resources		
Related to pensions and OPEB	<u>\$ 286,151</u>	<u>\$ 4,204,838</u>
Net investment in capital assets	\$ 57,190,905	\$ 53,272,058
Restricted	4,810,085	4,751,835
Unrestricted	<u>13,347,033</u>	<u>15,857,386</u>
Total net position	<u>\$ 75,348,023</u>	<u>\$ 73,881,279</u>

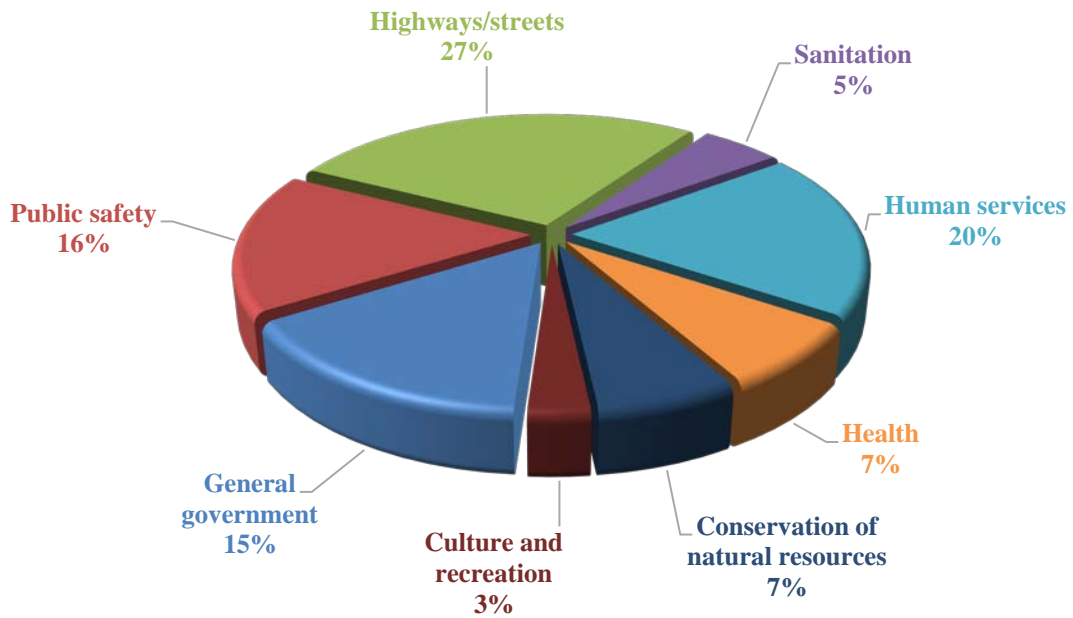
**CHANGES IN NET POSITION**

	<b>Governmental Activities</b>	
	<u>2022</u>	<u>2021</u>
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 3,756,206	\$ 3,789,209
Operating grants and contributions	5,726,670	7,160,536
Capital grants and contributions	3,972,753	3,649,207
General Revenues		
Taxes	5,980,006	7,848,377
Grants and contributions		
not restricted to specific programs	1,434,332	1,364,398
Payments in lieu of taxes	538,169	529,438
Investment earnings	(17,238)	21,527
Miscellaneous	<u>100,437</u>	<u>108,384</u>
Total revenues	<u>\$ 21,491,335</u>	<u>\$ 24,471,076</u>
Expenses		
General government	\$ 3,015,392	\$ 2,649,296
Public safety	3,267,106	2,516,932
Highways and streets	5,447,014	4,810,259
Sanitation	1,045,410	1,006,725
Human services	3,882,813	3,644,145
Health	1,474,569	1,387,540
Culture and recreation	576,090	466,651
Conservation of natural resources	1,312,797	1,313,158
Economic development	<u>3,400</u>	<u>258,650</u>
Total expenses	<u>\$ 20,024,591</u>	<u>\$ 18,053,356</u>
Increase (decrease)	\$ 1,466,744	\$ 6,417,720
Net position, January 1, as previously reported	<u>73,881,279</u>	<u>67,463,559</u>
Net position, December 31	<u>\$ 75,348,023</u>	<u>\$ 73,881,279</u>

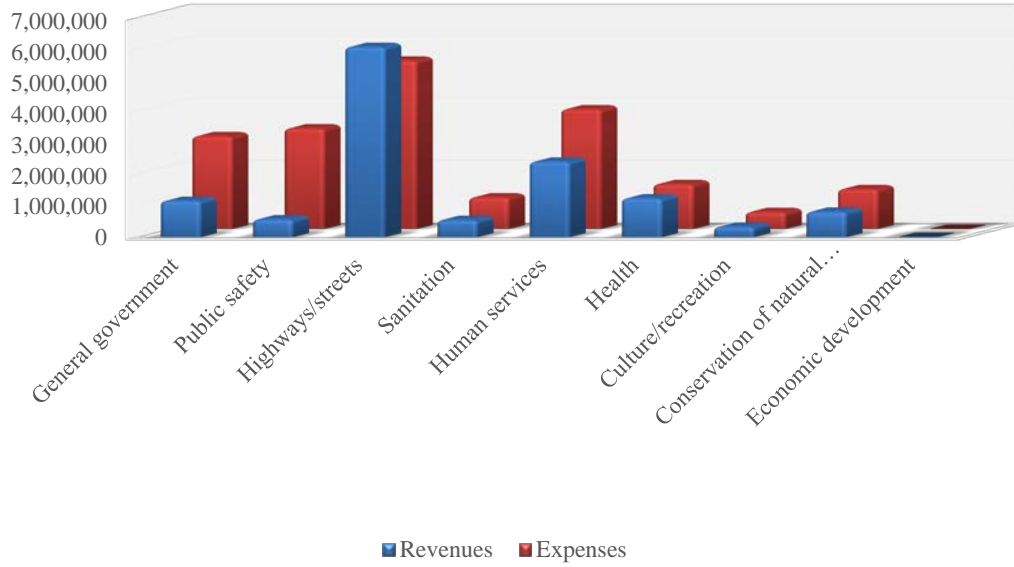
## Revenues by Source



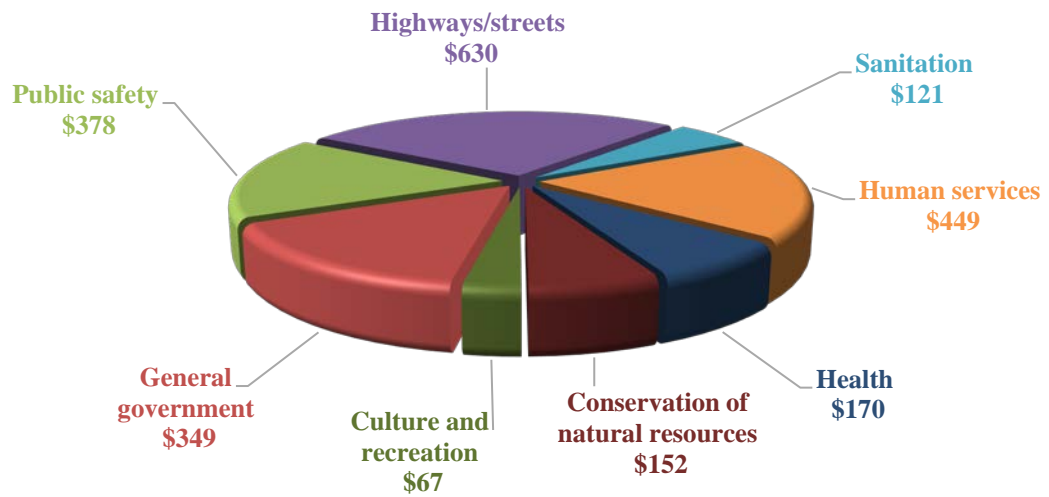
## Expenses by Function



## Program Revenues & Expenses



## Expenditures Per Capita 8,649 Population July 1, 2022



## **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 2022, the County's governmental funds reported combined ending fund balances of \$22,281,499. Of this amount, approximately one percent constitutes non-spendable fund balance, 18 percent constitutes legally or contractually restricted fund balance, six percent constitutes the committed fund balance, 60 percent constitutes specifically assigned fund balance, and 15 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 \$10,239,839. The General Fund's restricted fund balance was \$2,767,072, committed fund balance was \$865,648, assigned fund balance was \$3,027,339, and unassigned fund balance was \$3,579,780. 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 2022. Unrestricted fund balance represents 101 percent of total General Fund expenditures, while total fund balance represents 138 percent of that same amount.

In 2022, the fund balance amount in the General Fund decreased by \$692,096. The primary reason for this was a planned decrease in the tax levy.

The fund balance of the Road and Bridge Special Revenue Fund decreased by \$403,689 from the prior year, primarily due to equipment purchases.

The fund balance of the Human Services Special Revenue Fund increased by \$290,207 from the prior year, as a result of estate recoveries.

The fund balance for the Land Management Special Revenue Fund increased by \$57,661 primarily due to timber sales.

The fund balance for the Nursing Service Special Revenue Fund decreased by \$118,582 due to programs not being reimbursed on a timely basis or not adequately funded.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no amendments to the original budgeted revenues and expenditures as approved for 2022.

Actual revenues were less than overall final budgeted revenues by \$2,667,351, with the largest negative variance in taxes revenue. Actual expenditures were more than overall final budgeted expenditures by \$106,944, with the largest variance in capital outlay due to unbudgeted expenses for public safety.

## CAPITAL ASSETS AND LONG-TERM DEBT

### Capital Assets

The County's investment in capital assets for its governmental activities as of December 31, 2022, amounted to \$57,190,905 (net of accumulated depreciation). The total increase in the County's investment in capital assets for the current fiscal year was approximately seven percent. This increase was mainly due to highway construction projects added to infrastructure and equipment purchases.

Clearwater County	Governmental Activities	
	2022	2021
Investment in Capital Assets:		
Land	\$ 1,034,382	\$ 1,034,382
Construction in progress	1,342,740	1,072,781
Infrastructure	51,296,251	47,690,817
Buildings and improvements	1,369,343	1,554,762
Machinery and equipment	2,148,189	1,919,316
Total capital assets	<u>\$ 57,190,905</u>	<u>\$ 53,272,058</u>

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.
- On March 11, 2021, the American Rescue Plan Act of 2021 (ARPA) was signed into law. The recovery package provides funding in several areas such as state and local aid, education, rental assistance, transit, stimulus payments for individuals, and other provisions. The local funding portion is approximately \$130 billion, equally divided between cities and counties. Clearwater County received \$856,397 in 2021 and another \$856,397 in 2022. These funds are required to be spent by December 31, 2024. The County is using the ARPA funds to respond to public health emergency needs, serve the hardest hit communities and address inequities, address negative economic impacts, and improve access to water and broadband infrastructure.
- The unemployment rate for Clearwater County was 8.3 percent as of December 31, 2022. This is higher than the statewide rate of 3.2 percent and the national average rate of 3.3 percent.
- According to the United States Census Bureau, the estimated population for Clearwater County was 8,649 at July 1, 2022, an increase of 73 since the 2020 census of 8,576. This ranks Clearwater County 74<sup>th</sup> of 87 in the State of Minnesota.
- On December 13, 2022, Clearwater County set its 2023 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, 2022**

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Cash and pooled investments	\$ 20,831,946
Investments	1,031,698
Taxes receivable - prior	130,145
Special assessments receivable - prior	43,204
Accounts receivable	66,096
Accrued interest receivable	26,064
Contracts receivable	458,306
Due from other governments	1,926,729
Inventories	304,000
Special assessments - noncurrent	45,257
Capital assets	
Non-depreciable	2,377,122
Depreciable - net of accumulated depreciation	54,813,783
<b>Total Assets</b>	<b>\$ 82,054,350</b>
<b><u>Deferred Outflows of Resources</u></b>	
Related to pensions	\$ 3,927,081
Related to other post employment benefits	5,317
<b>Total Deferred Outflows of Resources</b>	<b>\$ 3,932,398</b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 349,726
Salaries payable	137,982
Contracts payable	9,105
Due to other governments	268,089
Long-term liabilities	
Due within one year	372,744
Due in more than one year	540,099
Net Pension Liability	8,576,547
Other Post Employment Benefits	98,282
<b>Total Liabilities</b>	<b>\$ 10,352,574</b>
<b><u>Deferred Inflows of Resources</u></b>	
Related to pensions	\$ 264,737
Related to other post employment benefits	21,414
<b>Total Deferred Inflows of Resources</b>	<b>\$ 286,151</b>
<b><u>Net Position</u></b>	
Net investment in capital assets	\$ 57,190,905
Amounts restricted for	
General government	1,760,092
Public safety	665,207
Highways and streets	587,800
Conservation of natural resources	1,796,986
Unrestricted amounts	13,347,033
<b>Total Net Position</b>	<b>\$ 75,348,023</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**EXHIBIT 2**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2022**

		Program Revenues				
Expenses	Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position		
<b>Functions/Programs</b>						
<b>Governmental activities</b>						
General government	\$ 3,015,392	\$ 236,188	\$ 100,772	\$ 856,397	\$	(1,822,035)
Public safety	3,267,106	269,760	328,481	-		(2,668,865)
Highways and streets	5,447,014	547,843	2,585,050	3,014,661		700,540
Sanitation	1,045,410	45,376	533,562	-		(466,472)
Human services	3,882,813	616,144	1,839,303	-		(1,427,366)
Health	1,474,569	1,118,888	155,979	-		(199,702)
Culture and recreation	576,090	285,895	74,435	-		(215,760)
Conservation of natural resources	1,312,797	636,112	109,088	101,695		(465,902)
Economic development	3,400	-	-	-		(3,400)
<b>Total governmental activities</b>	<b>\$ 20,024,591</b>	<b>\$ 3,756,206</b>	<b>\$ 5,726,670</b>	<b>\$ 3,972,753</b>	<b>\$</b>	<b>(6,568,962)</b>
 <b>General revenues</b>						
Taxes					\$	5,980,006
Payments in lieu of taxes						538,169
Grants and contributions not restricted to specific programs						1,434,332
Investment earnings						(17,238)
Miscellaneous						100,437
<b>Total general revenues</b>					<b>\$</b>	<b>8,035,706</b>
<b>Change in net position</b>					<b>\$</b>	<b>1,466,744</b>
<b>Net position - January 1</b>						<b>73,881,279</b>
<b>Net position - December 31</b>					<b>\$</b>	<b>75,348,023</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**EXHIBIT 3**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2022**

	General	Special Revenue Funds				Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Human Services	Land Management	Nursing Service		
<b>Assets</b>							
Cash and pooled investments	\$ 8,855,750	\$ 4,658,652	\$ 4,049,152	\$ 1,299,149	\$ -	\$ 1,969,243	\$ 20,831,946
Investments	1,031,698	-	-	-	-	-	1,031,698
Taxes receivable - prior	66,499	20,792	30,895	-	-	11,959	130,145
Special assessments receivable - prior	-	-	-	-	-	43,204	43,204
Accounts receivable	17,594	-	21	-	48,481	-	66,096
Accrued interest receivable	26,064	-	-	-	-	-	26,064
Contracts receivable	-	-	-	458,306	-	-	458,306
Due from other funds	455,280	13,196	-	-	-	-	468,476
Due from other governments	60,996	1,511,248	218,901	-	135,584	-	1,926,729
Inventories	-	304,000	-	-	-	-	304,000
Special assessments - noncurrent	-	-	-	-	-	45,257	45,257
<b>Total Assets</b>	<b>\$ 10,513,881</b>	<b>\$ 6,507,888</b>	<b>\$ 4,298,969</b>	<b>\$ 1,757,455</b>	<b>\$ 184,065</b>	<b>\$ 2,069,663</b>	<b>\$ 25,331,921</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 98,654	\$ 70,843	\$ 151,118	\$ 2,501	\$ 21,561	\$ 5,049	\$ 349,726
Salaries payable	67,219	20,664	30,100	3,685	15,030	1,284	137,982
Contracts payable	-	9,105	-	-	-	-	9,105
Due to other funds	12,510	-	447	67,407	384,602	3,510	468,476
Due to other governments	48,941	88,469	20,163	51,893	-	58,623	268,089
<b>Total Liabilities</b>	<b>\$ 227,324</b>	<b>\$ 189,081</b>	<b>\$ 201,828</b>	<b>\$ 125,486</b>	<b>\$ 421,193</b>	<b>\$ 68,466</b>	<b>\$ 1,233,378</b>
<b>Deferred Inflows of Resources</b>							
Taxes	\$ 46,718	\$ 14,061	\$ 20,828	\$ -	\$ -	\$ 7,934	\$ 89,541
Special assessments	-	-	-	-	-	79,440	79,440
County State Aid Highway Allotment	-	1,218,371	-	-	-	-	1,218,371
Land and timber sales	-	-	-	429,692	-	-	429,692
<b>Total Deferred Inflows of Resources</b>	<b>\$ 46,718</b>	<b>\$ 1,232,432</b>	<b>\$ 20,828</b>	<b>\$ 429,692</b>	<b>\$ -</b>	<b>\$ 87,374</b>	<b>\$ 1,817,044</b>
<b>Fund Balances</b>							
Nonspendable	\$ -	\$ 304,000	\$ -	\$ -	\$ -	\$ -	\$ 304,000
Restricted	2,767,072	-	-	961,768	-	167,434	3,896,274
Committed	865,648	-	510,000	-	-	-	1,375,648
Assigned	3,027,339	4,782,375	3,566,313	240,509	-	1,749,899	13,366,435
Unassigned	3,579,780	-	-	-	(237,128)	(3,510)	3,339,142
<b>Total Fund Balances</b>	<b>\$ 10,239,839</b>	<b>\$ 5,086,375</b>	<b>\$ 4,076,313</b>	<b>\$ 1,202,277</b>	<b>\$ (237,128)</b>	<b>\$ 1,913,823</b>	<b>\$ 22,281,499</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 10,513,881</b>	<b>\$ 6,507,888</b>	<b>\$ 4,298,969</b>	<b>\$ 1,757,455</b>	<b>\$ 184,065</b>	<b>\$ 2,069,663</b>	<b>\$ 25,331,921</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**EXHIBIT 4**

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO  
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2022**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>22,281,499</b>
<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>		57,190,905
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		1,817,044
<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>	\$ 5,317	
<p>Deferred outflows of resources related pensions</p>	<u>3,927,081</u>	3,932,398
<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>	\$ (912,843)	
<p>Other post-employment benefits</p>	(98,282)	
<p>Net pension liability</p>	<u>(8,576,547)</u>	(9,587,672)
<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>	\$ (21,414)	
<p>Deferred inflows of resources related to pensions</p>	<u>(264,737)</u>	<u>(286,151)</u>
<b>Net position of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>75,348,023</u></b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**EXHIBIT 5**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue Funds				Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Land Management	Nursing Service		
<b>Revenues</b>							
Taxes	\$ 2,932,070	\$ 982,139	\$ 1,468,883	\$ -	\$ -	\$ 587,933	\$ 5,971,025
Special assessments	-	-	-	-	-	495,906	495,906
Licenses and permits	20,123	-	-	630	-	237	20,990
Intergovernmental	2,641,005	7,194,965	2,111,541	83,863	155,979	183,878	12,371,231
Charges for services	641,147	547,843	267,324	4,831	1,076,548	45,057	2,582,750
Fines and forfeitures	6,110	-	-	-	-	-	6,110
Investment earnings	(17,238)	-	-	-	-	-	(17,238)
Land and timber sales	-	-	-	474,349	-	-	474,349
Miscellaneous	429,089	-	268,117	21,390	42,340	119	761,055
<b>Total Revenues</b>	<b>\$ 6,652,306</b>	<b>\$ 8,724,947</b>	<b>\$ 4,115,865</b>	<b>\$ 585,063</b>	<b>\$ 1,274,867</b>	<b>\$ 1,313,130</b>	<b>\$ 22,666,178</b>
<b>Expenditures</b>							
<b>Current</b>							
General government	\$ 2,865,146	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,865,146
Public safety	2,675,566	-	-	-	-	-	2,675,566
Highways and streets	-	8,847,593	-	-	-	-	8,847,593
Sanitation	-	-	-	-	-	1,003,183	1,003,183
Human services	-	-	3,825,658	-	-	-	3,825,658
Health	37,505	-	-	-	1,393,449	-	1,430,954
Culture and recreation	571,223	-	-	-	-	-	571,223
Conservation of natural resources	838,728	-	-	449,602	-	400	1,288,730
Economic development	3,400	-	-	-	-	-	3,400
<b>Total Current</b>	<b>\$ 6,991,568</b>	<b>\$ 8,847,593</b>	<b>\$ 3,825,658</b>	<b>\$ 449,602</b>	<b>\$ 1,393,449</b>	<b>\$ 1,003,583</b>	<b>\$ 22,511,453</b>
<b>Capital outlay</b>							
General government	\$ 93,892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 93,892
Public safety	314,491	-	-	-	-	-	314,491
Highways and streets	-	291,704	-	-	-	-	291,704
Culture and recreation	11,855	-	-	-	-	-	11,855
Conservation	-	-	-	10,393	-	-	10,393
Sanitation	-	-	-	-	-	56,955	56,955
<b>Total Capital Outlay</b>	<b>\$ 420,238</b>	<b>\$ 291,704</b>	<b>\$ -</b>	<b>\$ 10,393</b>	<b>\$ -</b>	<b>\$ 56,955</b>	<b>\$ 779,290</b>
<b>Total Expenditures</b>	<b>\$ 7,411,806</b>	<b>\$ 9,139,297</b>	<b>\$ 3,825,658</b>	<b>\$ 459,995</b>	<b>\$ 1,393,449</b>	<b>\$ 1,060,538</b>	<b>\$ 23,290,743</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (759,500)</b>	<b>\$ (414,350)</b>	<b>\$ 290,207</b>	<b>\$ 125,068</b>	<b>\$ (118,582)</b>	<b>\$ 252,592</b>	<b>\$ (624,565)</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	\$ 67,407	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ 67,410
Transfers out	(3)	-	-	(67,407)	-	-	(67,410)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 67,404</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (67,407)</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ -</b>
<b>Net Change in Fund Balance</b>	<b>\$ (692,096)</b>	<b>\$ (414,350)</b>	<b>\$ 290,207</b>	<b>\$ 57,661</b>	<b>\$ (118,582)</b>	<b>\$ 252,595</b>	<b>\$ (624,565)</b>
<b>Fund Balance - January 1</b>	<b>10,931,935</b>	<b>5,490,064</b>	<b>3,786,106</b>	<b>1,144,616</b>	<b>(118,546)</b>	<b>1,661,228</b>	<b>22,895,403</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>10,661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,661</b>
<b>Fund Balance - December 31</b>	<b>\$ 10,239,839</b>	<b>\$ 5,086,375</b>	<b>\$ 4,076,313</b>	<b>\$ 1,202,277</b>	<b>\$ (237,128)</b>	<b>\$ 1,913,823</b>	<b>\$ 22,281,499</b>

**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, 2022**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (624,565)**

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	\$ 6,139,778	
Current year depreciation	<u>(2,229,051)</u>	3,910,727

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	(1,202,717)
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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	\$ 10,661	
Compensated absences payable	(36,276)	
Other post-employment benefits	6,191	
Deferred outflows related to other post-employment benefits	(3,634)	
Deferred inflows related to other post-employment benefits	11,393	
Net pension liability	(5,290,550)	
Deferred outflows related to net pension liability	778,220	
Deferred inflows related to net pension liability	<u>3,907,294</u>	<u>(616,701)</u>

**Change in net position of governmental activities (Exhibit 2) \$ 1,466,744**

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*EXHIBIT 7*

**STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2022**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 3)	Total Fiduciary Funds
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 50,778	\$ 2,561,858	\$ 2,612,636
Due from other governments	-	465,962	465,962
<b>Total Assets</b>	<b>\$ 50,778</b>	<b>\$ 3,027,820</b>	<b>\$ 3,078,598</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ -	\$ 315,341	\$ 315,341
Due to other governments	-	177,807	177,807
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 493,148</b>	<b>\$ 493,148</b>
<b><u>Net Position</u></b>			
Restricted for Individuals, organizations, other governments	<b>\$ 50,778</b>	<b>\$ 2,534,672</b>	<b>\$ 2,585,450</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**EXHIBIT 8**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<b>Social Welfare Private-Purpose Trust Fund</b>	<b>Custodial Funds (Statement 4)</b>	<b>Total Fiduciary Funds</b>
<b>Additions</b>			
Property tax collections for other governments	\$ -	\$ 9,547,222	\$ 9,547,222
Intergovernmental receipts for other governments	-	2,117,925	2,117,925
Fees for other governments	-	252,299	252,299
Investment earnings	-	103	103
Miscellaneous	209,782	1,000	210,782
<b>Total Additions</b>	<b>\$ 209,782</b>	<b>\$ 11,918,549</b>	<b>\$ 12,128,331</b>
<b>Deductions</b>			
Payments of property tax to other governments	\$ -	\$ 6,700,639	\$ 6,700,639
Payments to state	-	1,618,058	1,618,058
Administrative expense	-	145,009	145,009
Payments to other entities/individuals	216,242	2,274,389	2,490,631
<b>Total Deductions</b>	<b>\$ 216,242</b>	<b>\$ 10,738,095</b>	<b>\$ 10,954,337</b>
<b>Change in net position</b>	<b>\$ (6,460)</b>	<b>\$ 1,180,454</b>	<b>\$ 1,173,994</b>
<b>Net Position – January 1</b>	<b>57,238</b>	<b>1,354,218</b>	<b>1,411,456</b>
<b>Net Position – December 31</b>	<b>\$ 50,778</b>	<b>\$ 2,534,672</b>	<b>\$ 2,585,450</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022

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.

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 forfeited 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.

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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies (Continued)

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. 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, 2022, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Total investment earnings were (\$17,238) due to the decrease in value of the County's fixed income investments.

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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

2. Investments (Continued)

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.

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 2012 through 2022. 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.

**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)

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

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

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

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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

I. Summary of Significant Accounting Policies

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

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are charged to the department from which the employee resigned or retired. 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, 2022. 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.

**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)

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

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

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

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

Restricted – includes fund balance amounts that are constrained for specific purposes which are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or 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, 2022.

**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 92,644 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 Nursing Service Special Revenue fund had a deficit unassigned fund balance of \$237,128, and the Unorganized Townships Special Revenue Fund had a \$3,510 deficit unassigned fund balance as of December 31, 2022. These deficits will be eliminated with future revenues.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

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:

<b>Governmental funds</b>	
Cash and pooled investments	\$ 20,831,946
Investments	1,031,698
<b>Fiduciary funds</b>	
Cash and pooled investments	2,612,636
Total cash and investments	\$ 24,476,280
Cash on hand	\$ 14,047
Checking accounts	4,425,483
Savings accounts	9,937,352
Certificates of deposit	2,055,944
Investments	8,043,454
Total deposits and investments	\$ 24,476,280

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, 2022, the County’s deposits were not exposed to custodial credit risk.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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.

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, 2022, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
MAGIC Fund	\$ 4,634,822	\$ 4,634,822	\$ -	\$ -
Negotiable Certificates of Deposit	1,432,853	979,631	453,222	-
Money Market	533,406	533,406	-	-
Municipal Bonds	1,442,373	-	1,151,465	290,908
Total Investments	<u>\$ 8,043,454</u>	<u>\$ 6,147,859</u>	<u>\$ 1,604,687</u>	<u>\$ 290,908</u>
	100%	76%	20%	4%

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

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, 2022, is as follows:

	S & P Rating	Fair Value
Municipal Bonds	AA+	\$ 290,908
Municipal Bonds	AA	394,460
Municipal Bonds	AA-	479,210
Municipal Bonds	AAA	277,795
Negotiable CDs	N/R	1,432,853
MAGIC Cash Management Funds	N/A	4,634,822
Money Market	N/A	533,406
		\$ 8,043,454

*N/A – not applicable*

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities 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, 2022, the following investments may be subject to custodial credit risk:

Money Market	\$ 33,406
Municipal Bonds	942,373
Total investments subject to custodial credit risk:	\$ 975,779

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

A. Assets and Deferred Outflows of Resources

1. Deposits and Investments (Continued)

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the County's investment in a single issuer, 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, 2022, the County had \$1,432,853 in investments subject to concentration of credit risk.

Fair Value Measurement

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

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

At December 31, 2022, the County had the following recurring fair value measurements:

	December 31, 2022	Fair Value Measurements Using	
		Quotes Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Investments by fair value level</b>			
Municipal Bonds	\$ 1,442,373	\$ -	\$ 1,442,373
Money Market	533,406	533,406	-
Negotiable certificate of deposit	1,432,853	-	1,432,853
Total Investments	\$ 3,408,632	\$ 533,406	\$ 2,875,226
Investments measured at the net asset value - MAGIC	\$ 4,634,822		

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, 2022.

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.

**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)

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.

2. Receivables

Receivables as of December 31, 2022, for the County’s governmental activities, including any applicable allowances for uncollectible accounts, are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Taxes receivable	\$ 130,145	\$ -
Special assessments receivable	88,461	45,257
Accounts receivable	66,096	-
Accrued interest receivable	26,064	-
Contracts receivable	458,306	-
Due from other governments	1,926,729	-
Total	\$ 2,695,801	\$ 45,257

At December 31, 2022, 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 County owned 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, 2024. Lease payments are \$7,252 per month and are equal to the depreciation expense on the leased assets. Payments received on this lease totaled \$79,767 for the year ended December 31, 2022.

**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, 2022, was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,034,382	\$ -	\$ -	\$ 1,034,382
Construction in progress	1,072,781	5,851,083	5,581,124	1,342,740
Total capital assets not depreciated	<u>\$ 2,107,163</u>	<u>\$ 5,851,083</u>	<u>\$ 5,581,124</u>	<u>\$ 2,377,122</u>
Capital assets being depreciated				
Infrastructure	\$ 72,183,628	\$ 5,134,575	\$ -	\$ 77,318,203
Buildings and improvements	9,322,326	15,237	-	9,337,563
Machinery and equipment	7,484,228	764,053	359,743	7,888,538
Total capital assets being depreciated	<u>\$ 88,990,182</u>	<u>\$ 5,913,865</u>	<u>\$ 359,743</u>	<u>\$ 94,544,304</u>
Less: accumulated depreciation for				
Infrastructure	\$ 24,492,811	\$ 1,529,141	\$ -	\$ 26,021,952
Buildings and improvements	7,767,564	200,656	-	7,968,220
Machinery and equipment	5,564,912	499,254	323,817	5,740,349
Total accumulated depreciation	<u>\$ 37,825,287</u>	<u>\$ 2,229,051</u>	<u>\$ 323,817</u>	<u>\$ 39,730,521</u>
Total capital assets, depreciated, net	<u>\$ 51,164,895</u>	<u>\$ 3,684,814</u>	<u>\$ 35,926</u>	<u>\$ 54,813,783</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 53,272,058</u>	<u>\$ 9,535,897</u>	<u>\$ 5,617,050</u>	<u>\$ 57,190,905</u>

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

<b>Governmental Activities</b>	
General government	\$ 60,153
Public safety	224,032
Highways and streets, including depreciation of infrastructure assets	1,901,948
Sanitation	32,778
Health	2,150
Culture and recreation	4,867
Conservation of natural resources	3,123
Total Depreciation Expense - Governmental Activities	<u>\$ 2,229,051</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, 2022, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount	
General Fund	Land Management Special Revenue Fund	\$ 67,407	Forfeited settlement
	Unorganized Townships Special Revenue Fund	3,510	Cash deficit
	Nursing Service Special Revenue Fund	384,363	Cash deficit
Due to General Fund:		\$ 455,280	
Road and Bridge Special Revenue Fund	General Fund	\$ 12,510	Reimbursements
	Human Services Special Revenue Fund	447	Reimbursements
	Nursing Service Special Revenue Fund	239	Reimbursements
Due to Road and Bridge Special Revenue Fund		\$ 13,196	
Total Due To/From Other Funds		\$ 468,476	

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, 2022, consisted of the following operating transfers:

Transfer to General Fund from			
Land Management Special Revenue Fund	\$ 67,407		Forfeited land and timber sales
Transfer to Energy Assistance Special Revenue			
Fund from General Fund	\$ 3		To close fund
Total interfund transfers	\$ 67,410		

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2022 were as follows:

Accounts payable	\$ 349,726
Salaries payable	137,982
Contracts payable	9,105
Due to other governments	268,089
Total Payables	\$ 764,902

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 two active highway construction projects and commitments as of December 31, 2022, with \$1,235,099 spent to date and remaining contract commitments of \$207,982, 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 \$701,174 at December 31, 2022, 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. Long-Term Debt

At December 31, 2022, Clearwater County has no long-term debt obligations.

5. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2022, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB Payable	\$ 96,353	\$ 1,929	\$ -	\$ 98,282	\$ -
Compensated Absences	876,567	563,811	527,535	912,843	372,744
Net Pension Liability	<u>3,285,997</u>	<u>5,290,550</u>	<u>-</u>	<u>8,576,547</u>	<u>-</u>
Governmental Activities Long-Term Liabilities	<u>\$ 4,258,917</u>	<u>\$ 5,856,290</u>	<u>\$ 527,535</u>	<u>\$ 9,587,672</u>	<u>\$ 372,744</u>

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, 2022, are summarized below by fund:

	Taxes	Special Assessments	Land & Timber Sales	CSAH	Total
<b>Governmental funds</b>					
General Fund	\$ 46,718	\$ -	\$ -	\$ -	\$ 46,718
Road and Bridge Special Revenue Fund	14,061	-	-	1,218,371	1,232,432
Human Services Special Revenue Fund	20,828	-	-	-	20,828
Land Management Special Revenue Fund	-	-	429,692	-	429,692
Solid Waste Special Revenue Fund	<u>7,934</u>	<u>79,440</u>	<u>-</u>	<u>-</u>	<u>87,374</u>
Total	<u>\$ 89,541</u>	<u>\$ 79,440</u>	<u>\$ 429,692</u>	<u>\$ 1,218,371</u>	<u>\$ 1,817,044</u>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

C. Fund Balances

Fund balances at year-end December 31, 2022, were as follows:

	General	Road and Bridge	Human Services	Nursing Service	Land Management	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances</b>							
<b>Nonspendable</b>							
Inventories	\$ -	\$ 304,000	\$ -	\$ -	\$ -	\$ -	\$ 304,000
<b>Restricted by enabling legislation</b>							
AIS prevention	\$ 248,382	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 248,382
Boat and water safety	3,074	-	-	-	-	-	3,074
American Rescue Plan	1,468,330	-	-	-	-	-	1,468,330
Conservation of Natural Resources	-	-	-	-	-	167,434	167,434
Opioid Settlement	80,703	-	-	-	-	-	80,703
Enhanced 911	230,679	-	-	-	-	-	230,679
Handgun permits	34,793	-	-	-	-	-	34,793
Help America Vote Act	120,502	-	-	-	-	-	120,502
Law library	19,866	-	-	-	-	-	19,866
Memorial forest	-	-	-	-	352,892	-	352,892
Missing heirs	26,665	-	-	-	-	-	26,665
Probation	37,545	-	-	-	-	-	37,545
Recorder's process compliance	20,832	-	-	-	-	-	20,832
Recorder's technology	23,194	-	-	-	-	-	23,194
Riparian protection aid	419,402	-	-	-	-	-	419,402
Sheriff's contingent fund	5,446	-	-	-	-	-	5,446
Sheriff's forfeited property	27,659	-	-	-	-	-	27,659
Timber development	-	-	-	-	608,876	-	-
Total restricted	<u>\$ 2,767,072</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 961,768</u>	<u>\$ 167,434</u>	<u>\$ 3,287,398</u>
<b>Committed to</b>							
Burials	\$ -	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Chemical dependency	-	-	10,000	-	-	-	10,000
Children's services	-	-	180,000	-	-	-	180,000
Landfill	500,000	-	-	-	-	-	500,000
Mental health	-	-	150,000	-	-	-	150,000
Rural signing	365,648	-	-	-	-	-	365,648
Severance	-	-	150,000	-	-	-	150,000
Total committed	<u>\$ 865,648</u>	<u>\$ -</u>	<u>\$ 510,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,375,648</u>
<b>Assigned to</b>							
General government	\$ 1,664,901	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,664,901
Public safety	11,284	-	-	-	-	-	11,284
Culture and recreation	508,455	-	-	-	-	-	508,455
Forfeited land	-	-	-	-	240,509	-	240,509
Health	838,809	-	-	-	-	-	838,809
Highways and streets	-	4,782,375	-	-	-	-	4,782,375
Human services	-	-	3,566,313	-	-	-	3,566,313
Conservation	3,890	-	-	-	-	-	3,890
Sanitation	-	-	-	-	-	1,749,899	1,749,899
Total assigned	<u>\$ 3,027,339</u>	<u>\$ 4,782,375</u>	<u>\$ 3,566,313</u>	<u>\$ -</u>	<u>\$ 240,509</u>	<u>\$ 1,749,899</u>	<u>\$ 13,366,435</u>
<b>Unassigned</b>	<u>\$ 3,579,780</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (237,128)</u>	<u>\$ -</u>	<u>\$ (123,706)</u>	<u>\$ 3,218,946</u>
<b>Total Fund Balances</b>	<u><u>\$ 10,239,839</u></u>	<u><u>\$ 5,086,375</u></u>	<u><u>\$ 4,076,313</u></u>	<u><u>\$ (237,128)</u></u>	<u><u>\$ 1,202,277</u></u>	<u><u>\$ 1,793,627</u></u>	<u><u>\$ 21,552,427</u></u>

**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 2022, there were approximately 79 participants in the plan, which includes 1 retiree.

B. Total OPEB Liability

The County's total OPEB liability of \$98,282 was determined by an actuarial valuation date of January 1, 2021, and measurement date of January 1, 2022.

The total OPEB liability in the fiscal year-end December 31, 2022, 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, 2021
Measurement Date:	January 1, 2022
Reporting Date:	December 31, 2022
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:	2.00%
20-Year Municipal Bond Yield:	2.00%
Inflation Rate:	2.00%
Salary Increases:	Service graded table
Medical Trend Rate:	6.25% as of January 1, 2022, grading to 5.00% over 6 years, then to 4.00% over the next 48 years.

The current year discount rate is 2.00 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 2.00 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 Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 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, 2022.

**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, 2021	\$ 96,353
Changes for the year:	
Service cost	8,865
Interest cost	2,015
Benefit payments	(8,951)
Net change in Total OPEB Liability	\$ 1,929
Total OPEB Liability at January 1, 2022	\$ 98,282

D. OPEB Liability Sensitivity

The following presents the total OPEB Liability of the County, calculated using the discount rate of 2.00 percent, 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	1.00%	\$	103,788
Current Discount Rate	2.00%	\$	98,282
1% Higher	3.00%	\$	92,910

The following presents the total OPEB liability of Clearwater County, calculated using the health care cost-trend of 6.25 percent decreasing to 5.00 percent over 6 years, then to 4.00 percent over the next 48 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%	\$	88,537
Current Discount Rate	6.25%	\$	98,282
1% Higher	7.25%	\$	109,704

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)

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. 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, 2022, the County recognized OPEB expense of a deficit \$513. 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	\$ -	\$ 14,032
Assumption Changes	-	7,382
Estimated Employer Contributions	5,317	-
Total	\$ 5,317	\$ 21,414

The \$5,317 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, 2023.

**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>December 31:</u>	<u>Recognition</u>
2023	\$ (11,389)
2024	\$ (5,016)
2025	\$ (5,009)

H. Changes in Actuarial Assumptions and Plan Provisions

There were no changes in actuarial assumptions in 2022.

V. Defined Benefit Pension Plans

A. Plan Descriptions

The 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

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

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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

A. Plan Descriptions (Continued)

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.

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

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided

2. Police and Fire Plan Benefits (Continued)

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 is 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 2022 and Clearwater County was required to contribute 7.50 percent for Coordinated Plan members. Clearwater County's contributions to the General Employees Fund for the year ended December 31, 2022, were \$372,835. The Clearwater County's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and Clearwater County was required to contribute 17.70 percent for Police and Fire Plan members. Clearwater County's contributions to the Police and Fire Fund for the year ended

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

C. Contributions

2. Police and Fire Fund Contributions (Continued)

December 31, 2022, were \$122,889. The 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 in fiscal year 2022 and Clearwater County was required to contribute 8.75 percent for Correctional Plan members. Clearwater County's contributions to the Correctional Fund for the year ended December 31, 2022, were \$49,816. The 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, 2022, Clearwater County reported a liability of \$5,177,197 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 \$151,852.

The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .0654 percent at the end of the measurement period and .0688 percent for the beginning of the period.

Clearwater County's	
Proportionate share of the net pension liability	\$ 5,177,197
State of Minnesota's proportionate share of the net pension liability associated with Clearwater County	<u>151,852</u>
Total	<u>\$ 5,329,049</u>

There were no provision changes during the measurement period.

For the year ended December 31, 2022, Clearwater County recognized pension expense of \$765,392 for its proportionate share of the General Employees Plan's pension expense. In addition, Clearwater

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

1. General Employees Fund Pension Costs (Continued)

County recognized an additional \$22,690 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2022, 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	\$ 43,243	\$ 58,087
Changes in actuarial assumptions	1,230,965	21,716
Net collective difference between projected and actual investment earnings investment earnings	-	7,240
Changes in proportion	40,885	114,592
Contributions paid to PERA subsequent to the measurement date	195,552	-
Total	\$ 1,510,645	\$ 201,635

The \$195,552 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, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount:
2023	\$ 427,442
2024	\$ 453,599
2025	\$ (235,783)
2026	\$ 468,200
2027	\$ -

2. Police and Fire Fund Pension Costs

At December 31, 2022, Clearwater County reported a liability of \$2,506,524 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021, through June 30, 2022, relative to the total employer

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .0576 percent at the end of the measurement period and .0513 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. 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 \$9 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 June 30, 2022, Clearwater County recognized pension expense of \$48,138 for its proportionate share of the Police and Fire Plan's pension expense. Clearwater County recognized \$21,270 as grant revenue for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund.

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 \$5,184 for the year ended December 31, 2022, 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.

At December 31, 2022, 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:

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

2. Police and Fire Fund Pension Costs (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 146,126	\$ -
Changes in actuarial assumptions	1,418,297	13,375
Net collective difference between projected and actual investment earnings investment earnings	101,169	-
Changes in proportion	58,736	16,806
Contributions paid to PERA subsequent to the measurement date	64,664	-
Total	\$ 1,788,992	\$ 30,181

The \$64,664 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, 2023. 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:
2023	\$ 332,450
2024	\$ 333,701
2025	\$ 300,263
2026	\$ 511,080
2027	\$ 216,653

3. Correctional Plan Pension Costs

At December 31, 2022, Clearwater County reported a liability of \$892,826 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .2686 percent at the end of the measurement period and .2868 percent for the beginning of the period.

For the year ended December 31, 2022, Clearwater County recognized pension expense of \$324,802 for its proportionate share of the Correctional Plan's pension expense.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

3. Correctional Plan Pension Costs (Continued)

At December 31, 2022, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 29,924
Changes in actuarial assumptions	590,697	1,350
Difference between projected and actual investment earnings	5,625	-
Changes in proportion	3,838	1,647
Contributions paid to PERA subsequent to the measurement date	27,284	-
Total	\$ 627,444	\$ 32,921

The \$27,284 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, 2023. 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:
2023	\$ 257,891
2024	\$ 268,712
2025	\$ (31,091)
2026	\$ 71,727

4. Total Pension Expense

The total pension expense for all plans recognized by Clearwater County for the year ended December 31, 2022, was \$1,161,022.

E. Long-Term Expected Return on Investment

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:

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

E. Long-Term Expected Return on Investment (Continued)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	33.5%	5.10%
International Equity	16.5%	5.30%
Fixed Income	25.0%	0.75%
Private Markets	25.0%	5.90%
Total	100%	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan, 2.25 percent for the Police and Fire Plan, and 2.25 percent for the Correctional Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 2 percent for the Correction Plan through December 31, 2054,

and 1.5 percent thereafter. The Police and Fire Plan benefit increase is fixed at 1 percent per year and that increase was used in the valuation.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11.0 percent at age 20 to 3.0 percent at age 60.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan and the Correctional Plans are based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA’s experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. 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 most recent four-year experience studies for the Police and Fire and the Correctional Plan were completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

**General Employees Fund**

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**Police and Fire Fund**

*Changes in Actuarial Assumptions:*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

**Correctional Fund**

*Changes in Actuarial Assumptions:*

- The mortality rate improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054, and 1.50% per annum thereafter.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate for the General Employees Plan used to measure the total pension liability in 2021 was 6.5 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 was 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.

In the Police and Fire Fund and Correctional Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060, and June 30, 2061, respectively. Beginning in fiscal year ended June 30, 2061, for the Police and Fire Fund and June 30, 2062, for the Correctional Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund and 5.42 percent for the Correctional Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

G. Discount Rate (Continued)

using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

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			Net Pension Liability (Asset) at Different		
Discount Rates			Discount Rates		
<b>General Employees Fund</b>			<b>Police and Fire Fund</b>		
1% Lower	5.50%	\$ 8,177,655	1% Lower	4.40%	\$ 3,793,303
Current Discount Rate	6.50%	\$ 5,177,197	Current Discount Rate	5.40%	\$ 2,506,524
1% Higher	7.50%	\$ 2,716,359	1% Higher	6.40%	\$ 1,466,241

Sensitivity Analysis		
Net Pension Liability (Asset) at Different		
Discount Rates		
<b>Correctional Fund</b>		
1% Lower	4.42%	\$ 1,572,669
Current Discount Rate	5.42%	\$ 892,826
1% Higher	6.42%	\$ 358,318

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](http://www.mnpera.org) .

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

Two 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

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

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

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 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 2,536	\$ 2,536	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.

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 2022 and 2023. 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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

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

C. Joint Ventures

1. Clearwater Economic Development Organization

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

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

The Clearwater Economic Development Organization has no long-term debt. Financing is provided by appropriations from the members. Clearwater County did not contribute to the Development Organization for the year ended December 31, 2022. 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 is 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 9<sup>th</sup> Avenue North, Moorhead, Minnesota 56560.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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, Mahnommen, Marshall, and Roseau Counties. The purpose of the Natural Resources Board is to gather information on and formulate policies for the development, utilization, and protection of natural resources in Northern Minnesota and to ensure that there is an interrelated plan for the use and protection of both public and private resources.

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

The Joint County Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties. Clearwater County contributed \$500 to the Natural Resources Board for the year ended December 31, 2022. 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 contributed \$1,500 to the Mississippi Headwaters Board for the year ended December 31, 2022. Cass County maintains the accounting records of the Board.

Complete financial information can be obtained from the Mississippi Headwaters Board, Cass County Courthouse, 4<sup>th</sup> 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

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

5. North Country Community Health Service (Continued)

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, 2022. Clearwater County, in an agent capacity, reports the cash transactions of the Health Service as an agency fund on its financial statements.

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

6. Northern Counties Land Use Coordinating Board

The Northern Counties Land Use Coordinating Board was established September 22, 1993, and amended May 4, 1995, under the authority of the Joint Powers Act, pursuant to Minnesota Statute, § 471.59, and includes Beltrami, Clearwater, Cook, Itasca, 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, 2022. 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, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau counties and the County of Moorhead. The purpose of the Northwest Emergency Communications Board is to provide regional administration for the installation, operation, and maintenance of local and regional enhancements to the Statewide Public Safety Radio and Communication System (ARMER).

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

7. Northwest Emergency Communications Board (Continued)

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 \$3,500 to the Northwest Emergency Communications Board for the year ended December 31, 2022. Complete financial information can be obtained from Itasca County, 123 NE 4<sup>th</sup> Street, Grand Rapids, MN 55744.

8. Northwest Minnesota Six County Joint Powers Board

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

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

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

9. Northwest Service Cooperative

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

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

9. Northwest Service Cooperative (Continued)

Clearwater County made no contribution to the Northwest Service Cooperative for the year ended December 31, 2022. Complete financial information can be obtained from the Northwest Service Cooperative, 114 First Street West, Thief River Falls, Minnesota 56701.

10. Northwestern Counties Data Processing Security Association

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

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

The Northwestern Counties Data Processing Security Association has no long-term debt. Financing is provided by state grants and appropriations from member counties when needed. Clearwater County, 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 \$8,649 to the Waste Management Group for the year ended December 31, 2022. Clearwater County, in an agent capacity, reports the cash

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

transactions as an agency fund on its financial statements. Complete financial information can be obtained from Clearwater County Auditor/Treasurer's Office or the Waste Management Group's Office, P.O. Box 186, Bagley, Minnesota 56621.

12. Northwestern Minnesota Juvenile Center

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

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

Financing is provided by state and federal grants, charges for services, and appropriations from member counties. Clearwater County purchased services from the Northwestern Minnesota Juvenile Center of \$149,095 for the year ended December 31, 2022. 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 Mahnomen Counties, the City of Bemidji, and the White Earth Reservation. The purpose of the Paul Bunyan Task Force is to assist member organizations in the investigation and prosecution of persons in violation of Minnesota statutes.

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

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

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. 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.

D. 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 Mahnommen 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, 2022.

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, Mahnommen, Norman, Polk, and Wilkin, as well as the cities of Breckenridge, Crookston, Detroit Lakes, Mahnommen, 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 \$109,495 to the Lake Agassiz Regional Library for the year ended December 31, 2022.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. 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, Mahnomen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county board. The County did not contribute to the Caucus for the year ended December 31, 2022.

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 contributed \$158 to the RRBC for the year ended December 31, 2022.

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, Mahnomen, Marshall, Pennington, Red Lake, and Roseau Counties. The purpose of the District is to conserve the natural resources of the state by land use planning, flood control, and other conservation projects by using sound scientific principles for the protection of the public health and welfare and the provident use of natural resources.

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

D. 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, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 5,903,000	\$ 5,903,000	\$ 2,932,070	\$ (2,970,930)
Licenses and permits	34,200	34,200	20,123	(14,077)
Intergovernmental	2,090,997	2,090,997	2,641,005	550,008
Charges for services	762,130	762,130	641,147	(120,983)
Fines and forfeitures	5,000	5,000	6,110	1,110
Investment earnings	205,500	205,500	(17,238)	(222,738)
Miscellaneous	318,830	318,830	429,089	110,259
<b>Total Revenues</b>	<b>\$ 9,319,657</b>	<b>\$ 9,319,657</b>	<b>\$ 6,652,306</b>	<b>\$ (2,667,351)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 236,281	\$ 236,281	\$ 232,511	\$ 3,770
District court	60,000	60,000	48,928	11,072
Law library	9,000	9,000	13,973	(4,973)
County auditor/treasurer	552,504	552,504	542,694	9,810
County assessor	264,490	264,490	386,560	(122,070)
Elections	150,500	150,500	51,656	98,844
Accounting and auditing services	36,000	36,000	20,000	16,000
Management information systems	534,479	534,479	472,592	61,887
Personnel	13,650	13,650	384	13,266
Attorney	337,329	337,329	323,136	14,193
Safety control coordinator	1,500	1,500	316	1,184
Recorder	362,867	362,867	314,716	48,151
Motor pool	20,600	20,600	25,684	(5,084)
Buildings and grounds	32,000	32,000	2,719	29,281
Building maintenance	274,974	274,974	281,629	(6,655)
Veterans service officer	91,073	91,073	88,800	2,273
Insurance	250,450	250,450	35,282	215,168
Other general government	25,700	25,700	23,566	2,134
<b>Total general government</b>	<b>\$ 3,253,397</b>	<b>\$ 3,253,397</b>	<b>\$ 2,865,146</b>	<b>\$ 388,251</b>
<b>Public safety</b>				
Sheriff	\$ 1,195,197	\$ 1,195,197	\$ 1,191,208	\$ 3,989
Boat and water safety	2,271	2,271	2,866	(595)
Handgun permits	20,489	20,489	12,942	7,547
Coroner	31,500	31,500	27,011	4,489
Enhanced 911	21,402	21,402	17,716	3,686
Snowmobile safety	4,328	4,328	2,483	1,845
DARE program	1,500	1,500	3,924	(2,424)

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current</b>				
<b>Public safety (Continued)</b>				
Emergency services	31,638	31,638	11,342	20,296
Rural signing	10,000	10,000	19,342	(9,342)
Law enforcement center	1,274,427	1,274,427	1,284,345	(9,918)
Probation and parole	142,570	142,570	46,538	96,032
Radio jail project	15,000	15,000	18,470	(3,470)
Sentence to serve	65,579	65,579	30,608	34,971
Law enforcement center canteen	4,000	4,000	3,949	51
Other public safety	8,604	8,604	2,822	5,782
<b>Total public safety</b>	<b>\$ 2,828,505</b>	<b>\$ 2,828,505</b>	<b>\$ 2,675,566</b>	<b>\$ 152,939</b>
<b>Health</b>				
Hospice	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Medical facilities management	80,000	80,000	17,505	62,495
<b>Total health</b>	<b>\$ 100,000</b>	<b>\$ 100,000</b>	<b>\$ 37,505</b>	<b>\$ 62,495</b>
<b>Culture and recreation</b>				
Historical society	\$ 16,000	\$ 16,000	\$ 21,000	\$ (5,000)
Parks	334,565	334,565	337,702	(3,137)
Regional library	109,495	109,495	109,495	-
Snowmobile and ski trails	50,000	50,000	103,026	(53,026)
<b>Total culture and recreation</b>	<b>\$ 510,060</b>	<b>\$ 510,060</b>	<b>\$ 571,223</b>	<b>\$ (61,163)</b>
<b>Conservation of natural resources</b>				
Agricultural society	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Aquatic invasive species	60,000	60,000	81,224	(21,224)
County extension	112,653	112,653	108,296	4,357
Environmental services	126,181	126,181	175,016	(48,835)
Predator and weed control	55,650	55,650	55,544	106
Riparian protection aid	15,000	15,000	12,664	2,336
Soil and water conservation	69,360	69,360	69,249	111
Soil survey	181,000	181,000	151,696	29,304
Water planning	47,703	47,703	47,320	383
Wetlands administration	104,173	104,173	98,561	5,612
Other conservation of natural resources	4,168	4,168	4,158	10
<b>Total conservation of natural resources</b>	<b>\$ 810,888</b>	<b>\$ 810,888</b>	<b>\$ 838,728</b>	<b>\$ (27,840)</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 1*  
*(Continued)*

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Emerging Leader Program	\$ 500	\$ 500	\$ 1,000	\$ (500)
Mississippi Headwaters Board	1,500	1,500	1,500	-
Red River Valley Development	900	900	900	-
<b>Total economic development</b>	<b>\$ 2,900</b>	<b>\$ 2,900</b>	<b>\$ 3,400</b>	<b>\$ (500)</b>
<b>Total Current Expenditures</b>	<b>\$ 7,505,750</b>	<b>\$ 7,505,750</b>	<b>\$ 6,991,568</b>	<b>\$ 514,182</b>
<b>Capital outlay</b>				
General government	\$ 10,000	\$ 10,000	\$ 93,892	\$ (83,892)
Public safety	3,000	3,000	314,491	(311,491)
Culture and recreation	-	-	11,855	(11,855)
<b>Total capital outlay</b>	<b>\$ 13,000</b>	<b>\$ 13,000</b>	<b>\$ 420,238</b>	<b>\$ (407,238)</b>
<b>Total Expenditures</b>	<b>\$ 7,518,750</b>	<b>\$ 7,518,750</b>	<b>\$ 7,411,806</b>	<b>\$ 106,944</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 1,800,907</b>	<b>\$ 1,800,907</b>	<b>\$ (759,500)</b>	<b>\$ (2,560,407)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 67,407	\$ 67,407
Transfers out	-	-	(3)	(3)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 67,404</b>	<b>\$ 67,404</b>
<b>Net Change in Fund Balance</b>	<b>\$ 1,800,907</b>	<b>\$ 1,800,907</b>	<b>\$ (692,096)</b>	<b>\$ (2,493,003)</b>
<b>Fund Balance - January 1</b>	<b>10,931,935</b>	<b>10,931,935</b>	<b>10,931,935</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 12,732,842</b>	<b>\$ 12,732,842</b>	<b>\$ 10,239,839</b>	<b>\$ (2,493,003)</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,037,147	\$ 1,037,147	\$ 982,139	\$ (55,008)
Intergovernmental	6,339,810	6,339,810	7,194,965	855,155
Charges for services	336,334	336,334	547,843	211,509
Miscellaneous	3,665	3,665	-	(3,665)
<b>Total Revenues</b>	<b>\$ 7,716,956</b>	<b>\$ 7,716,956</b>	<b>\$ 8,724,947</b>	<b>\$ 1,007,991</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and Streets</b>				
Administration	\$ 611,753	\$ 611,753	\$ 511,356	\$ 100,397
Maintenance	1,696,129	1,696,129	2,098,392	(402,263)
Construction	5,612,418	5,612,418	5,225,161	387,257
Equipment maintenance and shop	435,000	435,000	387,085	47,915
Materials for resale	-	-	123,672	(123,672)
Township roads	-	-	368,789	(368,789)
Other highways and streets	75,101	75,101	133,138	(58,037)
<b>Capital outlay</b>				
Highways and streets	68,000	68,000	291,704	(223,704)
<b>Total Expenditures</b>	<b>\$ 8,498,401</b>	<b>\$ 8,498,401</b>	<b>\$ 9,139,297</b>	<b>\$ (640,896)</b>
<b>Net Change in Fund Balance</b>	<b>\$ (781,445)</b>	<b>\$ (781,445)</b>	<b>\$ (414,350)</b>	<b>\$ 367,095</b>
<b>Fund Balance - January 1</b>	<b>5,490,064</b>	<b>5,490,064</b>	<b>5,490,064</b>	<b>-</b>
<b>Increase (decrease) in inventories</b>	<b>-</b>	<b>-</b>	<b>10,661</b>	<b>10,661</b>
<b>Fund Balance - December 31</b>	<b>\$ 4,708,619</b>	<b>\$ 4,708,619</b>	<b>\$ 5,086,375</b>	<b>\$ 377,756</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
HUMAN SERVICES SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 1,749,287	\$ 1,749,287	\$ 1,468,883	\$ (280,404)
Intergovernmental	1,672,588	1,672,588	2,111,541	438,953
Charges for services	310,400	310,400	267,324	(43,076)
Miscellaneous	219,906	219,906	268,117	48,211
<b>Total Revenues</b>	<b>\$ 3,952,181</b>	<b>\$ 3,952,181</b>	<b>\$ 4,115,865</b>	<b>\$ 163,684</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human Services</b>				
Income maintenance	\$ 1,753,652	\$ 1,753,652	\$ 1,802,069	\$ (48,417)
Social services	2,251,500	2,251,500	2,023,589	227,911
<b>Total Expenditures</b>	<b>\$ 4,005,152</b>	<b>\$ 4,005,152</b>	<b>\$ 3,825,658</b>	<b>\$ 179,494</b>
<b>Net Change in Fund Balance</b>	<b>\$ (52,971)</b>	<b>\$ (52,971)</b>	<b>\$ 290,207</b>	<b>\$ 343,178</b>
<b>Fund Balance - January 1</b>	<b>3,786,106</b>	<b>3,786,106</b>	<b>3,786,106</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,733,135</b>	<b>\$ 3,733,135</b>	<b>\$ 4,076,313</b>	<b>\$ 343,178</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
LAND MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Licenses and permits	\$ 140	\$ 140	\$ 630	\$ 490
Intergovernmental	82,750	82,750	83,863	1,113
Charges for services	2,030	2,030	4,831	2,801
Land and timber sales	381,000	381,000	474,349	93,349
Miscellaneous	1,680	1,680	21,390	19,710
<b>Total Revenues</b>	<b>\$ 467,600</b>	<b>\$ 467,600</b>	<b>\$ 585,063</b>	<b>\$ 117,463</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Forfeited land	\$ 297,919	\$ 297,919	\$ 336,324	\$ (38,405)
Forest access road	31,500	31,500	11,531	19,969
Timber development	45,169	45,169	36,956	8,213
Payments in lieu of taxes	63,835	63,835	64,791	(956)
<b>Capital outlay</b>				
Conservation of natural resources	10,000	10,000	10,393	(393)
<b>Total Expenditures</b>	<b>\$ 448,423</b>	<b>\$ 448,423</b>	<b>\$ 459,995</b>	<b>\$ (11,572)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 19,177</b>	<b>\$ 19,177</b>	<b>\$ 125,068</b>	<b>\$ 105,891</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(150,000)	(150,000)	(67,407)	82,593
<b>Net Change in Fund Balance</b>	<b>\$ (130,823)</b>	<b>\$ (130,823)</b>	<b>\$ 57,661</b>	<b>\$ 188,484</b>
<b>Fund Balance - January 1</b>	<b>1,144,616</b>	<b>1,144,616</b>	<b>1,144,616</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,013,793</b>	<b>\$ 1,013,793</b>	<b>\$ 1,202,277</b>	<b>\$ 188,484</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 5*

**BUDGETARY COMPARISON SCHEDULE  
NURSING SERVICE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 112,557	\$ 112,557	\$ 155,979	\$ 43,422
Charges for services	1,438,179	1,438,179	1,076,548	(361,631)
Miscellaneous	2,700	2,700	42,340	39,640
<b>Total Revenues</b>	<b>\$ 1,553,436</b>	<b>\$ 1,553,436</b>	<b>\$ 1,274,867</b>	<b>\$ (278,569)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Health</b>				
Nursing service	1,462,871	1,462,871	1,393,449	69,422
<b>Net Change in Fund Balance</b>	<b>\$ 90,565</b>	<b>\$ 90,565</b>	<b>\$ (118,582)</b>	<b>\$ (209,147)</b>
<b>Fund Balance - January 1</b>	<b>(118,546)</b>	<b>(118,546)</b>	<b>(118,546)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (27,981)</b>	<b>\$ (27,981)</b>	<b>\$ (237,128)</b>	<b>\$ (209,147)</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**Schedule 6**

**SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS  
OTHER POST-EMPLOYMENT BENEFITS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 8,865	\$ 8,607	\$ 7,738	\$ 7,513	\$ 8,393
Interest cost	2,015	4,684	4,777	5,283	5,403
Differences between expected and actual experience	-	(13,297)	-	(30,279)	-
Changes of assumption or other inputs	-	(11,776)	-	(1,602)	-
Benefit payments	<u>(8,951)</u>	<u>(12,936)</u>	<u>(18,665)</u>	<u>(12,421)</u>	<u>(20,662)</u>
<b>Net change in total OPEB liability</b>	\$1,929	(\$24,718)	(\$6,150)	(\$31,506)	(\$6,866)
<b>Total OPEB Liability - Beginning</b>	<u>96,353</u>	<u>121,071</u>	<u>127,221</u>	<u>158,727</u>	<u>165,593</u>
<b>Total OPEB Liability - Ending</b>	<u><u>\$98,282</u></u>	<u><u>\$96,353</u></u>	<u><u>\$121,071</u></u>	<u><u>\$127,221</u></u>	<u><u>\$158,727</u></u>
Covered-employee payroll	\$3,746,175	\$3,637,063	\$3,978,030	\$3,862,165	\$4,094,191
Total OPEB liability (asset) as a percentage of covered-employee payroll	3%	3%	3%	3%	4%

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

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 7*

**SCHEDULE OF CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION OF MINNESOTA  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 372,835	\$ 372,835	\$ -	\$ 4,971,734	7.5%
December 31, 2021	\$ 364,619	\$ 364,619	\$ -	\$ 4,868,661	7.5%
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**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 122,889	\$ 122,889	\$ -	\$ 694,458	17.70%
December 31, 2021	\$ 115,580	\$ 115,580	\$ -	\$ 652,993	17.70%
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**

<b>Fiscal Year Ending</b>	<b>Statutorily Required Contribution</b>	<b>Contributions in Relation to the Statutorily Required Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>
December 31, 2022	\$ 49,816	\$ 49,816	\$ -	\$ 569,321	8.75%
December 31, 2021	\$ 54,028	\$ 54,028	\$ -	\$ 617,463	8.75%
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 8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN**

Fiscal Year Ending	Employer's Proportionate Share 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 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, 2022	0.0654%	\$ 5,177,197	\$ 151,852	\$ 5,329,049	\$ 4,873,058	106.24%	76.67%
June 30, 2021	0.0688%	\$ 2,937,131	\$ 89,749	\$ 3,026,880	\$ 4,956,239	59.26%	87.00%
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 Proportionate Share 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 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, 2022	0.0576%	\$ 2,506,524	\$ 109,651	\$ 2,616,175	\$ 700,280	357.93%	70.53%
June 30, 2021	0.0513%	\$ 395,982	\$ 17,800	\$ 413,782	\$ 606,411	65.30%	93.66%
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 Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability (Asset)	Employer's Proportionate Share of the State of Minnesota's Share of the Net Pension Liability (Asset)	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, 2022	0.2686%	\$ 892,826	\$ -	\$ 892,826	\$ 590,013	151.32%	74.58%
June 30, 2021	0.2868%	\$ (47,116)	\$ -	\$ (47,116)	\$ 634,199	-7.43%	101.61%
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, 2022

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, 2022:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>General Fund</b>			
<b>General government</b>			
Law library	\$ 13,973	\$ 9,000	\$ (4,973)
County assessor	386,560	264,490	(122,070)
Motor pool	25,684	20,600	(5,084)
Building maintenance	281,629	274,974	(6,655)
<b>Public safety</b>			
Boat and water safety	2,866	2,271	(595)
DARE program	3,924	1,500	(2,424)
Rural signing	19,342	10,000	(9,342)
Law enforcement center	1,284,345	1,274,427	(9,918)
Radio jail project	18,470	15,000	(3,470)
<b>Culture and recreation</b>			
Historical society	21,000	16,000	(5,000)
Parks	337,702	334,565	(3,137)
Snowmobile and ski trails	103,026	50,000	(53,026)
<b>Conservation of natural resources</b>			
Aquatic invasive species	81,224	60,000	(21,224)
Environmental services	175,016	126,181	(48,835)
<b>Economic development</b>			
Emerging Leader Program	1,000	500	(500)
<b>Capital outlay</b>			
General government	93,892	10,000	(83,892)
Public safety	314,491	3,000	(311,491)
Culture and recreation	11,855	-	(11,855)

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
<b>Road and Bridge Special Revenue Fund</b>			
<b>Highways and Streets</b>			
Maintenance	2,098,392	1,696,129	(402,263)
Materials for resale	123,672	-	(123,672)
Township roads	368,789	-	(368,789)
Other highways and streets	133,138	75,101	(58,037)
<b>Capital outlay</b>			
Highways and streets	291,704	68,000	(223,704)
<b>Human Services Special Revenue Fund</b>			
Income maintenance	1,802,069	1,753,652	(48,417)
<b>Land Management Special Revenue Fund</b>			
<b>Conservation of natural resources</b>			
Forfeited land	336,324	297,919	(38,405)
Payments in lieu of taxes	64,791	63,835	(956)
<b>Capital outlay</b>			
Conservation of natural resources	10,393	10,000	(393)

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.

2022 Changes

*Changes in Actuarial Assumptions:*

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

*Changes in Plan Provisions:*

There were no changes in plan provisions since the previous valuation.

2021 Changes

*Changes in Actuarial Assumptions*

- 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-2018 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates were updated.
- The inflation rate changed from 2.50% to 2.00%
- The salary increase rates were changed from a flat 3.00% per year for all employees to rates which vary by service.
- The discount rate was changed from 3.80% to 2.00%.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

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

2020/2019 Changes

*Changes in Actuarial Assumptions*

- 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 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*

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

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

The information presented in the required supplementary schedules was used in the actuarial valuation for the purpose of determining the actuarially determined contribution rates. Changes in actuarial assumptions are described in the Notes to the Financial Statements. The assumptions and methods used for this actuarial valuation were recommended by PERA and adopted by the County Commissioners. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

**General Employees Fund**

2021 Changes

*Changes in Actuarial Assumptions*

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

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund**

2021 Changes (Continued)

*Changes in Plan Provisions*

- There were no changes in plan provisions since the previous valuation.

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.

*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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund** (Continued)

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.
- 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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**General Employees Fund (Continued)**

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**

2022 Changes

*Changes in Actuarial Assumptions:*

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

2021 Changes

*Changes in Actuarial Assumptions*

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.0 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Police and Fire Fund**

2021 Changes

*Changes in Actuarial Assumptions (Continued)*

- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disable annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 1, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

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 mortality 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 mortality 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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Police and Fire Fund**

2018 Changes

*Changes in Plan Provisions (Continued)*

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

2017 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Police and Fire Fund (Continued)**

2016 Changes

*Changes in Actuarial Assumptions*

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

*Changes in Plan Provisions*

- There have been no changes since the prior valuation.

2015 Changes

*Changes in Actuarial Assumptions*

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

2022 Changes

*Changes in Actuarial Assumptions:*

- The mortality rate improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50% to 5.42%.
- The benefit increase assumption was changed from 2.00% per annum to 2.00% per annum through December 31, 2054, and 1.50% per annum thereafter.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

2021 Changes

*Changes in Actuarial Assumptions*

- The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes.
- The inflation assumption was changed from 2.50 percent to 2.25 percent.
- The payroll growth assumption was changed from 3.25 percent to 3.00 percent.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Correctional Fund**

2021 Changes (Continued)

*Changes in Actuarial Assumptions*

Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).

- Assumed rates of salary increase were modified as recommended in the July 10, 2020, experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 10, 2020, experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed as recommended in the July 10, 2020, experience study. The new rates predict more terminations, both in the three-year select period (based on service) and the ultimate rates (based on age).
- Assumed rates of disability lowered.
- Assumed percent married for active members was lowered from 85 percent to 75 percent.
- Minor changes to form of payment assumptions were applied.

*Changes in Plan Provisions:*

- There were no changes in plan provisions since the previous valuation.

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 mortality 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 mortality projection scale was changed from MP-2016 to MP-2017.
- The assumed post-retirement benefit increase was changed from 2.50 percent per year to 2.00 percent per year.

*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.

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

III. Notes to Schedule of Changes in Net Pension Liabilities and Related Ratios

**Correctional Fund**

2018 Changes

*Changes in Plan Provisions (Continued)*

- 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).
- 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. This fund was closed in 2022.

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, 2022**

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Funds (Exhibit 3)</b>
	<b>Ditch</b>	<b>Solid Waste Management</b>	<b>Unorganized Townships</b>	
<b><u>Assets</u></b>				
<b>Assets</b>				
Cash and pooled investments	\$ 167,805	\$ 1,801,438	\$ -	\$ 1,969,243
Taxes receivable - prior	-	11,959	-	11,959
Special assessments receivable - prior	184	43,020	-	43,204
<b>Total Assets</b>	<b>\$ 213,246</b>	<b>\$ 1,856,417</b>	<b>\$ -</b>	<b>\$ 2,069,663</b>
<b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b>Liabilities</b>				
Accounts payable	\$ 400	\$ 4,649	\$ -	\$ 5,049
Salaries payable	-	1,284	-	1,284
Due to other funds	-	-	3,510	3,510
Due to other governments	-	58,623	-	58,623
<b>Total Liabilities</b>	<b>\$ 400</b>	<b>\$ 64,556</b>	<b>\$ 3,510</b>	<b>\$ 68,466</b>
<b>Deferred Inflows of Resources</b>				
Taxes	\$ -	\$ 7,934	\$ -	\$ 7,934
Special assessments	45,412	34,028	-	79,440
<b>Total Deferred Inflows of Resources</b>	<b>\$ 45,412</b>	<b>\$ 41,962</b>	<b>\$ -</b>	<b>\$ 87,374</b>
<b>Fund Balances</b>				
Restricted for				
Conservation of natural resources	\$ 167,434	\$ -	\$ -	\$ 167,434
Assigned to				
Sanitation	-	1,749,899	-	1,749,899
Unassigned	-	-	(3,510)	(3,510)
<b>Total Fund Balances</b>	<b>\$ 167,434</b>	<b>\$ 1,749,899</b>	<b>\$ (3,510)</b>	<b>\$ 1,913,823</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 213,246</b>	<b>\$ 1,856,417</b>	<b>\$ -</b>	<b>\$ 2,069,663</b>

**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, 2022**

	Special Revenue Funds				Total Nonmajor Governmental Funds (Exhibit 5)
	Ditch	Energy Assistance	Solid Waste Management	Unorganized Townships	
<b>Revenues</b>					
Taxes	\$ -	\$ -	\$ 587,933	\$ -	\$ 587,933
Special assessments	35,092	-	460,814	-	495,906
Licenses and permits	-	-	200	37	237
Intergovernmental	-	-	182,268	1,610	183,878
Charges for services	-	-	45,057	-	45,057
Miscellaneous	-	-	119	-	119
<b>Total Revenues</b>	<b>\$ 35,092</b>	<b>\$ -</b>	<b>\$ 1,276,391</b>	<b>\$ 1,647</b>	<b>\$ 1,313,130</b>
<b>Expenditures</b>					
<b>Current</b>					
Sanitation	\$ -	\$ -	\$ 1,003,183	\$ -	\$ 1,003,183
Conservation of natural resources	400	-	-	-	400
<b>Capital outlay</b>					
Sanitation	-	-	56,955	-	56,955
<b>Total Expenditures</b>	<b>\$ 400</b>	<b>\$ -</b>	<b>\$ 1,060,138</b>	<b>\$ -</b>	<b>\$ 1,060,538</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 34,692</b>	<b>\$ -</b>	<b>\$ 216,253</b>	<b>\$ 1,647</b>	<b>\$ 252,592</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	3	-	-	3
<b>Net Change in Fund Balance</b>	<b>\$ 34,692</b>	<b>\$ 3</b>	<b>\$ 216,253</b>	<b>\$ 1,647</b>	<b>\$ 252,595</b>
<b>Fund Balance - January 1</b>	<b>132,742</b>	<b>(3)</b>	<b>1,533,646</b>	<b>(5,157)</b>	<b>1,661,228</b>
<b>Fund Balance - December 31</b>	<b>\$ 167,434</b>	<b>\$ -</b>	<b>\$ 1,749,899</b>	<b>\$ (3,510)</b>	<b>\$ 1,913,823</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 9*

**BUDGETARY COMPARISON SCHEDULE  
DITCH SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Special assessments	\$ 31,297	\$ 31,297	\$ 35,092	\$ 3,795
<b>Expenditures</b>				
<b>Current</b>				
<b>Conservation of natural resources</b>				
Administration	\$ 40	\$ 40	\$ 400	\$ (360)
Ditch maintenance and repair	31,297	31,297	-	31,297
<b>Total Expenditures</b>	<b>\$ 31,337</b>	<b>\$ 31,337</b>	<b>\$ 400</b>	<b>\$ 30,937</b>
<b>Net Change in Fund Balance</b>	<b>\$ (40)</b>	<b>\$ (40)</b>	<b>\$ 34,692</b>	<b>\$ 34,732</b>
<b>Fund Balance - January 1</b>	<b>132,742</b>	<b>132,742</b>	<b>132,742</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 132,702</b>	<b>\$ 132,702</b>	<b>\$ 167,434</b>	<b>\$ 34,732</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 10*

**BUDGETARY COMPARISON SCHEDULE  
ENERGY ASSISTANCE SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Other Financing Sources (Uses)</b>				
Transfers in	\$ -	\$ -	\$ 3	\$ 3
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3</b>	<b>\$ 3</b>
<b>Fund Balance - January 1</b>	<b>(3)</b>	<b>(3)</b>	<b>(3)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (3)</b>	<b>\$ (3)</b>	<b>\$ -</b>	<b>\$ 3</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 11*

**BUDGETARY COMPARISON SCHEDULE  
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 515,000	\$ 515,000	\$ 587,933	\$ 72,933
Special assessments	400,000	400,000	460,814	60,814
License and permits	300	300	200	(100)
Intergovernmental	138,253	138,253	182,268	44,015
Charges for services	25,000	25,000	45,057	20,057
Miscellaneous	500	500	119	(381)
<b>Total Revenues</b>	<b>\$ 1,079,053</b>	<b>\$ 1,079,053</b>	<b>\$ 1,276,391</b>	<b>\$ 197,338</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Sanitation</b>				
Demolition landfill	\$ 150,858	\$ 150,858	\$ 111,922	\$ 38,936
Household hazardous waste	8,500	8,500	6,375	2,125
Recycling	105,452	105,452	72,556	32,896
Solid waste collection	396,197	396,197	429,765	(33,568)
Solid waste disposal	401,136	401,136	382,565	18,571
<b>Capital Outlay</b>				
Sanitation	72,000	72,000	56,955	15,045
<b>Total Expenditures</b>	<b>\$ 1,134,143</b>	<b>\$ 1,134,143</b>	<b>\$ 1,060,138</b>	<b>\$ 74,005</b>
<b>Net Change in Fund Balance</b>	<b>\$ (55,090)</b>	<b>\$ (55,090)</b>	<b>\$ 216,253</b>	<b>\$ 271,343</b>
<b>Fund Balance - January 1</b>	<b>1,533,646</b>	<b>1,533,646</b>	<b>1,533,646</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,478,556</b>	<b>\$ 1,478,556</b>	<b>\$ 1,749,899</b>	<b>\$ 271,343</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 12*

**BUDGETARY COMPARISON SCHEDULE  
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
License and permits	\$ -	\$ -	\$ 37	\$ 37
Intergovernmental	2,000	2,000	1,610	(390)
<b>Total Revenues</b>	<b>\$ 2,000</b>	<b>\$ 2,000</b>	<b>\$ 1,647</b>	<b>\$ (353)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Township roads	1,400	1,400	-	1,400
<b>Net Change in Fund Balance</b>	<b>\$ 600</b>	<b>\$ 600</b>	<b>\$ 1,647</b>	<b>\$ 1,047</b>
<b>Fund Balance - January 1</b>	<b>(5,157)</b>	<b>(5,157)</b>	<b>(5,157)</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ (4,557)</b>	<b>\$ (4,557)</b>	<b>\$ (3,510)</b>	<b>\$ 1,047</b>

**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, 2022**

	<b>Custodial Funds</b>			
	<b>Economic Development</b>	<b>Clearwater Collaborative</b>	<b>North Country Community Health Services</b>	<b>NW Minnesota Household Hazardous Waste</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 1,387	\$ 75,521	\$ 238,557	\$ 160,142
Due from other governments	-	15,264	445,478	2,953
<b>Total Assets</b>	<b>\$ 1,387</b>	<b>\$ 90,785</b>	<b>\$ 684,035</b>	<b>\$ 163,095</b>
<b><u>Liabilities</u></b>				
Accounts payable	-	-	268,147	1,026
Due to other governments	-	-	136,435	-
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 404,582</b>	<b>\$ 1,026</b>
<b><u>Net Position</u></b>				
Restricted for Individuals, organizations, other governments	<b>\$ 1,387</b>	<b>\$ 90,785</b>	<b>\$ 279,453</b>	<b>\$ 162,069</b>

**Statement 3**

<b>Custodial Funds</b>				
<b>School District</b>	<b>State Fund</b>	<b>Taxes and Penalties</b>	<b>Towns and Cities</b>	<b>Total Other Custodial Funds</b>
\$ 36,802	\$ 2,172,925	\$ (47,006)	\$ (76,470)	\$ 2,561,858
-	2,267	-	-	465,962
<b>\$ 36,802</b>	<b>\$ 2,175,192</b>	<b>\$ (47,006)</b>	<b>\$ (76,470)</b>	<b>\$ 3,027,820</b>
\$ 39,429	\$ -	\$ 473	\$ 6,266	\$ 315,341
-	4,134	-	37,238	177,807
<b>\$ 39,429</b>	<b>\$ 4,134</b>	<b>\$ 473</b>	<b>\$ 43,504</b>	<b>\$ 493,148</b>
<b>\$ (2,627)</b>	<b>\$ 2,171,058</b>	<b>\$ (47,479)</b>	<b>\$ (119,974)</b>	<b>\$ 2,534,672</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS - CUSTODIAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

	<u>Economic Development</u>	<u>Clearwater Collaborative</u>	<u>North Country Community Health Services</u>	<u>NW Minnesota Household Hazardous Waste</u>
<b>Additions</b>				
Property tax collections for other governments	\$ -	\$ -	\$ -	\$ -
Intergovernmental receipts for other governments	-	55,408	2,062,517	-
Fees for other governments	-	-	-	252,299
Investment earnings	-	-	-	103
Miscellaneous	-	-	-	1,000
<b>Total Additions</b>	<b>\$ -</b>	<b>\$ 55,408</b>	<b>\$ 2,062,517</b>	<b>\$ 253,402</b>
<b>Deductions</b>				
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -
Payments to state	-	-	-	-
Administrative expense	-	-	22,515	122,494
Payments to other entities/individuals	-	61,425	2,093,448	119,516
<b>Total Deductions</b>	<b>\$ -</b>	<b>\$ 61,425</b>	<b>\$ 2,115,963</b>	<b>\$ 242,010</b>
<b>Change in net position</b>	<b>\$ -</b>	<b>\$ (6,017)</b>	<b>\$ (53,446)</b>	<b>\$ 11,392</b>
Net Position – January 1	<u>1,387</u>	<u>96,802</u>	<u>332,899</u>	<u>150,677</u>
Net Position – December 31	<u><u>\$ 1,387</u></u>	<u><u>\$ 90,785</u></u>	<u><u>\$ 279,453</u></u>	<u><u>\$ 162,069</u></u>

**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>
\$ 3,260,247	\$ 2,884,365	\$ 10,274	\$ 3,392,336	\$ 9,547,222
-	-	-	-	2,117,925
-	-	-	-	252,299
-	-	-	-	103
-	-	-	-	1,000
<u>\$ 3,260,247</u>	<u>\$ 2,884,365</u>	<u>\$ 10,274</u>	<u>\$ 3,392,336</u>	<u>\$ 11,918,549</u>
\$ 3,252,551	\$ -	\$ 24,743	\$ 3,423,345	\$ 6,700,639
-	1,618,058	-	-	1,618,058
-	-	-	-	145,009
-	-	-	-	2,274,389
<u>\$ 3,252,551</u>	<u>\$ 1,618,058</u>	<u>\$ 24,743</u>	<u>\$ 3,423,345</u>	<u>\$ 10,738,095</u>
\$ 7,696	\$ 1,266,307	\$ (14,469)	\$ (31,009)	\$ 1,180,454
(10,323)	904,751	(33,010)	(88,965)	1,354,218
<u>\$ (2,627)</u>	<u>\$ 2,171,058</u>	<u>\$ (47,479)</u>	<u>\$ (119,974)</u>	<u>\$ 2,534,672</u>

## **OTHER SCHEDULES**

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**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**BALANCE SHEET - BY DITCH  
DITCH SPECIAL REVENUE FUND  
DECEMBER 31, 2022**

	Assets			Total Assets
	Cash and Investments	Special Assessments Receivable - Prior	Special Assessments Receivable - Noncurrent	
<b>County Ditches</b>				
2	\$ 10,121	\$ 184	\$ -	\$ 10,305
3	50,041	-	-	50,041
Project 113	34,825	-	-	34,825
<b>Red Lake Watershed Ditches</b>				
<b>County Ditches</b>				
1	244	-	-	244
5	8,734	-	-	8,734
72	11,968	-	-	11,968
100	709	-	8,878	9,587
101	2,981	-	36,379	39,360
<b>Judicial Ditches</b>				
2 Branch A	8,421	-	-	8,421
2 Branch B	6,145	-	-	6,145
4	148	-	-	148
Clearwater River Project 3	82	-	-	82
Ditch #2 Costs	10	-	-	10
Lost River Improvements	81	-	-	81
Lost River Project 4	3,826	-	-	3,826
Lost River Project 51	1,706	-	-	1,706
Pine Lake Dam	25,904	-	-	25,904
Wild Rice Allocation	1,859	-	-	1,859
<b>Total</b>	<b>\$ 167,805</b>	<b>\$ 184</b>	<b>\$ 45,257</b>	<b>\$ 213,246</b>

Schedule 13

<u>Liabilities</u>			<u>Fund Balance</u>		<u>Total</u>		
<u>Accounts Payable</u>		<u>Deferred Inflows of Resources</u>		<u>Restricted</u>	<u>Liabilities, Deferred Inflows, and Fund Balance</u>		
\$	19	\$	155	\$	10,131	\$	10,305
	116		-		49,925		50,041
	108		-		34,717		34,825
	-		-		244		244
	20		-		8,714		8,734
	37		-		11,931		11,968
	-		8,878		709		9,587
	-		36,379		2,981		39,360
	11		-		8,410		8,421
	19		-		6,126		6,145
	-		-		148		148
	-		-		82		82
	-		-		10		10
	-		-		81		81
	12		-		3,814		3,826
	-		-		1,706		1,706
	58		-		25,846		25,904
	-		-		1,859		1,859
<b>\$</b>	<b>400</b>	<b>\$</b>	<b>45,412</b>	<b>\$</b>	<b>167,434</b>	<b>\$</b>	<b>213,246</b>

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**Schedule 14**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**Shared Revenue**

**State**

Aquatic ISP Aid	\$	108,992
County program aid		891,578
Disparity reduction aid		26,255
Enhanced 911		159,012
Highway users tax		6,697,601
Market value credit		184,447
Police state aid		100,164
Riparian Protection Aid		72,851
		8,240,900

**Total Shared Revenue**

**\$ 8,240,900**

**Reimbursement for Services**

**State**

Minnesota Department of Human Services	\$	156,903
		156,903

**Payments**

Payments in lieu of taxes	\$	538,169
		538,169

**Grants**

**Local**

Northwest Minnesota Foundation	\$	15,000
		15,000

**State**

**Minnesota Department/Board of**

Corrections	\$	33,846
Health		5,350
Human Services		606,933
Natural Resources		106,653
Peace Officer Standards and Training		9,133
Pollution Control Agency		72,440
Public Safety		68,805
Transportation		20,099
Water and Soil Resources		74,435
		997,694

**Total State**

**\$ 997,694**

**Federal**

**Department of**

Agriculture	\$	199,477
Health and Human Services		1,089,413
Homeland Security		235,496
Justice		23,135
Treasury		856,397
Transportation		18,647
		2,422,565

**Total Federal**

**\$ 2,422,565**

**Total Grants**

**\$ 3,435,259**

**Total Intergovernmental Revenue**

**\$ 12,371,231**

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 15*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

<b>Federal Grantor Pass Through Agency Grant Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Grant Award Number</b>	<b>Expenditures</b>
<b>U.S. Department of Agriculture</b>			
Passed Through North Country Community Health Services Special Supplemental Nutrition Assistance Program for Women, Infants, and Children	10.557	Not provided	\$ 9,882
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	192MN101S2514	<u>189,595</u>
<b>Total U.S. Department of Agriculture</b>			<b>\$ 199,477</b>
<b>U.S. Department of Justice</b>			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2022-CLRWTRAO	<b>\$ 23,135</b>
<b>U.S. Department of Transportation</b>			
Highway Planning and Construction Cluster Passed Through Minnesota Department of Transportation Highway Planning and Construction	20.205	00015	<b>\$ 18,647</b>
<b>U.S. Department of the Treasury</b>			
Direct Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	21.027	Not Provided	<b>\$ 306,959</b>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-2201MNFPS	\$ 1,926
TANF Cluster Temporary Assistance for Needy Families	93.558	2201MNTANF	\$ 141,301
Passed Through North Country Community Health Services Temporary Assistance for Needy Families	93.558	2022G996115	<u>22,203</u> 163,504
<b>U.S. Department of Health and Human Services</b>			
Passed Through Minnesota Department of Human Services Child Support Enforcement	93.563	2204MNCSES	\$ 9,372
Child Support Enforcement	93.563	2204MNCSEST	<u>179,532</u> 188,904
Refugee and Entrant Assistance	93.566	2201MNRCA	317
CCDF Cluster Child Care and Development Block Grant	93.575	G2201MNCCDF	741
Community Based Child Abuse Prevention Grant	93.590	G-2102MNBCAP	84
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2101MNCWSS	2,192

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

*Schedule 15  
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures
Foster Care Title IV-E	93.658	2201MNFOST	87,381
Social Services Block Grant	93.667	G-2201MNSOSR	93,899
Child Abuse and Neglect State Grants	93.669	G-2101MNCAN	2,849
Chafee Foster Care Independence Program	93.674	G-2201MNCILP	379
Children's Health Insurance Program	93.767	2005MN5022	1,568
Medicaid Cluster			
Medical Assistance Program	93.778	2205MN5ADM	\$ 418,389
Medical Assistance Program	93.778	2205MN5MAP	37,135
Passed Through North Country Community Health Services Medical Assistance Program	93.778	2205MN5ADM	16,361
Passed Through North Country Community Health Services Maternal, Infant, and Early Childhood Home Visiting Program	93.870	D89NC23539	54,242
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	19,542
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 1,089,413</b>
<b>U.S. Department of Homeland Security</b>			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	CLEARWATER SBG	\$ 2,645
Direct			
Emergency Food and Shelter National Board Program	97.024	Not provided	7,162
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Di	97.036	EMPG-20220130-956	209,873
Passed Through Minnesota Department of Public Safety Emergency Management Performance Grants	97.042	F-EMPG-2020-CLRWTRCO	15,816
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 235,496</b>
<b>Total Federal Awards</b>			<b>\$ 1,873,127</b>
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 189,595
Total expenditures for Highway Planning and Construction Cluster			\$ 18,647
Total expenditures for TANF Cluster			\$ 163,504
Total expenditures for CCDF Cluster			\$ 741
Total expenditures for Medicaid Cluster			\$ 471,885

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2022

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, 2022. 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 2022, the County did not pass any federal funds through to subrecipients.

V. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 2,422,565
<i>Less:</i>	
Amounts received for American Recovery Plan remaining unspent	<u>(549,438)</u>
Expenditures per Schedule of Expenditures of Federal Awards	<u><u>\$ 1,873,127</u></u>

## **MANAGEMENT AND COMPLIANCE SECTION**

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



Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | choffman@hpmaudit.com

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

Board of County Commissioners  
Clearwater County  
Bagley, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clearwater County as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 14, 2023.

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

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

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying Schedule of Findings and Questioned Costs as item 2022-001, that we consider to be a significant deficiency.

### **Report on 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*.

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

### **Clearwater County's Responses to Findings**

Government Auditing Standards requires the auditor to perform limited procedures on Clearwater County's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. Clearwater County's response and their Corrective Action Plan was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

### **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  
August 14, 2023

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



## Hoffman, Philipp, & Martell, PLLC

1541 Highway 59 South | Thief River Falls, MN 56701 | Phone: 218-681-4078 | [choffman@hpmaudit.com](mailto:choffman@hpmaudit.com)

### **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY *UNIFORM GUIDANCE***

Board of County Commissioners  
Clearwater County  
Bagley, Minnesota

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on the Major Federal Programs***

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, 2022. The County's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, Clearwater County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2022.

##### ***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibility of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Clearwater County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Clearwater County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of Clearwater County's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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.

Hoffman, Philipp, & Martell, PLLC  
August 14, 2023

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2022**

**I. SUMMARY OF AUDITOR'S RESULTS**

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

**B. Financial Statements**

Internal control over financial reporting:

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

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

**D. Federal Awards**

Internal control over major programs:

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

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

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

G. The major program was:

<b>Coronavirus State &amp; Local Fiscal Recovery</b>	<b>CFDA #21.027</b>
<b>Child Support Enforcement</b>	<b>CFDA #93.563</b>
<b>Medical Assistance</b>	<b>CFDA #93.778</b>

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: 2022-001**

**Prior Year Finding Number(s): 2021-001**

**Repeat Finding Since: 1996 and 2007**

**Finding Title: Segregation of Duties and Internal Controls**

**Criteria:** The financial statements are the responsibility of the County's management. Internal control over financial reporting is a process designed to provide reliable assurance about the achievement of the County's objectives with regard to reliability of financial reporting and compliance with applicable laws and regulations. These controls must include a process for monitoring controls 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 monitoring to ensure the internal controls are effective. Due to the limited number of personnel within the County, segregation of the accounting functions necessary to ensure adequate internal control and monitoring is not possible.

**Context:** The small size and staffing of within the County limits the segregation of duties and internal control that management can design and implement. Although the County has some controls in spite of limited staff, they do not have a documented process for monitoring those controls.

**Effect:** Without documented internal controls and a process for monitoring internal controls, the County cannot provide assurance about the reliability of financial reporting or the effectiveness and efficiency of operations. Errors or irregularities may occur and not be detected in a timely manner.

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

**Recommendation:** Management should continually be aware of the lack of reliability of internal controls due to limited segregation of duties. We recommend Clearwater County formalize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and compliance with applicable laws and regulations, and the effectiveness and efficiency of operations.

**Clearwater County's Response:** *The small size of the County limits the number of personnel available to perform separate duties, however, the County Board is aware of this situation and provides oversight and review. The County does have some written policies and continues to work on improving internal control over financial reporting and compliance, and the documentation of those controls.*

**CLEARWATER COUNTY  
BAGLEY, MINNESOTA**

**III. ITEM RESOLVED THIS YEAR:**

**Finding Number:** 2022-002

**Finding Title:** Reporting Requirements



# CLEARWATER COUNTY COMMISSIONERS

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

**MARK  
TITERA**  
District #1

**DEAN  
NEWLAND**  
District #2

**STUART  
DUKEK**  
District #3

**JOHN  
NELSON**  
District #4

**MARK  
LARSON**  
District #5

## CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2022

**Finding Number: 2022-001**

**Finding Title: Segregation of Duties and Internal Controls**

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

**Corrective Action Planned:** Clearwater County is aware of the segregation of duties and internal controls issue. Due to limited staffing, segregation of duties is not always possible. Management will implement oversight procedures where and whenever possible.

**Anticipated Completion Date:** December 31, 2023.



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# CLEARWATER COUNTY COMMISSIONERS

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District #5

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## SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2022

**Finding Number: 2021-001**

**Repeat Finding Since: 1996**

**Finding Title: Segregation of Duties and Internal Controls**

**Summary of 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 City does not have a process for monitoring to ensure the internal controls are effective.

**Summary of Corrective Action Previously Reported:** Clearwater County has begun to formulize written documentation of their internal controls and the monitoring process to ensure the reliability of financial reporting and the effectiveness and efficiency of operations.

**Status:** Not fully corrected.

**Finding Number: 2021-002**

**Finding Title: Reporting Requirements**

**Summary of Condition:** The County did not submit the data collection form to the Federal Audit Clearinghouse within the required timeframe.

**Summary of Corrective Action:** The annual County audit has been completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

**Status:** Fully Resolved.