

*Clay County
Moorhead, MN*



Annual Financial Report



*For Period Ending
December 31, 2017*

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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INTRODUCTORY SECTION

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Honorable Chairman and Commissioners
Clay County Board of Commissioners
807 North 11th Street
Moorhead, MN 56560

Commissioners,

The Annual Financial Report of Clay County is submitted for the fiscal year ended December 31, 2017. This report was prepared by the County Auditor's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

The Annual Financial Report is presented in two sections: Introductory and Financial. The Introductory Section includes this transmittal letter and the County's organizational chart. The Financial Section includes the Management's Discussion and Analysis, the Basic Financial Statements, the Required Supplementary Information, and the Supplementary Information.

This report includes all of the funds and entities, which are considered to be under the direction and control of the County Board. The County provides a full range of services including public safety and law enforcement; courts and probation services; tax assessment and collection; vital statistics and public records; human services; highways, planning, inspection, and environmental health; and recreation and cultural services.

Copies of this report will be sent to elected officials, County management, bond rating agencies, and governmental agencies, which have expressed an interest in Clay County's financial affairs.

NOTES TO THE FINANCIAL STATEMENTS

The notes to the financial statements, presented with the basic financial statements, are an integral part of this Annual Financial Report and should be read for a full understanding of the statements and information presented herein.

INDEPENDENT AUDIT

Minnesota State Law requires an audit to be made of the books of accounts, financial records, and transactions of the County by the State Auditor. This requirement has been complied with, and the Auditor's opinion is included in this report.

The State Auditor will issue a management and compliance letter covering the review, made as part of their examination of Clay County's system of internal control and compliance with applicable legal provisions. The management and compliance letter will not modify or affect, in any way, this report on the financial statements.

ACKNOWLEDGMENTS

The preparation of this report could not be accomplished without the professional and dedicated services of the entire staff of the Auditor's Office.

Sincerely,

/S/ Lori J. Johnson

Lori J. Johnson
Clay County Auditor-Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

ORGANIZATION
December 31, 2017

Office	Name	Term Expires
Elected		
Commissioners		
1st District	Jim Haney	January 2021
2nd District	Frank Gross	January 2021
3rd District	Jenny Mongeau**	January 2019
4th District	Kevin Campbell*	January 2019
5th District	Grant Weyland	January 2021
Attorney	Brian Melton	January 2019
County Sheriff	Bill Bergquist	January 2019
Appointed		
Assessor	Nancy Gunderson	December 2020
County Administrator	Brian Berg	Indefinite
Highway Engineer	David Overbo	May 2018
Auditor-Treasurer	Lori J. Johnson	Indefinite
County Recorder	DiAnn Streifel	Indefinite

* Chair

** Vice Chair

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FINANCIAL SECTION

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

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525 PARK STREET
SAINT PAUL, MN 55103-2139

(651) 296-2551 (Voice)
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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Clay County
Moorhead, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to

design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Clay County as of December 31, 2017, 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.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

The supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2018, on our consideration of Clay County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of Clay County's 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 Clay County's internal control over financial reporting and compliance.



REBECCA OTTO
STATE AUDITOR



GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

September 20, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017
(Unaudited)**

The financial management of Clay County offers readers of Clay County's financial statements this narrative overview and analysis of the financial activities of Clay County for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the notes to the financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of Clay County exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year (December 31, 2017) by \$107,233,734 (net position). Of this amount, \$7,030,057 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net position is \$89,621,028, of which Clay County has invested \$83,024,374 in net investment in capital assets; \$4,964,206 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net position of \$17,612,706. Net investment in capital assets, represents \$11,272,340 of the total.
- The net cost of Clay County's governmental activities for the year ended December 31, 2017, was \$36,618,176. General property tax revenue and other general revenue sources totaled \$33,990,735.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis (MD&A) is intended to serve as an introduction to Clay County's basic financial statements. Clay County's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report 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 Clay County's finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how Clay County'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 result in cash flows in future fiscal periods (such as uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Clay County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of Clay County include general government, public safety, highways and streets, human services, culture and recreation, conservation of natural resources, and economic development. The business-type activities of Clay County include the Family Service Center, Juvenile Center, Public Health, and Solid Waste Management.

The government-wide financial statements may be found in Exhibits 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Clay 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 Clay County may be divided into three broad categories: governmental funds, proprietary 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, governmental fund 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 near-term financing decisions. Both the governmental funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Within the governmental funds, Clay County maintains four fund types: general, special revenue, debt service, and capital projects. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balance for the General Fund, Road and Bridge Special Revenue Fund, Social Services Special Revenue Fund, Ditch Debt Service Fund, and Jail/Law Enforcement Construction Capital Projects Fund, all of which are considered to be major funds. Data from the other special revenue and debt service nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Clay County adopts an annual budget for three of its major governmental funds, the County Building nonmajor special revenue fund, County Projects nonmajor debt service fund, Courthouse Expansion nonmajor debt service fund, Joint Highway Facility nonmajor debt service fund, and Law Enforcement Expansion nonmajor debt service fund. A budgetary comparison schedule has been provided for these funds to demonstrate compliance with their budgets.

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

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

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

- Road and Bridge,
- Social Services,
- County Building, and
- Gravel Removal Tax Reserve.

Debt service funds. The debt service funds account for the payment of principal, interest, and fiscal charges on long-term debt obligations of Clay County. The debt service funds include:

- Ditch,
- Americana Estates,
- County Projects,
- Courthouse Expansion,
- Joint Highway Facility, and
- Law Enforcement Expansion.

Capital projects fund. The capital projects fund is used to account for financial resources to be used for improvement of capital facilities.

Proprietary funds. Clay County maintains two different types of proprietary funds: enterprise and internal service. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. Clay County uses its Family Service Center Enterprise Fund to account for the financing of the Family Service Center, which provides rental space to other departments and agencies. The Juvenile Center Enterprise Fund is used to account for the financial transactions of the fund, which provides housing for juveniles and rental space to departments and agencies. The Public Health Enterprise Fund provides nursing service care to the elderly and other residents of the County, and the Solid Waste Management Enterprise Fund is used to account for providing refuse disposal services to the public. The internal service fund is an accounting device used to accumulate and allocate costs internally among Clay County's various functions. Clay County uses its Internal Service Fund to account for the financing of equipment provided by one department to other departments of the County on a cost-reimbursement basis. Each year, a transfer is made based upon the amount reflected in the equipment replacement schedule.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for all of Clay County's enterprise funds since they are all considered to be major funds of the County. Conversely, the Internal Service Fund is reported separately on the proprietary fund financial statements.

The basic proprietary fund financial statements may be found in Exhibits 7 through 9 of this report.

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

The basic fiduciary fund financial statement may be found as Exhibit 10 of this report.

Notes to the Financial Statements

The notes 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 follow the exhibits.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents as required supplementary information the budgetary comparison schedules for Clay County's General Fund and major special revenue funds. Required supplementary information is presented immediately following the notes to the financial statements. After that, the combining statements referred to earlier in connection with nonmajor governmental funds and fiduciary funds are presented.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Clay County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$107,233,734 at the close of the most recent fiscal year, which is a decrease of \$1,791,644.

Net investment in capital assets of \$94,296,714 (land, buildings, machinery and equipment, infrastructure, improvements other than buildings, and construction in progress, less any related debt used to acquire assets that is still outstanding) represents the largest portion of net position (88 percent). Clay County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although Clay County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

Clay County's combined net position for the year ended December 31, 2017, was \$107,233,734. Clay County's analysis that follows focuses on the net position (Table 1) and changes in net position (Table 2) of Clay County's governmental and business-type activities.

**Table 1
Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	\$ 60,762,118	\$ 37,790,149	\$ 16,538,862	\$ 16,141,875	\$ 77,300,980	\$ 53,932,024
Capital assets	124,031,384	102,167,771	11,272,340	10,507,302	135,303,724	112,675,073
Total Assets	\$ 184,793,502	\$ 139,957,920	\$ 27,811,202	\$ 26,649,177	\$ 212,604,704	\$ 166,607,097
Deferred outflows of resources						
Deferred charge on refunding	\$ -	\$ -	\$ -	\$ 100	\$ -	\$ 100
Deferred pension outflows	9,766,936	16,614,679	1,696,722	3,256,754	11,463,658	19,871,433
Total Deferred Outflows of Resources	\$ 9,766,936	\$ 16,614,679	\$ 1,696,722	\$ 3,256,854	\$ 11,463,658	\$ 19,871,533
Liabilities						
Long-term liabilities outstanding	\$ 84,978,133	\$ 55,084,262	\$ 9,634,673	\$ 11,183,602	\$ 94,612,806	\$ 66,267,864
Other liabilities	10,171,391	5,281,248	1,210,423	1,323,982	11,381,814	6,605,230
Total Liabilities	\$ 95,149,524	\$ 60,365,510	\$ 10,845,096	\$ 12,507,584	\$ 105,994,620	\$ 72,873,094
Deferred inflows of resources						
Advance allotment	\$ 770,532	\$ 1,003,183	\$ -	\$ -	\$ 770,532	\$ 1,003,183
Prepaid property taxes	347,411	-	-	-	347,411	-
Deferred pension inflows	8,671,943	2,955,437	1,050,122	621,538	9,722,065	3,576,975
Total Deferred Inflows of Resources	\$ 9,789,886	\$ 3,958,620	\$ 1,050,122	\$ 621,538	\$ 10,840,008	\$ 4,580,158
Net Position						
Net investments in capital assets	\$ 83,024,374	\$ 85,808,849	\$ 11,272,340	\$ 10,287,507	\$ 94,296,714	\$ 96,096,356
Restricted	4,964,206	4,545,742	942,757	760,000	5,906,963	5,305,742
Unrestricted	1,632,448	1,893,878	5,397,609	5,729,402	7,030,057	7,623,280
Total Net Position	\$ 89,621,028	\$ 92,248,469	\$ 17,612,706	\$ 16,776,909	\$ 107,233,734	\$ 109,025,378

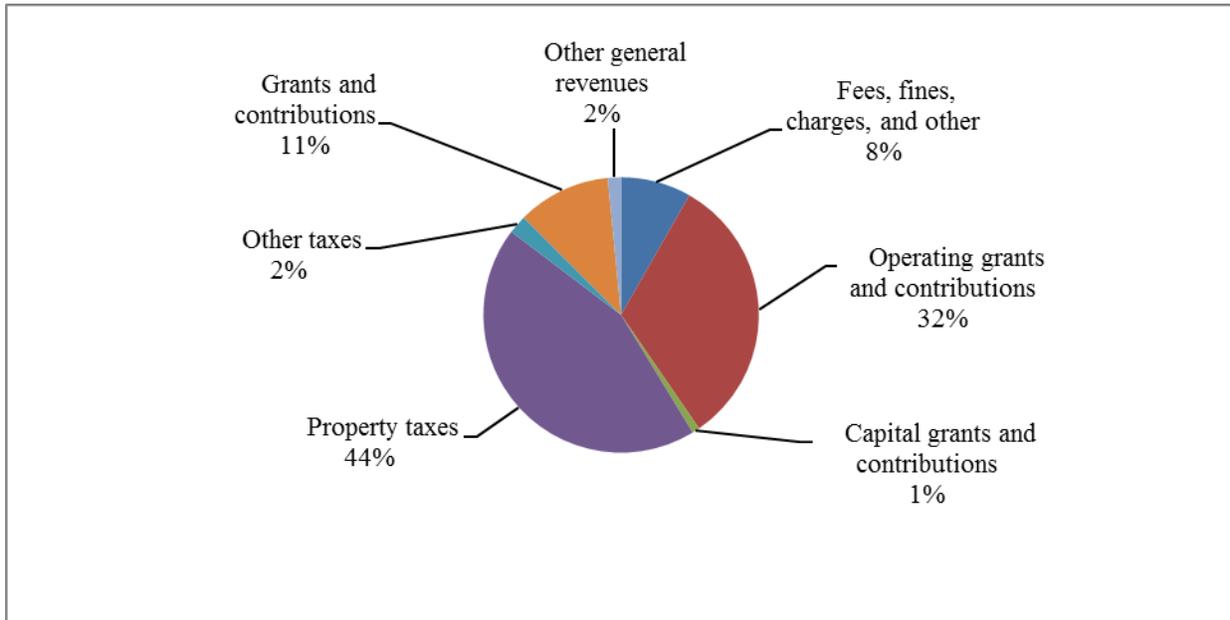
Clay County's total net position for the year ended December 31, 2017, total \$107,233,734. The governmental activities unrestricted net position totaling \$1,632,448 is available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net position totaling \$5,397,609 is available to finance the day-to-day operations of the business-type activities of the County.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 4,877,950	\$ 4,373,082	\$ 10,580,566	\$ 9,609,301	\$ 15,458,516	\$ 13,982,383
Operating grants and contributions	18,992,819	18,209,002	3,677,456	2,968,433	22,670,275	21,177,435
Capital grants and contributions	523,269	414,002	41,951	-	565,220	414,002
General revenues						
Property taxes	26,002,941	24,470,381	-	-	26,002,941	24,470,381
Other taxes	1,292,566	1,165,608	-	-	1,292,566	1,165,608
Grants and contributions	6,455,476	6,601,891	1,680	22,026	6,457,156	6,623,917
Other general revenues	919,032	506,204	13,642	6,620	932,674	512,824
Total Revenues	\$ 59,064,053	\$ 55,740,170	\$ 14,315,295	\$ 12,606,380	\$ 73,379,348	\$ 68,346,550
Expenses						
Program expenses						
General government	\$ 9,867,250	\$ 10,003,191	\$ -	\$ -	\$ 9,867,250	\$ 10,003,191
Public safety	16,091,315	12,946,705	-	-	16,091,315	12,946,705
Highways and streets	10,024,004	9,701,370	-	-	10,024,004	9,701,370
Human services	21,750,883	21,941,003	-	-	21,750,883	21,941,003
Culture and recreation	475,283	466,509	-	-	475,283	466,509
Conservation of natural resources	553,114	798,943	-	-	553,114	798,943
Economic development	706,419	562,346	-	-	706,419	562,346
Interest	1,543,946	490,395	-	-	1,543,946	490,395
Family service	-	-	1,653,091	1,386,525	1,653,091	1,386,525
Public health	-	-	6,098,525	5,654,563	6,098,525	5,654,563
Solid waste	-	-	2,507,372	2,688,421	2,507,372	2,688,421
Juvenile center	-	-	3,899,790	3,524,955	3,899,790	3,524,955
Total Expenses	\$ 61,012,214	\$ 56,910,462	\$ 14,158,778	\$ 13,254,464	\$ 75,170,992	\$ 70,164,926
Excess (Deficiency) Before Transfers						
	\$ (1,948,161)	\$ (1,170,292)	\$ 156,517	\$ (648,084)	\$ (1,791,644)	\$ (1,818,376)
Transfers						
	(679,280)	(568,914)	679,280	568,914	-	-
Change in Net Position	\$ (2,627,441)	\$ (1,739,206)	\$ 835,797	\$ (79,170)	\$ (1,791,644)	\$ (1,818,376)
Net Position – January 1						
	92,248,469	93,987,675	16,776,909	16,856,079	109,025,378	110,843,754
Net Position – December 31						
	\$ 89,621,028	\$ 92,248,469	\$ 17,612,706	\$ 16,776,909	\$ 107,233,734	\$ 109,025,378

Clay County's total revenues for the year ended December 31, 2017, were \$73,379,348. The total cost of Clay County programs and services for the year ended December 31, 2017, was \$75,170,992. The net position for Clay County's governmental activities decreased by \$2,627,441 and increased by \$835,797 for the business-type activities.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County's governmental activities for the year ended December 31, 2017, were \$59,064,053 (Table 2). Clay County's costs for all governmental activities for the year ended December 31, 2017, were \$61,012,214 (Table 2). As shown in Clay County's Statement of Activities, the amount that Clay County taxpayers ultimately financed for these governmental activities through local property taxation was \$26,002,941, because \$4,877,950 of the costs were paid by those who directly benefited from the programs, and \$19,516,088 was paid by other governments and organizations that subsidized certain programs with grants and contributions.

Table 3 presents the cost of each of Clay County's six largest program functions, as well as each function's net cost (total cost, less revenues generated by the activities). The net cost shows the financial burden placed on Clay County's taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2017	2016	2017	2016
Program Expenses				
General government	\$ 9,867,250	\$ 10,003,191	\$ 7,649,643	\$ 7,761,682
Public safety	16,091,315	12,946,705	14,604,791	11,687,626
Highways and streets	10,024,004	9,701,370	2,318,573	2,303,564
Human services	21,750,883	21,941,003	9,051,928	9,949,085
Economic development	706,419	562,346	706,419	562,346
Interest and fiscal charges	1,543,946	490,395	1,543,946	490,395
All others	1,028,397	1,265,452	742,876	1,159,678
Total Program Expenses	\$ 61,012,214	\$ 56,910,462	\$ 36,618,176	\$ 33,914,376

Business-Type Activities

Revenues of Clay County’s business-type activities (Table 2) for the year ended December 31, 2017, were \$14,315,295. Expenses of Clay County’s business-type activities (Table 2) for the year ended December 31, 2017, were \$14,158,778.

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

As of the end of 2017, Clay County’s governmental funds reported combined ending fund balances of \$44,843,756, which is above last year’s total of \$26,610,397. Included in this year’s total fund balance is Clay County’s General Fund balance of \$9,841,909.

GENERAL FUND BUDGETARY HIGHLIGHTS

In Clay County’s General Fund, the actual revenues exceeded the expected revenues by \$755,197, primarily due to intergovernmental transactions. Total actual expenditures in Clay County’s General Fund were less than the budgeted expenditures by \$123,624.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Clay County’s investment in capital assets for its governmental and business-type activities as of December 31, 2017, amounted to \$135,303,724 (net of accumulated depreciation). This investment in capital assets includes land, buildings, land improvements, machinery and equipment, infrastructure, and construction in progress. The total increase in the Clay County

investment in capital assets for the current fiscal year was \$22,628,651, or 17 percent (see Table 4).

The major capital asset events during the current fiscal year included the construction for the Law Enforcement Center and Jail, resulting in an increase in construction in progress of \$6,799,102 and \$17,218,945, respectively. The current fiscal year also included the completion of road construction projects, resulting in a net increase of \$2,213,949 to infrastructure.

More detailed information about Clay County’s capital assets can be found in Note 3.A.3. to the Clay County financial statements.

**Table 4
Capital Assets at Year-End
(Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Land	\$ 3,896,575	\$ 4,451,219	\$ 1,084,851	\$ 1,084,851	\$ 4,981,426	\$ 5,536,070
Construction in progress	27,094,057	5,012,541	974,504	587,376	28,068,561	5,599,917
Land improvements	1,981,705	388,275	336,183	438,297	2,317,888	826,572
Buildings	10,034,281	9,443,580	5,621,439	5,361,473	15,655,720	14,805,053
Machinery, furniture, and equipment	4,074,508	4,389,661	1,008,599	527,589	5,083,107	4,917,250
Infrastructure	76,950,258	78,482,495	919,005	1,209,327	77,869,263	79,691,822
Landfill	-	-	1,327,759	1,298,389	1,327,759	1,298,389
Totals	\$ 124,031,384	\$ 102,167,771	\$ 11,272,340	\$ 10,507,302	\$ 135,303,724	\$ 112,675,073

Long-Term Debt

At the end of 2017, Clay County had total bonded debt outstanding of \$59,645,000. This is an increase of \$37,760,000 from the start of the year (see Table 5).

**Table 5
Outstanding Debt at Year-End**

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	\$ 59,645,000	\$ 21,663,920	-	\$ 221,080	\$ 59,645,000	\$ 21,885,000

Clay County’s general obligation bonds are rated an A2. These ratings have been assigned by a national rating agency to Clay County’s debt. The state limits the amount of debt that the counties can issue to three percent of the market value of all taxable property in Clay County. Clay County’s outstanding net debt is significantly below this \$187,099,785 state-imposed limit.

Other obligations include capital leases, compensated absences, and landfill closure and postclosure costs. Clay County’s notes to the financial statements provide detailed information about the County’s long-term liabilities.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Clay County's average unemployment rate for 2017 and 2016 is 3.3 percent and 3.5 percent, respectively. The unemployment rate for the first seven months of 2018 averaged 3.34 percent. This compares consistent to the state's average unemployment rate for 2017 of 3.5 percent and favorably the national average rate of 4.4 percent. This information was taken from the Minnesota Department of Employment and Economic Development website for Clay County unemployment statistics.
- With limited financial resources and the desire by the Clay County Board of Commissioners to minimize the increase in local property taxation, the prioritization and review of programs and services will be extremely important as future budgets are developed and efforts are made to control expenditures.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Clay County programs and services will influence the development of future budgets.

All of these factors were considered in preparing Clay County's governmental budget for the 2018 fiscal year.

On December 19, 2017, the Clay County Board of Commissioners approved the 2018 budget. The overall budget increase was 12.15 percent, for a total budget of \$85,604,547. It also included a 6.20 percent property tax levy increase for a total levy of \$31,097,491.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Clay County's finances 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 Lori J. Johnson, Clay County Auditor/Treasurer, Clay County Auditor's Office, P. O. Box 280, Moorhead, Minnesota 56561-0280; or contact us at 218-299-5006 or via email at auditor@co.clay.mn.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 51,910,102	\$ 10,305,695	\$ 62,215,797
Investments	1,118,386	1,444,515	2,562,901
Taxes receivable delinquent	382,924	-	382,924
Special assessments receivable			
Delinquent - net	745	38,793	39,538
Liens - net	103,034	-	103,034
Accounts receivable	303,228	373,249	676,477
Accrued interest receivable	147,703	6,611	154,314
Internal balances	1,076,895	(1,076,895)	-
Due from other governments	5,063,933	1,396,280	6,460,213
Inventories	252,037	-	252,037
Prepaid items	403,131	104,707	507,838
Restricted assets			
Permanently restricted			
Investments	-	3,786,731	3,786,731
Departmental cash	-	21,005	21,005
Accrued interest receivable	-	138,171	138,171
Capital assets			
Non-depreciable	30,990,632	2,059,355	33,049,987
Depreciable - net of accumulated depreciation	93,040,752	9,212,985	102,253,737
Total Assets	\$ 184,793,502	\$ 27,811,202	\$ 212,604,704
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	\$ 9,766,936	\$ 1,696,722	\$ 11,463,658

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 1
(Continued)**

**STATEMENT OF NET POSITION
DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Accounts payable	\$ 3,096,541	\$ 254,798	\$ 3,351,339
Salaries payable	994,112	330,490	1,324,602
Contracts payable	3,218,880	-	3,218,880
Due to other governments	2,211,861	436,923	2,648,784
Accrued interest payable	639,707	-	639,707
Unearned revenue	10,290	188,212	198,502
Long-term liabilities			
Due within one year	4,704,089	208,612	4,912,701
Due in more than one year	60,631,920	3,849,572	64,481,492
Net pension liability	19,011,065	5,424,582	24,435,647
Net postemployment benefits obligation	631,059	151,907	782,966
	\$ 95,149,524	\$ 10,845,096	\$ 105,994,620
<u>Deferred Inflows of Resources</u>			
Advance allotment	\$ 770,532	\$ -	\$ 770,532
Prepaid property taxes	347,411	-	347,411
Deferred pension inflows	8,671,943	1,050,122	9,722,065
	\$ 9,789,886	\$ 1,050,122	\$ 10,840,008
<u>Net Position</u>			
Net investment in capital assets	\$ 83,024,374	\$ 11,272,340	\$ 94,296,714
Restricted for			
General government	408,638	-	408,638
Public safety	371,694	-	371,694
Highways and streets	2,797,685	-	2,797,685
Closure/postclosure	-	615,296	615,296
Health	-	145,604	145,604
Conservation of natural resources	158,533	-	158,533
Capital projects	-	181,857	181,857
Debt service	1,211,330	-	1,211,330
Other purposes	16,326	-	16,326
Unrestricted	1,632,448	5,397,609	7,030,057
	\$ 89,621,028	\$ 17,612,706	\$ 107,233,734

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Expenses	Fees, Charges, Fines, and Other
<u>Functions/Programs</u>		
Governmental activities		
General government	\$ 9,867,250	\$ 1,788,782
Public safety	16,091,315	556,122
Highways and streets	10,024,004	846,026
Human services	21,750,883	1,675,647
Culture and recreation	475,283	-
Conservation of natural resources	553,114	11,373
Economic development	706,419	-
Interest and fiscal charges	1,543,946	-
	\$ 61,012,214	\$ 4,877,950
Total governmental activities		
Business-type activities		
Family Service	\$ 1,653,091	\$ 1,379,292
Public Health	6,098,525	2,460,384
Solid Waste	2,507,372	3,241,050
Juvenile Center	3,899,790	3,499,840
	\$ 14,158,778	\$ 10,580,566
Total business-type activities		
	\$ 75,170,992	\$ 15,458,516
Total		

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Local sales tax
Taxes - other
Grants and contributions not restricted to
specific programs
Payments in lieu of tax
Investment income
Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net Position - Beginning

Net Position - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Position		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 428,825	\$ -	\$ (7,649,643)	\$ -	\$ (7,649,643)
929,365	1,037	(14,604,791)	-	(14,604,791)
6,422,158	437,247	(2,318,573)	-	(2,318,573)
11,023,308	-	(9,051,928)	-	(9,051,928)
-	-	(475,283)	-	(475,283)
189,163	84,985	(267,593)	-	(267,593)
-	-	(706,419)	-	(706,419)
-	-	(1,543,946)	-	(1,543,946)
\$ 18,992,819	\$ 523,269	\$ (36,618,176)	\$ -	\$ (36,618,176)
\$ -	\$ 41,951	\$ -	\$ (231,848)	\$ (231,848)
2,896,455	-	-	(741,686)	(741,686)
703,125	-	-	1,436,803	1,436,803
77,876	-	-	(322,074)	(322,074)
\$ 3,677,456	\$ 41,951	\$ -	\$ 141,195	\$ 141,195
\$ 22,670,275	\$ 565,220	\$ (36,618,176)	\$ 141,195	\$ (36,476,981)
		\$ 26,002,941	\$ -	\$ 26,002,941
		386,388	-	386,388
		58,043	-	58,043
		326,926	-	326,926
		521,209	-	521,209
		6,455,476	1,680	6,457,156
		166,839	-	166,839
		526,582	13,642	540,224
		225,611	-	225,611
		(679,280)	679,280	-
		\$ 33,990,735	\$ 694,602	\$ 34,685,337
		\$ (2,627,441)	\$ 835,797	\$ (1,791,644)
		92,248,469	16,776,909	109,025,378
		\$ 89,621,028	\$ 17,612,706	\$ 107,233,734

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 8,358,867	\$ 6,236,211
Petty cash and change funds	7,875	-
Undistributed cash in agency funds	555,861	84,742
Investments	22,033	1,000,000
Taxes receivable delinquent	214,990	41,629
Special assessments		
Delinquent	-	-
Liens	-	-
Accounts receivable	168,727	98,457
Accrued interest receivable	146,687	1,016
Due from other funds	302,651	96,162
Due from other governments	225,177	1,731,348
Prepaid items	214,845	27,513
Advance to other funds	1,845,000	-
Inventories	-	252,037
	\$ 12,062,713	\$ 9,569,115
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 310,575	\$ 82,731
Salaries payable	587,472	103,420
Contracts payable	-	37,801
Due to other funds	108,350	58,174
Due to other governments	814,992	962,012
Unearned revenue	-	-
Advance from other funds	-	929,796
	\$ 1,821,389	\$ 2,173,934

EXHIBIT 3

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Jail/Law Enforcement Construction Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 6,630,809	\$ 278,754	\$ 25,545,005	\$ 1,542,602	\$ 48,592,248
1,700	-	-	-	9,575
236,216	225	-	37,959	915,003
-	96,353	-	-	1,118,386
108,442	-	-	17,863	382,924
-	745	-	-	745
-	103,034	-	-	103,034
35,619	-	-	425	303,228
-	-	-	-	147,703
199,680	5,063	204,582	77,508	885,646
1,901,453	991,549	-	196,926	5,046,453
160,773	-	-	-	403,131
-	-	-	-	1,845,000
-	-	-	-	252,037
<u>\$ 9,274,692</u>	<u>\$ 1,475,723</u>	<u>\$ 25,749,587</u>	<u>\$ 1,873,283</u>	<u>\$ 60,005,113</u>
\$ 545,216	\$ 525	\$ 2,114,524	\$ -	\$ 3,053,571
303,220	-	-	-	994,112
-	-	3,170,759	-	3,208,560
507,011	-	93,070	19,550	786,155
367,594	-	-	-	2,144,598
10,290	-	-	-	10,290
-	-	-	-	929,796
<u>\$ 1,733,331</u>	<u>\$ 525</u>	<u>\$ 5,378,353</u>	<u>\$ 19,550</u>	<u>\$ 11,127,082</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	General	Road and Bridge
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u> (Continued)		
Deferred Inflows of Resources		
Unavailable revenue	\$ 195,299	\$ 1,200,208
Prepaid property taxes	204,116	33,279
Advance allotment	-	770,532
	\$ 399,415	\$ 2,004,019
Fund Balances		
Nonspendable		
Inventories	\$ -	\$ 252,037
Prepaid items	214,844	27,513
Advances to other funds	1,845,000	-
Restricted for		
Debt service	-	-
Law library	80,156	-
Capital projects	-	-
Gravel pit restoration	-	-
County state-aid highway system	-	4,139
Real estate tax shortfall	22,033	-
Pistol permits	195,559	-
Missing heirs	16,326	-
K-9	6,020	-
DARE	24,206	-
Posse	6,117	-
Veteran's affairs	1,989	-
Sheriff's forfeited property	95,796	-
Attorney's forfeited property	160,793	-
Recorder's technology equipment	67,105	-
Recorder's compliance	76,562	-
Correctional fees	43,996	-
Aquatic invasive species	54,724	-
Riparian aid	103,809	-
Wheelage tax	-	1,082,401
Assigned for		
Road and bridge	-	4,025,072
Human services	-	-
County building projects	-	-
Unassigned	6,826,874	-
	\$ 9,841,909	\$ 5,391,162
Total Fund Balances	\$ 9,841,909	\$ 5,391,162
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,062,713	\$ 9,569,115

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Jail/Law Enforcement Construction Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 411,191	\$ 1,095,328	\$ -	\$ 14,306	\$ 2,916,332
96,238	-	-	13,778	347,411
-	-	-	-	770,532
<u>\$ 507,429</u>	<u>\$ 1,095,328</u>	<u>\$ -</u>	<u>\$ 28,084</u>	<u>\$ 4,034,275</u>
\$ -	\$ -	\$ -	\$ -	\$ 252,037
160,773	-	-	-	403,130
-	-	-	-	1,845,000
-	380,150	-	831,180	1,211,330
-	-	-	-	80,156
-	-	20,371,234	-	20,371,234
-	-	-	909,126	909,126
-	-	-	-	4,139
-	-	-	-	22,033
-	-	-	-	195,559
-	-	-	-	16,326
-	-	-	-	6,020
-	-	-	-	24,206
-	-	-	-	6,117
-	-	-	-	1,989
-	-	-	-	95,796
-	-	-	-	160,793
-	-	-	-	67,105
-	-	-	-	76,562
-	-	-	-	43,996
-	-	-	-	54,724
-	-	-	-	103,809
-	-	-	-	1,082,401
-	-	-	-	4,025,072
6,873,159	-	-	-	6,873,159
-	-	-	85,343	85,343
-	(280)	-	-	6,826,594
<u>\$ 7,033,932</u>	<u>\$ 379,870</u>	<u>\$ 20,371,234</u>	<u>\$ 1,825,649</u>	<u>\$ 44,843,756</u>
<u>\$ 9,274,692</u>	<u>\$ 1,475,723</u>	<u>\$ 25,749,587</u>	<u>\$ 1,873,283</u>	<u>\$ 60,005,113</u>

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

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017**

Fund balances - total governmental funds (Exhibit 3) \$ 44,843,756

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 124,031,384

Deferred outflows of resources resulting from pension obligations are not available resources and, therefore, are not reported in the governmental funds. 9,766,936

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 2,916,332

Internal service funds are used by management to charge the cost of management of fleet maintenance and self-insurance to individual funds. The assets and liabilities that are included in governmental activities in the statement of net position are:

Total internal services net position	\$	6,253,055	
Long-term liabilities of the Internal Service Fund		81,265	
Net position representing capital assets included above		<u>(3,981,917)</u>	2,352,403

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

General obligation bonds	\$	(62,578,591)	
Capital leases payable		(81,265)	
Compensated absences		(2,676,153)	
Accrued interest payable		(639,707)	
Net other postemployment benefits obligation		(631,059)	
Net pension liability		<u>(19,011,065)</u>	(85,617,840)

Deferred inflows of resources resulting from pension obligations are not due and payable in the current period and, therefore, are not reported in the governmental funds. (8,671,943)

Net Position of Governmental Activities (Exhibit 1) \$ 89,621,028

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>General</u>	<u>Road and Bridge</u>
Revenues		
Taxes	\$ 14,897,337	\$ 3,479,490
Special assessments	-	-
Licenses and permits	113,614	78,410
Intergovernmental	5,469,171	7,478,721
Charges for services	1,872,321	619,918
Fines and forfeits	118,290	-
Investment earnings	274,169	9,343
Miscellaneous	471,813	180,699
	<u>\$ 23,216,715</u>	<u>\$ 11,846,581</u>
Expenditures		
Current		
General government	\$ 9,328,381	\$ -
Public safety	11,482,990	-
Highways and streets	-	6,849,058
Human services	-	-
Culture and recreation	475,283	-
Conservation of natural resources	562,515	-
Economic development	706,419	-
Intergovernmental		
Highways and streets	-	531,762
Capital outlay		
General government	-	-
Public safety	-	-
Debt service		
Principal	-	-
Interest	-	-
Administrative (fiscal charges)	-	-
Bond issuance costs	-	-
	<u>\$ 22,555,588</u>	<u>\$ 7,380,820</u>
Excess of Revenues Over (Under)		
Expenditures	<u>\$ 661,127</u>	<u>\$ 4,465,761</u>

EXHIBIT 5

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Jail/Law Enforcement Construction Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 7,256,390	\$ -	\$ -	\$ 1,634,685	\$ 27,267,902
-	369,458	-	-	369,458
-	-	-	-	192,024
12,767,107	-	-	199,247	25,914,246
-	-	-	-	2,492,239
14,399	-	-	-	132,689
-	1,676	257,604	-	542,792
1,664,381	-	5,850	-	2,322,743
<u>\$ 21,702,277</u>	<u>\$ 371,134</u>	<u>\$ 263,454</u>	<u>\$ 1,833,932</u>	<u>\$ 59,234,093</u>
\$ -	\$ -	\$ -	\$ 69,219	\$ 9,397,600
-	-	-	-	11,482,990
-	-	-	-	6,849,058
21,297,642	-	-	-	21,297,642
-	-	-	-	475,283
-	888	-	-	563,403
-	-	-	-	706,419
-	-	-	-	531,762
-	-	1,585,092	-	1,585,092
-	-	26,419,825	-	26,419,825
-	555,000	-	3,283,920	3,838,920
-	47,412	-	1,094,067	1,141,479
-	-	-	1,775	1,775
-	-	433,651	-	433,651
<u>\$ 21,297,642</u>	<u>\$ 603,300</u>	<u>\$ 28,438,568</u>	<u>\$ 4,448,981</u>	<u>\$ 84,724,899</u>
<u>\$ 404,635</u>	<u>\$ (232,166)</u>	<u>\$ (28,175,114)</u>	<u>\$ (2,615,049)</u>	<u>\$ (25,490,806)</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ 120,000	\$ -
Transfers out	(1,136,230)	(2,386,350)
Bonds issued	-	-
Premium on bonds/notes issued	-	-
	\$ (1,016,230)	\$ (2,386,350)
Net Change in Fund Balance	\$ (355,103)	\$ 2,079,411
Fund Balance - January 1	10,197,012	3,369,329
Increase (decrease) in inventories	-	(57,578)
Fund Balance - December 31	\$ 9,841,909	\$ 5,391,162

EXHIBIT 5
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Jail/Law Enforcement Construction Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 2,923,300	\$ 3,043,300
-	-	-	(200,000)	(3,722,580)
-	-	41,820,000	-	41,820,000
-	-	2,641,023	-	2,641,023
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 44,461,023</u>	<u>\$ 2,723,300</u>	<u>\$ 43,781,743</u>
\$ 404,635	\$ (232,166)	\$ 16,285,909	\$ 108,251	\$ 18,290,937
6,629,297	612,036	4,085,325	1,717,398	26,610,397
-	-	-	-	(57,578)
<u>\$ 7,033,932</u>	<u>\$ 379,870</u>	<u>\$ 20,371,234</u>	<u>\$ 1,825,649</u>	<u>\$ 44,843,756</u>

**CLAY COUNTY
MOORHEAD, 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, 2017**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 18,290,937

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

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

Unavailable revenue - December 31	\$ 2,916,332	
Unavailable revenue - January 1	<u>(3,178,556)</u>	(262,224)

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	\$ 26,502,328	
Current year depreciation	<u>(4,346,776)</u>	22,155,552

Capital contributions of the internal service fund which are recognized in the governmental activities.		1,037
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Issuing long-term debt provides current financial resources to governmental funds, while the repayment of debt consumes current financial resources. Neither transaction, however, has any effect on net position. Also, governmental funds report the net effect of premiums, discounts, and similar items when debt is first issued; whereas, those amounts are deferred and amortized over the life of the debt in the statement of net position.

Proceeds of new debt		
Bonds issued	\$ (41,820,000)	
Premium on bonds issued	<u>(2,641,023)</u>	(44,461,023)

Principal repayments		
General obligation bonds		3,838,920

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 6
(Continued)**

**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, 2017**

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 accrued interest payable	\$	(397,429)	
Amortization of premiums and discounts		234,934	
Change in compensated absences		(109,466)	
Change in net other postemployment benefits obligation		(35,124)	
Change in inventories		(57,578)	
Change in net pension obligation		10,611,743	
Change in deferred pension outflows		(6,847,743)	
Change in deferred pension inflows		<u>(5,716,506)</u>	(2,317,169)

Internal service funds are used by management to charge the cost of certain activities to individual funds. The net expense of certain activities of the internal service funds is reported with governmental activities.

Governmental activities share of net income before transfers		<u>126,529</u>	
Change in Net Position of Governmental Activities (Exhibit 2)		<u><u>\$ (2,627,441)</u></u>	

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PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	Family Service Center	Business-Type Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 712,588	\$ 865,064
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Investments	-	164,566
Special assessments		
Delinquent	-	-
Accounts receivable - net	5,852	31,354
Accrued interest receivable	-	5,310
Due from other funds	16,364	73,600
Due from other governments	1,446	494,186
Prepaid items	6,127	32,295
Total current assets	\$ 742,677	\$ 1,666,375
Restricted assets		
Investments	\$ -	\$ -
Departmental cash	-	-
Accrued interest receivable	-	-
Total restricted assets	\$ -	\$ -
Noncurrent assets		
Advance to other funds	\$ -	\$ -
Capital assets		
Nondepreciable	240,500	290,804
Depreciable - net	3,767,850	1,517,913
Total noncurrent assets	\$ 4,008,350	\$ 1,808,717
Total Assets	\$ 4,751,027	\$ 3,475,092
Deferred Outflows of Resources		
Deferred pension outflows	\$ 96,105	\$ 712,006

EXHIBIT 7

Activities - Enterprise Funds			Governmental
Public Health	Solid Waste Management	Totals	Activities Internal Service Fund
\$ 2,156,501	\$ 6,524,717	\$ 10,258,870	\$ 2,393,276
-	46,155	46,155	-
170	200	670	-
-	1,279,949	1,444,515	-
-	38,793	38,793	-
286,124	49,919	373,249	-
-	1,301	6,611	-
565,345	-	655,309	-
363,232	103,615	962,479	12,417
59,634	6,651	104,707	-
\$ 3,431,006	\$ 8,051,300	\$ 13,891,358	\$ 2,405,693
\$ -	\$ 3,786,731	\$ 3,786,731	\$ -
-	21,005	21,005	-
-	138,171	138,171	-
\$ -	\$ 3,945,907	\$ 3,945,907	\$ -
\$ -	\$ 929,796	\$ 929,796	\$ -
-	1,528,051	2,059,355	-
34,060	3,893,162	9,212,985	3,981,917
\$ 34,060	\$ 6,351,009	\$ 12,202,136	\$ 3,981,917
\$ 3,465,066	\$ 18,348,216	\$ 30,039,401	\$ 6,387,610
\$ 776,472	\$ 112,139	\$ 1,696,722	\$ -

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 20,685	\$ 119,309
Salaries payable	15,011	129,377
Contracts payable	-	-
Due to other funds	107,959	24,433
Due to other governments	624	9,729
Unearned revenue	3,513	-
Capital leases payable - current	-	-
Compensated absences payable - current	12,231	72,506
Total current liabilities	\$ 160,023	\$ 355,354
Noncurrent liabilities		
Advance from other funds	\$ 1,495,000	\$ 350,000
Capital leases payable - long-term	-	-
Estimated liability for landfill closure/postclosure	-	-
Net pension liability	365,181	1,660,180
Net other postemployment benefits obligation	11,533	42,328
Compensated absences payable - long-term	46,898	141,340
Total noncurrent liabilities	\$ 1,918,612	\$ 2,193,848
Total Liabilities	\$ 2,078,635	\$ 2,549,202
Deferred Inflows of Resources		
Deferred pension inflows	\$ 62,950	\$ 354,941
<u>Net Position</u>		
Net Position		
Net investment in capital assets	\$ 4,008,350	\$ 1,808,717
Restricted for		
Closure/postclosure	-	-
Capital projects	-	181,857
Health	-	-
Unrestricted	(1,302,803)	(707,619)
Total Net Position	\$ 2,705,547	\$ 1,282,955

EXHIBIT 7
(Continued)

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste Management	Totals	
\$ 86,132	\$ 28,672	\$ 254,798	\$ 42,970
163,619	22,483	330,490	-
-	-	-	10,320
354,804	1,297	488,493	-
24,222	297,054	331,629	-
184,699	-	188,212	-
-	-	-	29,024
109,318	14,557	208,612	-
\$ 922,794	\$ 364,063	\$ 1,802,234	\$ 82,314
\$ -	\$ -	\$ 1,845,000	\$ -
-	-	-	52,241
-	3,330,611	3,330,611	-
2,975,345	423,876	5,424,582	-
92,661	5,385	151,907	-
276,402	54,321	518,961	-
\$ 3,344,408	\$ 3,814,193	\$ 11,271,061	\$ 52,241
\$ 4,267,202	\$ 4,178,256	\$ 13,073,295	\$ 134,555
\$ 550,910	\$ 81,321	\$ 1,050,122	\$ -
\$ 34,060	\$ 5,421,213	\$ 11,272,340	\$ 3,900,652
-	615,296	615,296	-
-	-	181,857	-
145,604	-	145,604	-
(756,238)	8,164,269	5,397,609	2,352,403
\$ (576,574)	\$ 14,200,778	\$ 17,612,706	\$ 6,253,055

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
Operating Revenues		
Charges for services	\$ 166,001	\$ 3,407,584
Licenses and permits	-	-
Rents	1,131,717	58,046
Miscellaneous	81,574	34,210
Total Operating Revenues	\$ 1,379,292	\$ 3,499,840
Operating Expenses		
Personal services	\$ 488,155	\$ 3,118,306
Other services and charges	559,424	463,500
Supplies	44,362	146,129
Depreciation	365,193	170,284
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,457,134	\$ 3,898,219
Operating Income (Loss)	\$ (77,842)	\$ (398,379)
Nonoperating Revenues (Expenses)		
Special assessments	\$ -	\$ -
Intergovernmental	118	78,160
Interest income	-	1,230
Gain on sale/disposal of capital assets	(195,957)	-
Interest expense	-	(1,571)
Total Nonoperating Revenues (Expenses)	\$ (195,839)	\$ 77,819
Income (Loss) Before Contributions and Transfers	\$ (273,681)	\$ (320,560)
Capital contributions	-	41,951
Transfers in	-	296,974
Transfers out	-	-
Change in net position	\$ (273,681)	\$ 18,365
Net Position - January 1	2,979,228	1,264,590
Net Position - December 31	\$ 2,705,547	\$ 1,282,955

EXHIBIT 8

Activities - Enterprise Funds			Governmental
Public Health	Solid Waste Management	Totals	Activities Internal Service Fund
\$ 2,437,281	\$ 1,987,509	\$ 7,998,375	\$ 1,482,554
-	85	85	-
-	-	1,189,763	-
23,103	53,393	192,280	-
\$ 2,460,384	\$ 2,040,987	\$ 9,380,503	\$ 1,482,554
\$ 4,679,500	\$ 701,336	\$ 8,987,297	\$ -
1,020,426	909,492	2,952,842	-
394,643	472,968	1,058,102	326,699
3,956	401,691	941,124	1,101,287
-	21,885	21,885	-
\$ 6,098,525	\$ 2,507,372	\$ 13,961,250	\$ 1,427,986
\$ (3,638,141)	\$ (466,385)	\$ (4,580,747)	\$ 54,568
\$ -	\$ 1,200,063	\$ 1,200,063	\$ -
2,897,569	631,924	3,607,771	-
-	83,777	85,007	-
-	-	(195,957)	72,974
-	-	(1,571)	(1,013)
\$ 2,897,569	\$ 1,915,764	\$ 4,695,313	\$ 71,961
\$ (740,572)	\$ 1,449,379	\$ 114,566	\$ 126,529
-	-	41,951	1,037
502,306	-	799,280	-
-	(120,000)	(120,000)	-
\$ (238,266)	\$ 1,329,379	\$ 835,797	\$ 127,566
(338,308)	12,871,399	16,776,909	6,125,489
\$ (576,574)	\$ 14,200,778	\$ 17,612,706	\$ 6,253,055

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service Center</u>	<u>Business-Type Juvenile Center</u>
Cash Flows from Operating Activities		
Receipts from customers and users	\$ 1,372,263	\$ 3,234,481
Payments to suppliers	(628,551)	(551,363)
Payments to employees	(471,922)	(2,710,787)
Net cash provided by (used in) operating activities	\$ 271,790	\$ (27,669)
Cash Flows from Noncapital Financing Activities		
Special assessments	\$ -	\$ -
Intergovernmental	118	77,602
Advance to other funds	-	-
Transfers in	-	296,974
Transfers out	-	-
Net cash provided by (used in) noncapital financing activities	\$ 118	\$ 374,576
Cash Flows from Capital and Related Financing Activities		
Principal paid on installment purchase	\$ -	\$ -
Interest paid on long-term debt	-	(1,713)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	(58,640)	(597,058)
Net cash provided by (used in) capital and related financing activities	\$ (58,640)	\$ (598,771)
Cash Flows from Investing Activities		
Purchase of investments	\$ -	\$ -
Investment earnings received	-	1,019
Net cash provided by (used in) investing activities	\$ -	\$ 1,019
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 213,268	\$ (250,845)
Cash and Cash Equivalents at January 1	499,620	1,115,909
Cash and Cash Equivalents at December 31	\$ 712,888	\$ 865,064

EXHIBIT 9

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste Management	Totals	
\$ 2,358,358	\$ 2,008,627	\$ 8,973,729	\$ 1,482,554
(1,382,935)	(1,391,197)	(3,954,046)	(381,385)
(4,535,259)	(672,804)	(8,390,772)	-
\$ (3,559,836)	\$ (55,374)	\$ (3,371,089)	\$ 1,101,169
\$ -	\$ 1,204,677	\$ 1,204,677	\$ -
2,820,014	631,924	3,529,658	45,516
-	(48,731)	(48,731)	-
502,306	-	799,280	-
-	(120,000)	(120,000)	-
\$ 3,322,320	\$ 1,667,870	\$ 5,364,884	\$ 45,516
\$ -	\$ -	\$ -	\$ (28,050)
-	-	(1,713)	(1,013)
-	-	-	72,974
-	(1,624,322)	(2,280,020)	(770,654)
\$ -	\$ (1,624,322)	\$ (2,281,733)	\$ (726,743)
\$ -	\$ (149,615)	\$ (149,615)	\$ -
-	57,074	58,093	-
\$ -	\$ (92,541)	\$ (91,522)	\$ -
\$ (237,516)	\$ (104,367)	\$ (379,460)	\$ 419,942
2,394,187	6,675,439	10,685,155	1,973,334
\$ 2,156,671	\$ 6,571,072	\$ 10,305,695	\$ 2,393,276

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
Increase (Decrease) in Cash and Cash Equivalents**

	Business-Type	
	Family Service Center	Juvenile Center
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 712,588	\$ 865,064
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Total Cash and Cash Equivalents	<u>\$ 712,888</u>	<u>\$ 865,064</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities		
Operating income (loss)	<u>\$ (77,842)</u>	<u>\$ (398,379)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 365,193	\$ 170,284
(Increase) decrease in accounts receivable	(281)	(31,254)
(Increase) decrease in due from other governments	1,586	(243,903)
(Increase) decrease in due from other funds	(12,204)	(26,319)
(Increase) decrease in prepaid items	(6,127)	(32,025)
(Increase) decrease in deferred pension outflows	83,013	588,882
Increase (decrease) in accounts payable	(9,779)	88,398
Increase (decrease) in salaries payable	1,702	31,909
Increase (decrease) in compensated absences - current	(113)	12,577
Increase (decrease) in compensated absences - long-term	144	19,167
Increase (decrease) in due to other funds	25	6,560
Increase (decrease) in due to other governments	(14,597)	3,342
Increase (decrease) in contracts payable	-	-
Increase (decrease) in unearned revenue	3,513	-
Increase (decrease) in net other postemployment benefits obligation	551	4,942
Increase (decrease) in landfill closure and postclosure payable	-	-
Increase (decrease) in deferred pension inflows	14,911	241,202
Increase (decrease) in net pension liability	(77,905)	(463,052)
Total adjustments	<u>\$ 349,632</u>	<u>\$ 370,710</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$ 271,790</u>	<u>\$ (27,669)</u>

EXHIBIT 9
(Continued)

Activities - Enterprise Funds			Governmental Activities Internal Service Fund
Public Health	Solid Waste Management	Totals	
\$ 2,156,501	\$ 6,524,717	\$ 10,258,870	\$ 2,393,276
-	46,155	46,155	-
170	200	670	-
\$ 2,156,671	\$ 6,571,072	\$ 10,305,695	\$ 2,393,276
\$ (3,638,141)	\$ (466,385)	\$ (4,580,747)	\$ 54,568
\$ 3,956	\$ 401,691	\$ 941,124	\$ 1,101,287
(44,338)	(5,514)	(81,387)	-
(2,302)	(26,232)	(270,851)	(12,417)
(189,047)	-	(227,570)	-
(57,610)	(6,651)	(102,413)	-
776,086	112,051	1,560,032	-
30,586	1,913	111,118	4,742
20,983	1,544	56,138	-
2,674	531	15,669	-
(2,308)	3,556	20,559	-
139,170	1,197	146,952	-
10,183	(12,155)	(13,227)	-
-	-	-	(47,011)
(13,321)	-	(9,808)	-
(9,733)	1,502	(2,738)	-
-	21,885	21,885	-
148,813	23,658	428,584	-
(735,487)	(107,965)	(1,384,409)	-
\$ 78,305	\$ 411,011	\$ 1,209,658	\$ 1,046,601
\$ (3,559,836)	\$ (55,374)	\$ (3,371,089)	\$ 1,101,169

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FIDUCIARY FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 10

**STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
DECEMBER 31, 2017**

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,920,269
Accounts receivable	12,171
Due from other funds	189,801
Due from other governments	<u>457,475</u>
Total Assets	<u>\$ 3,579,716</u>
<u>Liabilities</u>	
Accounts payable	\$ 15,375
Due to other funds	456,108
Due to other governments	<u>3,108,233</u>
Total Liabilities	<u>\$ 3,579,716</u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) in the United States of America as of and for the year ended December 31, 2017. 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

Clay County was established March 8, 1862, and organized April 14, 1872; it has the powers, duties, and privileges granted counties by Minn. Stat. ch. 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 County Administrator, appointed by the Board, serves as the clerk of the Board of Commissioners but has no vote.

Joint Ventures

The County participates in several joint ventures which are described in Note 8.B. The County also participates in jointly-governed organizations and related organizations described in Notes 8.C. and 8.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) 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 and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

The County reports the following major governmental funds:

The General Fund is the County's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

The Road and Bridge Special Revenue Fund is used to account for revenues and expenditures of the County Highway Department, which is responsible for the construction and maintenance of roads, bridges, and other projects affecting County roadways.

The Social Services Special Revenue Fund is used to account for economic assistance and community social services programs.

The Ditch Debt Service Fund is used to account for the accumulation of resources and the payment of principal and interest of ditch bond issues.

The Jail/Law Enforcement Construction Capital Projects Fund is used to account for financial resources to be used for the construction of the jail and law enforcement facilities.

The County reports the following major enterprise funds:

The Family Service Center Fund is used to account for the financing of the Family Service Center, which provides rental space to other departments and agencies.

The Juvenile Center Fund is used to account for the financial transactions of the Juvenile Center, which provides housing for juveniles and rental space to other departments and agencies.

The Public Health Fund is used to account for providing nursing service care to the elderly and other residents of the County. All activities necessary to provide such services are accounted for in this fund. Financing is provided by a health service grant and user service charges.

The Solid Waste Management Fund is used to account for the operation, maintenance, and development of the County solid waste landfill.

Additionally, the County reports the following fund types:

The Internal Service Fund is used to account for the financing of equipment provided by one department to other departments of the County on a cost-reimbursement basis.

Debt service funds account for resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. These funds account for assets that the County holds for others in an agent capacity.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the full 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. Shared revenues are generally recognized in the period the appropriation goes into effect. 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. Clay County considers all revenues as available if collected within 60 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

1. Cash and Cash Equivalents

The County has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the County's investment pool is treated as a cash equivalent because the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

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2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Auditor-Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2017. A market approach is used to value all investments other than external investment pools, which are measured at the net asset value. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund.

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

Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2017 were \$657,326.

3. Receivables and Payables

Activity between funds representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (the current portion of interfund loans) or “advances to/from other funds” (the noncurrent portion of interfund loans).

All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

No allowance has been made for uncollectible receivables.

Property taxes are levied as of January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due May 15 and the second half payment due October 15. Unpaid taxes at

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December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

4. Special Assessments Receivable

Special assessments receivable consist of delinquent special assessments payable in the years 2012 through 2017. No allowances for special assessments are shown because such amounts are not expected to be material.

5. Inventories and Prepaid Items

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.

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

6. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net position because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, applicable laws and regulations limit their use.

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value entry price at the date of donation. Computer software has a threshold of \$50,000 and is included in the category of Machinery and Equipment.

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The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the County did not have any capitalized interest.

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

Assets	Years
Buildings	15 - 75
Land improvements	5 - 30
Public domain infrastructure	20 - 50
Furniture, equipment, and vehicles	3 - 15

The County landfill is depreciated based on capacity.

8. Compensated Absences

The liability for compensated absences reported in financial statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Compensated absences are accrued when incurred in the government-wide and proprietary fund 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. The government-wide statement of net position reports both the current and noncurrent portion of compensated absences. The current portion consists of an amount based on the vacation each employee accrues in one year.

9. Unearned Revenue

Proprietary funds, and government-wide financial statements report unearned revenue in connection with resources that have been received, but not yet earned.

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10. Long-Term Obligations

In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as an expense in the period incurred.

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

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the County has one item, deferred pension outflows that qualifies for reporting in this category. These outflows arise only under the full accrual basis of accounting. The deferred pension outflows consist of pension plan contributions paid subsequent to the measurement date, differences between expected and actual pension plan economic experience, changes in actuarial assumptions, pension plan changes in proportionate share, and also the difference between projected and actual earnings on pension plan investments and, accordingly, are reported only in the statement of net position. No deferred outflows of resources affect the governmental fund financial statements in the current year.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the County has four types of items - unavailable revenue, advance allotment, prepaid property taxes and deferred

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pension inflows - that qualify for reporting in this category. The governmental funds report unavailable revenue from delinquent taxes receivable, delinquent special assessments and liens receivable, and for amounts that are not considered to be available to liquidate liabilities of the current period. Unavailable revenue arises only under the modified accrual basis of accounting and, accordingly, is reported only in the governmental funds balance sheet. The unavailable revenue and advance allotment amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The advance allotment is also reported as an inflow of resources under the full accrual basis in the statement of net position. Prepaid property taxes arise under both the modified accrual and the full accrual basis of accounting and, accordingly, are reported in the governmental funds balance sheet and statement of net position. The County also has deferred pension inflows. These inflows arise only under the full accrual basis of accounting and consist of differences between expected and actual pension plan economic experience, changes in actuarial assumptions, the difference between projected and actual earnings on pension plan investments and also pension plan changes in proportionate share and, accordingly, are reported only in the statement of net position.

12. 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 of Minnesota (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. Plan investments are reported at fair value. For the governmental activities, the pension liability is liquidated through the General Fund and other governmental funds that have personal services. For the business-type activities, the pension liability is liquidated by the enterprise funds.

13. Classification of Net Position

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

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

Restricted net position - the 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 net position that does not meet the definition of restricted or net investment in capital assets.

14. Classification of Fund Balances

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

Nonspendable - amounts that cannot be spent because they are not in spendable form, or are legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

Restricted - amounts for which constraints have been placed on the use of resources either externally imposed by creditors (such as through debt covenants), grantors, contributors, or by laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can be used only for the specific purposes imposed by formal action (resolution) of the County Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts.

Assigned - amounts the County intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the County Board or the County Auditor-Treasurer, who has been delegated that authority by Board

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resolution.

Unassigned - the residual classification for the General Fund, it includes all spendable amounts not contained in the other fund balance classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted or committed.

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

15. Minimum Fund Balance

Clay County has adopted a minimum fund balance policy to address cash flow or working capital needs for the General Fund, which is heavily reliant on property tax revenues to fund current operations. However, current property tax revenues are not available for distribution until June. Therefore, the County Board has determined the County needs to maintain a minimum unrestricted fund balance in the General Fund and has set the year-end minimum fund balance amount for the General Fund equal to 16 percent of the total General Fund annual expenditures. At December 31, 2017, unrestricted fund balance for the General Fund was at or above the minimum fund balance level.

16. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources; and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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2. Stewardship, Compliance, and Accountability

A. Deficit Net Position and Fund Balance

The Public Health Enterprise Fund had a deficit net position of \$576,574 as of December 31, 2017. The net position deficit will be eliminated by future interfund transfers from the General Fund.

Of 13 drainage system projects, one has incurred expenditures in excess of revenue and available resources. This deficit will be eliminated with future special assessment levies against benefited properties. The following summary shows the fund balance of the Ditch Debt Service Fund as of December 31, 2017.

Account balances	\$	380,150
Account deficits		(280)
Fund Balance	\$	379,870

B. Excess of Expenditures Over Budget

The following is a table of the individual nonmajor funds with expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Budget	Excess
Courthouse Expansion Debt Service Fund	\$ 306,908	\$ 306,900	\$ 8
Joint Highway Facility Debt Service Fund	2,557,342	2,557,075	267
Law Enforcement Expansion Debt Service Fund	1,028,191	180,407	847,784

C. Tax Abatements

The County offers tax abatements through two programs – a Business Assistance Abatement Program and a Two-year Property Tax Abatement Program.

Business Assistance Abatement

The property tax abatement is authorized under Minnesota Statute § 469.1813 subd. 1, and is available for new construction or substantial expansion/rehabilitation of an existing building to promote economic development in the County. The project must meet minimum project requirements as approved by the County Board, for new building value and/or jobs. Land and existing values prior to the project remain taxable.

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The term of abatement is five years with tiered amounts based on a percentage of the county tax, that ranges from 20 to 100 percent of County taxes. There is no provision for recapturing abated taxes.

Two-year Property Tax Abatement Program

To promote new residential construction within the County, the County offers a property tax abatement (rebate) program to individuals constructing new residential homes in Clay County (only where the city participates), pursuant to Minnesota Statutes §§ 469.1813 – 469.1816. The property taxes are paid when due and the county/city/school district tax capacity taxes are subsequently rebated to the homeowner in December. This rebate is available for the first two years of property taxes.

The following is information relevant to the disclosure of these programs for the fiscal year ended December 31, 2017:

Tax Abatement Program	Amount of Taxes Abated
Business Assistance Abatement	\$ 26,657
Two-year Property Tax Abatement	518,657

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Reconciliation of the County’s total cash and investments are reported as follows:

Governmental and business-type activities totals	
Cash and pooled investments	\$ 62,215,797
Investments	2,562,901
Permanently restricted assets	
Investments	3,786,731
Departmental cash	21,005
Fiduciary funds	
Cash and pooled investments	
Agency funds	2,920,269
Total Cash and Investments	\$ 71,506,703

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a. Deposits

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

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2017, the County's deposits were not exposed to custodial credit risk.

b. Investments

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

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

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states provided such obligations have certain specified bond ratings by a national bond rating service;

- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The County has a policy to minimize investment custodial credit risk. At year-end, \$1,167,382 of the County's investments were subject to custodial credit risk.

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Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2017, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5 Percent of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. government agency securities					
Federal National Mortgage Association	Aaa	Moody's		06/30/21	\$ 97,975
Federal National Mortgage Association	Aaa	Moody's		07/28/21	989,870
Federal National Mortgage Association	Aaa	Moody's		08/24/21	494,715
Federal National Mortgage Association	Aaa	Moody's		12/28/21	29,233
Federal National Mortgage Association	Aaa	Moody's		10/27/22	988,090
Federal National Mortgage Association	N/R	N/A		10/25/25	90,015
Federal National Mortgage Association	N/R	N/A		12/01/41	<u>29,753</u>
Total Federal National Mortgage Association			<5%		\$ <u>2,719,651</u>
Federal Home Loan Mortgage Corp.					
Federal Home Loan Mortgage Corp.	Aaa	Moody's		05/26/21	\$ 483,715
Federal Home Loan Mortgage Corp.	Aaa	Moody's		06/30/21	67,832
Federal Home Loan Mortgage Corp.	Aaa	Moody's		08/16/21	640,296
Federal Home Loan Mortgage Corp.	Aaa	Moody's		01/13/22	100,899
Federal Home Loan Mortgage Corp.	Aaa	Moody's		01/13/22	10,090
Federal Home Loan Mortgage Corp.	Aaa	Moody's		01/13/22	40,360
Federal Home Loan Mortgage Corp.	Aaa	Moody's		06/29/22	991,730
Federal Home Loan Mortgage Corp.	Aaa	Moody's		07/29/22	1,183,308
Federal Home Loan Mortgage Corp.	Aaa	Moody's		11/28/22	1,494,060
Federal Home Loan Mortgage Corp.	Aaa	Moody's		10/27/23	1,535,926
Federal Home Loan Mortgage Corp.	Aaa	Moody's		08/15/27	30,276
Federal Home Loan Mortgage Corp.	N/R	N/A		04/01/42	<u>47,980</u>
Total Federal Home Loan Mortgage Corp.			11.5%		\$ <u>6,626,472</u>
Federal Home Loan Bank					
Federal Home Loan Bank	Aaa	Moody's		06/23/21	\$ 248,332
Federal Home Loan Bank	Aaa	Moody's		12/21/21	988,170
Federal Home Loan Bank	Aaa	Moody's		04/11/22	992,140
Federal Home Loan Bank	Aaa	Moody's		08/24/22	197,184
Federal Home Loan Bank	Aaa	Moody's		11/09/22	<u>745,493</u>
Total Federal Home Loan Bank			5.5%		\$ <u>3,171,319</u>

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Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
Federal Farm Credit Bank	Aaa	Moody's		05/01/18	\$ 34,938
Federal Farm Credit Bank	Aaa	Moody's		04/05/21	48,377
Federal Farm Credit Bank	Aaa	Moody's		04/19/22	58,982
Federal Farm Credit Bank	Aaa	Moody's		09/12/22	889,326
Federal Farm Credit Bank	Aaa	Moody's		02/15/23	1,468,620
Federal Farm Credit Bank	Aaa	Moody's		09/26/23	44,524
Federal Farm Credit Bank	Aaa	Moody's		12/20/23	55,001
Total Federal Farm Credit Bank			<5%		\$ 2,599,768
U.S. Treasury Notes	Aaa	Moody's		09/30/19	\$ 29,558
U.S. Treasury Notes	Aaa	Moody's		05/15/26	1,130,256
Total US Treasury Notes			N/A		\$ 1,159,814
Local securities					
Newport News Virginia Development Bond	AA+	S&P		07/01/18	\$ 49,978
Dist. of Columbia Income Tax Secured Revenue Bond	Aaa	Moody's		12/01/19	46,985
Frederick County Maryland General Obligation	Aaa	Moody's		08/01/20	49,020
Easton Massachusetts General Obligation Bond	AA-	S&P		08/15/21	20,218
Greendale Wisconsin General Obligation Bond	Aa	Moody's		03/01/23	24,987
Myrtle Beach S. Carolina General Obligation Bond	Aa	Moody's		03/01/24	50,283
Newport News Virginia Development Bond	AA+	S&P		07/01/24	98,490
Total local securities			<5%		\$ 339,961
Investment pools					
MAGIC Fund - General Revenue					\$ 8,653,654
MAGIC Fund - Solid Waste Long-Term					2,145,639
MAGIC Fund - Solid Waste Management					1,279,949
MAGIC Fund - Road and Bridge					1,000,000
Total investment pools	N/R	N/A	N/A	N/A	\$ 13,079,242
Negotiable certificates of deposit					
Money market					\$ 6,843,938
Repurchase Agreement					\$ 11,169
					\$ 21,130,512
Total investments					\$ 57,681,846
Deposits					
Change funds					13,814,612
					10,245
Total Cash and Investments					\$ 71,506,703

N/A - Not Applicable
N/R - Not Rated
S&P - Standard & Poor's

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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, 2017, the County had the following recurring fair value measurements.

	December 31, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Debt securities				
U.S. Treasury securities	\$ 1,159,814	\$ -	\$ 1,159,814	\$ -
U.S. Agencies	15,117,210	-	15,117,210	-
Municipal/Public Bonds	339,961	-	339,961	-
Negotiable certificates of deposit	6,843,938	-	6,843,938	-
Total Investments Included in the Fair Value Hierarchy	\$ 23,466,923	\$ -	\$ 23,460,923	\$ -
Investments measured at the net asset value (NAV)				
Money Market fund	\$ 11,169			
Repurchase agreement	21,130,512			
MAGIC Portfolio	\$ 13,079,242			
Total Investments Measured at the NAV	\$ 34,220,923			

All Level 2 debt securities are valued using a market approach based on the securities' relationship to benchmark quoted prices.

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.

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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.

The County invests in money market funds for the benefit of liquid investments that can be readily reinvested or made available for use. Money market funds held by the County seek a constant net asset value (NAV) of \$1.00 per share. The money market fund reserves the right to require one or more days prior notice before permitting withdrawals. The County invests in repurchase agreements through the banks sweep accounts. These accounts have daily liquidity and funds can be accessed any time.

2. Receivables

Receivables as of December 31, 2017, for the County's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts Not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Taxes	\$ 382,924	\$ -
Special assessments	103,779	70,270
Accounts	303,228	-
Accrued interest receivable	147,703	-
Due from other governments	5,063,933	709,606
Total Governmental Activities	\$ 6,001,567	\$ 779,876
Business-Type Activities		
Special assessments	\$ 38,793	\$ -
Accounts	373,249	-
Accrued interest receivable	6,611	-
Due from other governments	1,396,280	-
Total Business-Type Activities	\$ 1,814,933	\$ -

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3. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 4,451,219	\$ 122,686	\$ 677,330	\$ 3,896,575
Construction in progress	5,012,541	24,747,080	2,665,564	27,094,057
Total capital assets not depreciated	<u>\$ 9,463,760</u>	<u>\$ 24,869,766</u>	<u>\$ 3,342,894</u>	<u>\$ 30,990,632</u>
Capital assets depreciated				
Land improvements	\$ 529,157	\$ 1,640,843	\$ -	\$ 2,170,000
Buildings	16,273,035	976,446	66,151	17,183,330
Machinery, furniture, and equipment *	12,351,920	1,000,176	596,199	12,755,897
Infrastructure	134,360,669	2,213,949	-	136,574,618
Total capital assets depreciated	<u>\$ 163,514,781</u>	<u>\$ 5,831,414</u>	<u>\$ 662,350</u>	<u>\$ 168,683,845</u>
Less: accumulated depreciation for				
Land improvements	\$ 140,882	\$ 47,413	\$ -	\$ 188,295
Buildings	6,829,455	385,745	66,151	7,149,049
Machinery, furniture, and equipment *	7,962,259	1,312,369	593,239	8,681,389
Infrastructure	55,878,174	3,746,186	-	59,624,360
Total accumulated depreciation	<u>\$ 70,810,770</u>	<u>\$ 5,491,713</u>	<u>\$ 659,390</u>	<u>\$ 75,643,093</u>
Total capital assets depreciated, net	<u>\$ 92,704,011</u>	<u>\$ 339,701</u>	<u>\$ 2,960</u>	<u>\$ 93,040,752</u>
Governmental Activities Capital Assets, Net	<u>\$ 102,167,771</u>	<u>\$ 25,209,467</u>	<u>\$ 3,345,854</u>	<u>\$ 124,031,384</u>

*Increase includes capital asset and accumulated depreciation in amount of \$43,650 transferred in.

Business-Type Activities

	Beginning Balance	Increase/ Adjustment	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 1,084,851	\$ -	\$ -	\$ 1,084,851
Construction in progress	587,376	1,006,992	619,864	974,504
Total capital assets not depreciated	<u>\$ 1,672,227</u>	<u>\$ 1,006,992</u>	<u>\$ 619,864</u>	<u>\$ 2,059,355</u>

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	Beginning Balance	Increase/ Adjustment	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 14,503,739	\$ 805,627	\$ -	\$ 15,309,366
Landfill	9,801,522	-	-	9,801,522
Improvements other than building	692,945	107,671	222,362	578,254
Machinery, furniture, and equipment	1,641,332	710,910	411,241	1,941,001
Infrastructure	1,564,858	-	-	1,564,858
Total capital assets depreciated	\$ 28,204,396	\$ 1,624,208	\$ 633,603	\$ 29,195,001
Less: accumulated depreciation for				
Buildings	\$ 9,142,266	\$ 545,661	\$ -	\$ 9,687,927
Landfill *	8,503,133	(29,370)	-	8,473,763
Improvements other than building	254,648	13,829	26,406	242,071
Machinery, furniture, and equipment	1,113,743	120,682	302,023	932,402
Infrastructure	355,531	290,322	-	645,853
Total accumulated depreciation	\$ 19,369,321	\$ 941,124	\$ 328,429	\$ 19,982,016
Total capital assets depreciated, net	\$ 8,835,075	\$ 683,084	\$ 305,174	\$ 9,212,985
Business-Type Activities				
Capital Assets, Net	<u>\$ 10,507,302</u>	<u>\$ 1,690,076</u>	<u>\$ 925,038</u>	<u>\$ 11,272,340</u>

*Increase includes an adjustment of \$210,201 for correction of a previous error.

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

Governmental Activities	
General government	\$ 257,323
Public safety	185,308
Highways and streets, including depreciation of infrastructure assets	3,879,093
Human services	25,052
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>1,144,937</u>
Total Depreciation Expense - Governmental Activities	\$ 5,491,713
Business-Type Activities	
Family Service Center	\$ 365,193
Juvenile Center	170,284
Public Health	3,956
Solid Waste	<u>401,691</u>
Total Depreciation Expense - Business-Type Activities	\$ 941,124

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B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2017, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Road and Bridge	\$ 150
	Social Services	253,076
	Public Health	48,535
	Solid Waste Management	125
	Family Service Center	287
	Juvenile Center	478
	Total due to General Fund	
Road and Bridge	General Fund	\$ 1,935
	Jail/Law Enforcement	
	Construction Capital Projects	93,070
	Solid Waste Management	1,157
Total due to Road and Bridge Fund		\$ 96,162
Social Services	Public Health	\$ 199,680
Gravel Removal Tax Reserve	Road and Bridge	\$ 57,958
Jail/Law Enforcement Construction Capital Projects	General Fund	\$ 96,910
	Family Service Center	107,672
Total due to Jail/Law Enforcement Construction Capital Projects		\$ 204,582
Ditch Debt Service	Agency Funds	\$ 5,063
Joint Highway Debt Service	Law Enforcement Debt Service	\$ 19,550
Family Service Center	General Fund	\$ 2,785
	Road and Bridge	66
	Social Services	12,092
	Public Health	1,295
	Solid Waste	15
	Juvenile Center	110
	Agency Funds	1
Total due to Family Service Center Fund		\$ 16,364

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Receivable Fund	Payable Fund	Amount
Juvenile Center	Social Services	\$ 73,600
Public Health	General	\$ 6,720
	Social Services	100,980
	Juvenile Center	23,845
	Agency Funds	433,800
Total due to Public Health Fund		\$ 565,345
Agency Funds	Agency Funds	\$ 17,244
	Social Services	67,263
	Public Health	105,294
Total due to Agency Funds		\$ 189,801
Total Due To/From Other Funds		\$ 1,730,756

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. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Family Service Center	\$ 1,495,000
	Juvenile Center	350,000
Total General Fund		\$ 1,845,000
Solid Waste Management	Road and Bridge	\$ 929,796
Total Advances From/To Other Funds		\$ 2,774,796

The purpose of the advances from the General Fund was to cover negative cash balances. The advances will be repaid when cash is available. Advances have also been made to the Road and Bridge Special Revenue Fund from the Solid Waste Enterprise Fund for the Road and Bridge Fund's share of construction costs of the new shared facility. The advance will be repaid over the next 4 years.

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3. Interfund Transfers

Interfund transfers for the year ended December 31, 2017, consisted of the following:

Transfers to General Fund from Solid Waste Management Enterprise Fund	\$ 120,000	To transfer funds as a reimbursement of services
Transfers to Joint Highway Facility Debt Service Fund from Road and Bridge Fund	2,386,350	To transfer funds for principal and interest payments on 2013 State-Aid Road Bonds
Transfers to Law Enforcement Debt Service Fund from Building Fund	200,000	To transfer funds for jail funding
Transfers to Law Enforcement Debt Service Fund from General Fund	186,950	To transfer funds for jail funding
Transfers to Law Enforcement Debt Service Fund from General Fund	150,000	To transfer funds for cash flow purposes
Transfers to Juvenile Center Enterprise Fund from General Fund	296,974	To transfer funds to cover shelter care deficit
Transfers to Public Health Enterprise Fund from General Fund	<u>502,306</u>	Budgeted transfer
Total Interfund Transfers	<u>\$ 3,842,580</u>	

C. Liabilities and Deferred Inflows of Resources

1. Payables

Payables at December 31, 2017, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 3,096,541	\$ 254,798
Salaries	994,112	330,490
Contracts	3,218,880	-
Due to other governments	<u>2,211,861</u>	<u>436,923</u>
Total Payables	<u>\$ 9,521,394</u>	<u>\$ 1,022,211</u>

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2. Construction and Other Significant Commitments

The County has active construction projects and other commitments as of December 31, 2017. The projects and commitments include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Clay County Jail Construction – Jail/Law Enforcement Capital Projects Fund	\$ 17,591,581	\$ 12,823,295
Clay County Law Enforcement Center Construction – Jail/Law Enforcement Capital Projects Fund	<u>6,610,172</u>	<u>6,391,355</u>
Total Commitments	<u>\$ 24,201,753</u>	<u>\$ 19,214,650</u>

3. Unearned Revenue

Unearned revenue as of December 31, 2017, was as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Charges for services	\$ -	\$ 161,018
Grants	-	4,335
Rent	-	3,513
Miscellaneous	9,290	19,346
Expenditure offset	<u>1,000</u>	<u>-</u>
Total Unearned Revenue	<u>\$ 10,290</u>	<u>\$ 188,212</u>

4. Leases

Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of certain equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. These capital leases consist of the following at December 31, 2017:

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Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2015 Ford Fusion	2019	Monthly	\$ 3,891	\$ 18,940	\$ 7,598
2015 Ford Taurus	2019	Monthly	4,658	22,686	8,566
2015 Ford Fusion	2020	Monthly	4,077	19,857	9,540
2016 Ford Fusion	2021	Monthly	3,816	18,692	11,797
2016 Ford Fusion	2021	Monthly	3,816	18,692	11,796
2016 Dodge Grand Caravan	2021	Monthly	4,371	21,423	13,264
2016 Ford Fusion	2021	Monthly	3,816	18,692	11,796
2017 Ford Fusion	2022	Monthly	1,743	7,573	6,908
Total Governmental Activities					<u>\$ 81,265</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year Ending December 31	Governmental Activities
2018	\$ 29,909
2019	29,668
2020	19,073
2021	3,574
2022	872
<hr/>	
Total minimum lease payments	\$ 83,096
Less: amount representing interest	(1,831)
<hr/>	
Present Value of Minimum Lease Payments	<u>\$ 81,265</u>

5. Long-Term Debt

Governmental Activities

The payments on the 2007 G.O. Watershed and Ditch Bonds and 2013 G.O. Watershed Improvement Bonds are being made from the Ditch Debt Service Fund. The payments on the 2008 G.O. Capital Improvement Plan Bonds are being paid out of the Joint Highway Facility and Courthouse Expansion Debt Service Funds. The payments on the 2011 G.O. Capital Improvement Plan Bonds are being paid out of the County Projects and Law Enforcement Expansion Debt Services Funds. The payments for the 2013 G.O. State Aid Road Bonds are being paid out of the Joint Highway Facility Debt Service Fund. The payments for the 2016 & 2017 G.O. Jail Bonds and 2017 G.O. Capital Improvement Bonds are being paid out of the Law Enforcement Expansion Debt Service Fund.

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Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2017
General obligation bonds					
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	\$ 475,000	\$ 55,000
2008 G.O. Capital Improvement Plan Bonds	2022	\$110,000 - \$305,000	3.5350	5,135,000	2,030,000
2011 G.O. Capital Improvement Plan Bonds	2018	\$138,663 - \$653,920	1.4282	3,174,215	480,000
2013 G.O. Watershed Improvement Bonds	2021	\$265,000 - \$310,000	2.0680	2,000,000	1,190,000
2013 G.O. State-Aid Road Bonds	2019	\$2,235,000 - \$2,050,000	0.9295	10,600,000	4,300,000
2016 G.O. Jail Bonds	2036	\$425,000 - \$620,000	1.982	9,770,000	9,770,000
2017 G.O. Jail Bonds	2036	\$115,000 - \$2,085,000	3.248	26,380,000	26,380,000
2017 G.O. Capital Improvement Bonds	2036	\$375,000 - \$1,165,000	2.698	15,440,000	15,440,000
Total general obligation bonds				<u>\$ 72,974,215</u>	\$ 59,645,000
Add: unamortized premiums					2,934,990
Less: unamortized discounts					<u>(1,399)</u>
Total General Obligation Bonds, Net					<u>\$ 62,578,591</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2017, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2018	\$ 4,015,000	\$ 1,779,161
2019	4,080,000	1,838,763
2020	2,460,000	1,739,012
2021	2,545,000	1,655,412
2022	2,465,000	1,572,168
2023 – 2027	13,305,000	6,402,650
2028 – 2032	15,990,000	3,713,051

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Year Ending December 31	General Obligation Bonds	
	Principal	Interest
2033 – 2036	14,785,000	957,944
Total	\$ 59,645,000	\$ 19,658,161

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2017, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 21,663,920	\$ 41,820,000	\$ 3,838,920	\$ 59,645,000	\$ 4,015,000
Add: deferred amounts for issuance premiums	531,151	2,641,023	237,184	2,934,990	-
Less: deferred amounts for issuance discounts	(3,649)	-	(2,250)	(1,399)	-
Total bonds payable	\$ 22,191,422	\$ 44,461,023	\$ 4,073,854	\$ 62,578,591	\$ 4,015,000
Capital leases	101,742	7,573	28,050	81,265	29,024
Compensated absences	2,572,355	1,831,021	1,727,223	2,676,153	660,065
Governmental Activities Long-Term Liabilities	<u>\$ 24,865,519</u>	<u>\$ 46,299,617</u>	<u>\$ 5,829,127</u>	<u>\$ 65,336,009</u>	<u>\$ 4,704,089</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 221,080	\$ -	\$ 221,080	\$ -	\$ -
Less: deferred amounts on refunding	(100)	-	(100)	-	-
Less: deferred amounts for issuance discounts	(1,185)	-	(1,185)	-	-
Total bonds payable	\$ 219,795	\$ -	\$ 219,795	\$ -	\$ -
Estimated liability for landfill closure/postclosure	3,308,726	21,885	-	3,330,611	-
Compensated absences	691,345	544,434	508,206	727,573	208,612
Business-Type Activities Long-Term Liabilities	<u>\$ 4,219,866</u>	<u>\$ 566,319</u>	<u>\$ 728,001</u>	<u>\$ 4,058,184</u>	<u>\$ 208,612</u>

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Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$81,265 of lease purchases payable are included in the amounts for the governmental activities at year-end. Annual liquidation of the capital lease liability is reported in the Internal Service Fund.

For the governmental activities, compensated absences are liquidated by the General Fund, Road and Bridge and Social Services Special Revenue Funds. For the business-type activities, compensated absences are liquidated by all enterprise funds.

D. Deferred Inflows - Unavailable Revenue

Deferred inflows of resources - unavailable revenue consists of taxes, special assessments, state and/or federal grants, and state highway users tax allotments, and other receivables not collected soon enough after year-end to pay liabilities of the current period.

	<u>Taxes</u>	<u>Special Assessments</u>	<u>Grants and Allotments</u>	<u>Other</u>	<u>Total</u>
Major governmental funds					
General	\$ 171,540	\$ -	\$ -	\$ 23,759	\$ 195,299
Road and Bridge	33,982	-	864,490	301,736	1,200,208
Social Services	87,255	-	323,936	-	411,191
Ditch	-	1,095,328	-	-	1,095,328
Nonmajor governmental funds					
County Building	1,943	-	-	-	1,943
Joint Highway Facility	1,969	-	-	-	1,969
Law Enforcement Expansion	2,089	-	-	-	2,089
County Projects	4,687	-	-	-	4,687
Courthouse Expansion	3,618	-	-	-	3,618
 Total	 <u>\$ 307,083</u>	 <u>\$ 1,095,328</u>	 <u>\$ 1,188,426</u>	 <u>\$ 325,495</u>	 <u>\$ 2,916,332</u>
Deferred inflows of resources					
Unavailable revenue	<u>\$ 307,083</u>	<u>\$ 1,095,328</u>	<u>\$ 1,188,426</u>	<u>\$ 325,495</u>	<u>\$ 2,916,332</u>

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4. Pension Plans and Other Postemployment Benefits

A. Defined Benefit Pension Plans

1. Plan Description

All full-time and certain part-time employees of Clay County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Plan, the Public Employees Police and Fire Plan, and the Local Government Correctional Service Retirement Plan (the Public Employees Correctional Plan), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan (accounted for in the General Employees Fund) has multiple benefit structures with members belonging to the Coordinated Plan, the Basic Plan, or the Minneapolis Employees Retirement Fund. Coordinated Plan members are covered by Social Security and Basic Plan and Minneapolis Employees Retirement Fund members are not. The Basic Plan was closed to new members in 1967. The Minneapolis Employees Retirement Fund was closed to new members during 1978 and merged into the General Employees Retirement Plan in 2015. All new members must participate in the Coordinated Plan, for which benefits vest after five years of credited service.

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

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

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2. Benefits Provided

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

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

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Employees Retirement Plan Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. Only Method 2 is used for members hired after June 30, 1989. Minneapolis Employees Retirement Fund members have an annuity accrual rate of 2.0 percent of average salary for each of the first ten years of service and 2.5 percent for each remaining year. For Public Employees Police and Fire Plan members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Plan members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

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

3. Contributions

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Rates for employer and employee contributions are set by Minn. Stat. ch. 353. These statutes are established and amended by the state legislature. General Employees Retirement Plan Basic members, Coordinated members, and Minneapolis Employees Retirement Fund members were required to contribute 9.10 percent, 6.50 percent, and 9.75 percent, respectively, of their annual covered salary in 2017. Public Employees Police and Fire Plan members were required to contribute 10.80 percent of their annual covered salary in 2017. Public Employees Correctional Plan members were required to contribute 5.83 percent of their annual covered salary in 2017.

In 2017, the County was required to contribute the following percentages of annual covered salary:

General Employees Retirement Plan	
Basic Plan members	11.78%
Coordinated Plan members	7.50
Minneapolis Employees Retirement Fund members	9.75
Public Employees Police and Fire Plan	16.20
Public Employees Correctional Plan	8.75

The employee and employer contribution rates did not change from the previous year.

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The County's contributions for the year ended December 31, 2017, to the pension plans were:

General Employees Retirement Plan	\$	1,368,808
Public Employees Police and Fire Plan		411,828
Public Employees Correctional Plan		228,722

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

4. Pension Costs

General Employees Retirement Plan

At December 31, 2017, the County reported a liability of \$17,664,345 for its proportionate share of the General Employees Retirement Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.2767 percent. It was 0.2697 percent measured as of June 30, 2016. The County recognized pension expense of \$2,463,147 for its proportionate share of the General Employees Retirement Plan's pension expense.

The County also recognized \$6,415 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's contribution to the General Employees Retirement Plan, which qualifies as a special funding situation. Legislation requires the State of Minnesota to contribute \$6 million to the General Employees Retirement Plan for the fiscal year ended June 30, 2017.

County's proportionate share of the net pension liability	\$	17,664,345
State of Minnesota's proportionate share of the net pension liability associated with the County		222,111
Total	\$	17,886,456

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 582,163	\$ 1,108,772
Changes in actuarial assumptions	2,858,472	1,770,852
Difference between projected and actual investment earnings *	38,515	-
Changes in proportion	426,274	304,967
Contributions paid to PERA subsequent to the measurement date	685,664	-
Total	\$ 4,591,088	\$ 3,184,591

*The Governmental Activities reported a net deferred outflows of resources for the differences between projected and actual investment earnings of \$44,979, while the business-type activities and the proprietary funds reported a net deferred inflow of resources of \$6,464. These amounts have been presented in the table above as a net deferred outflows of \$38,515.

The \$685,664 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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
2018	\$ 588,147
2019	1,095,454
2020	(212,951)
2021	(749,817)

Public Employees Police and Fire Plan

At December 31, 2017, the County reported a liability of \$3,294,290 for its proportionate share of the Public Employees Police and Fire Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an

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actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 0.244 percent. It was 0.252 percent measured as of June 30, 2016. The County recognized pension expense of \$812,161 for its proportionate share of the Public Employees Police and Fire Plan's pension expense.

The County also recognized \$21,960 as revenue, which results in a reduction of the net pension liability, for its proportionate share of the State of Minnesota's on-behalf contribution to the Public Employees Police and Fire Plan. Legislation requires the State of Minnesota to contribute \$9 million to the Police and Fire Plan each year, starting in fiscal year 2014, until the plan is 90 percent funded.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ 75,828	\$ 906,248
Changes in actuarial assumptions	4,452,588	4,677,075
Difference between projected and actual investment earnings	78,032	-
Changes in proportion	33,526	267,545
Contributions paid to PERA subsequent to the measurement date	<u>206,109</u>	<u>-</u>
Total	<u>\$ 4,846,083</u>	<u>\$ 5,850,868</u>

The \$206,109 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended December 31	Pension Expense Amount
2018	\$ 53,364
2019	53,365
2020	(69,866)
2021	(274,000)
2022	(973,757)

Public Employees Correctional Plan

At December 31, 2017, the County reported a liability of \$3,477,012 for its proportionate share of the Public Employees Correctional Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the County's proportion was 1.22 percent. It was 1.21 percent measured as of June 30, 2016. The County recognized pension expense of \$1,319,131 for its proportionate share of the Public Employees Correctional Plan's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,305	\$ 55,649
Changes in actuarial assumptions	1,877,509	605,245
Difference between projected and actual investment earnings	-	25,712
Changes in proportion	29,887	-
Contributions paid to PERA subsequent to the measurement date	116,786	-
Total	\$ 2,026,487	\$ 686,606

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The \$116,786 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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
2018	\$ 751,280
2019	773,813
2020	(205,208)
2021	(96,790)

Total Pension Expense

The total pension expense for all plans recognized by the County for the year ended December 31, 2017, was \$4,594,439.

5. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the individual entry age normal actuarial cost method and the following additional actuarial assumptions:

Inflation	2.50 percent per year
Active member payroll growth	3.25 percent per year
Investment rate of return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP-2014 tables for males or females, as appropriate, with slight adjustments. For the General Employees Retirement Plan and the Public Employees Police and Fire Plan, cost of living benefit increases for retirees are assumed to be 1.0 percent through 2044 and 2064, respectively, and 2.5 percent thereafter. Cost of living benefit increases for retirees are assumed to be 2.5 percent for the Public Employees Correctional Plan.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The experience study for the General Employees Retirement Plan was dated June 30, 2015. The experience study for the Public Employees Police and Fire Plan was dated August 30, 2016. The

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experience study for the Public Employees Correctional Plan was dated February 2012.

The long-term expected rate of return on pension plan investments is 7.5 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic stocks	39%	5.10%
International stocks	19	5.30
Bonds	20	0.75
Alternative assets	20	5.90
Cash	2	0.00

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent in 2017, which remained consistent with 2016. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the fiduciary net position of the General Employees Retirement Plan and the Public Employees Police and Fire Plan were projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Public Employees Correctional Plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2061. Beginning in fiscal year ended June 30, 2062, when projected benefit payments exceed the Plan's projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 3.56 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.96 percent for the Public Employees Correctional Plan was determined that produced

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approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits to the point of asset depletion and 3.56 percent thereafter.

7. Changes in Actuarial Assumptions

The following changes in actuarial assumptions occurred in 2017:

General Employees Retirement Plan

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

Public Employees Police and Fire Plan

- The 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.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 percent for non-vested members.

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- 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 table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The 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 post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

Public Employees Correctional Plan

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

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- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

8. Pension Liability Sensitivity

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

	Proportionate Share of the					
	General Employees Retirement Plan		Public Employees Police and Fire Plan		Public Employees Correctional Plan	
	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability	Discount Rate	Net Pension Liability
1% Decrease	6.50%	\$ 27,398,712	6.50%	\$ 6,204,110	4.96%	\$ 5,729,681
Current	7.50	17,664,345	7.50	3,294,290	5.96	3,477,012
1% Increase	8.50	9,694,998	8.50	892,074	6.96	1,718,773

9. Pension Plan Fiduciary Net Position

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

B. Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. For those qualified personnel who elect to

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participate, Minn. Stat. § 353D.03 specifies plan provisions, including the employee and employer contribution rates. An eligible elected official who decides to participate contributes 5.00 percent of salary, which is matched by the employer. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

Total contributions by dollar amount and percentage of covered payroll made by Clay County during the year ended December 31, 2017, were:

	Employee	Employer
Contribution amount	\$ 10,465	\$ 10,465
Percentage of covered payroll	5%	5%

C. Other Postemployment Benefits (OPEB)

Plan Description

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

Funding Policy

The contribution requirements of the plan members and the County are established and may be amended by the Clay County Board of Commissioners. The required contribution is based on projected pay-as-you-go financing requirements. Retirees and their spouses contribute to the health care plan at the same rate as County employees. This results in the retirees receiving an implicit rate subsidy. There were approximately 387 participants in the plan, including 10 retirees.

Annual OPEB Cost and Net OPEB Obligation

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

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The following table shows the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

ARC	\$	190,493
Interest on net OPEB obligation		26,270
Adjustment to ARC		(40,114)
Annual OPEB cost (expense)	\$	176,649
Contributions made		(144,263)
Increase in net OPEB obligation	\$	32,386
Net OPEB Obligation - Beginning of Year		750,580
Net OPEB Obligation - End of Year	\$	782,966

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2015, 2016, and 2017, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2015	\$ 181,447	\$ 127,026	70.0%	\$ 686,331
December 31, 2016	190,493	113,586	60.0	750,580
December 31, 2017	176,649	144,263	82.0	782,966

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

Funded Status and Funding Progress

As of January 1, 2016, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$1,557,710, and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,557,710. The covered payroll (annual payroll of active employees covered by the plan) was \$20,304,078, and the ratio of the UAAL to the covered payroll was 7.67 percent.

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

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the future. The Schedule of Funding Progress - Other Postemployment Benefits, 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.

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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit cost between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2017, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 percent investment rate of return (net of investment expenses), which is Clay County's implicit rate of return on the General Fund. The annual health care cost trend is 6.75 percent initially, reduced by decrements to an ultimate rate of 5.0 percent over 7 years. The UAAL is being amortized over 30 years on a closed basis. The remaining amortization period at December 31, 2017, was 20 years.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the County reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,330,611 landfill closure and postclosure care liability at December 31, 2017, represents the cumulative amount reported to date based on the use of 49 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$1,535,319 as the remaining estimated capacity is filled and the date the landfill is expected to be filled to capacity (2095) due to a change in accounting estimates. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, maintain, and adopt a contingency action plan at the landfill were acquired as of

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December 31, 2017. Actual cost may be higher due to inflation, changes in technology, or changes in state or federal laws and regulations affecting landfills.

The County is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care. The County is in compliance with these requirements and, at December 31, 2017, investments of \$3,786,731 are held for these purposes. These are reported as restricted assets on the statement of net position. Clay County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

6. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters for which the County carries commercial insurance. The County has entered into a joint powers agreement with other Minnesota counties to form the Minnesota Counties Intergovernmental Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. For other risk, the County carries commercial insurance. There were no significant reductions in insurance from the prior year. The amount of settlements did not exceed insurance coverage for the past three fiscal years.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$500,000 per claim in 2017 and \$500,000 per claim in 2018. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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7. Conduit Debt

The County has issued revenue bonds to provide financial assistance to private sector entities for the acquisition and construction of educational facilities deemed to be in the public interest. The bonds are secured by the property financed through a series of loan agreements and are payable solely from the revenue of the entity. The County is not obligated in any manner for the repayment of the bonds. Accordingly, the bonds are not reported as a liability in the accompanying financial statements. Bonds issued and outstanding as of December 31, 2017, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Principal Issued</u>	<u>Outstanding</u>
Minnesota State University Moorhead	2001	\$ 3,940,000	\$ 2,594,230
Eventide	2017	1,214,900	1,214,900

8. 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, is involved in various judgments, claims, and litigations; it is expected that the final settlement of these matters will not materially affect the financial statements of the County.

B. Joint Ventures

Prairie Lakes Municipal Solid Waste Authority

The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board was established in 2014, under the authority conferred upon the member parties by Minn. Stat. § 471.59 and chs. 115A and 400, and includes the Counties of Clay, Becker, Otter Tail, Todd and Wadena.

The purpose of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is to jointly exercise powers common to each participating party dealing with the

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ownership and operation of the Perham Resource Recovery Facility, as well as cooperation with efforts in other solid waste management activities that affect the operations of the Perham Resource Recovery Facility. The Prairie Lakes Municipal Solid Waste Authority Joint Powers Board is composed of one Commissioner each from Clay, Becker, Todd and Wadena Counties and two members from Otter Tail County. Each party may appoint alternate Board members and shall represent one vote on the Board.

In the event of dissolution of the Prairie Lakes Municipal Solid Waste Authority Joint Powers Board, all assets and liabilities of the Board shall be distributed and/or retired based on the contracted debt obligation of each of the parties of the agreement providing such entity is a party to the agreement at the time of the discharge of assets and liabilities. If a situation arises in which the annual operating expenses are not offset by annual operating revenue the difference will be apportioned based on percentages of obligations. Clay County's percentage of the obligation is 15%. In 2017, the County did not contribute any funds to the Perham Resource Recovery Facility. Financial information can be obtained from its fiscal agent at 510 Fir Ave W., Fergus Falls, Minnesota 56537.

West Central Area Agency on Aging

The West Central Area Agency on Aging was established June 2, 1982, by a joint powers agreement among Becker, Clay, Douglas, Grant, Otter Tail, Pope, Stevens, Traverse, and Wilkin Counties. The agreement was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the nine-county area. Each county may be assessed a proportional share of the 25 percent of the administrative costs incurred in carrying out this agreement. Each county's proportional share of this 25 percent of the administrative costs will be based upon the number of persons age 60 or older living within that county.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards continue to meet monthly to make decisions affecting their local counties.

Any county may withdraw by providing notice to the chair of the Board 90 days prior to the beginning of the fiscal year. The chair shall forward a copy to each of the counties. Withdrawal shall not result in the discharging of any liability incurred or chargeable to any county before the effective date of withdrawal.

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Control is vested in the West Central Board on Aging. The Board consists of one Commissioner from each of the counties. Each member of the Board is appointed by the County Commissioners of the county he or she represents. Complete financial statements for the West Central Area Agency on Aging can be obtained from its administrative office at P. O. Box 726, Fergus Falls, Minnesota 56537.

Fargo-Moorhead Metropolitan Council of Governments

The Fargo-Moorhead Metropolitan Council of Governments was established in 1967 by a joint powers agreement between the Cities of Fargo and West Fargo, North Dakota; Moorhead and Dilworth, Minnesota; Cass County, North Dakota; and Clay County. The primary purpose of the Council is metropolitan area planning for the two-county area. The Council also serves as a coordinating agency for investigations and studies for improvement of government and services in the area.

The primary source of revenues is federal grants administered by the North Dakota and Minnesota Departments of Transportation, the Federal Transit Administration, and member support on a per capita basis. During 2017, Clay County contributed \$11,067 to the Fargo-Moorhead Metropolitan Council of Governments.

Control of the Council is vested in a 13-member Board of Directors, of which one member is an elected County Commissioner. The Council representatives to the Board are appointed by their respective governing bodies for a term determined by their governing bodies.

As of December 31, 2017, the total net position of the Fargo-Moorhead Metropolitan Council of Governments are \$284,487. Complete financial statements for the Council may be obtained from its administrative office at Case Plaza, One 2nd Street North, Suite 232, Fargo, North Dakota 58102.

Northwestern Counties Data Processing Security Association

The Northwestern Counties Data Processing Security Association (NCDPSA) was formed in 1994 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomen, Marshall, Pennington, Polk, Roseau, and Wadena Counties. The purpose of the NCDPSA 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 NCDPSA is vested in the NCDPSA Joint Powers Board, which comprises one County Commissioner from each member county. In the event of

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dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

The NCDPSA has no long-term debt. Financing is provided by grants from the State of Minnesota and appropriations from member counties. Complete financial information can be obtained from the Clearwater County Auditor, 213 North Main Avenue, Bagley, Minnesota 56621.

Clay County Joint Powers Collaborative

The Clay County Joint Powers Collaborative was established March 4, 1997, under the authority of the Joint Powers Act, pursuant to Minn. Stat. §§ 471.59 and 124D.23. The Collaborative includes Clay County; Independent School Districts 152 (Moorhead), 146 (Barnesville), 2164 (Dilworth-Glyndon-Felton), 150 (Hawley), and 914 (Ulen-Hitterdal); the Clay-Wilkin Opportunity Council; Lakeland Mental Health; and Clay County Court Services. The purpose of the Collaborative is to provide services designed to enhance opportunities for children or youth to improve child health and development, reduce barriers to adequate school performance, improve family functioning, provide community service, enhance self-esteem, and develop general employment skills.

Control of the Clay County Joint Powers Collaborative is vested in a 20-member Board of Directors appointed by the member parties.

In the event of a withdrawal from the Clay County Joint Powers Collaborative, the withdrawing party shall give a 90-day notice. The Board shall continue to exist if the Collaborative is terminated for the limited purpose of discharging the Collaborative's debts and liabilities, settling its affairs, and disposing of its property.

Financing is provided by state and federal grants and contributions from its member parties. Clay County, in an agent capacity, reports the cash transactions of the Clay County Joint Powers Collaborative as an agency fund on its financial statements. During 2017, the County did not contribute any funds to the Collaborative.

Lakes to River Drug and Violent Crimes Task Force

The Lakes to River Drug and Violent Crimes Task Force was established in 2016 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Clay and Wilkin Counties, and the Cities of Moorhead and Breckenridge. The Task Force's objective is to investigate and prosecute criminal activity including narcotics trafficking related to violent crimes and gang activity.

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Control of the Task Force is vested in a Board of Directors. The Board consists of the Chief Law Enforcement Officer from each participating agency, or their designee. Any participating agency may withdraw from the Task Force by written notification to the Executive Director. In the event of dissolutions, after all financial obligations are met, any remaining funds will be equally distributed to the participating agencies based upon their level of participation.

Fiscal agent responsibilities for the Task Force are with the City of Moorhead Police Department. During 2017, Clay County did not contribute to the Lakes to River Drug and Violent Crimes Task Force. Separate financial information can be obtained from: Moorhead Law Enforcement Center, 911 11th Street North, Moorhead, Minnesota 56560.

Clay County/MnDOT/City of Moorhead Jointly-Operated Public Works Facility

In 2002, Clay County entered into a Partnership Agreement with the City of Moorhead and the Minnesota Department of Transportation for the construction, ownership, and operation of a Public Works Facility. Ownership of the facility is in the following proportions: State - 33 percent, County - 45 percent, City - 22 percent. Ownership of the land is in equal shares. A Management Committee, comprised of one member from each entity, is responsible for the operation and resolution of issues pertaining to the complex.

Northwest Minnesota Regional Emergency Communication Board

The Northwest Minnesota Regional Emergency Communication Board (formerly know as the Northwest Minnesota Regional Radio Board) was formed in 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and the Counties of Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnommen, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau; and the White Earth Reservation

The purpose of the Northwest Minnesota Regional Emergency Communications Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota and to enhance and improve interoperable public safety communications along with coordination of 911 and public safety broadband data services within the region.

The Northwest Minnesota Regional Emergency Communications Board is composed of one Commissioner of each county appointed by their respective County Board, one

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City Council member from the city appointed by their City Council, and one representative appointed by the Tribal Council from each tribal entity party to the agreement, as provided in the Northwest Minnesota Regional Emergency Communications Board's bylaws.

In the event of dissolution of the Northwest Minnesota Regional Emergency Communications Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution. Any city, county or tribal entity that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Emergency Communications Board has no long-term debt. Financing is provided by appropriations from member parties and by state and federal grants. Clay County's contribution for 2017 was \$2,500.

Complete financial information can be obtained from the Headwaters Regional Development Commission, 403 - 4th Street Northwest, Suite 310, Bemidji, Minnesota 56601.

Rural Minnesota Concentrated Employment Programs, Inc. (WIA - Rural Minnesota Workforce Service Area 2)

Rural Minnesota Concentrated Employment Programs, Inc., was established to create job training and employment opportunities for economically disadvantaged, underemployed and unemployed persons, and youthful persons in both the private and the public sector.

During 2017, the County did not contribute any funds to this organization.

Partnership4Health Community Health Board

Partnership4Health Community Health Board was originally established July 1, 2014, by a joint powers agreement among Becker, Clay, Ottertail, and Wilkin Counties, pursuant to Minn. Stat. ch. 145A, and pursuant to Minn. Stat. § 471.59, for the purpose of transitioning grant contracts. The Community Health Board became operational as of January 1, 2016. The joint powers agreement remains in force until any single county provides a resolution of withdrawal, duly passed by its governing board, to the County Boards and the auditor of the other counties participating in the agreement, and

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the Commissioner of Health for the State of Minnesota, at least one year before the beginning of the calendar year in which it takes effect.

Partnership4Health's purpose is to engage in activities designed to protect and promote the health of the general population within a community health service area by emphasizing the prevention of disease, injury, disability, and preventable death through the promotion of effective coordination and use of community resources, and by extending health services into the community.

Control is vested in Partnership4Health's Board, which consists of five members comprised of four County Commissioners and one community member. Members of the Board serve an annual term, with no term limit.

The financial activities of Partnership4Health are accounted for in an agency fund by Clay County. The individuals who administer the activities of Partnership4Health are considered to be employees of Clay County Public Health and Otter Tail County Public Health.

During 2017, Clay County did not contribute to Partnership4Health Community Health Board.

Land of the Dancing Sky Area Agency on Aging

The Land of the Dancing Sky Area Agency on Aging provides services to a 21-county service area. This is a partnership between the Northwest Regional Development Commission, the 5-county service area of Region 2, and the West Central Area Agency on Aging. This combined area on aging was established to administer all aspects of the Older Americans Act by providing programs to meet the needs of the elderly in the 21-county area.

The Land of the Dancing Sky umbrella board meets quarterly to discuss and approve major items such as the area plan and dollar allocations, while the advisory councils and joint powers boards of the two areas on aging continue to meet monthly to make decisions affecting their local counties.

During 2017, the County did not contribute any funds to this organization.

C. Jointly-Governed Organizations

Clay County, in conjunction with other governmental entities and various private organizations, has formed the jointly-governed organizations listed below:

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Minnesota Rural Counties Caucus

The Minnesota Rural Counties Caucus was established in 1997 and includes Becker, Beltrami, Clay, Clearwater, Itasca, Kittson, Lake, Lake of the Woods, Mahnommen, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective County Board. Clay County's responsibility does not extend beyond making this appointment.

Western Area City/County Co-op

Clay County and 24 other cities and counties entered into a joint powers agreement to establish the Western Area City/County Co-op (WACCO) Joint Powers Board, effective September 5, 1995, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to establish a resource network that identifies common needs of the individual governmental units and reduces the financial burden on each of its members through the cooperative sharing of existing resources.

The management and control of WACCO is vested in a Board of Directors composed of a representative appointed by each member city and county.

District IV Transportation Planning

Clay County and 13 other cities and counties entered into a joint powers agreement to establish the District IV Transportation Planning Joint Powers Board, effective December 11, 1996, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to develop a multi-modal transportation plan for the geographical jurisdiction of the member cities and counties. The Board is composed of 14 members, with one member appointed by each member city and county.

Minnesota Red River Basin of the North Joint Powers Agreement

The Minnesota Red River Basin of the North Joint Powers Board was established November 29, 1999, by an agreement between Clay County and 14 other counties. The agreement was made to serve as a focal point for land and water concerns for those counties surrounding the Minnesota Red River Basin. Each county is responsible for its proportionate share of the administrative budget. Control is vested in a Joint Powers Board comprised of one Commissioner from each member county. Each member of

**CLAY COUNTY
MOORHEAD, MINNESOTA**

the Board is appointed by the County Commissioners of the county he or she represents. In the event of termination of the agreement, any unexpended funds and surplus property shall be disposed of equally among the member counties.

During 2017, the County contributed \$1,281 to the Joint Powers Board. Complete financial statements can be obtained from the offices of the International Coalition.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties.

Control of the Library is vested in the Agassiz Regional Library Board, which is composed of 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Clay County contributed \$282,535 to the Agassiz Regional Library during 2017.

Red River Regional Dispatch Center

In 2001, a Joint Powers Agreement was entered into by the cities of Moorhead, Minnesota; Fargo, North Dakota; and the Counties of Cass, North Dakota; and Clay, Minnesota, for the joint operation of 911/Dispatch functions to reduce and/or eliminate duplication of equipment and staff time. The agreement was amended in 2008 to include the City of West Fargo, North Dakota. The agreement was amended in 2016 to reflect changes wherein Cass County, North Dakota, now receives all of the 911 funds from phones for the county. The cities of Fargo and West Fargo, North Dakota no longer collect 911 fees and thus no longer will be responsible for costs associated with the RRRDC. A joint board, comprised of members appointed by the governing bodies, is responsible for administering the joint dispatch center.

Minnesota Counties Computer Cooperative (MCCC)

Under Minnesota Joint Powers Law, Minn. Stat. § 471.59, Minnesota counties have created MCCC to jointly provide for the establishment, operation, and maintenance of data processing systems, facilities, and management information systems. Clay County is a member of this organization.

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Homeland Security and Emergency Management (HSEM) Region 3 Emergency Managers

The HSEM Region 3 Emergency Managers Joint Powers Board was formed pursuant to Minn. Stat. § 471.59, and includes Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties. The Board was established to engage in planning, training, and/or the purchase and use of equipment in order to better respond to emergencies and other disasters within the HSEM Region 3; specifically, within the jurisdictional boundaries of the 14 member counties. Control is vested in the HSEM Region 3 Emergency Managers Board, which is composed of 14 representatives appointed by each Board of County Commissioners. Clay County's responsibility does not extend beyond making this appointment.

Minnesota Criminal Justice Data Communications Network

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

Sentence to Service

Clay County, in conjunction with other local governments, participates in the State of Minnesota's Sentence to Serve (STS) program. STS is a project of the State Department of Administration's Strive Toward Excellence in Performance (STEP) program. STEP's goal is a statewide effort to make positive improvements in public services. It gives the courts an alternative to jail or fines for the nonviolent offenders who can work on a variety of community or state projects. Private funding, funds from various foundations and initiative funds, as well as the Departments of Corrections and Natural Resources, provide the funds needed to operate the STS program.

Southwest Minnesota Immunization Information Connection

The Southwest Minnesota Immunization Information Connection (SW-MIIC) Joint Powers Board promotes an implementation and maintenance of a regional immunization information system to ensure age-appropriate immunizations through complete and accurate records. The County did not contribute to the SW-MIIC during 2017.

**CLAY COUNTY
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D. Related Organizations

Clay County Housing and Redevelopment Authority

The Clay County Housing and Redevelopment Authority (HRA) has its own governing board which is appointed by the Clay County Board of Commissioners. Clay County has no other financial, operational, or managerial control over this organization.

Buffalo-Red River Watershed District

The Buffalo-Red River Watershed District was formed pursuant to Minn. Stat. § 103D.201, effective June 17, 1963, and includes land within Becker, Clay, and Wilkin 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 Buffalo-Red River Watershed District Board of Managers, which is composed of five members having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969, pursuant to Minn. Stat. ch. 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, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the 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 Mahnomen and Becker Counties each appoint one member.

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501-C3 nonprofit corporation on February 10, 1961, and includes Becker, Clay, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to

**CLAY COUNTY
MOORHEAD, MINNESOTA**

promote healthy individuals, families, and communities by providing high quality accessible mental health services.

The management of Lakeland Mental Health Center is vested in a Board of Directors consisting of one Commissioner and one community-at-large representative from each member county, plus one human service director, or equivalent position, rotated between the member counties.

Services are provided to the member counties through purchase of service agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Clay County paid \$1,487,954 in 2017 for services purchased through Lakeland Mental Health Center.

9. Subsequent Event

Bond Issue

The County issued \$7,495,000 General Obligation Jail Bonds, Series 2018A, dated June 7, 2018.

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REQUIRED SUPPLEMENTARY INFORMATION

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 14,849,517	\$ 14,849,517	\$ 14,897,337	\$ 47,820
Licenses and permits	92,620	92,620	113,614	20,994
Intergovernmental	4,942,782	4,942,782	5,469,171	526,389
Charges for services	1,863,663	1,863,663	1,872,321	8,658
Fines and forfeits	5,000	5,000	118,290	113,290
Investment earnings	195,165	195,165	274,169	79,004
Miscellaneous	512,771	512,771	471,813	(40,958)
Total Revenues	\$ 22,461,518	\$ 22,461,518	\$ 23,216,715	\$ 755,197
Expenditures				
Current				
General government				
Commissioners	\$ 324,630	\$ 324,630	\$ 335,586	\$ (10,956)
Courts	100,000	100,000	161,994	(61,994)
Public defender	95,000	95,000	92,936	2,064
Law library	106,395	106,395	85,311	21,084
County administration	266,251	266,251	263,960	2,291
County auditor	785,997	785,997	733,263	52,734
License bureau	633,451	633,451	615,632	17,819
County treasurer	193,142	193,142	173,250	19,892
County assessor	440,833	440,833	439,038	1,795
Elections	124,384	124,384	25,250	99,134
Internal audit	70,000	70,000	63,429	6,571
Technology services	1,192,675	1,192,675	1,175,708	16,967
Personnel	287,830	287,830	286,476	1,354
Information services	487,727	487,727	445,418	42,309
Attorney	1,499,133	1,499,133	1,588,532	(89,399)
Victim witness	133,658	133,658	185,630	(51,972)
Unanticipated trial costs	30,000	30,000	20,000	10,000
Recorder	415,971	415,971	388,450	27,521
Surveyor	40,000	40,000	40,757	(757)
Planning and zoning	461,423	461,423	459,948	1,475
Maintenance	1,015,557	1,015,557	925,552	90,005
Veterans service officer	211,825	211,825	212,574	(749)
Unallocated	631,830	631,830	609,687	22,143
Total general government	\$ 9,547,712	\$ 9,547,712	\$ 9,328,381	\$ 219,331

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 4,381,511	\$ 4,381,511	\$ 4,386,525	\$ (5,014)
Safe and sober	10,711	10,711	10,049	662
Snowmobile	4,452	4,452	2,049	2,403
Law enforcement grant	36,237	36,237	40,805	(4,568)
Heat	-	-	18,611	(18,611)
Coroner	113,165	113,165	138,946	(25,781)
E-911 system	72,158	72,158	72,158	-
Community corrections	4,563,519	4,563,519	4,705,851	(142,332)
Dispatchers	477,102	477,102	351,139	125,963
Probation and parole	775,042	775,042	723,035	52,007
Juvenile detention	881,474	881,474	940,369	(58,895)
Civil defense	101,980	101,980	93,453	8,527
Total public safety	\$ 11,417,351	\$ 11,417,351	\$ 11,482,990	\$ (65,639)
Culture and recreation				
Historical society	\$ 192,748	\$ 192,748	\$ 192,748	\$ -
Viking library	282,535	282,535	282,535	-
Total culture and recreation	\$ 475,283	\$ 475,283	\$ 475,283	\$ -
Conservation of natural resources				
County extension	\$ 287,846	\$ 287,846	\$ 286,028	\$ 1,818
Soil and water conservation	333,269	333,269	248,424	84,845
International coalition	1,300	1,300	1,281	19
Agricultural society/County fair	27,300	27,300	26,782	518
Total conservation of natural resources	\$ 649,715	\$ 649,715	\$ 562,515	\$ 87,200

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT A-1
(Continued)**

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Metropolitan Council	\$ 14,344	\$ 14,344	\$ 16,105	\$ (1,761)
Red River winter shows	800	800	800	-
West Central Council on Aging	7,068	7,068	7,068	-
Chamber of Commerce	1,550	1,550	1,500	50
County-wide incentive program	500,000	500,000	618,657	(118,657)
West Central MN Initiative	8,000	8,000	8,000	-
Pew Partnership	5,289	5,289	5,289	-
Riverkeepers	1,000	1,000	1,000	-
Rural Minnesota Counties Caucus	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	-	600
Senior coordination program	45,900	45,900	45,900	-
Group workcamp	2,500	2,500	-	2,500
Total economic development	\$ 589,151	\$ 589,151	\$ 706,419	\$ (117,268)
Total Expenditures	\$ 22,679,212	\$ 22,679,212	\$ 22,555,588	\$ 123,624
Excess of Revenues Over (Under)				
Expenditures	\$ (217,694)	\$ (217,694)	\$ 661,127	\$ 878,821
Other Financing Sources (Uses)				
Transfers in	\$ 120,000	\$ 120,000	\$ 120,000	\$ -
Transfers out	(502,306)	(502,306)	(1,136,230)	(633,924)
Total Other Financing Sources (Uses)	\$ (382,306)	\$ (382,306)	\$ (1,016,230)	\$ (633,924)
Net Change in Fund Balance	\$ (600,000)	\$ (600,000)	\$ (355,103)	\$ 244,897
Fund Balance - January 1	10,197,012	10,197,012	10,197,012	-
Fund Balance - December 31	\$ 9,597,012	\$ 9,597,012	\$ 9,841,909	\$ 244,897

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 3,611,139	\$ 3,611,139	\$ 3,479,490	\$ (131,649)
Licenses and permits	73,600	73,600	78,410	4,810
Intergovernmental	8,650,370	8,650,370	7,478,721	(1,171,649)
Charges for services	615,000	615,000	619,918	4,918
Investment earnings	-	-	9,343	9,343
Miscellaneous	145,000	145,000	180,699	35,699
Total Revenues	\$ 13,095,109	\$ 13,095,109	\$ 11,846,581	\$ (1,248,528)
Expenditures				
Current				
Highways and streets				
Administration	\$ 621,989	\$ 621,989	\$ 571,757	\$ 50,232
Maintenance	3,300,134	3,300,134	2,729,983	570,151
Construction	4,511,523	4,511,523	2,030,857	2,480,666
Equipment, maintenance, and shop	1,742,251	1,742,251	1,516,461	225,790
Total highways and streets	\$ 10,175,897	\$ 10,175,897	\$ 6,849,058	\$ 3,326,839
Intergovernmental	532,862	532,862	531,762	1,100
Highways and streets	532,862	532,862	531,762	1,100
Total Expenditures	\$ 10,708,759	\$ 10,708,759	\$ 7,380,820	\$ 3,327,939
Excess of Revenues Over (Under) Expenditures	\$ 2,386,350	\$ 2,386,350	\$ 4,465,761	\$ 2,079,411
Other Financing Sources (Uses)				
Transfers out	(2,386,350)	(2,386,350)	(2,386,350)	-
Net Change in Fund Balance	\$ -	\$ -	\$ 2,079,411	\$ 2,079,411
Fund Balance - January 1	3,369,329	3,369,329	3,369,329	-
Increase (decrease) in inventories	-	-	(57,578)	(57,578)
Fund Balance - December 31	\$ 3,369,329	\$ 3,369,329	\$ 5,391,162	\$ 2,021,833

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 7,347,028	\$ 7,347,028	\$ 7,256,390	\$ (90,638)
Intergovernmental	12,192,147	12,192,147	12,767,107	574,960
Fines and forfeits	-	-	14,399	14,399
Miscellaneous	689,950	689,950	1,664,381	974,431
Total Revenues	\$ 20,229,125	\$ 20,229,125	\$ 21,702,277	\$ 1,473,152
Expenditures				
Current				
Human services				
Income maintenance	\$ 5,597,055	\$ 5,597,055	\$ 5,633,611	\$ (36,556)
Social services	14,832,070	14,832,070	15,664,031	(831,961)
Total Expenditures	\$ 20,429,125	\$ 20,429,125	\$ 21,297,642	\$ (868,517)
Net Change in Fund Balance	\$ (200,000)	\$ (200,000)	\$ 404,635	\$ 604,635
Fund Balance - January 1	6,629,297	6,629,297	6,629,297	-
Fund Balance - December 31	\$ 6,429,297	\$ 6,429,297	\$ 7,033,932	\$ 604,635

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-4

**SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
DECEMBER 31, 2017**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
January 1, 2012	\$ -	\$ 1,289,065	\$ 1,289,065	0.00%	\$ 17,503,426	7.36%
January 1, 2014	-	1,635,873	1,635,873	0.00	18,866,449	8.67
January 1, 2016	-	1,557,710	1,557,710	0.00	20,304,078	7.67

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-5

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability Associated with Clay County (b)	Employer's Proportionate Share of the Net Pension Liability and the State's Related Share of the Net Pension Liability (Asset) (a + b)	Covered Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.2767%	\$ 17,664,345	\$ 222,111	\$ 17,886,456	\$ 17,825,413	99.10%	75.90%
2016	0.2697	21,898,302	285,977	22,184,279	16,715,453	131.01	68.91
2015	0.2710	14,044,626	N/A	14,044,626	15,926,030	88.19	78.19

This schedule is intended to show information for ten years. Additional years will be displayed as they become available.
The measurement date for each year is June 30.
N/A - Not Applicable

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-6

**SCHEDULE OF CONTRIBUTIONS
PERA GENERAL EMPLOYEES RETIREMENT PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 1,368,808	\$ 1,368,808	\$ -	\$ 18,250,773	7.50%
2016	1,292,983	1,292,983	-	17,239,773	7.50
2015	1,222,172	1,222,172	-	16,295,627	7.50

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-7

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	0.244%	\$ 3,294,290	\$ 2,509,475	131.27%	85.43%
2016	0.252	10,113,198	2,423,586	417.28	63.88
2015	0.249	2,829,223	2,280,322	124.07	86.61

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-8

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES POLICE AND FIRE PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 411,828	\$ 411,828	\$ -	\$ 2,542,148	16.20%
2016	400,796	400,796	-	2,474,049	16.20
2015	380,304	380,304	-	2,347,556	16.20

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-9

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

Measurement Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	Covered Payroll (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2017	1.220%	\$ 3,477,012	\$ 2,443,886	142.27%	67.89%
2016	1.210	4,420,299	2,279,749	193.89	58.16
2015	1.190	183,974	2,139,223	8.60	96.95

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT A-10

**SCHEDULE OF CONTRIBUTIONS
PERA PUBLIC EMPLOYEES CORRECTIONAL PLAN
DECEMBER 31, 2017**

Year Ending	Statutorily Required Contributions (a)	Actual Contributions in Relation to Statutorily Required Contributions (b)	Contribution (Deficiency) Excess (b - a)	Covered Payroll (c)	Actual Contributions as a Percentage of Covered Payroll (b/c)
2017	\$ 228,722	\$ 228,722	-	\$ 2,613,966	8.75%
2016	202,653	202,653	-	2,316,034	8.75
2015	196,852	196,852	-	2,249,737	8.75

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Gravel Removal Tax Special Revenue Fund, Jail/Law Enforcement Construction Capital Projects Fund, Americana Estates Debt Service Fund, and Ditch Debt Service Fund. All annual appropriations lapse at fiscal year-end.

On or before mid-June of each year, all departments and agencies submit requests for appropriations to the County Auditor so that a budget can be prepared. Before October 31, the proposed budget is presented to the County Board for review. 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 heads 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 (the level at which expenditures may not legally exceed appropriations) is the fund level. During the year, the Board made no budgetary amendments.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following major fund had expenditures in excess of budget for the year ended December 31, 2017.

	Expenditures	Final Budget	Excess
Special Revenue Fund			
Social Services	\$ 21,297,642	\$ 20,429,125	\$ 868,517

3. Other Postemployment Benefits

Funding Status

Clay County implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits*

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Other Than Pensions, for the fiscal year ended December 31, 2008. See Note 4.C. to the financial statements for more information.

GASB Statement 45 requires a Schedule of Funding Progress - Other Postemployment Benefits for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported.

Significant Actuarial Assumption

2014

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short term and long term medical increases. This change caused an increase in the liability.
- The mortality table was updated to reflect the projection of 2000 rates to 2014 based on the Scale BB. This change causes an increase in the liability.
- The discount rate was changed from 4.5 percent to 4.0 percent. This change caused a decrease in the liability.

Plan Provisions

- Clay County is currently paying the same contribution for four officers/beneficiaries of officers injured in the line of duty while on Long Term Disability (LTD) as they do active employees. As of the January 1, 2012 valuation, the State reimbursed the County approximately 65% of this cost so we valued the remaining 35% as a GASB 45 subsidized benefit, assuming employees on LTD remain disabled for six years. As of the January 1, 2014 valuation, they are assuming the State paid portion of this benefit will be noted elsewhere in the County's financial statement, so the full amount of the medical subsidy has been valued under GASB 45 (again assuming the employees on LTD remain disabled for six years).

2016

Actuarial Assumptions

- The health care trend rates were changed to better anticipate short-term and long-

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term medical increases. This change caused an increase in the liability.

- The mortality table was updated from RP 2000 Combined Healthy Table projected to 2014 with Scale BB (with Blue Collar adjustment for Police & Fire) to the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel). This change causes an increase in the liability.
- The retirement tables for all employees were updated, as well as the withdrawal table for police and fire employees.
- The discount rate was changed from 4.0 percent to 3.5 percent. This change caused a decrease in the liability.

Plan Provisions

- Years of Service required for benefit eligibility increased from three to five years.

4. Defined Benefit Pension Plans - Changes in Significant Plan Provisions, Actuarial Methods, and Assumptions

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the year ended June 30:

General Employees Retirement Plan

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members (30 percent for deferred Minneapolis Employees Retirement Fund members). The revised CSA loads are now 0.0 percent for active member liability, 15 percent for vested deferred member liability, and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.
- Minneapolis Employees Retirement Fund plan provisions change the employer supplemental contribution to \$21,000,000 in calendar years 2017 and 2018 and returns

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to \$31,000,000 through calendar year 2031. The state's required contribution is \$16,000,000 in PERA's fiscal years 2018 and 2019 and returns to \$6,000,000 annually through calendar year 2031.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2035 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was also changed from 7.90 percent to 7.50 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Police and Fire Plan

2017

- The 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.
- The assumed rates of retirement were changed, resulting in fewer retirements.
- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 33 percent for vested members and 2.0 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 table assumed for healthy retirees.
- The assumed termination rates were decreased to 3.0 percent for the first three years of

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service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- The assumed percentage of married female members was decreased from 65 percent to 60 percent.
- The 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 post-retirement benefit increase rate was changed from 1.0 percent for all years to 1.0 percent per year through 2064 and 2.5 percent thereafter.
- The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent per year thereafter, to 1.00 percent for all future years.
- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.60 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

Public Employees Correctional Plan

2017

- 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

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changed from Scale AA to Scale MP-2016 and is applied to healthy and disabled members. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the RP-2014 disabled annuitant mortality table (with future mortality improvement according to Scale MP-2016).

- The CSA load was 30 percent for vested and non-vested, deferred members. The CSA has been changed to 35 percent for vested members and 1.0 percent for non-vested members.
- The single discount rate was changed from 5.31 percent per annum to 5.96 percent per annum.

2016

- The assumed investment rate was changed from 7.90 percent to 7.50 percent. The single discount rate was changed from 7.90 percent to 5.31 percent.
- The assumed payroll growth and inflation were decreased by 0.25 percent. Payroll growth was reduced from 3.50 percent to 3.25 percent. Inflation was reduced from 2.75 percent to 2.50 percent.

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SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

County Building - to account for the acquisition or repair of buildings used in County administration.

Gravel Removal Tax Reserve - to account for ten percent of gravel removal tax collections used for the rehabilitation of exhausted gravel pits.

DEBT SERVICE FUNDS

Americana Estates - to account for the financial transactions of the Americana Estates project for the City of Moorhead sewer and water hook-up. Financing is provided by issuing bonds and will be paid back through special assessments levied against the Americana Estates' residents.

County Projects - to account for the retirement of bonds issued for the capital projects.

Courthouse Expansion - to account for the retirement of bonds issued for the courthouse expansion.

Joint Highway Facility - to account for the retirement of bonds issued for the Joint Highway Facility and the State-Aid Road bonds.

Law Enforcement Expansion - to account for the retirement of bonds issued for the Law Enforcement expansion.

**CLAY COUNTY
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EXHIBIT B-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017**

	Special Revenue (Exhibit B-3)	Debt Service (Exhibit B-5)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 932,192	\$ 610,410	\$ 1,542,602
Undistributed cash in agency funds	6,295	31,664	37,959
Taxes receivable delinquent	2,500	15,363	17,863
Accounts receivable	-	425	425
Due from other funds	57,958	19,550	77,508
Due from other governments	-	196,926	196,926
	\$ 998,945	\$ 874,338	\$ 1,873,283
<u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>			
Liabilities			
Due to other funds	\$ -	\$ 19,550	\$ 19,550
Deferred Inflows of Resources			
Unavailable revenue	\$ 1,943	\$ 12,363	\$ 14,306
Prepaid property taxes	2,533	11,245	13,778
	\$ 4,476	\$ 23,608	\$ 28,084
Fund Balances			
Restricted for			
Debt service	\$ -	\$ 831,180	\$ 831,180
Gravel pit restoration	909,126	-	909,126
Assigned to			
County building projects	85,343	-	85,343
	\$ 994,469	\$ 831,180	\$ 1,825,649
	\$ 998,945	\$ 874,338	\$ 1,873,283

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue (Exhibit B-4)	Debt Service (Exhibit B-6)	Total (Exhibit 5)
Revenues			
Taxes	\$ 255,990	\$ 1,378,695	\$ 1,634,685
Intergovernmental	46,881	152,366	199,247
Total Revenues	\$ 302,871	\$ 1,531,061	\$ 1,833,932
Expenditures			
Current			
General government	\$ 69,219	\$ -	\$ 69,219
Debt service			
Principal	-	3,283,920	3,283,920
Interest	-	1,094,067	1,094,067
Administrative (fiscal) charges	-	1,775	1,775
Total Expenditures	\$ 69,219	\$ 4,379,762	\$ 4,448,981
Excess of Revenues Over (Under) Expenditures	\$ 233,652	\$ (2,848,701)	\$ (2,615,049)
Other Financing Sources (Uses)			
Transfers in	\$ -	\$ 2,923,300	\$ 2,923,300
Transfers out	(200,000)	-	(200,000)
Total Other Financing Sources (Uses)	\$ (200,000)	\$ 2,923,300	\$ 2,723,300
Net Change in Fund Balance	\$ 33,652	\$ 74,599	\$ 108,251
Fund Balance - January 1	960,817	756,581	1,717,398
Fund Balance - December 31	\$ 994,469	\$ 831,180	\$ 1,825,649

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-3

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2017**

	County Building	Gravel Removal Tax Reserve	Total (Exhibit B-1)
<u>Assets</u>			
Cash and pooled investments	\$ 81,024	\$ 851,168	\$ 932,192
Undistributed cash in agency funds	6,295	-	6,295
Taxes receivable delinquent	2,500	-	2,500
Due from other funds	-	57,958	57,958
	\$ 89,819	\$ 909,126	\$ 998,945
 <u>Deferred Inflows of Resources, and Fund Balances</u>			
Deferred Inflows of Resources			
Unavailable revenue	\$ 1,943	\$ -	\$ 1,943
Prepaid property taxes	2,533	-	2,533
	\$ 4,476	\$ -	\$ 4,476
Fund Balances			
Restricted for			
Gravel pit restoration	\$ -	\$ 909,126	\$ 909,126
Assigned to			
County building projects	85,343	-	85,343
	\$ 85,343	\$ 909,126	\$ 994,469
Total Deferred Inflows of Resources and Fund Balances	\$ 89,819	\$ 909,126	\$ 998,945

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-4

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	County Building	Gravel Removal Tax Reserve	Total (Exhibit B-2)
Revenues			
Taxes	\$ 198,032	\$ 57,958	\$ 255,990
Intergovernmental	46,881	-	46,881
Total Revenues	\$ 244,913	\$ 57,958	\$ 302,871
Expenditures			
Current			
General government	69,219	-	69,219
Excess of Revenues Over (Under) Expenditures	\$ 175,694	\$ 57,958	\$ 233,652
Other Financing Sources (Uses)			
Transfers out	(200,000)	-	(200,000)
Net Change in Fund Balance	\$ (24,306)	\$ 57,958	\$ 33,652
Fund Balance - January 1	109,649	851,168	960,817
Fund Balance - December 31	\$ 85,343	\$ 909,126	\$ 994,469

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2017**

	<u>Americana Estates</u>	<u>County Projects</u>
<u>Assets</u>		
Cash and pooled investments	\$ 41,785	\$ 86,503
Undistributed cash in agency funds	-	14,348
Taxes receivable delinquent	-	5,920
Accounts receivable	-	-
Due from other funds	-	-
Due from other governments	-	-
	<hr/>	<hr/>
Total Assets	<u>\$ 41,785</u>	<u>\$ 106,771</u>
 <u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u>		
Liabilities		
Due to other funds	<u>\$ -</u>	<u>\$ -</u>
Deferred Inflows of Resources		
Unavailable revenue	\$ -	\$ 4,687
Prepaid property taxes	-	5,689
	<hr/>	<hr/>
Total Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 10,376</u>
Fund Balances		
Restricted		
Restricted for debt service	<u>\$ 41,785</u>	<u>\$ 96,395</u>
	<hr/>	<hr/>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 41,785</u>	<u>\$ 106,771</u>

EXHIBIT B-5

<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Exhibit B-1)</u>
\$ 270,046	\$ 153,776	\$ 58,300	\$ 610,410
9,109	4,980	3,227	31,664
4,442	2,428	2,573	15,363
283	142	-	425
-	19,550	-	19,550
-	-	196,926	196,926
<u>\$ 283,880</u>	<u>\$ 180,876</u>	<u>\$ 261,026</u>	<u>\$ 874,338</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,550</u>	<u>\$ 19,550</u>
\$ 3,618	\$ 1,969	\$ 2,089	\$ 12,363
3,614	1,942	-	11,245
<u>\$ 7,232</u>	<u>\$ 3,911</u>	<u>\$ 2,089</u>	<u>\$ 23,608</u>
\$ 276,648	\$ 176,965	\$ 239,387	\$ 831,180
<u>\$ 283,880</u>	<u>\$ 180,876</u>	<u>\$ 261,026</u>	<u>\$ 874,338</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Americana Estates	County Projects
Revenues		
Taxes	\$ -	\$ 447,522
Intergovernmental	-	64,961
	-	64,961
Total Revenues	\$ -	\$ 512,483
Expenditures		
Debt service		
Principal	\$ -	\$ 475,000
Interest	-	12,321
Administrative (fiscal) charges	-	-
	-	-
Total Expenditures	\$ -	\$ 487,321
Excess of Revenues Over (Under) Expenditures	\$ -	\$ 25,162
Other Financing Sources (Uses)		
Transfers in	-	-
	-	-
Net Change in Fund Balance	\$ -	\$ 25,162
Fund Balance - January 1	41,785	71,233
Fund Balance - December 31	\$ 41,785	\$ 96,395

EXHIBIT B-6

Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Exhibit B-2)
\$ 281,873	\$ 156,633	\$ 492,667	\$ 1,378,695
41,573	21,610	24,222	152,366
\$ 323,446	\$ 178,243	\$ 516,889	\$ 1,531,061
\$ 250,000	\$ 2,380,000	\$ 178,920	\$ 3,283,920
56,600	176,775	848,371	1,094,067
308	567	900	1,775
\$ 306,908	\$ 2,557,342	\$ 1,028,191	\$ 4,379,762
\$ 16,538	\$ (2,379,099)	\$ (511,302)	\$ (2,848,701)
-	2,386,350	536,950	2,923,300
\$ 16,538	\$ 7,251	\$ 25,648	\$ 74,599
260,110	169,714	213,739	756,581
\$ 276,648	\$ 176,965	\$ 239,387	\$ 831,180

**CLAY COUNTY
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EXHIBIT B-7

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 198,627	\$ 198,627	\$ 198,032	\$ (595)
Intergovernmental	51,373	51,373	46,881	(4,492)
Total Revenues	\$ 250,000	\$ 250,000	\$ 244,913	\$ (5,087)
Expenditures				
Current				
General government				
Other general government	250,000	250,000	69,219	180,781
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 175,694	\$ 175,694
Other Financing Sources (Uses)				
Transfers out	-	-	(200,000)	(200,000)
Net Change in Fund Balance	\$ -	\$ -	\$ (24,306)	\$ (24,306)
Fund Balance - January 1	109,649	109,649	109,649	-
Fund Balance - December 31	\$ 109,649	\$ 109,649	\$ 85,343	\$ (24,306)

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EXHIBIT B-8

**BUDGETARY COMPARISON SCHEDULE
COUNTY PROJECTS DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 448,322	\$ 448,322	\$ 447,522	\$ (800)
Intergovernmental	63,365	63,365	64,961	1,596
Total Revenues	\$ 511,687	\$ 511,687	\$ 512,483	\$ 796
Expenditures				
Debt service				
Principal	\$ 475,000	\$ 475,000	\$ 475,000	\$ -
Interest	12,321	12,321	12,321	-
Administrative (fiscal) charges	300	300	-	300
Total Expenditures	\$ 487,621	\$ 487,621	\$ 487,321	\$ 300
Net Change in Fund Balance	\$ 24,066	\$ 24,066	\$ 25,162	\$ 1,096
Fund Balance - January 1	71,233	71,233	71,233	-
Fund Balance - December 31	\$ 95,299	\$ 95,299	\$ 96,395	\$ 1,096

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EXHIBIT B-9

**BUDGETARY COMPARISON SCHEDULE
COURTHOUSE EXPANSION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 282,064	\$ 282,064	\$ 281,873	\$ (191)
Intergovernmental	39,866	39,866	41,573	1,707
Total Revenues	\$ 321,930	\$ 321,930	\$ 323,446	\$ 1,516
Expenditures				
Debt service				
Principal	\$ 250,000	\$ 250,000	\$ 250,000	\$ -
Interest	56,600	56,600	56,600	-
Administrative (fiscal) charges	300	300	308	(8)
Total Expenditures	\$ 306,900	\$ 306,900	\$ 306,908	\$ (8)
Net Change in Fund Balance	\$ 15,030	\$ 15,030	\$ 16,538	\$ 1,508
Fund Balance - January 1	260,110	260,110	260,110	-
Fund Balance - December 31	\$ 275,140	\$ 275,140	\$ 276,648	\$ 1,508

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EXHIBIT B-10

**BUDGETARY COMPARISON SCHEDULE
JOINT HIGHWAY FACILITY DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 156,786	\$ 156,786	\$ 156,633	\$ (153)
Intergovernmental	22,160	22,160	21,610	(550)
Total Revenues	\$ 178,946	\$ 178,946	\$ 178,243	\$ (703)
Expenditures				
Debt service				
Principal	\$ 2,380,000	\$ 2,380,000	\$ 2,380,000	\$ -
Interest	176,775	176,775	176,775	-
Administrative (fiscal) charges	300	300	567	(267)
Total Expenditures	\$ 2,557,075	\$ 2,557,075	\$ 2,557,342	\$ (267)
Excess of Revenues Over (Under) Expenditures	\$ (2,378,129)	\$ (2,378,129)	\$ (2,379,099)	\$ (970)
Other Financing Sources (Uses)				
Transfers in	-	-	2,386,350	2,386,350
Net Change in Fund Balance	\$ (2,378,129)	\$ (2,378,129)	\$ 7,251	\$ 2,385,380
Fund Balance - January 1	169,714	169,714	169,714	-
Fund Balance - December 31	\$ (2,208,415)	\$ (2,208,415)	\$ 176,965	\$ 2,385,380

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT B-11

**BUDGETARY COMPARISON SCHEDULE
LAW ENFORCEMENT EXPANSION DEBT SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 165,877	\$ 165,877	\$ 492,667	\$ 326,790
Intergovernmental	23,445	23,445	24,222	777
Total Revenues	\$ 189,322	\$ 189,322	\$ 516,889	\$ 327,567
Expenditures				
Debt service				
Principal	\$ 178,920	\$ 178,920	\$ 178,920	\$ -
Interest	1,387	1,387	848,371	(846,984)
Administrative (fiscal) charges	100	100	900	(800)
Total Expenditures	\$ 180,407	\$ 180,407	\$ 1,028,191	\$ (847,784)
Excess of Revenues Over (Under) Expenditures	\$ 8,915	\$ 8,915	\$ (511,302)	\$ (520,217)
Other Financing Sources (Uses)				
Transfers in	-	-	536,950	536,950
Net Change in Fund Balance	\$ 8,915	\$ 8,915	\$ 25,648	\$ 16,733
Fund Balance - January 1	213,739	213,739	213,739	-
Fund Balance - December 31	\$ 222,654	\$ 222,654	\$ 239,387	\$ 16,733

**CLAY COUNTY
MOORHEAD, MINNESOTA**

FIDUCIARY FUNDS

AGENCY FUNDS

Forfeited Tax - is used to account for proceeds from the sale or rental of lands forfeited to the State of Minnesota pursuant to Minn. Stat. ch. 282. The distribution of the net proceeds, after deducting the expenses of the County for managing the tax-forfeited lands, is governed by Minn. Stat. § 282.08. Title to the tax-forfeited lands remains with the state until sold by the County

Joint Powers Collaborative - to account for the collection and disbursement of funds for the local collaborative.

Partnership 4 Health – to account for the collection and disbursement of funds for the Community Health Board which consists of Becker, Clay, Ottertail and Wilkin Counties.

State Revenue - to account for the collection and disbursement of the state's share of fees, fines, and mortgage registry and state deed taxes collected by the County.

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

Watershed Districts - to account for the collection and disbursement of funds for the maintenance of ditches.

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT C-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>FORFEITED TAX</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 92,530	\$ 46,814	\$ 92,530	\$ 46,814
<u>Liabilities</u>				
Due to other funds	\$ 63,199	\$ 17,244	\$ 63,199	\$ 17,244
Due to other governments	29,331	29,570	29,331	29,570
Total Liabilities	\$ 92,530	\$ 46,814	\$ 92,530	\$ 46,814
 <u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 263,676	\$ 475,462	\$ 290,918	\$ 448,220
Due from other funds	79,446	67,263	79,446	67,263
Due from other governments	79,725	-	79,725	-
Total Assets	\$ 422,847	\$ 542,725	\$ 450,089	\$ 515,483
<u>Liabilities</u>				
Accounts payable	\$ 15,317	\$ 206,661	\$ 206,603	\$ 15,375
Due to other funds	31,074	128,270	159,343	1
Due to other governments	376,456	207,794	84,143	500,107
Total Liabilities	\$ 422,847	\$ 542,725	\$ 450,089	\$ 515,483
 <u>PARTNERSHIP 4 HEALTH</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 117,560	\$ 4,363,794	\$ 4,288,213	\$ 193,141
Due from other funds	44,519	105,294	44,519	105,294
Due from other governments	680,896	457,475	680,896	457,475
Total Assets	\$ 842,975	\$ 4,926,563	\$ 5,013,628	\$ 755,910
<u>Liabilities</u>				
Accounts payable	\$ 15,190	\$ -	\$ 15,190	\$ -
Due to other funds	311,201	433,800	311,201	433,800
Due to other governments	516,584	4,492,763	4,687,237	322,110
Total Liabilities	\$ 842,975	\$ 4,926,563	\$ 5,013,628	\$ 755,910

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 203,152	\$ 203,152	\$ -
Accounts receivable	14,282	12,155	14,282	12,155
Total Assets	\$ 14,282	\$ 215,307	\$ 217,434	\$ 12,155
<u>Liabilities</u>				
Due to other governments	\$ 14,282	\$ 215,307	\$ 217,434	\$ 12,155
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,609,632	\$ 85,970,613	\$ 85,348,180	\$ 2,232,065
Accounts receivable	-	16	-	16
Due from other funds	63,199	17,244	63,199	17,244
Total Assets	\$ 1,672,831	\$ 85,987,873	\$ 85,411,379	\$ 2,249,325
<u>Liabilities</u>				
Due to other funds	\$ -	\$ 5,063	\$ -	\$ 5,063
Due to other governments	1,672,831	85,982,810	85,411,379	2,244,262
Total Liabilities	\$ 1,672,831	\$ 85,987,873	\$ 85,411,379	\$ 2,249,325
<u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 29	\$ 1,082,589	\$ 1,082,589	\$ 29
<u>Liabilities</u>				
Due to other governments	\$ 29	\$ 1,082,589	\$ 1,082,589	\$ 29

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT C-1
(Continued)**

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,083,427	\$ 92,142,424	\$ 91,305,582	\$ 2,920,269
Accounts receivable	14,282	12,171	14,282	12,171
Due from other funds	187,164	189,801	187,164	189,801
Due from other governments	760,621	457,475	760,621	457,475
Total Assets	\$ 3,045,494	\$ 92,801,871	\$ 92,267,649	\$ 3,579,716
<u>Liabilities</u>				
Accounts payable	\$ 30,507	\$ 206,661	\$ 221,793	\$ 15,375
Due to other funds	405,474	584,377	533,743	456,108
Due to other governments	2,609,513	92,010,833	91,512,113	3,108,233
Total Liabilities	\$ 3,045,494	\$ 92,801,871	\$ 92,267,649	\$ 3,579,716

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OTHER SCHEDULES

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-1

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Governmental Funds	Enterprise Funds	Total All Funds
Appropriations and Shared Revenue			
State			
Highway users tax	\$ 6,532,805	\$ -	\$ 6,532,805
County program aid	2,885,877	-	2,885,877
PERA rate reimbursement	61,294	-	61,294
Disparity reduction credit	3,195,868	-	3,195,868
Police aid	280,610	-	280,610
Aquatic invasive species aid	17,251	-	17,251
Riparian protection aid	160,000	-	160,000
Local government aid	8,804	-	8,804
Market value credit	263,797	-	263,797
Disparity reduction aid	13,141	-	13,141
Pension contribution	-	1,680	1,680
	\$ 13,419,447	\$ 1,680	\$ 13,421,127
Total appropriations and shared revenue			
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 1,911,498	\$ 998,247	\$ 2,909,745
Payments			
Local			
Local	\$ -	\$ 9,996	\$ 9,996
Payments in lieu of taxes	166,839	-	166,839
	\$ 166,839	\$ 9,996	\$ 176,835
Total payments			
Grants			
State			
Minnesota Department/Board of Agriculture	\$ -	\$ 263	\$ 263
Corrections	137,225	-	137,225
Trial Courts	1,451	-	1,451
Supreme Court	15,927	-	15,927
Public Safety	390,707	-	390,707
Transportation	213,168	2,689	215,857
Education	-	1,627	1,627

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-1
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2017**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total All Funds</u>
Grants			
State (Continued)			
Minnesota Department/Board of Health	-	694,887	694,887
Natural Resources	65,133	-	65,133
Human Services	3,499,908	149,351	3,649,259
Water and Soil Resources	53,664	-	53,664
Pollution Control Agency	11,912	618,812	630,724
Peace Officer Standards and Training Board	12,717	-	12,717
Total state	\$ 4,401,812	\$ 1,467,629	\$ 5,869,441
Grants			
Federal			
Department of Agriculture	\$ 476,274	\$ 358,701	\$ 834,975
Justice	124,025	-	124,025
Transportation	20,930	-	20,930
Education	-	1,933	1,933
Health and Human Services	5,352,247	769,585	6,121,832
Homeland Security	41,174	-	41,174
Total federal	\$ 6,014,650	\$ 1,130,219	\$ 7,144,869
Total state and federal grants	\$ 10,416,462	\$ 2,597,848	\$ 13,014,310
Total Intergovernmental Revenue	\$ 25,914,246	\$ 3,607,771	\$ 29,522,017

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT D-2

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Agriculture			
Passed Through Minnesota Department of Education Child Nutrition Cluster			
School Breakfast Program	10.553	Not Provided	\$ 27,680
National School Lunch Program	10.555	Not Provided	48,569
Passed Through Partnership4Health Community Health Board Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	32573	282,452
Passed Through Minnesota Department of Human Services SNAP Cluster			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	172MN101S2514	<u>476,274</u>
Total U.S. Department of Agriculture			<u>\$ 834,975</u>
U.S. Department of Justice			
Direct			
Edward Byrne Memorial Formula Grant Program (Total Edward Byrne Memorial Formula Grant Program 16.579 \$70,264)	16.579		\$ 34,264
Bulletproof Vest Partnership Program	16.607		1,492
Passed Through Minnesota Department of Public Safety			
Crime Victim Assistance	16.575	A-CVSP-2017-CLAYAO- 00043	52,269
Passed Through City of Moorhead, Minnesota Edward Byrne Memorial Formula Grant Program (Total Edward Byrne Memorial Formula Grant Program 16.579 \$70,264)	16.579	A-VCET-2015- MOORHDPD-00027	<u>36,000</u>
Total U.S. Department of Justice			<u>\$ 124,025</u>
U.S. Department of Transportation			
Passed Through City of Moorhead, Minnesota			
Highway Safety Cluster			
State and Community Highway Safety	20.600	A-ENFRC17-2017- MOORHDPD-00057	\$ 4,278
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	A-ENFRC17-2017- MOORHDPD-00057	1,841
Highway Safety Cluster			
National Priority Safety Programs	20.616	A-ENFRC17-2017- MOORHDPD-00057	<u>4,263</u>
Total U.S. Department of Transportation			<u>\$ 10,382</u>
U.S. Department of Education			
Passed Through Partnership4Health Community Health Board Special Education - Grants for Infants and Families	84.181	87630	<u>\$ 1,933</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Health and Human Services			
Passed Through National Association of County and City Health Officials Medical Reserve Corps Small Grant Program	93.008	MRCSG101005-04-00	\$ 1,849
Passed Through Partnership4Health Community Health Board			
Public Health Emergency Preparedness	93.069	90858	1,508
Public Health Emergency Preparedness (Total Public Health Emergency Preparedness 93.069 \$99,381)	93.069	127897	97,873
Immunization Cooperative Agreements	93.268	58583	2,400
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	Not Provided	115
Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	93.314	6 NUR3DD000842-05-01	1,350
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds	93.539	58583	4,150
TANF Cluster			
Temporary Assistance for Needy Families	93.558	95995	53,266
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$893,855)	93.558	127394	44,860
State Public Health Actions to Prevent and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health Financed in Part by Prevention and Public Health Funding (PPHF)	93.757	1 U58DP005452-01	451,763
Maternal and Child Health Services Block Grant to the States	93.994	86860	71,987
Passed Through Polk-Norman-Mahnomen Community Health Board Maternal, Infant, and Early Childhood Home Visiting Cluster Maternal, Infant and Early Childhood Home Visiting	93.870	12-700-00106	23,304
Passed Through Minnesota Department of Human Services			
Promoting Safe and Stable Families	93.556	G-1601MNFPS	14,397
TANF Cluster			
Temporary Assistance for Needy Families (Total Temporary Assistance for Needy Families 93.558 \$893,855)	93.558	1601MNTANF	795,729
Child Support Enforcement	93.563	1704MNCSES	1,080,835
Refugee and Entrant Assistance - State Administered Programs	93.566	1701MNRCA	1,049
CCDF Cluster			
Child Care and Development Block Grant	93.575	G1701MNCDF	27,244
Community-Based Child Abuse Prevention Grants	93.590	G-1502MNFPG	7,748
Stephanie Tubbs Jones Child Welfare Services Program	93.645	G-1601MNCWSS	10,998
Foster Care - Title IV-E	93.658	1701MNFOS	1,124,074
Social Services Block Grant	93.667	G-1701MNSOSR	410,512
Chafee Foster Care Independence Program	93.674	G-1601MNCILP	12,500
Children's Health Insurance Program	93.767	05-1705MN0301	514
Medicaid Cluster			
Medical Assistance Program	93.778	05-1705MN5ADM	1,906,635
Medical Assistance Program (Total Medical Assistance Program 93.778 \$1,924,915)	93.778	05-1705MN5MAP	18,280
Opioid STR	93.788	130490	15,160
Block Grants for Community Mental Health Services	93.958	SM010027-16	3,173
Total U.S. Department of Health and Human Services			\$ 6,183,273

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT D-2
(Continued)**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017**

Federal Grantor Pass-Through Agency Program or Cluster Title	Federal CFDA Number	Pass-Through Grant Numbers	Expenditures
U.S. Department of Homeland Security			
Passed Through Minnesota Department of Public Safety			
Emergency Management Performance Grants	97.042	F-EMPG-2016-CLAYCO	\$ 6,801
Emergency Management Performance Grants	97.042	F-EMPG-2017-CLAYCO	<u>34,373</u>
(Total Emergency Management Performance Grants 97.042 \$41,174)			
Total U.S. Department of Homeland Security			<u>\$ 41,174</u>
Total Federal Awards			<u>\$ 7,195,762</u>

Clay County did not pass any federal awards through to subrecipients during the year ended December 31, 2017.

Totals by Cluster	
Total expenditures for Child Nutrition Cluster	\$ 76,249
Total expenditures for SNAP Cluster	476,274
Total expenditures for Highway Safety Cluster	8,541
Total expenditures for Maternal, Infant, and Early Childhood Home Visiting Cluster	23,304
Total expenditures for TANF Cluster	893,855
Total expenditures for CCDF Cluster	27,244
Total expenditures for Medicaid Cluster	1,924,915

**CLAY COUNTY
MOORHEAD, MINNESOTA**

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

1. Reporting Entity

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Clay County under programs of the federal government for the year ended December 31, 2017. 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 Clay County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Clay County.

3. Summary of Significant Accounting Policies

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Reconciliation to Schedule of Intergovernmental Revenue

Federal grant revenue per Schedule of Intergovernmental Revenue	\$ 7,144,869
Grants received more than 60 days after year-end, deferred in 2017	
Promoting Safe and Stable Families	2,060
Temporary Assistance for Needy Families	241,551
Community-Based Child Abuse Prevention Grants	1,937
Stephanie Tubbs Jones Child Welfare Services Program	1,585
Child Support Enforcement	39,300
Chafee Foster Care Independence Program	3,125
Deferred in 2016, recognized as revenue in 2017	
Highway Planning and Construction	(10,548)
Promoting Safe and Stable Families	(2,307)
Temporary Assistance for Needy Families	(217,508)
Child Care and Development Block Grant	(2,308)
Community-Based Child Abuse Prevention Grants	(1,589)
Stephanie Tubbs Jones Child Welfare Services Program	(238)
Chafee Foster Care Independence Program	(4,167)
	<hr/>
Expenditures Per Schedule of Expenditures of Federal Awards	<u>\$ 7,195,762</u>