

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

YEAR ENDED DECEMBER 31, 2024



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, 2024

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Commissioners		
1 st District	Mark Titera	January 2027
2 nd District	Dean Newland, Chair ¹	January 2025
3 rd District	Stuart Dukek	January 2027
4 th District	John Nelson ²	January 2025
5 th District	Mark Larson	January 2027
Officers		
Elected:		
Attorney	Kathryn Lorsbach ³	January 2027
Sheriff	Darin Halvorson	January 2027
Auditor-Treasurer	Allen L. Paulson	January 2027
Recorder	Rodney Knutson	January 2027
Appointed:		
Assessor	Patty Flaaa	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 2025
Chair - Lay member	Julie Sundquist	July 2025
Member	John Nelson ²	December 2024
Member	Dean Newland ¹	December 2024
Member	Mark Larson	December 2026
Member	Mark Titera	December 2026
Member	Stuart Dukek	December 2026
Director	Jamie Halverson	Indefinite

1 Replaced by Bryan Ramsrud on January 7, 2025. Term ending January 2029.

2 Replaced by Bruce Emmel on January 7, 2025. Term ending January 2029.

3 Replaced by Karin Hughes on January 14, 2025.

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

Opinions

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, 2024, 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, 2024, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events 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 October 30, 2025, 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
October 30, 2025



CLEARWATER COUNTY COMMISSIONERS

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

**MARK
TITERA**
District #1

**BRYAN
RAMSRUD**
District #2

**STUART
DUKEK**
District #3

**BRUCE
EMMEL**
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, 2024. 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 \$76,631,720, of which \$59,221,084 is the net investment in capital assets, \$5,730,014 is restricted for specific purposes, and \$11,680,622 is unrestricted. The total net position of governmental activities increased by \$120,588 for the year ended December 31, 2024. This is attributed mainly to infrastructure projects funded by state revenues.

At the close of 2024, the County's governmental funds reported combined ending fund balances of \$19,779,112, a decrease of \$752,606 from the prior year. Of the total fund balance amount, \$509,176 is non-spendable, \$2,944,014 is legally or contractually restricted, \$1,013,119 is the committed fund balance, \$14,618,656 is assigned for specific purposes, and \$694,147 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, 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 non-major 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 *Schedule of Expenditures of Federal Awards*, a *Ditch Balance Sheet* and a *Schedule of Intergovernmental Revenue*.

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 \$76,631,720 at the close of the fiscal year. The largest portion of the County’s net position (approximately 77 percent) reflects its net investment in capital assets (i.e., land, construction in progress, infrastructure, buildings and improvements, and machinery and equipment). It should be noted that this amount is not available for future spending. Approximately 8 percent of the County’s net position is restricted, and 15 percent of the County’s net position is unrestricted. The unrestricted net position amount of \$11,680,622 as of December 31, 2024, may be used to meet the County’s ongoing obligations to citizens.

The County’s overall financial position increased from last year. Total assets decreased by \$288,880, primarily due to depreciation of capital assets. Total liabilities decreased by \$1,918,360, primarily due to a decrease in the net pension liability. Deferred outflows of resources related to pensions and other post-employment activities decreased by \$1,150,278, and deferred inflows of resources related to pensions and other post-employment activities increased by \$358,614 from the prior year, due to changes in actuarial valuations. This resulted in an increased net position of \$120,588 from the prior year.

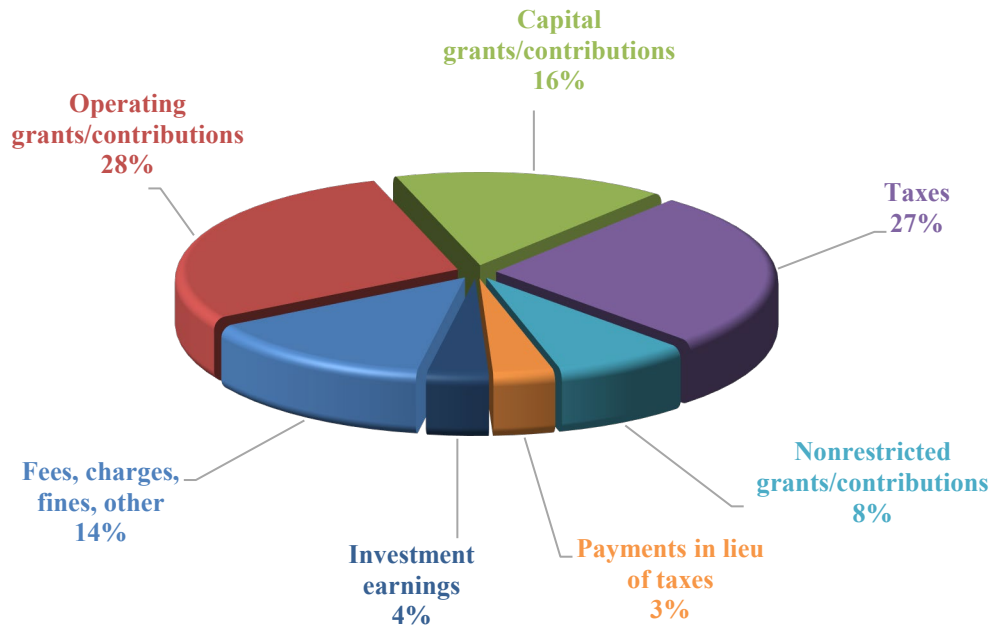
NET POSITION

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Current and other assets	\$ 24,124,657	\$ 23,158,556
Capital assets	<u>59,349,006</u>	<u>60,603,987</u>
Total assets	<u>\$ 83,473,663</u>	<u>\$ 83,762,543</u>
Deferred outflows of resources		
Related to pensions and OPEB	<u>\$ 1,640,560</u>	<u>\$ 2,790,748</u>
Other liabilities	\$ 712,903	\$ 1,046,656
Long-term liabilities outstanding	<u>4,035,638</u>	<u>5,620,245</u>
Total liabilities	<u>\$ 4,748,541</u>	<u>\$ 6,666,901</u>
Deferred inflows of resources		
Related to pensions and OPEB	<u>\$ 3,733,962</u>	<u>\$ 3,375,348</u>
Net investment in capital assets	\$ 59,221,084	\$ 60,603,987
Restricted	5,730,014	3,303,817
Unrestricted	<u>11,680,622</u>	<u>12,603,328</u>
Total net position	<u>\$ 76,631,720</u>	<u>\$ 76,511,132</u>

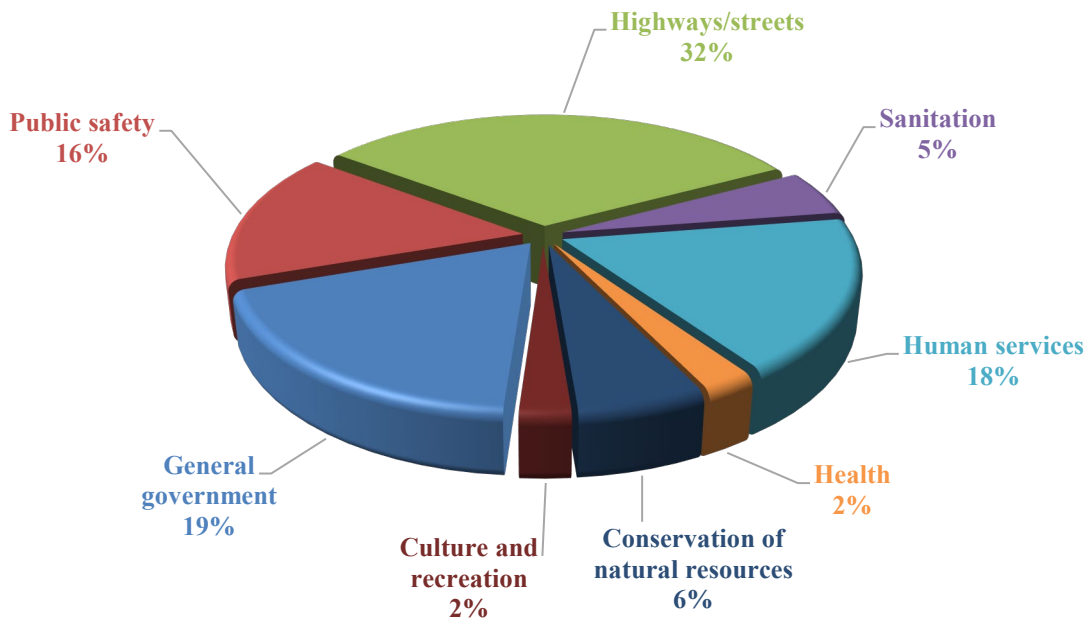
CHANGES IN NET POSITION

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Revenues		
Program Revenues		
Fees, charges, fines and other	\$ 2,778,474	\$ 3,187,691
Operating grants and contributions	5,777,273	5,885,910
Capital grants and contributions	3,257,781	3,227,556
General Revenues		
Taxes	5,431,038	5,768,826
Grants and contributions		
not restricted to specific programs	1,572,474	1,276,170
Payments in lieu of taxes	716,426	594,593
Investment earnings	721,653	954,052
Miscellaneous	<u>90,535</u>	<u>102,617</u>
Total revenues	<u>\$ 20,345,654</u>	<u>\$ 20,997,415</u>
Expenses		
General government	\$ 3,762,641	\$ 3,368,419
Public safety	3,136,298	3,536,969
Highways and streets	6,463,022	5,172,251
Sanitation	1,086,029	1,178,663
Human services	3,594,710	3,934,132
Health	488,110	781,939
Culture and recreation	483,571	535,711
Conservation of natural resources	1,208,285	1,323,322
Economic development	<u>2,400</u>	<u>2,900</u>
Total expenses	<u>\$ 20,225,066</u>	<u>\$ 19,834,306</u>
Increase (decrease)	\$ 120,588	\$ 1,163,109
Net position, January 1	<u>76,511,132</u>	<u>75,348,023</u>
Net position, December 31	<u>\$ 76,631,720</u>	<u>\$ 76,511,132</u>

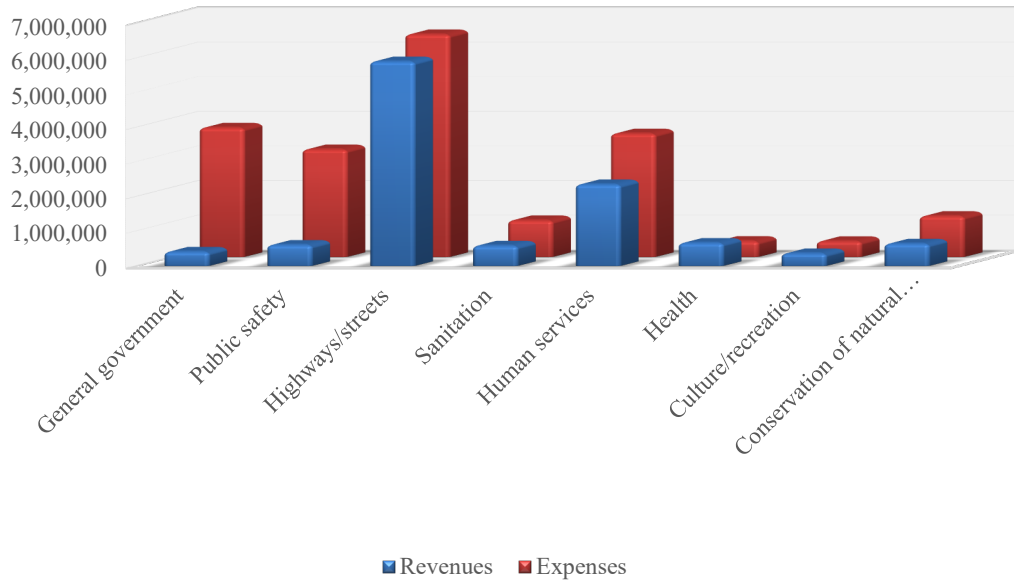
Revenues by Source



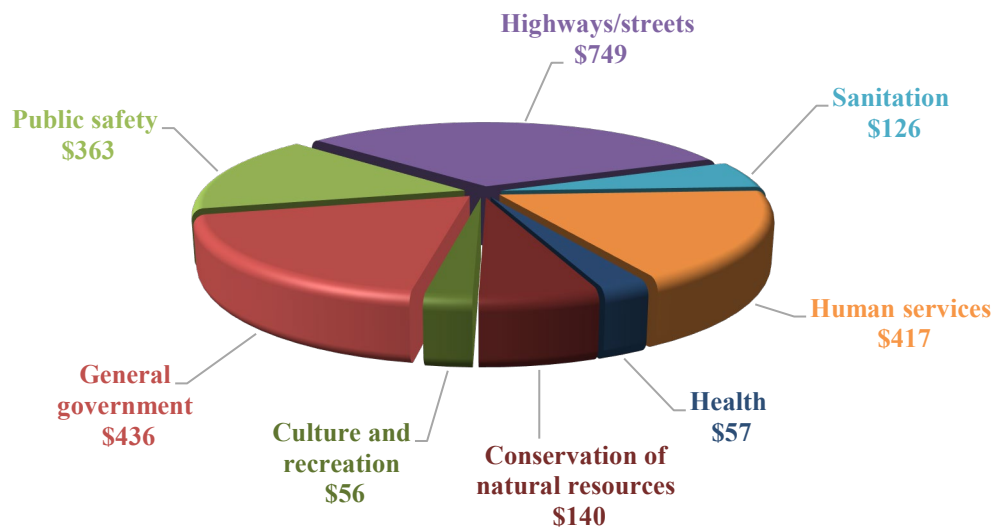
Expenses by Function



Program Revenues & Expenses



Expenditures Per Capita 8,630 Population July 1, 2024



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 2024, the County's governmental funds reported combined ending fund balances of \$19,779,112. Of this amount, approximately 3 percent constitutes non-spendable fund balance, 15 percent constitutes legally or contractually restricted fund balance, 5 percent constitutes the committed fund balance, 74 percent constitutes specifically assigned fund balance, and 3 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 \$6,538,987. The General Fund's restricted fund balance was \$1,636,924, committed fund balance was \$1,013,119, assigned fund balance was \$3,194,797, and unassigned fund balance was \$694,147. 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 2024. Unrestricted fund balance represents 61 percent of total General Fund expenditure, while total fund balance represents 81 percent of that same amount.

In 2024, the fund balance amount in the General Fund decreased by \$1,094,085. The decrease is primarily due to a budgeted spend down of reserves.

The fund balance of the Road and Bridge Special Revenue Fund increased by \$319,678 from the prior year, primarily due to unspent County State Aid Highway allotment dollars.

The fund balance of the Human Services Special Revenue Fund decreased by \$43,238 from the prior year, due to unbudgeted capital outlay.

The fund balance for the Land Management Special Revenue Fund increased by \$21,057 primarily due to timber sales.

The fund balance for the Nursing Service Special Revenue Fund increased by \$90,291 due to charges for service revenues in excess of budget.

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no amendments to the original budgeted revenues and expenditures as approved for 2024.

Actual revenues were more than overall final budgeted revenues by \$22,558, with the largest positive variance in intergovernmental revenue. Actual expenditures were less than overall final budgeted expenditures by \$414,944, with the largest variance in general government and public safety.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital Assets

The County’s investment in capital assets for its governmental activities as of December 31, 2024, amounted to \$59,349,006 (net of accumulated depreciation). The total decrease in the County’s investment in capital assets for the current fiscal year was approximately two percent. This decrease was mainly due to depreciation of capital assets.

Clearwater County	Governmental Activities	
	2024	2023
Investment in Capital Assets:		
Land	\$ 1,034,382	\$ 1,034,382
Construction in progress	398,285	1,646,950
Infrastructure	52,432,455	53,016,967
Buildings and improvements	2,635,850	2,445,300
Machinery and equipment	2,720,112	2,460,388
Right to use leased assets	127,922	-
Total capital assets	\$ 59,349,006	\$ 60,603,987

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

Long-Term Debt

At the end of the current fiscal year, the County had total debt outstanding of \$127,922 which is backed by the full faith and credit of the government.

	Governmental Activities	
	2024	2023
Right to use leases	\$ 127,922	\$ -

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 2024, overall debt of the County is below the three percent debt limit.

Clearwater County’s bond rating is “AAA” from Standard & Poor’s. Additional information on the County’s long-term debt can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

- The County depends on financial resources flowing from, or associated with, both the Federal Government and the State of Minnesota. Because of this dependency, the County is subject to changes in specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations. It is also subject to changes in investment earnings and asset values associated with U.S. Treasury Securities because of actions by foreign governments and other holders of publicly held U.S. Treasury Securities.
- The unemployment rate for Clearwater County was 7.1 percent as of December 31, 2024. This is higher than the statewide rate of 2.7 percent and the national average rate of 3.8 percent.

- According to the United States Census Bureau, the estimated population for Clearwater County was 8,630 at July 1, 2024, an increase of 54 since the 2020 census of 8,576. This ranks Clearwater County 74th of 87 in the State of Minnesota.
- On December 10, 2024, Clearwater County set its 2025 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, 2024**

	<u>Governmental Activities</u>
<u>Assets</u>	
Cash and pooled investments	\$ 18,331,352
Investments	1,122,492
Taxes receivable - prior	108,911
Special assessments receivable - prior	46,371
Accounts receivable	29,347
Accrued interest receivable	16,873
Contracts receivable	443,158
Due from other governments	3,491,407
Inventories	509,176
Special assessments - noncurrent	25,570
Capital assets	
Non-depreciable	1,432,667
Depreciable - net of accumulated depreciation	57,916,339
	\$ 83,473,663
<u>Deferred Outflows of Resources</u>	
Related to pensions	\$ 1,627,925
Related to other post employment benefits	12,635
	\$ 1,640,560
<u>Liabilities</u>	
Accounts payable	\$ 364,597
Salaries payable	133,368
Contracts payable	10,290
Due to other governments	204,648
Long-term liabilities	
Due within one year	449,710
Due in more than one year	683,616
Net Pension Liability	2,811,510
Other Post Employment Benefits	90,802
	\$ 4,748,541
<u>Deferred Inflows of Resources</u>	
Related to pensions	\$ 3,722,663
Related to other post employment benefits	11,299
	\$ 3,733,962
<u>Net Position</u>	
Net investment in capital assets	\$ 59,221,084
Amounts restricted for	
General government	358,225
Public safety	961,872
Highways and streets	2,311,285
Conservation of natural resources	2,098,632
Unrestricted amounts	11,680,622
	\$ 76,631,720

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 2

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Fees, Charges, Fines and Other	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs					
Governmental activities					
General government	\$ 3,762,641	\$ 293,675	\$ 143,667	\$ -	\$ (3,325,299)
Public safety	3,136,298	205,544	429,395	-	(2,501,359)
Highways and streets	6,463,022	392,274	2,340,201	3,206,113	(524,434)
Sanitation	1,086,029	46,032	566,496	-	(473,501)
Human services	3,594,710	497,605	1,887,671	-	(1,209,434)
Health	488,110	531,379	161,140	-	204,409
Culture and recreation	483,571	249,449	141,200	-	(92,922)
Conservation of natural resources	1,208,285	562,516	107,503	51,668	(486,598)
Economic development	2,400	-	-	-	(2,400)
Total governmental activities	\$ 20,225,066	\$ 2,778,474	\$ 5,777,273	\$ 3,257,781	\$ (8,411,538)
General revenues					
Taxes					\$ 5,431,038
Payments in lieu of taxes					716,426
Grants and contributions not restricted to specific programs					1,572,474
Investment earnings					721,653
Miscellaneous					90,535
Total general revenues					\$ 8,532,126
Change in net position					\$ 120,588
Net position - January 1					76,511,132
Net position - December 31					\$ 76,631,720

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	General	Special Revenue Funds				Other Governmental Funds (Statement 1)	Total Governmental Funds
		Road and Bridge	Human Services	Land Management	Nursing Service		
<u>Assets</u>							
Cash and pooled investments	\$ 5,525,952	\$ 4,923,610	\$ 4,534,685	\$ 1,411,127	\$ 140,168	\$ 1,795,810	\$ 18,331,352
Investments	1,122,492	-	-	-	-	-	1,122,492
Taxes receivable - prior	56,534	18,030	27,032	-	-	7,315	108,911
Special assessments receivable - prior	-	-	-	-	-	46,371	46,371
Accounts receivable	7,212	-	22,135	-	-	-	29,347
Accrued interest receivable	16,873	-	-	-	-	-	16,873
Contracts receivable	-	-	-	443,158	-	-	443,158
Due from other funds	65,176	20,572	-	-	-	-	85,748
Due from other governments	97,497	3,126,248	186,747	-	80,915	-	3,491,407
Inventories	-	509,176	-	-	-	-	509,176
Special assessments - noncurrent	-	-	-	-	-	25,570	25,570
Total Assets	\$ 6,891,736	\$ 8,597,636	\$ 4,770,599	\$ 1,854,285	\$ 221,083	\$ 1,875,066	\$ 24,210,405
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>							
Liabilities							
Accounts payable	\$ 214,334	\$ 76,356	\$ 58,175	\$ 439	\$ 13,094	\$ 2,199	\$ 364,597
Salaries payable	61,981	22,521	32,955	3,739	10,005	2,167	133,368
Contracts payable	-	10,290	-	-	-	-	10,290
Due to other funds	20,312	-	-	65,176	-	260	85,748
Due to other governments	13,545	110,210	30,828	48,882	-	1,183	204,648
Total Liabilities	\$ 310,172	\$ 219,377	\$ 121,958	\$ 118,236	\$ 23,099	\$ 5,809	\$ 798,651
Deferred Inflows of Resources							
Taxes	\$ 42,577	\$ 13,609	\$ 20,386	\$ -	\$ -	\$ 5,591	\$ 82,163
Special assessments	-	-	-	-	-	64,467	64,467
County State Aid Highway Allotment	-	3,088,637	-	-	-	-	3,088,637
Land and timber sales	-	-	-	397,375	-	-	397,375
Total Deferred Inflows of Resources	\$ 42,577	\$ 3,102,246	\$ 20,386	\$ 397,375	\$ -	\$ 70,058	\$ 3,632,642
Fund Balances							
Nonspendable	\$ -	\$ 509,176	\$ -	\$ -	\$ -	\$ -	\$ 509,176
Restricted	1,636,924	-	-	1,051,737	-	255,353	2,944,014
Committed	1,013,119	-	-	-	-	-	1,013,119
Assigned	3,194,797	4,766,837	4,628,255	286,937	197,984	1,543,846	14,618,656
Unassigned	694,147	-	-	-	-	-	694,147
Total Fund Balances	\$ 6,538,987	\$ 5,276,013	\$ 4,628,255	\$ 1,338,674	\$ 197,984	\$ 1,799,199	\$ 19,779,112
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 6,891,736	\$ 8,597,636	\$ 4,770,599	\$ 1,854,285	\$ 221,083	\$ 1,875,066	\$ 24,210,405

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2024**

Fund balances - total governmental funds (Exhibit 3)	\$	19,779,112
<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>		59,349,006
<p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.</p>		3,632,642
<p>Deferred outflows of resources are not available resources and, therefore, are not reported in the governmental funds:</p>		
<p>Deferred outflows of resources related to other post-employment benefits</p>	\$ 12,635	
<p>Deferred outflows of resources related pensions</p>	<u>1,627,925</u>	1,640,560
<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>	\$ (1,005,404)	
<p>Right to use leases payable</p>	(127,922)	
<p>Other post-employment benefits</p>	(90,802)	
<p>Net pension liability</p>	<u>(2,811,510)</u>	(4,035,638)
<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>	\$ (11,299)	
<p>Deferred inflows of resources related to pensions</p>	<u>(3,722,663)</u>	<u>(3,733,962)</u>
Net position of governmental activities (Exhibit 1)	\$	<u>76,631,720</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	General	Special Revenue Funds				Other Governmental Funds (Statement 2)	Total Governmental Funds
		Road and Bridge	Human Services	Land Management	Nursing Service		
Revenues							
Taxes	\$ 2,855,863	\$ 887,226	\$ 1,334,306	\$ -	\$ -	\$ 343,684	\$ 5,421,079
Special assessments	-	-	-	-	-	518,993	518,993
Licenses and permits	19,155	-	-	130	-	238	19,523
Intergovernmental	2,353,382	3,750,926	2,222,758	84,259	161,140	175,474	8,747,939
Charges for services	536,674	337,328	199,579	5,436	523,282	33,631	1,635,930
Fines and forfeitures	1,970	-	-	-	-	-	1,970
Investment earnings	721,653	-	-	-	-	-	721,653
Land and timber sales	-	-	-	514,030	-	-	514,030
Miscellaneous	317,490	54,946	176,096	16,970	8,097	12,201	585,800
Total Revenues	\$ 6,806,187	\$ 5,030,426	\$ 3,932,739	\$ 620,825	\$ 692,519	\$ 1,084,221	\$ 18,166,917
Expenditures							
Current							
General government	\$ 3,727,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,727,639
Public safety	2,728,379	-	-	-	-	-	2,728,379
Highways and streets	-	4,373,097	-	-	-	-	4,373,097
Sanitation	-	-	-	-	-	1,045,721	1,045,721
Human services	-	-	3,596,942	-	-	-	3,596,942
Health	25,052	-	-	-	502,228	-	527,280
Culture and recreation	477,518	-	-	-	-	-	477,518
Conservation of natural resources	721,579	-	-	492,429	-	500	1,214,508
Economic development	2,400	-	-	-	-	-	2,400
Total Current	\$ 7,682,567	\$ 4,373,097	\$ 3,596,942	\$ 492,429	\$ 502,228	\$ 1,046,221	\$ 17,693,484
Capital outlay							
General government	\$ 80,920	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 80,920
Public safety	301,961	-	-	-	-	-	301,961
Highways and streets	-	398,043	-	-	-	-	398,043
Human services	-	-	379,035	-	-	-	379,035
Conservation of natural resources	-	-	-	42,163	-	-	42,163
Sanitation	-	-	-	-	-	84,309	84,309
Total Capital Outlay	\$ 382,881	\$ 398,043	\$ 379,035	\$ 42,163	\$ -	\$ 84,309	\$ 1,286,431
Total Expenditures	\$ 8,065,448	\$ 4,771,140	\$ 3,975,977	\$ 534,592	\$ 502,228	\$ 1,130,530	\$ 18,979,915
Excess of Revenues Over (Under) Expenditures	\$ (1,259,261)	\$ 259,286	\$ (43,238)	\$ 86,233	\$ 190,291	\$ (46,309)	\$ (812,998)
Other Financing Sources (Uses)							
Transfers in	\$ 165,176	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 165,176
Transfers out	-	-	-	(65,176)	(100,000)	-	(165,176)
Total Other Financing Sources (Uses)	\$ 165,176	\$ -	\$ -	\$ (65,176)	\$ (100,000)	\$ -	\$ -
Net Change in Fund Balance	\$ (1,094,085)	\$ 259,286	\$ (43,238)	\$ 21,057	\$ 90,291	\$ (46,309)	\$ (812,998)
Fund Balance - January 1	7,633,072	4,956,335	4,671,493	1,317,617	107,693	1,845,508	20,531,718
Increase (decrease) in inventories	-	60,392	-	-	-	-	60,392
Fund Balance - December 31	\$ 6,538,987	\$ 5,276,013	\$ 4,628,255	\$ 1,338,674	\$ 197,984	\$ 1,799,199	\$ 19,779,112

**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, 2024**

Net change in fund balances - total governmental funds (Exhibit 5) \$ (812,998)

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	\$ 1,051,389	
Current year depreciation	<u>(2,484,179)</u>	(1,432,790)

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	2,052,460
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The issuance of long term debt provides current financial resources to the
governmental funds while the repayment of debt consumes current financial
resources. Neither transaction has any effect on net position.

Principal repayment of right to use leases	49,887
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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	\$ 60,392	
Compensated absences payable	(152,746)	
Other post-employment benefits	(1,967)	
Deferred outflows related to other post-employment benefits	4,344	
Deferred inflows related to other post-employment benefits	8,163	
Net pension liability	1,867,242	
Deferred outflows related to net pension liability	(1,154,622)	
Deferred inflows related to net pension liability	<u>(366,777)</u>	<u>264,029</u>

Change in net position of governmental activities (Exhibit 2) \$ 120,588

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2024**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 3)	Total Fiduciary Funds
<u>Assets</u>			
Cash and pooled investments	\$ 19,909	\$ 397,091	\$ 417,000
Due from other governments	-	230,504	230,504
Total Assets	\$ 19,909	\$ 627,595	\$ 647,504
<u>Liabilities</u>			
Accounts payable	\$ -	\$ 193,335	\$ 193,335
Due to other governments	-	131,326	131,326
Total Liabilities	\$ -	\$ 324,661	\$ 324,661
<u>Net Position</u>			
Restricted for Individuals, organizations, other governments	\$ 19,909	\$ 302,934	\$ 322,843

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

EXHIBIT 8

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Social Welfare Private-Purpose Trust Fund	Custodial Funds (Statement 4)	Total Fiduciary Funds
Additions			
Property tax collections for other governments	\$ -	\$ 14,618,853	\$ 14,618,853
Intergovernmental receipts for other governments	-	1,571,259	1,571,259
Fees for other governments	-	235,523	235,523
Investment earnings	-	4,452	4,452
Miscellaneous	80,353	420	80,773
Total Additions	\$ 80,353	\$ 16,430,507	\$ 16,510,860
Deductions			
Payments of property tax to other governments	\$ -	\$ 10,407,946	\$ 10,407,946
Payments to state	-	4,236,697	4,236,697
Administrative expense	-	267,613	267,613
Payments to other entities/individuals	91,387	1,530,976	1,622,363
Total Deductions	\$ 91,387	\$ 16,443,232	\$ 16,534,619
Change in net position	\$ (11,034)	\$ (12,725)	\$ (23,759)
Net Position – January 1	30,943	315,659	346,602
Net Position – December 31	\$ 19,909	\$ 302,934	\$ 322,843

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024, based on market prices. Pursuant to Minnesota Statute, § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Pooled investment earnings for 2024 were \$643,676. Total investment earnings were \$721,653.

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 2014 through 2024 and non-current special assessments payable in 2025 and beyond. 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, machinery and equipment, and right-to-use leases are depreciated and amortized 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
Right-to-use leases	4-5

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, sick leave, and earned sick and safe time balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. 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, 2024. 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, 2024.

**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.

**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:

Governmental funds	
Cash and pooled investments	\$ 18,331,352
Investments	1,122,492
Fiduciary funds	
Cash and pooled investments	417,000
Total cash and investments	\$ 19,870,844
Cash on hand	\$ 4,475
Checking accounts	3,372,485
Savings accounts	3,368,425
Certificates of deposit	2,875,207
Investments	10,250,252
Total deposits and investments	\$ 19,870,844

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, 2024, 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, 2024, the County had the following investments and maturities:

	Fair Value	Less Than 1 Year	1-5 Years	5+ Years
MAGIC Fund	\$ 6,662,066	\$ 6,662,066	\$ -	\$ -
Negotiable Certificates of Deposit	1,476,214	490,988	985,226	-
Money Market	585,289	585,289	-	-
Municipal Bonds	1,526,683	325,148	900,456	301,079
Total Investments	<u>\$ 10,250,252</u>	<u>\$ 8,063,491</u>	<u>\$ 1,885,682</u>	<u>\$ 301,079</u>
	100%	79%	18%	3%

**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, 2024, is as follows:

	S & P Rating	Fair Value
Municipal Bonds	AA+	\$ 301,079
Municipal Bonds	AA	925,576
Municipal Bonds	AAA	300,028
Negotiable CDs	N/R	1,476,214
MAGIC Cash Management Funds	N/A	6,662,066
Money Market	N/A	585,289
		\$ 10,250,252

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, 2024, the following investments may be subject to custodial credit risk:

Money Market	\$ 85,289
Municipal Bonds	1,026,683
Total investments subject to custodial credit risk:	\$ 1,111,972

**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, 2024, the County had \$1,476,214 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, 2024, the County had the following recurring fair value measurements:

	<u>Fair Value Measurements Using</u>	
	December 31, 2024	Significant Other Observable Inputs (Level 2)
Investments by fair value level		
Municipal Bonds	\$ 1,526,683	\$ 1,526,683
Money Market	585,289	585,289
Negotiable certificate of deposit	1,476,214	1,476,214
Total Investments	\$ 3,588,186	\$ 3,588,186
Investments measured at the net asset value - MAGIC	\$ 6,662,066	

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 1 or Level 3 investments at December 31, 2024.

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, 2024, 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	\$ 108,911	\$ -
Special assessments receivable	71,941	25,570
Accounts receivable	29,347	-
Accrued interest receivable	16,873	-
Contracts receivable	443,158	-
Due from other governments	3,491,407	-
Total	\$ 4,161,637	\$ 25,570

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, 2025. Lease payments are \$7,545 per month and are equal to the depreciation expense on the leased assets. Payments received on this lease totaled \$90,535 for the year ended December 31, 2024.

**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, 2024, was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 1,034,382	\$ -	\$ -	\$ 1,034,382
Construction in progress	1,646,950	1,119,413	2,368,078	398,285
	<u>\$ 2,681,332</u>	<u>\$ 1,119,413</u>	<u>\$ 2,368,078</u>	<u>\$ 1,432,667</u>
Total capital assets not depreciated				
Capital assets being depreciated				
Infrastructure	\$ 80,632,299	\$ 1,029,007	\$ -	\$ 81,661,306
Buildings and improvements	10,648,958	448,890	-	11,097,848
Machinery and equipment	8,440,025	843,541	474,249	8,809,317
Right to Use	-	177,809	-	177,809
	<u>\$ 99,721,282</u>	<u>\$ 2,499,247</u>	<u>\$ 474,249</u>	<u>\$ 101,746,280</u>
Total capital assets being depreciated				
Less: accumulated depreciation for				
Infrastructure	\$ 27,615,332	\$ 1,613,519	\$ -	\$ 29,228,851
Buildings and improvements	8,203,658	258,340	-	8,461,998
Machinery and equipment	5,979,637	562,433	452,865	6,089,205
Right to Use	-	49,887	-	49,887
	<u>\$ 41,798,627</u>	<u>\$ 2,484,179</u>	<u>\$ 452,865</u>	<u>\$ 43,829,941</u>
Total accumulated depreciation				
Total capital assets, depreciated, net	<u>\$ 57,922,655</u>	<u>\$ 15,068</u>	<u>\$ 21,384</u>	<u>\$ 57,916,339</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 60,603,987</u>	<u>\$ 1,134,481</u>	<u>\$ 2,389,462</u>	<u>\$ 59,349,006</u>

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

Governmental Activities	
General government	\$ 141,798
Public safety	296,974
Highways and streets, including depreciation of infrastructure assets	1,963,486
Sanitation	32,527
Human services	28,207
Health	6,580
Culture and recreation	6,053
Conservation of natural resources	8,554
	<u>8,554</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,484,179</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2024, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	
General Fund	Land Management Special Revenue Fund	\$ 65,176	Forfeited settlement
Road and Bridge Special Revenue Fund	General Fund	\$ 20,312	Reimbursements
	Solid Waste Special Revenue Fund	260	Reimbursements
Due to Road and Bridge Special Revenue Fund		<u>\$ 20,572</u>	
Total Due To/From Other Funds		<u>\$ 85,748</u>	

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

2. Interfund Transfers

Interfund transfers for the year ended December 31, 2024, consisted of the following operating transfers:

Transfer to General Fund from			
Land Management Special Revenue Fund	\$ 65,176		Forfeited settlement
Nursing Services Special Revenue Fund	<u>100,000</u>		Reimburse portion of previous transfer for operations
Total interfund transfers	<u>\$ 165,176</u>		

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2024, were as follows:

Accounts payable	\$ 364,597
Salaries payable	133,368
Contracts payable	10,290
Due to other governments	<u>204,648</u>
Total Payables	<u>\$ 712,903</u>

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources (Continued)

2. Construction Contracts

Construction in progress consists of a highway construction project. The County had one active highway construction project and commitment as of December 31, 2024, with \$1,235,099 spent to date and remaining contract commitment of \$33,952, 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. Employees leaving with proper notice will be paid for their accrued vacation leave.

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. Earned sick and safe time leave is accrued by part-time employees at the rate of one hour for every 30 hours worked, with a maximum balance of 48 per year and a carryover maximum of 80 hours.

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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

3. Compensated Absences

b. Accrued Sick Leave (Continued)

Unused compensatory time, accumulated vacation and vested sick leave are paid to employees upon termination. Unvested sick leave, approximately \$827,452 at December 31, 2024, is available to employees in the event of illness-related absences and is not paid to them at termination.

4. Long-Term Debt

a. Right-to-use Leases Payable

The County has entered into lease agreements for the right-to-use certain assets including copiers. In accordance with Governmental Accounting Standards Board Pronouncements No. 87, these assets and the related amortization of debt payments have been recorded in the financial statements.

During fiscal year 2024, lease expenditures approximated \$49,887 for non-cancellable leases with terms in excess of one year. These expenditures were for the use of multi-function copiers, printers, and scanners. These leases are dated from 2022 to 2024, with terms of 48 to 60 months.

Year Ending December 31	Right-to-use Assets Principal
2025	\$ 49,002
2026	37,918
2027	28,399
2028	12,446
2029	157
Total	\$ 127,922

5. Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended December 31, 2024, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Net OPEB Payable	\$ 88,835	\$ 1,967	\$ -	\$ 90,802	\$ -
Compensated Absences	852,658	669,959	517,213	1,005,404	400,708
Net Pension Liability	4,678,752	-	1,867,242	2,811,510	-
Right-to-use	-	177,809	49,887	127,920	49,002
Governmental Activities Long-Term Liabilities	\$ 5,620,245	\$ 849,735	\$ 2,384,455	\$ 3,907,716	\$ 400,708

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds

C. Liabilities and Deferred Inflows of Resources

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, 2024, are summarized below by fund:

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Land & Timber Sales</u>	<u>CSAH</u>	<u>Total</u>
Governmental funds					
General Fund	\$ 42,577	\$ -	\$ -	\$ -	\$ 42,577
Road and Bridge Special Revenue Fund	13,609	-	-	3,088,637	3,102,246
Human Services Special Revenue Fund	20,386	-	-	-	20,386
Land Management Special Revenue Fund	-	-	397,375	-	397,375
Ditch Special Revenue Fund	-	25,706	-	-	25,706
Solid Waste Special Revenue Fund	5,591	38,761	-	-	44,352
	<u>\$ 82,163</u>	<u>\$ 64,467</u>	<u>\$ 397,375</u>	<u>\$ 3,088,637</u>	<u>\$ 3,632,642</u>
Total	<u>\$ 82,163</u>	<u>\$ 64,467</u>	<u>\$ 397,375</u>	<u>\$ 3,088,637</u>	<u>\$ 3,632,642</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

III. Detailed Notes on All Funds (Continued)

C. Fund Balances

Fund balances at year-end December 31, 2024, were as follows:

Fund Balances	<u>General</u>	<u>Road and Bridge</u>	<u>Human Services</u>	<u>Nursing Service</u>	<u>Land Management</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable							
Inventories	\$ -	\$ 509,176	\$ -	\$ -	\$ -	\$ -	\$ 509,176
Restricted by enabling legislation							
AIS prevention	\$ 252,053	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 252,053
Conservation of Natural Resources	-	-	-	-	-	255,353	255,353
Opioid Settlement	222,662	-	-	-	-	-	222,662
DARE program	1,334	-	-	-	-	-	1,334
Enhanced 911	398,857	-	-	-	-	-	398,857
Handgun permits	23,470	-	-	-	-	-	23,470
Help America Vote Act	59,462	-	-	-	-	-	59,462
Law library	9,976	-	-	-	-	-	9,976
Memorial forest	-	-	-	-	352,892	-	352,892
Missing heirs	27,678	-	-	-	-	-	27,678
Probation	44,028	-	-	-	-	-	44,028
Recorder's process compliance	27,390	-	-	-	-	-	27,390
Recorder's technology	11,057	-	-	-	-	-	11,057
Riparian protection aid	539,489	-	-	-	-	-	539,489
Sheriff's contingent fund	859	-	-	-	-	-	859
Sheriff's forfeited property	18,218	-	-	-	-	-	18,218
Snowmobile safety	391	-	-	-	-	-	391
Timber development	-	-	-	-	698,845	-	698,845
Total restricted	\$ 1,636,924	\$ -	\$ -	\$ -	\$ 1,051,737	\$ 255,353	\$ 2,944,014
Committed to							
Landfill	\$ 600,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 600,000
Rural signing	413,119	-	-	-	-	-	413,119
Total committed	\$ 1,013,119	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,013,119
Assigned to							
General government	\$ 1,872,986	\$ -	\$ -	-	\$ -	\$ -	\$ 1,872,986
Public safety	153,822	-	-	-	-	-	153,822
Culture and recreation	524,040	-	-	-	-	-	524,040
Forfeited land	-	-	-	-	286,937	-	286,937
Health	640,739	-	-	-	-	-	640,739
Highways and streets	-	4,766,837	-	-	-	-	4,766,837
Human services	-	-	4,628,255	-	-	-	4,628,255
Nursing service	-	-	-	197,984	-	-	197,984
Conservation	3,210	-	-	-	-	-	3,210
Sanitation	-	-	-	-	-	1,543,596	1,543,596
Unorganized townships	-	-	-	-	-	250	250
Total assigned	\$ 3,194,797	\$ 4,766,837	\$ 4,628,255	\$ 197,984	\$ 286,937	\$ 1,543,846	\$ 14,618,406
Unassigned	\$ 694,147	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 694,147
Total Fund Balances	\$ 6,538,987	\$ 5,276,013	\$ 4,628,255	\$ 197,984	\$ 1,338,674	\$ 1,799,199	\$ 19,779,112

**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 2023, there were approximately 72 participants in the plan, which includes 1 retiree.

B. Total OPEB Liability

The County's total OPEB liability of \$90,802 was determined by an actuarial valuation date of January 1, 2023, and measurement date of January 1, 2024.

The total OPEB liability in the fiscal year-end December 31, 2024, 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, 2023
Measurement Date:	January 1, 2024
Reporting Date:	December 31, 2024
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:	4.00%
20-Year Municipal Bond Yield:	4.00%
Inflation Rate:	2.50%
Salary Increases:	Service graded table
Medical Trend Rate:	6.25% decreasing to 5.00% then 4.00%.

The current year discount rate is 4.00 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 4.00 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, 2023.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

C. Changes in Total OPEB Liability

	Increase (Decrease)
	Total OPEB Liability
Balance at December 31, 2023	\$ 88,835
Changes for the year:	
Service cost	\$ 6,605
Interest cost	3,653
Benefit payments	(8,291)
Net change in Total OPEB Liability	\$ 1,967
Total OPEB Liability at December 31, 2024	\$ 90,802

D. OPEB Liability Sensitivity

The following presents the total OPEB Liability of the County, calculated using the discount rate of 4.00 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	3.00%	\$	95,714
Current Discount Rate	4.00%	\$	90,802
1% Higher	5.00%	\$	86,147

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%	\$	83,232
Current Discount Rate	6.25%	\$	90,802
1% Higher	7.25%	\$	99,595

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, 2024, the County recognized OPEB expense of \$2,095. 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	\$ -	\$ 5,016
Assumption Changes	-	6,283
Estimated Employer Contributions	12,635	-
Total	\$ 12,635	\$ 11,299

The \$12,635 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, 2025.

**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>
2025	\$ (8,156)
2026	\$ (3,143)

H. Changes in Actuarial Assumptions and Plan Provisions

There were no assumption changes for the fiscal year ending December 31, 2024.

V. Defined Benefit Pension Plans

A. Plan Descriptions

Clearwater County participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan’s financial reporting requirements. PERA’s defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan (Police and Fire Plan)

Membership in the Police & Fire Plan includes fulltime, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity’s governing body. The resolution must state that the position meets plan requirements.

3. Public Employee Local Government Correctional Service Retirement Plan (Correctional Plan)

Membership in the Correctional Plan includes correctional officers serving in county and regional adult and juvenile corrections facilities. Participants must be responsible for the security, custody, and control of the facilities and their inmates.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

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. When a member is “vested”, they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member’s highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2 percent of the highest average salary for each of the first 10 years of service and 1.7 percent for each additional year. Under the Level formula, General Plan members receive 1.7 percent of highest average salary for all years of service. For members hired prior to July 1, 1989, a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25 percent for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25 percent of each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989, or at a age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

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. The 2024 annual increase was 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 increase will receive a prorated increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417 percent each month members are younger than age 55.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

B. Benefits Provided

2. Police and Fire Plan Benefits (Continued)

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 prorated increase.

3. Correctional Plan Benefits

Benefits for Correctional Plan members first hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50 percent vested after five years of service and 100 percent vested after ten years. After five years, vesting increases by 10 percent each full year of service until members are 100 percent vested after ten years. Correctional Plan members receive a full retirement benefit when they are age 55 and vested or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement begins at age 50 with an actuarial reduction applied to the benefit.

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 1 percent and a maximum of 2.5 percent. The 2024 annual increase was 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 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 prorated increase.

C. Contributions

Minnesota Statutes Chapter 353, 353E, 353G, and 356 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 2024 and Clearwater County was required to contribute 7.50 percent for General Plan members. Clearwater County's contributions to the General Employees Fund for the year ended December 31, 2024, were \$364,899. 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 member's members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2024 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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

C. Contributions

2. Police and Fire Fund Contributions (Continued)

year ended December 31, 2024, were \$120,754. 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 2024 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, 2024, were \$52,977. 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, 2024, Clearwater County reported a liability of \$2,064,406 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 \$53,381.

Clearwater County's Proportionate share of the net pension liability	\$ 2,064,406
State of Minnesota's proportionate share of the net pension liability associated with Clearwater County	<u>53,381</u>
Total	<u>\$ 2,117,787</u>

The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .0558 percent at the end of the measurement period and .0642 percent for the beginning of the period.

There were no provision changes during the measurement period.

For the year ended December 31, 2024, Clearwater County recognized pension expense of (\$16,751) 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 \$1,431 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.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. Clearwater County recognized \$94,982 for the year ended December 31, 2024, 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 General Employees Fund.

At December 31, 2024, Clearwater County reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 204,347	\$ -
Changes in actuarial assumptions	11,799	870,729
Net collective difference between projected and actual investment earnings investment earnings	-	625,346
Changes in proportion	-	434,146
Contributions paid to PERA subsequent to the measurement date	156,280	-
Total	\$ 372,426	\$ 1,930,221

The \$156,280 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, 2025. 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:
2025	\$ (936,995)
2026	\$ (233,013)
2027	\$ (385,843)
2028	\$ (158,224)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2024, Clearwater County reported a liability of \$675,118 for its proportionate share of the Police and Fire Fund’s net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA’s participating employers. Clearwater County’s proportionate share was .0513 percent at the end of the measurement period and .0560 percent for the beginning of the period.

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. 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’s proportionate share of the net pension liability associated with the Clearwater County totaled \$25,735.

Clearwater County's	
Proportionate share of the net pension liability	\$ 675,118
State of Minnesota's proportionate share of the net pension liability associated with Clearwater County	25,735
Total	\$ 700,853

For the year ended December 31, 2024, Clearwater County recognized pension expense of \$87,530 for its proportionate share of the Police and Fire Plan’s pension expense. Clearwater County recognized \$2,878 as grant revenue and pension expense for its proportionate share of the State of Minnesota’s pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

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 \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. Clearwater County recognized \$14,572 for the year ended December 31, 2024, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota’s on-behalf contribution to the Police and Fire Fund.

At December 31, 2024, Clearwater County reported 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	\$ 279,214	\$ -
Changes in actuarial assumptions	804,419	1,084,639
Net collective difference between projected and actual investment earnings investment earnings	-	190,323
Changes in proportion	28,269	118,973
Contributions paid to PERA subsequent to the measurement date	57,560	-
Total	\$ 1,169,462	\$ 1,393,935

The \$57,560 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, 2025. 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:
2025	\$ (34,621)
2026	\$ 176,196
2027	\$ (118,230)
2028	\$ (307,456)
2029	\$ 2,078

3. Correctional Plan Pension Costs

At December 31, 2024, Clearwater County reported a liability of \$71,986 for its proportionate share of the Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. Clearwater County's proportionate share was .2362 percent at the end of the measurement period and .2729 percent for the beginning of the period.

For the year ended December 31, 2024, Clearwater County recognized pension expense of \$101,710 for its proportionate share of the Correctional Plan's pension expense.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$5.3 million to the Correctional Employees Fund. The State of Minnesota is not included as a non-employer contributing

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

D. Pension Costs

3. Correctional Plan Pension Costs (Continued)

entity in the Correctional Plan pension allocation schedules for the \$5.3 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. Clearwater County recognized \$12,414 for the year ended December 31, 2024, 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 Correctional Employees Fund.

At December 31, 2024, Clearwater County reported 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	\$ 54,223	\$ -
Changes in actuarial assumptions	-	281,402
Difference between projected and actual investment earnings	-	106,042
Changes in proportion	4,764	11,063
Contributions paid to PERA subsequent to the measurement date	27,050	-
Total	\$ 86,037	\$ 398,507

The \$27,050 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, 2025. 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:
2025	\$ (314,195)
2026	\$ 41,503
2027	\$ (39,924)
2028	\$ (26,904)

3. Total Pension Expense

The total pension expense for all plans recognized by Clearwater County for the year ended December 31, 2024, was \$281,316.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

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 weighing 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:

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 for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7%. The 7% assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7% is within that range.

- Inflation is assumed to be 2.25% for the General Employees Plan, Police & Fire Plan, and the Correctional Plan.
- Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan, 1% for the Police & Fire Plan, and 2% for the Correctional Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3% after 27 years of service. In the Police and Fire Plan, salary growth assumptions range in annual increments from 11.75% after one year of service to 3% after 24 years of service. In the Correctional Plan, salary growth assumptions range from 11% at age 20 to 3% 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 & 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 General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023, actuarial valuation. The Police & Fire Plan and Correctional Plan were reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025, actuarial valuation.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates of Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

Police and Fire Fund

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

Correctional Fund

Changes in Plan Provisions:

- Employee contribution rates will increase from 5.83% of pay to 6.83% of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75% of pay to 10.25% of pay, effective July 1, 2025.
- The benefit multiplier changed from 1.9% to 2.2% for service earned after June 30, 2025.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

V. Defined Benefit Pension Plans (Continued)

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees, Police and Fire, and Correctional Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension Liability Sensitivity

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

Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates			Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates		
General Employees Fund			Police and Fire Fund		
1% Lower	6.00%	\$ 4,508,993	1% Lower	6.00%	\$ 1,595,436
Current Discount Rate	7.00%	\$ 2,064,406	Current Discount Rate	7.00%	\$ 675,118
1% Higher	8.00%	\$ 53,509	1% Higher	8.00%	\$ (80,655)
Sensitivity Analysis Net Pension Liability (Asset) at Different Discount Rates					
Correctional Fund					
1% Lower	6.00%	\$ 584,972			
Current Discount Rate	7.00%	\$ 71,986			
1% Higher	8.00%	\$ (336,688)			

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.

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

ambulance service personnel, employer contributions are determined by the employer, and for salaried employee contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by Clearwater County during fiscal year 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rate
\$ 3,861	\$ 3,861	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 2024 and 2025. 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, 2024. Clearwater County, in an agent capacity, reports the cash transactions of the Development Organization as a custodial 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 9th Avenue North, Moorhead, Minnesota 56560.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures (Continued)

3. Joint County Natural Resources Board

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

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

The Joint County Natural Resources Board has no long-term debt. Financing is provided by appropriations from member counties. Clearwater County contributed \$500 to the Natural Resources Board for the year ended December 31, 2024. 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, 2024. Cass County maintains the accounting records of the Board.

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

5. North Country Community Health Service

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

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

**CLEARWATER COUNTY
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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, 2024. Clearwater County, in an agent capacity, reports the cash transactions of the Health Service as a custodial 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, 2024. 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 City 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, 2024. Complete financial information can be obtained from Itasca County, 123 NE 4th Street, Grand Rapids, MN 55744.

8. Northwest Minnesota Six County Joint Powers Board

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

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

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

9. Northwest Service Cooperative

The Northwest Service Cooperative (NWSC) was established in February, 1977, pursuant to Minnesota Statutes, §§ 471.59 and 123.582. The NWSC is located in State Development Regions One and Two which includes 12 counties covering a total of 14,853 miles. These are the most sparsely populated regions of the state with only 11 persons per square mile. The regions are known as "Pine to Prairie." The NWSC provides service to all school districts, and many cities, counties, and other governmental agencies in the northwest region. The Northwest Service Cooperative's purpose is to meet or exceed 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, 2024. 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 a custodial 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 \$6,778 to the Waste Management Group

**CLEARWATER COUNTY
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VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

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

for the year ended December 31, 2024. Clearwater County, in an agent capacity, reports the cash transactions as a custodial 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 Clearwater 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 \$88,755 for the year ended December 31, 2024. Beltrami County, in an agent capacity, reports the cash transactions of the Northwestern Minnesota Juvenile Center as a custodial 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 Mahnommen 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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Joint Ventures

13. Paul Bunyan Task Force (Continued)

information can be obtained from the City of Bemidji, Administrative Offices - County Hall, 317 - 4th Street N.W., Bemidji, Minnesota 56601.

14. PrimeWest County-Based Purchasing Initiative

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

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

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

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

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, 2024.

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

D. Jointly-Governed Organizations

2. Lake Agassiz Regional Library (Continued)

represent 12 signatory entities. Clearwater County appropriated \$115,610 to the Lake Agassiz Regional Library for the year ended December 31, 2024.

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, Mahnomon, 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, 2024.

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 \$166 to the RRBC for the year ended December 31, 2024.

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, Mahnomon, 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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

VII. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

6. Red Lake Watershed District (Continued)

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.

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, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,670,500	\$ 3,670,500	\$ 2,855,863	\$ (814,637)
Licenses and permits	28,200	28,200	19,155	(9,045)
Intergovernmental	1,821,445	1,821,445	2,353,382	531,937
Charges for services	553,990	553,990	536,674	(17,316)
Fines and forfeitures	5,000	5,000	1,970	(3,030)
Investment earnings	417,000	417,000	721,653	304,653
Miscellaneous	287,494	287,494	317,490	29,996
Total Revenues	\$ 6,783,629	\$ 6,783,629	\$ 6,806,187	\$ 22,558
Expenditures				
Current				
General government				
Commissioners	\$ 241,645	\$ 241,645	\$ 258,613	\$ (16,968)
District court	48,000	48,000	33,547	14,453
Law library	14,000	14,000	16,088	(2,088)
County auditor/treasurer	597,749	597,749	653,064	(55,315)
County assessor	426,633	426,633	419,638	6,995
Elections	74,500	74,500	103,296	(28,796)
Accounting and auditing services	36,000	36,000	21,100	14,900
Management information systems	767,365	767,365	846,068	(78,703)
Personnel	9,650	9,650	1,073	8,577
Attorney	515,270	515,270	411,142	104,128
Safety control coordinator	2,500	2,500	1,035	1,465
Recorder	313,664	313,664	307,848	5,816
Motor pool	26,000	26,000	25,518	482
Buildings and grounds	32,000	32,000	20,870	11,130
Building maintenance	310,783	310,783	281,608	29,175
Veterans service officer	94,656	94,656	77,762	16,894
Insurance	417,400	417,400	208,344	209,056
Other general government	29,810	29,810	41,025	(11,215)
Total general government	\$ 3,957,625	\$ 3,957,625	\$ 3,727,639	\$ 229,986
Public safety				
Sheriff	\$ 1,251,240	\$ 1,251,240	\$ 1,159,381	\$ 91,859
Boat and water safety	6,986	6,986	15,403	(8,417)
Handgun permits	20,410	20,410	22,528	(2,118)
Coroner	31,500	31,500	27,632	3,868
Enhanced 911	20,552	20,552	39,415	(18,863)
Snowmobile safety	2,678	2,678	3,289	(611)
DARE program	1,500	1,500	334	1,166

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current				
Public safety (Continued)				
Emergency services	\$ 29,336	\$ 29,336	\$ 11,888	\$ 17,448
Rural signing	10,000	10,000	22,396	(12,396)
Law enforcement center	1,327,651	1,327,651	1,282,385	45,266
Probation and parole	144,400	144,400	51,181	93,219
Radio jail project	10,500	10,500	3,550	6,950
Sentence to serve	72,049	72,049	69,672	2,377
Law enforcement center canteen	12,000	12,000	15,748	(3,748)
Other public safety	46,904	46,904	3,577	43,327
Total public safety	\$ 2,987,706	\$ 2,987,706	\$ 2,728,379	\$ 259,327
Health				
Medical facilities management	\$ 18,500	\$ 18,500	\$ 25,052	\$ (6,552)
Culture and recreation				
Historical society	\$ 16,000	\$ 16,000	\$ 16,000	\$ -
Parks	366,039	366,039	308,321	57,718
Regional library	115,610	115,610	115,610	-
Snowmobile and ski trails	75,000	75,000	37,587	37,413
Total culture and recreation	\$ 572,649	\$ 572,649	\$ 477,518	\$ 95,131
Conservation of natural resources				
Agricultural society	\$ 35,000	\$ 35,000	\$ 35,000	\$ -
Aquatic invasive species	60,000	60,000	88,475	(28,475)
County extension	117,892	117,892	138,645	(20,753)
Environmental services	143,267	143,267	172,449	(29,182)
Predator and weed control	58,650	58,650	57,172	1,478
Riparian protection aid	12,580	12,580	12,580	-
Soil and water conservation	69,360	69,360	69,594	(234)
Soil survey	116,300	116,300	12,880	103,420
Water planning	47,703	47,703	26,722	20,981
Wetlands administration	113,094	113,094	103,896	9,198
Other conservation of natural resources	4,166	4,166	4,166	-
Total conservation of natural resources	\$ 778,012	\$ 778,012	\$ 721,579	\$ 56,433

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

***Schedule 1
(Continued)***

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures				
Current (Continued)				
Economic development				
Emerging Leader Program	\$ 500	\$ 500	\$ -	\$ 500
Mississippi Headwaters Board	1,500	1,500	1,500	-
Red River Valley Development	900	900	900	-
Total economic development	\$ 2,900	\$ 2,900	\$ 2,400	\$ 500
Total Current Expenditures	\$ 8,317,392	\$ 8,317,392	\$ 7,682,567	\$ 634,825
Capital outlay				
General government	\$ 35,000	\$ 35,000	\$ 80,920	\$ (45,920)
Public safety	128,000	128,000	301,961	(173,961)
Total capital outlay	\$ 163,000	\$ 163,000	\$ 382,881	\$ (219,881)
Total Expenditures	\$ 8,480,392	\$ 8,480,392	\$ 8,065,448	\$ 414,944
Excess of Revenues Over (Under) Expenditures	\$ (1,696,763)	\$ (1,696,763)	\$ (1,259,261)	\$ 437,502
Other Financing Sources (Uses)				
Transfers in	58,000	58,000	165,176	107,176
Net Change in Fund Balance	\$ (1,638,763)	\$ (1,638,763)	\$ (1,094,085)	\$ 544,678
Fund Balance - January 1	7,633,072	7,633,072	7,633,072	-
Fund Balance - December 31	\$ 5,994,309	\$ 5,994,309	\$ 6,538,987	\$ 544,678

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,092,859	\$ 1,092,859	\$ 887,226	\$ (205,633)
Intergovernmental	3,675,324	3,675,324	3,750,926	75,602
Charges for services	434,202	434,202	337,328	(96,874)
Miscellaneous	5,798	5,798	54,946	49,148
Total Revenues	\$ 5,208,183	\$ 5,208,183	\$ 5,030,426	\$ (177,757)
Expenditures				
Current				
Highways and Streets				
Administration	\$ 648,551	\$ 648,551	\$ 564,740	\$ 83,811
Maintenance	1,880,468	1,880,468	1,612,951	267,517
Construction	2,306,135	2,306,135	1,115,529	1,190,606
Equipment maintenance and shop	644,000	644,000	391,665	252,335
Materials for resale	-	-	34,431	(34,431)
Township roads	-	-	297,404	(297,404)
Other highways and streets	94,941	94,941	356,377	(261,436)
Capital outlay				
Highways and streets	460,200	460,200	398,043	62,157
Total Expenditures	\$ 6,034,295	\$ 6,034,295	\$ 4,771,140	\$ 1,263,155
Net Change in Fund Balance	\$ (826,112)	\$ (826,112)	\$ 259,286	\$ 1,085,398
Fund Balance - January 1	4,956,335	4,956,335	4,956,335	-
Increase (decrease) in inventories	-	-	60,392	60,392
Fund Balance - December 31	\$ 4,130,223	\$ 4,130,223	\$ 5,276,013	\$ 1,145,790

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
HUMAN SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,749,287	\$ 1,749,287	\$ 1,334,306	\$ (414,981)
Intergovernmental	1,825,009	1,825,009	2,222,758	397,749
Charges for services	80,500	80,500	199,579	119,079
Miscellaneous	341,702	341,702	176,096	(165,606)
Total Revenues	\$ 3,996,498	\$ 3,996,498	\$ 3,932,739	\$ (63,759)
Expenditures				
Current				
Human Services				
Income maintenance	\$ 1,994,197	\$ 1,994,197	\$ 1,544,414	\$ 449,783
Social services	2,659,958	2,659,958	2,052,528	607,430
Capital outlay				
Human services	-	-	379,035	(379,035)
Total Expenditures	\$ 4,654,155	\$ 4,654,155	\$ 3,975,977	\$ 678,178
Net Change in Fund Balance	\$ (657,657)	\$ (657,657)	\$ (43,238)	\$ 614,419
Fund Balance - January 1	4,671,493	4,671,493	4,671,493	-
Fund Balance - December 31	\$ 4,013,836	\$ 4,013,836	\$ 4,628,255	\$ 614,419

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
LAND MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Licenses and permits	\$ 300	\$ 300	\$ 130	\$ (170)
Intergovernmental	83,794	83,794	84,259	465
Charges for services	5,340	5,340	5,436	96
Land and timber sales	438,900	438,900	514,030	75,130
Miscellaneous	8,510	8,510	16,970	8,460
Total Revenues	\$ 536,844	\$ 536,844	\$ 620,825	\$ 83,981
Expenditures				
Current				
Conservation of natural resources				
Forfeited land	\$ 566,065	\$ 566,065	\$ 379,739	\$ 186,326
Forest access road	34,300	34,300	10,980	23,320
Timber development	69,208	69,208	52,615	16,593
Payments in lieu of taxes	49,988	49,988	49,095	893
Capital outlay				
Conservation of natural resources	42,000	42,000	42,163	(163)
Total Expenditures	\$ 761,561	\$ 761,561	\$ 534,592	\$ 226,969
Excess of Revenues Over (Under) Expenditures	\$ (224,717)	\$ (224,717)	\$ 86,233	\$ 310,950
Other Financing Sources (Uses)				
Transfers out	-	-	(65,176)	(65,176)
Net Change in Fund Balance	\$ (224,717)	\$ (224,717)	\$ 21,057	\$ 245,774
Fund Balance - January 1	1,317,617	1,317,617	1,317,617	-
Fund Balance - December 31	\$ 1,092,900	\$ 1,092,900	\$ 1,338,674	\$ 245,774

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 5

**BUDGETARY COMPARISON SCHEDULE
NURSING SERVICE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 112,802	\$ 112,802	\$ 161,140	\$ 48,338
Charges for services	324,273	324,273	523,282	199,009
Miscellaneous	-	-	8,097	8,097
Total Revenues	\$ 437,075	\$ 437,075	\$ 692,519	\$ 255,444
Expenditures				
Current				
Health				
Nursing service	435,449	435,449	502,228	(66,779)
Excess of Revenues Over (Under) Expenditures	\$ 1,626	\$ 1,626	\$ 190,291	\$ 188,665
Other Financing Sources (Uses)				
Transfers out	-	-	(100,000)	(100,000)
Net Change in Fund Balance	\$ 1,626	\$ 1,626	\$ 90,291	\$ 88,665
Fund Balance - January 1	107,693	107,693	107,693	-
Fund Balance - December 31	\$ 109,319	\$ 109,319	\$ 197,984	\$ 88,665

**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, 2024**

	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability							
Service cost	\$ 6,605	\$ 6,413	\$ 8,865	\$ 8,607	\$ 7,738	\$ 7,513	\$ 8,393
Interest cost	3,653	2,041	2,015	4,684	4,777	5,283	5,403
Differences between expected and actual experience	-	(4,721)	-	(13,297)	-	(30,279)	-
Changes of assumption or other inputs	-	(7,863)	-	(11,776)	-	(1,602)	-
Benefit payments	(8,291)	(5,317)	(8,951)	(12,936)	(18,665)	(12,421)	(20,662)
Net change in total OPEB liability	\$1,967	(\$9,447)	\$1,929	(\$24,718)	(\$6,150)	(\$31,506)	(\$6,866)
Total OPEB Liability - Beginning	88,835	98,282	96,353	121,071	127,221	158,727	165,593
Total OPEB Liability - Ending	<u>\$90,802</u>	<u>\$88,835</u>	<u>\$98,282</u>	<u>\$96,353</u>	<u>\$121,071</u>	<u>\$127,221</u>	<u>\$158,727</u>
Covered-employee payroll	\$4,390,054	\$4,262,188	\$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	2%	2%	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, 2024**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2024	\$ 364,899	\$ 364,899	\$ -	\$ 4,865,320	7.5%
December 31, 2023	\$ 353,468	\$ 353,468	\$ -	\$ 4,712,913	7.5%
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

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2024	\$ 120,754	\$ 120,754	\$ -	\$ 682,222	17.70%
December 31, 2023	\$ 128,011	\$ 128,011	\$ -	\$ 723,224	17.70%
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

Fiscal Year Ending	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2024	\$ 52,977	\$ 52,977	\$ -	\$ 605,449	8.75%
December 31, 2023	\$ 55,234	\$ 55,234	\$ -	\$ 631,247	8.75%
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%

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 8

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2024**

GENERAL EMPLOYEES RETIREMENT FUND PENSION PLAN

Fiscal Year Ending	Employer's Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the 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, 2024	0.0558%	\$ 2,064,406	\$ 53,381	\$ 2,117,787	\$ 4,519,320	45.68%	89.08%
June 30, 2023	0.0642%	\$ 3,588,341	\$ 99,023	\$ 3,687,364	\$ 5,283,605	67.91%	83.10%
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 Proportion of the Net Pension Liability	Employer's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the State of Minnesota's Proportionate Share of the Net Pension Liability	Employer's Proportionate Share of the 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, 2024	0.0513%	\$ 675,118	\$ 25,735	\$ 700,853	\$ 681,057	99.13%	90.17%
June 30, 2023	0.0560%	\$ 967,047	\$ 38,916	\$ 1,005,963	\$ 764,533	126.49%	86.47%
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 Proportion 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, 2024	0.2362%	\$ 71,986	\$ -	\$ 71,986	\$ 570,399	12.62%	97.54%
June 30, 2023	0.2729%	\$ 123,364	\$ -	\$ 123,364	\$ 668,976	18.44%	95.94%
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%

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024:

	Expenditures	Budget	Excess
General Fund			
General government			
Commissioners	\$ 258,613	\$ 241,645	\$ (16,968)
Law library	16,088	14,000	(2,088)
County auditor/treasurer	653,064	597,749	(55,315)
Elections	103,296	74,500	(28,796)
Management information systems	846,068	767,365	(78,703)
Other general government	41,025	29,810	(11,215)
Public safety			
Boat and water safety	15,403	6,986	(8,417)
Handgun permits	22,528	20,410	(2,118)
Enhanced 911	39,415	20,552	(18,863)
Snowmobile safety	3,289	2,678	(611)
Rural signing	22,396	10,000	(12,396)
Law enforcement center	15,748	12,000	(3,748)
Health			
Medical facilities management	25,052	18,500	(6,552)
Conservation of natural resources			
Aquatic invasive species	88,475	60,000	(28,475)
County extension	138,645	117,892	(20,753)
Environmental services	172,449	143,267	(29,182)
Soil and water conservation	69,594	69,360	(234)
Capital outlay			
General government	80,920	35,000	(45,920)
Public safety	301,961	128,000	(173,961)

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

I. Budgetary Information

B. Excess of Expenditures Over Budget (Continued)

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Road and Bridge Special Revenue Fund			
Highways and Streets			
Materials for resale	\$ 34,431	\$ -	\$ (34,431)
Township roads	297,404	-	(297,404)
Other highways and streets	356,377	94,941	(261,436)
Human Services Special Revenue Fund			
Capital outlay			
Human services	379,035	-	(379,035)
Ditch Special Revenue Fund			
Capital outlay			
Conservation of natural resources	42,163	42,000	(163)
Nursing Service Special Revenue Fund			
Health			
Nursing service	502,228	435,449	(66,779)
Solid Waste Management Special Revenue Fund			
Capital outlay			
Sanitation	84,309	5,000	(79,309)

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.

2024 Changes

Changes in Actuarial Assumptions

- The discount rate was changed from 4.00% to 3.70%.

2023 Changes

Changes in Actuarial Assumptions

- The health care trend rates and mortality tables were updated.
- The retirement, withdrawal, and salary increase rates for public safety employees were updated.
- The inflation rate was changed from 2.00% to 2.50%.
- The spousal coverage election percentage for subsidy eligible employees was lowered from 50% to 25%.
- The discount rate was changed from 2.00% to 4.00%.

Changes in Plan Provisions

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

2022 Changes

Changes in Actuarial Assumptions

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

II. Other Post-Employment Benefits (OPEB)

2022 Changes (Continued)

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 Headcount-Weighted Mortality Tables (General, Safety) with MP-2020 Generational Improvement Scale.
- The retirement and withdrawal rates for non-Public Safety employees were updated.
- The retiree plan participation assumption was changed from 80% to 65%.
- 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 and contract group.
- The discount rate was changed from 2.90% to 2.00%.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2020/2019 Changes

Changes in Actuarial Assumptions

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

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2016 Generational Improvement Scale to the RP-2014 Mortality Tables (Blue Collar for Public Safety, White Collar for Others) with MP-2018 Generational Improvement Scale.
- The retirement and withdrawal tables for public safety employees were updated.
- The discount rate was changed from 3.30% to 3.80%.
- The \$100 per month subsidy is no longer assumed to increase in the future.

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).

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

II. Other Post-Employment Benefits (OPEB)

2018 Changes

Changes in Actuarial Assumptions (Continued)

- 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 Board. The following changes were reflected in the valuation performed on behalf of PERA for the fiscal year June 30:

General Employees Fund

2024 Changes

Changes in Actuarial Assumptions

- Rates of merit and seniority was adjusted in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule 90 retirement rates, and a slight adjustment to early retirement rates of Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption and single discount rate were changed from 6.5 percent to 7.00 percent.

Changes in Plan Provisions

- An additional one-time direct state aid contribution of \$170.1 million will be contributed to the Plan October 1, 2023.

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

General Employees Fund

2023 Changes

Changes in Plan Provisions (Continued)

- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions

- The health care trend rates, mortality tables, salary scale, and retirement and withdrawal assumptions were updated.
- The discount rate was changed from 3.80 percent to 2.00 percent.

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 mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior 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.

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

General Employees Fund

2020 Changes

Changes in Actuarial Assumptions (Continued)

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

Changes in Plan Provisions

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

2018 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

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

General Employees Fund

2018 Changes

Changes in Plan Provisions (Continued)

- 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.

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

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

General Employees Fund

2015 Changes

Changes in Plan Provisions (Continued)

- 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

2024 Changes

Changes in Plan Provisions

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90 percent funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90 percent funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048, if earlier).

2023 Changes

Changes in Actuarial Assumptions

- The investment return assumption was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contribution of 19.4 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

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.

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

Police and Fire Fund (Continued)

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.
- 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

Police and Fire Fund

2018 Changes (Continued)

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.

2018 Changes

Changes in Plan Provisions

- Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019, and 11.80 percent of pay, effective January 1, 2020.
- Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019, and 17.70 percent of pay, effective January 1, 2020.
- Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 Changes

Changes in Actuarial Assumptions

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

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

Police and Fire Fund

2017 Changes (Continued)

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2016 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

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

Changes in Plan Provisions

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

Correctional Fund

2024 Changes

Changes in Plan Provisions

- Employee contribution rates will increase from 5.83% of pay to 6.83% of pay, effective July 1, 2025.
- Employer contribution rates will increase from 8.75% of pay to 10.25% of pay, effective July 1, 2025.
- The benefit multiplier changed from 1.9% to 2.2% for service earned after June 30, 2025.

2023 Changes

Changes in Actuarial Assumptions

- The investment return rate was changed from 6.5 percent to 7.0 percent.
- The single discount rate changed from 5.4 percent to 7.0 percent.

Changes in Plan Provisions

- Additional one-time direct state aid contributions of \$5.3 million will be contributed to the Plan on October 1, 2023.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

Correctional Fund

2023 Changes

Changes in Plan Provisions (Continued)

- A one-time, non-compounding benefit increase of 2.5 percent minus the actual 2024 adjustment will be payable in a lump sum calendar year 2024 by March 31, 2024.
- The maximum benefit increase will revert back to 2.5 percent. The maximum increase is 1.5 percent and the Plan's funding ratio improves to 85 percent for two consecutive years on a market value of assets basis.

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 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.

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

Correctional Fund

2021 Changes (Continued)

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 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.
- 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.
- Annual 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-

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

Correctional Fund

2017 Changes

Changes in Actuarial Assumptions (Continued)

- 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 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
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Statement 1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2024**

	Special Revenue Funds			Total Nonmajor Governmental Funds (Exhibit 3)
	Ditch	Solid Waste Management	Unorganized Townships	
<u>Assets</u>				
Assets				
Cash and pooled investments	\$ 255,353	\$ 1,540,207	\$ 250	\$ 1,795,810
Taxes receivable - prior	-	7,315	-	7,315
Special assessments receivable - prior	136	46,235	-	46,371
Special assessments - noncurrent	25,570	-	-	25,570
Total Assets	\$ 281,059	\$ 1,593,757	\$ 250	\$ 1,875,066
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ 2,199	\$ -	\$ 2,199
Salaries payable	-	2,167	-	2,167
Due to other funds	-	260	-	260
Due to other governments	-	1,183	-	1,183
Total Liabilities	\$ -	\$ 5,809	\$ -	\$ 5,809
Deferred Inflows of Resources				
Taxes	\$ -	\$ 5,591	\$ -	\$ 5,591
Special assessments	25,706	38,761	-	64,467
Total Deferred Inflows of Resources	\$ 25,706	\$ 44,352	\$ -	\$ 70,058
Fund Balances				
Restricted for				
Conservation of natural resources	\$ 255,353	\$ -	\$ -	\$ 255,353
Assigned to				
Sanitation	-	1,543,596	-	1,543,596
Unorganized townships	-	-	250	250
Total Fund Balances	\$ 255,353	\$ 1,543,596	\$ 250	\$ 1,799,199
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 281,059	\$ 1,593,757	\$ 250	\$ 1,875,066

**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, 2024**

	Special Revenue Funds			Total Nonmajor Governmental Funds (Exhibit 5)
	Ditch	Solid Waste Management	Unorganized Townships	
Revenues				
Taxes	\$ -	\$ 343,684	\$ -	\$ 343,684
Special assessments	44,610	474,383	-	518,993
Licenses and permits	-	200	38	238
Intergovernmental	-	173,304	2,170	175,474
Charges for services	-	33,631	-	33,631
Miscellaneous	-	12,201	-	12,201
Total Revenues	\$ 44,610	\$ 1,037,403	\$ 2,208	\$ 1,084,221
Expenditures				
Current				
Sanitation	\$ -	\$ 1,045,721	\$ -	\$ 1,045,721
Conservation of natural resources	500	-	-	500
Capital outlay				
Sanitation	-	84,309	-	84,309
Total Expenditures	\$ 500	\$ 1,130,030	\$ -	\$ 1,130,530
Net Change in Fund Balance	\$ 44,110	\$ (92,627)	\$ 2,208	\$ (46,309)
Fund Balance - January 1	211,243	1,636,223	(1,958)	1,845,508
Fund Balance - December 31	\$ 255,353	\$ 1,543,596	\$ 250	\$ 1,799,199

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 9

**BUDGETARY COMPARISON SCHEDULE
DITCH SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Special assessments	\$ 41,029	\$ 41,029	\$ 44,610	\$ 3,581
Expenditures				
Current				
Conservation of natural resources				
Administration	41,374	41,374	500	40,874
Net Change in Fund Balance	\$ (345)	\$ (345)	\$ 44,110	\$ 44,455
Fund Balance - January 1	211,243	211,243	211,243	-
Fund Balance - December 31	<u>\$ 210,898</u>	<u>\$ 210,898</u>	<u>\$ 255,353</u>	<u>\$ 44,455</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 10

**BUDGETARY COMPARISON SCHEDULE
SOLID WASTE MANAGEMENT SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,047,800	\$ 1,047,800	\$ 343,684	\$ (704,116)
Special assessments	-	-	474,383	474,383
License and permits	200	200	200	-
Intergovernmental	148,486	148,486	173,304	24,818
Charges for services	28,000	28,000	33,631	5,631
Miscellaneous	500	500	12,201	11,701
Total Revenues	\$ 1,224,986	\$ 1,224,986	\$ 1,037,403	\$ (187,583)
Expenditures				
Current				
Sanitation				
Demolition landfill	\$ 182,927	\$ 182,927	\$ 148,687	\$ 34,240
Household hazardous waste	10,000	10,000	4,775	5,225
Recycling	165,095	165,095	101,978	63,117
Solid waste collection	510,969	510,969	413,772	97,197
Solid waste disposal	451,945	451,945	376,509	75,436
Capital Outlay				
Sanitation	5,000	5,000	84,309	(79,309)
Total Expenditures	\$ 1,325,936	\$ 1,325,936	\$ 1,130,030	\$ 195,906
Net Change in Fund Balance	\$ (100,950)	\$ (100,950)	\$ (92,627)	\$ 8,323
Fund Balance - January 1	1,636,223	1,636,223	1,636,223	-
Fund Balance - December 31	\$ 1,535,273	\$ 1,535,273	\$ 1,543,596	\$ 8,323

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 11

**BUDGETARY COMPARISON SCHEDULE
UNORGANIZED TOWNSHIPS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
License and permits	\$ -	\$ -	\$ 38	\$ 38
Intergovernmental	-	-	2,170	2,170
Net Change in Fund Balance	\$ -	\$ -	\$ 2,208	\$ 2,208
Fund Balance - January 1	(1,958)	(1,958)	(1,958)	-
Fund Balance - December 31	<u>\$ (1,958)</u>	<u>\$ (1,958)</u>	<u>\$ 250</u>	<u>\$ 2,208</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

FIDUCIARY FUNDS

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

CUSTODIAL FUNDS

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

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

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

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

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

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

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

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**COMBINING STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
DECEMBER 31, 2024**

	Custodial Funds			
	Economic Development	Clearwater Collaborative	North Country Community Health Services	NW Minnesota Household Hazardous Waste
<u>Assets</u>				
Cash and pooled investments	\$ 1,387	\$ 60,497	\$ 284,227	\$ 124,459
Due from other governments	-	9,808	214,677	6,019
Total Assets	\$ 1,387	\$ 70,305	\$ 498,904	\$ 130,478
<u>Liabilities</u>				
Accounts payable	-	-	128,300	807
Due to other governments	-	-	51,250	-
Total Liabilities	\$ -	\$ -	\$ 179,550	\$ 807
<u>Net Position</u>				
Restricted for Individuals, organizations, other governments	\$ 1,387	\$ 70,305	\$ 319,354	\$ 129,671

Statement 3

Custodial Funds				
School District	State Fund	Taxes and Penalties	Towns and Cities	Total Other Custodial Funds
\$ 46,071	\$ 6,085	\$ (10,808)	\$ (114,827)	\$ 397,091
	-	-	-	230,504
\$ 46,071	\$ 6,085	\$ (10,808)	\$ (114,827)	\$ 627,595
\$ 48,698	\$ 3,814		\$ 11,716	\$ 193,335
-	5,762		74,314	131,326
\$ 48,698	\$ 9,576	\$ -	\$ 86,030	\$ 324,661
\$ (2,627)	\$ (3,491)	\$ (10,808)	\$ (200,857)	\$ 302,934

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS - CUSTODIAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

	Custodial Funds			
	Economic Development	Clearwater Collaborative	North Country Community Health Services	NW Minnesota Household Hazardous Waste
Additions				
Property tax collections for other governments	\$ -	\$ -	\$ -	\$ -
Intergovernmental receipts for other governments	-	67,370	1,503,889	-
Fees for other governments	-	-	-	235,523
Investment earnings	-	-	-	4,452
Miscellaneous	-	-	-	420
Total Additions	\$ -	\$ 67,370	\$ 1,503,889	\$ 240,395
Deductions				
Payments of property tax to other governments	\$ -	\$ -	\$ -	\$ -
Payments to state	-	-	-	-
Administrative expense	-	-	144,914	122,699
Payments to other entities/individuals	-	51,624	1,312,767	166,585
Total Deductions	\$ -	\$ 51,624	\$ 1,457,681	\$ 289,284
Change in net position	\$ -	\$ 15,746	\$ 46,208	\$ (48,889)
Net Position – January 1	1,387	54,559	273,146	178,560
Net Position – December 31	\$ 1,387	\$ 70,305	\$ 319,354	\$ 129,671

Statement 4

Custodial Funds				
School District	State Fund	Taxes and Penalties	Towns and Cities	Total Other Custodial Funds
\$ 3,305,882	\$ 4,229,869	\$ 3,541,551	\$ 3,541,551	\$ 14,618,853
-	-	-	-	1,571,259
-	-	-	-	235,523
-	-	-	-	4,452
-	-	-	-	420
\$ 3,305,882	\$ 4,229,869	\$ 3,541,551	\$ 3,541,551	\$ 16,430,507
\$ 3,305,882	-	\$ 3,520,011	\$ 3,582,053	\$ 10,407,946
-	4,236,697	-	-	4,236,697
-	-	-	-	267,613
-	-	-	-	1,530,976
\$ 3,305,882	\$ 4,236,697	\$ 3,520,011	\$ 3,582,053	\$ 16,443,232
\$ -	\$ (6,828)	\$ 21,540	\$ (40,502)	\$ (12,725)
<u>(2,627)</u>	<u>3,337</u>	<u>(32,348)</u>	<u>(160,355)</u>	<u>315,659</u>
<u>\$ (2,627)</u>	<u>\$ (3,491)</u>	<u>\$ (10,808)</u>	<u>\$ (200,857)</u>	<u>\$ 302,934</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 12

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures
U.S. Department of Agriculture			
Passed Through North Country Community Health Services Special Supplemental Nutrition Assistance Program for Women, Infants, and Children	10.557	Not provided	\$ 20,486
Passed Through Minnesota Department of Human Services SNAP Cluster State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	242MN101S2514	<u>165,479</u>
Total U.S. Department of Agriculture			\$ 185,965
U.S. Department of Justice			
Passed Through Minnesota Department of Public Safety Crime Victim Assistance	16.575	F-CVS-2024-CLRWTRAO	\$ 10,973
Direct Bulletproof Vest Partnership Program	16.607		<u>1,072</u>
Total U.S. Department of Justice			\$ 12,045
U.S. Department of Transportation			
Passed Through Minnesota Department of Public Safety State and Community Highway Safety	20.600	F-OFICR224-2024-CLRWTRSO	\$ 9,378
Minimum Penalties for Repeat Offenders for Driving While Into	20.608	Not provided	<u>10,133</u>
Total U.S. Department of Transportation			\$ 19,511
U.S. Department of Health and Human Services			
Passed Through Minnesota Department of Human Services Promoting Safe and Stable Families	93.556	G-2301MNFPS	\$ 1,867
Temporary Assistance for Needy Families	93.558	2401MNTANF	\$ 175,833
Passed Through North Country Community Health Services Temporary Assistance for Needy Families	93.558	2024G996115	<u>14,866</u> 190,699
Passed Through Minnesota Department of Human Services Child Support Enforcement	93.563	2401MNCSES	\$ 12,320
Child Support Enforcement	93.563	2401MNCSEST	<u>193,560</u> 205,880
Refugee and Entrant Assistance	93.566	2401MNRCA	966
CCDF Cluster Child Care and Development Block Grant	93.575	G2401MNCDF	484
Community Based Child Abuse Prevention Grant	93.590	G-2302MNBCAP	497
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-2401MNCWSS	800

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

*Schedule 12
(Continued)*

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024**

Federal Grantor Pass Through Agency Grant Program Title	Federal CFDA Number	Pass-Through Grant Award Number	Expenditures
U.S. Department of Health and Human Services (continued)			
Passed Through Minnesota Department of Human Services Foster Care Title IV-E	93.658	2401MNFOST	\$ 68,806
Social Services Block Grant	93.667	G-2401MNSOSR	81,952
Chafee Foster Care Independence Program	93.674	G-2401MNCILP	512
Children's Health Insurance Program	93.767	2005MN5024	267
Medicaid Cluster			
Medical Assistance Program	93.778	2405MN5ADM	\$ 486,605
Medical Assistance Program	93.778	2405MN5MAP	<u>35,317</u>
Passed Through North Country Community Health Services Maternal, Infant, and Early Childhood Home Visiting Program	93.870	D89NC23539	57,184
CDC Collaboration with Academia to Strengthen Public Health	93.967	NE11OE000048	6,594
Maternal and Child Health Services Block Grant to the States	93.994	B04MC28107	<u>17,024</u>
Total U.S. Department of Health and Human Services			<u>\$ 1,155,454</u>
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Natural Resources Boating Safety Financial Assistance	97.012	CLEARWATER SBG	\$ 7,498
Direct			
Emergency Food and Shelter National Board Program	97.024		7,162
Passed Through Minnesota Department of Public Safety Disaster Grants - Public Assistance (Presidentially Declared Disa	97.036	EMPG-20240131	6,666
Emergency Management Performance Grants	97.042	F-EMPG-2021-CLRWTRCO	<u>20,212</u>
Total U.S. Department of Homeland Security			<u>\$ 41,538</u>
Total Federal Awards			<u>\$ 1,414,513</u>
Totals by Cluster			
Total expenditures for SNAP Cluster			\$ 165,479
Total expenditures for CCDF Cluster			\$ 484
Total expenditures for Medicaid Cluster			\$ 521,922

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2024

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, 2024. 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 2024, the County did not pass any federal funds through to subrecipients.

OTHER SCHEDULES

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**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**BALANCE SHEET - BY DITCH
DITCH SPECIAL REVENUE FUND
DECEMBER 31, 2024**

	Assets			Total Assets
	Cash and Investments	Special Assessments Receivable - Prior	Special Assessments Receivable - Noncurrent	
County Ditches				
2	\$ 18,072	\$ 136	\$ -	\$ 18,208
3	74,965	-	-	74,965
Project 113	34,588	-	-	34,588
Red Lake Watershed Ditches				
County Ditches				
1	244	-	-	244
5	13,005	-	-	13,005
72	11,861	-	-	11,861
100	5,217	-	4,304	9,521
101	17,945	-	21,266	39,211
Judicial Ditches				
2 Branch A	18,361	-	-	18,361
2 Branch B	6,089	-	-	6,089
4	148	-	-	148
Clearwater River Project 3	82	-	-	82
Ditch #2 Costs	10	-	-	10
Lost River Improvements	81	-	-	81
Lost River Project 4	3,785	-	-	3,785
Lost River Project 51	1,696	-	-	1,696
Pine Lake Dam	45,722	-	-	45,722
Wild Rice Allocation	3,482	-	-	3,482
Total	\$ 255,353	\$ 136	\$ 25,570	\$ 281,059

Schedule 13

<u>Liabilities</u>			<u>Fund Balance</u>	<u>Total</u>
Accounts Payable	Deferred Inflows of Resources		Restricted	Liabilities, Deferred Inflows, and Fund Balance
\$ -	\$ 136		\$ 18,072	\$ 18,208
-	-		74,965	74,965
-	-		34,588	34,588
-	-		244	244
-	-		13,005	13,005
-	-		11,861	11,861
-	4,304		5,217	9,521
-	21,266		17,945	39,211
-	-		18,361	18,361
-	-		6,089	6,089
-	-		148	148
-	-		82	82
-	-		10	10
-	-		81	81
-	-		3,785	3,785
-	-		1,696	1,696
-	-		45,722	45,722
-	-		3,482	3,482
<u>\$ -</u>	<u>\$ 25,706</u>		<u>\$ 255,353</u>	<u>\$ 281,059</u>

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

Schedule 14

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2024**

Shared Revenue

State

Aquatic ISP Aid	\$ 108,371
Cannabis aid	2,114
County program aid	1,125,190
Disparity reduction aid	20,502
Enhanced 911	160,976
Highway users tax	3,369,394
Local homeless aid	42,464
Local housing aid	74,999
Market value credit	208,855
Out-of-home placement	26,262
Police state aid	122,965
Riparian Protection Aid	72,367
	72,367

Total Shared Revenue **\$ 5,334,459**

Reimbursement for Services

State

Minnesota Department of Human Services	\$ 83,866
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Payments

Payments in lieu of taxes	\$ 716,426
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Grants

Local

Northwest Minnesota Foundation	\$ 15,000
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State

Minnesota Department/Board of

Corrections	\$ 83,734
Health	23,544
Human Services	515,901
Natural Resources	100,175
Peace Officer Standards and Training	11,150
Pollution Control Agency	86,753
Public Safety	28,392
Secretary of State	34,149
Transportation	151,177
Veteran Affairs	7,500
Water and Soil Resources	141,200
	141,200

Total State **\$ 1,183,675**

Federal

Department of

Agriculture	\$ 185,965
Health and Human Services	1,155,454
Homeland Security	41,538
Justice	12,045
Transportation	19,511
	19,511

Total Federal **\$ 1,414,513**

Total Grants **\$ 2,613,188**

Total Intergovernmental Revenue **\$ 8,747,939**

MANAGEMENT AND COMPLIANCE SECTION

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



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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, 2024, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated October 30, 2025.

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 2024-001, 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 that the Clearwater County failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Counties*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures other matters may have come to our attention regarding the County's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Clearwater County's Responses to Findings

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
October 30, 2025

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



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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 Program

We have audited Clearwater County's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2024. 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, 2024.

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 program.

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. We did identify a deficiency in internal control over compliance, described in the accompanying Schedule of Findings & Questioned Costs as item 2024-002, that we consider to be a significant deficiency.

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
October 30, 2025

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2024**

I. SUMMARY OF AUDITOR'S RESULTS

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

B. Financial Statements

Internal control over financial reporting:

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

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

D. Federal Awards

Internal control over major programs:

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

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

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

G. The major programs were:

Child Support Enforcement **CFDA #93.563**

Medical Assistance **CFDA #93.778**

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

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

**CLEARWATER COUNTY
BAGLEY, MINNESOTA**

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

INTERNAL CONTROL

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

Finding Number: 2024-001

Prior Year Finding Number(s): 2023-001

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. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARD PROGRAMS

ITEM ARISING THIS YEAR

Finding Number: 2024-002
Prior Year Finding Number(s): New
Finding Title: Reporting Requirements

Criteria: The Uniform Guidance states that an auditee must submit a data collection form and audit reporting package to the Federal Audit Clearinghouse within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period.

Condition: Clearwater County did not submit the data collection form to the Federal Audit Clearinghouse within the required time frame.

Context: Clearwater County was in violation of the reporting requirements when their audit was not completed until ten months after the end of the fiscal year.

Effect: This instance of late reporting is not expected to reoccur.

Cause: Required information was not provided to the auditor in a timely manner which delayed the completion of the audit report.

Recommendation: The annual County audit should be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

Clearwater County's Response: The County Auditor/Treasurer will monitor the progress of the annual audit in the future so that the annual audit will be completed on a timely basis as described in our Corrective Action Plan.

IV. ITEMS RESOLVED THIS YEAR:

Finding Number: 2023-002
Finding Title: Contract Compliance



CLEARWATER COUNTY COMMISSIONERS

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District #2

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District #3

**BRUCE
EMMEL**
District #4

**MARK
LARSON**
District #5

CORRECTIVE ACTION PLAN FOR THE YEAR ENDED DECEMBER 31, 2024

Finding Number: 2024-001

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, 2025.

Finding Number: 2024-002

Finding Title: Reporting Requirements

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

Corrective Action Planned: Future annual County audits will be completed within nine months of the fiscal year end to allow for timely submission of the data collection form and reporting package.

Anticipated Completion Date: December 31, 2025.



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SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2024

Finding Number: 2023-001

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 formalize 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 corrected.

Finding Number: 2023-002

Finding Title: Contract Compliance

Summary of Condition: The County was not in compliance with the following State of Minnesota contracting and bid law requirements:

- Two or more quotations: Minn. Stat. § 471.345 subd. 4, requires that if the amount of the contract is estimated to exceed \$25,000 but not to exceed \$175,000, the contract may be made either upon sealed bids or by direct negotiation, by obtaining two or more quotations for the purchase or sale when possible, and without advertising for bids or otherwise complying with the requirements of competitive bidding. All quotations obtained shall be kept on file for a period of at least one year after receipt thereof. In some instances, more than one quote was not obtained.
- Responsible Contractor Requirement: Minn. Stat. § 16C.285 requires that the contractor submit a verification of compliance signed under oath by an owner or officer verifying compliance with the minimum criteria set forth in Minn. Stat. § 16C.285, subd. 3. For two of the contracts tested, the County did not have the required form from the contractor on file.
- Contractors' Bonds for Public Work Requirement: Minn. Stat. § 574.26 requires that the contractor provide performance and payment bonds with the local government before work on the contract begins. For one of the three contracts tested the County did not obtain bonds.

Summary of Corrective Action Previously Reported: This was an isolated incident. The County had all required items in 2024 contracts.

Status: Corrected.