

Clay County

Moorhead, Minnesota

Annual Financial Report

For the Year Ended
December 31, 2004

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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INTRODUCTORY SECTION

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COUNTY AUDITOR

LORI J. JOHNSON

Office Telephone: (218) 299-5006

Fax: (218) 299-5195



October 27, 2005

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

Gentlemen,

The Annual Financial Report of Clay County is submitted for the fiscal year ended December 31, 2004. 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,

A handwritten signature in blue ink, appearing to read 'L. Johnson', with a long horizontal flourish extending to the right.

Lori J. Johnson
Clay County Auditor/Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2004

Office	Name	Term Expires
Elected		
Commissioners		
1st District	Ben Brunsvold	January 2007
2nd District	Jerry Waller*	January 2005
3rd District	Jon Evert	January 2007
4th District	Kevin Campbell	January 2007
5th District	Mike McCarthy	January 2007
Attorney	Lisa Borgen	January 2007
Auditor/Treasurer	Lori J. Johnson	January 2007
County Recorder	J. Bonnie Rehder	January 2007
County Sheriff	Bill Berquist	January 2007
Appointed		
Assessor	Loren Johnson**	December 2004
County Coordinator	Vijay Sethi	Indefinite
Highway Engineer	John A. Cousins	May 2005
Surveyor	Brian Rittenhouse	December 2006

* Chair

** On December 14, 2004, the County Board reappointed Loren Johnson as County Assessor for a four-year term expiring December 31, 2008.

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FINANCIAL SECTION

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STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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PATRICIA ANDERSON
STATE AUDITOR

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Clay County

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, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Clay County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 and for the year ended December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis and the required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Clay County's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2005, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

/s/Pat Anderson

PATRICIA ANDERSON
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

End of Fieldwork: October 27, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004
(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, 2004. 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 of Clay County exceeded its liabilities at the close of the most recent fiscal year (December 31, 2004) by \$73,887,488 (net assets). Of this amount, \$17,213,059 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net assets are \$65,216,815, of which Clay County has invested \$50,480,348 in capital assets, net of related debt; \$667,459 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net assets of \$8,670,673. Invested in capital assets, net of related debt, represents \$4,920,459 of the total; \$606,163 of the total business-type net assets is restricted for specific uses.
- The net cost of Clay County's governmental activities for the year ended December 31, 2004, was \$17,462,113. General property tax revenue and other general revenue sources totaled \$18,297,704.

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 Assets presents information on all of Clay County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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, sanitation, human services, health, culture and recreation, conservation of natural resources, and economic development. The business-type activities of Clay County include the Family Service Center, Juvenile Detention, Public Health, and Solid Waste.

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 Balances 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 Balances for the General Fund, Road and Bridge Fund, Social Services Fund, and Ditch Debt Service Fund, all of which are considered to be major funds. Data from the other special revenue, debt service, and capital projects 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 and the County Building, Ditch, Forfeited Tax, and Gravel Removal Tax Reserve nonmajor special revenue funds. A budgetary comparison statement 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 required to be 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
- Ditch
- Forfeited Tax
- Gravel Removal Tax Reserve

Debt Service Fund. The Debt Service Fund accounts for the payment of principal, interest, and fiscal charges on long-term debt obligations of Clay County.

Capital Projects Fund. The Capital Projects Fund tracks major building construction projects.

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 Fund provides nursing service care to the elderly and other residents of the County, and the Solid Waste Management 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 Equipment Replacement 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. Because this service benefits all fund types, it is included in both the governmental and business-type activities.

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 Equipment Replacement 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 assets may serve over time as a useful indicator of a government's financial position. In the case of Clay County, assets exceeded liabilities by \$73,887,488 at the close of the most recent fiscal year, which is an increase of \$755,029.

Net capital assets of \$55,400,807 (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 assets (75 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 assets for the year ended December 31, 2004, were \$73,887,488. Clay County's analysis that follows focuses on the net assets (Table 1) and changes in net assets (Table 2) of Clay County's governmental and business-type activities.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Assets						
Current and other assets	\$ 23,997,196	\$ 29,196,838	\$ 8,006,820	\$ 16,178,880	\$ 32,004,016	\$ 45,375,718
Capital assets	58,436,262	55,743,713	11,685,450	10,440,144	70,121,712	66,183,857
Total Assets	\$ 82,433,458	\$ 84,940,551	\$ 19,692,270	\$ 26,619,024	\$ 102,125,728	\$ 111,559,575
Liabilities						
Long-term liabilities outstanding	\$ 13,513,076	\$ 16,920,483	\$ 9,653,846	\$ 17,233,209	\$ 23,166,922	\$ 34,153,692
Other liabilities	3,703,567	3,638,844	1,367,751	850,850	5,071,318	4,489,694
Total Liabilities	\$ 17,216,643	\$ 20,559,327	\$ 11,021,597	\$ 18,084,059	\$ 28,238,240	\$ 38,643,386
Net Assets						
Invested in capital assets, net of related debt	\$ 50,480,348	\$ 46,866,879	\$ 4,920,459	\$ 3,471,497	\$ 55,400,807	\$ 50,338,376
Restricted	667,459	1,350,985	606,163	552,586	1,273,622	1,903,571
Unrestricted	14,069,008	16,163,360	3,144,051	4,510,882	17,213,059	20,674,242
Total Net Assets	\$ 65,216,815	\$ 64,381,224	\$ 8,670,673	\$ 8,534,965	\$ 73,887,488	\$ 72,916,189

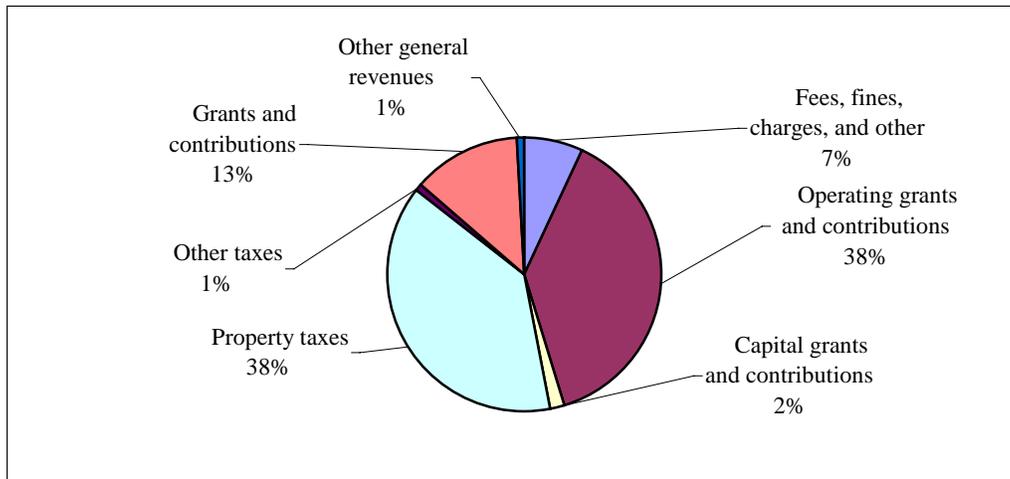
Clay County's total net assets for the year ended December 31, 2004, total \$73,887,488. The governmental activities unrestricted net assets totaling \$14,069,008 are available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net assets totaling \$3,144,051 are available to finance the day-to-day operations of the business-type activities of the County.

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues			
Program revenues			
Fees, fines, charges, and other	\$ 2,506,322	\$ 5,340,066	\$ 7,846,388
Operating grants and contributions	14,004,982	1,513,242	15,518,224
Capital grants and contributions	675,629	979,626	1,655,255
General revenues			
Property taxes	14,025,864	-	14,025,864
Other taxes	311,102	-	311,102
Grants and contributions	4,678,544	-	4,678,544
Other general revenues	312,543	84,818	397,361
Total Revenues	\$ 36,514,986	\$ 7,917,752	\$ 44,432,738
Expenses			
Program expenses			
General government	\$ 5,004,550	\$ -	\$ 5,004,550
Public safety	6,047,986	-	6,047,986
Highways and streets	6,258,300	-	6,258,300
Sanitation	1,479	-	1,479
Human services	15,405,341	-	15,405,341
Culture and recreation	325,597	-	325,597
Conservation of natural resources	733,135	-	733,135
Economic development	339,025	-	339,025
Interest	528,228	-	528,228
Administrative charges	5,405	-	5,405
Family service	-	1,562,311	1,562,311
Public health	-	2,734,402	2,734,402
Solid waste	-	2,644,721	2,644,721
Juvenile center	-	1,870,959	1,870,959
Total Expenses	\$ 34,649,046	\$ 8,812,393	\$ 43,461,439
Excess (Deficiency) Before Transfers	\$ 1,865,940	\$ (894,641)	\$ 971,299
Transfers	(1,030,349)	1,030,349	-
Change in Net Assets	\$ 835,591	\$ 135,708	\$ 971,299

Clay County's total revenues for the year ended December 31, 2004, were \$44,432,738. The total cost of Clay County programs and services for the year ended December 31, 2004, was \$43,461,439. The net assets for Clay County's governmental activities increased by \$835,591 and increased in the business-type activities by \$135,708.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County’s governmental activities for the year ended December 31, 2004, were \$36,514,986 (Table 2). Clay County’s costs for all governmental activities for the year ended December 31, 2004, were \$34,649,046 (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 \$14,025,864, because \$2,506,322 of the costs were paid by those who directly benefited from the programs, and \$14,680,611 was paid by other governments and organizations that subsidized certain programs with grants and contributions. Clay County paid for the remaining “public benefit” portion of governmental activities with \$5,302,189 in general revenues, primarily grants and contributions, which were not restricted to specific programs or services and with other revenues, such as interest income, mortgage registration tax, and deed tax.

Table 3 presents the cost of each of Clay County’s five 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	
	2004	2003	2004	2003
Program Expenses				
General government	\$ 5,004,550	\$ 5,147,346	\$ 3,493,718	\$ 3,662,756
Public safety	6,047,986	6,093,311	5,151,357	4,900,856
Highways and streets	6,258,300	5,328,442	1,448,771	(340,408)
Human services	15,405,341	16,550,992	6,279,253	5,746,713
Conservation of natural resources	733,135	1,802,261	60,659	(21,482)
All others	1,199,734	1,252,900	1,028,355	1,024,937
Total Program Expenses	\$ 34,649,046	\$ 36,175,252	\$ 17,462,113	\$ 14,973,372

Business-Type Activities

Revenues of Clay County business-type activities (Table 2) for the year ended December 31, 2004, were \$7,917,752. Expenditures of Clay County's business-type activities (Table 2) for the year ended December 31, 2004, were \$8,812,393.

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, unreserved 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 the 2004, Clay County's governmental funds reported combined ending fund balances of \$13,188,784, which is below last year's total of \$17,565,252. Included in this year's total fund balance is Clay County's General Fund balance of \$6,329,495. The majority of this amount, \$3,238,232, will be used to cash flow the first few months of 2005 until the current year tax collections begin. The Road and Bridge Special Revenue Fund's change in fund balance (a decrease of \$1,051,082) represented 31.2 percent of the total decrease in governmental fund balances. A large portion of the decrease was due to the County expending part of the 2005 regular construction allotment in 2004 and not being able to recognize it as revenue until the year it was allotted. The largest decrease in governmental fund balances was in the Law Enforcement Expansion Debt Service Fund, which was due to paying off the 1993 Law Enforcement Revenue Bonds.

GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS

In Clay County's General Fund, the actual revenues fell short of the expected revenues by \$145,256. Total actual expenditures in Clay County's General Fund were less than the budget by \$6,871. Most major expenditure categories in the County's General Fund had actual expenditures less than budgeted. Public Safety government expenditure category in the General Fund exceeded the budgeted expenditures by \$182,714 due mainly to an increase in cost in prisoner care. Total actual expenditures in the Road and Bridge Special Revenue Fund exceeded the budgeted expenditures by \$2,052,437. This variance was mainly due to the County receiving a release of the 2005 state-aid regular CSAH allotment for the current road construction expenditures.

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, 2004, amounted to \$70,121,712 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings,

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 \$3,937,855, or 5.9 percent (see Table 4).

This year's major capital asset events during the current fiscal year included the following:

- Completion of road construction projects resulting in a transfer of \$461,628 from construction in progress to infrastructure.
- New landfill phase construction was substantially completed at the end of 2004, increasing landfill by \$3,420,818.

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	
	2004	2003	2004	2003	2004	2003
Land	\$ 174,969	\$ 174,969	\$ 740,689	\$ 740,689	\$ 915,658	\$ 915,658
Construction in progress	7,671,516	7,256,504	-	-	7,671,516	7,256,504
Land improvements	-	-	29,371	44,675	29,371	44,675
Buildings	4,387,738	4,214,591	8,457,749	8,862,763	12,845,487	13,077,354
Machinery, furniture, and equipment	2,429,917	2,852,078	414,836	421,779	2,844,753	3,273,857
Infrastructure	43,772,122	41,245,571	-	-	43,772,122	41,245,571
Landfill	-	-	2,042,805	370,238	2,042,805	370,238
Totals	\$ 58,436,262	\$ 55,743,713	\$ 11,685,450	\$ 10,440,144	\$ 70,121,712	\$ 66,183,857

Long-Term Debt

At the end of 2004, Clay County had total bonded debt outstanding of \$18,453,001. This is a decrease of \$9,901,998 from the start of the year (see Table 5). The key factor in this decrease was the defeasance of the 1992 Family Service Center Lease Revenue Bonds and the 1996 Law Enforcement Facility Revenue Bonds.

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2004	2003	2004	2003	2004	2003
General obligation bonds	\$ 3,618,000	\$ 4,435,000	\$ -	\$ -	\$ 3,618,000	\$ 4,435,000
Revenue bonds	7,996,694	10,044,568	6,838,307	13,875,431	14,835,001	23,919,999
Total	\$ 11,614,694	\$ 14,479,568	\$ 6,838,307	\$ 13,875,431	\$ 18,453,001	\$ 28,354,999

Clay County's general obligation bonds are rated an A2, and revenue bonds are rated an A3. These ratings have been assigned by a national rating agency to Clay County's debt. The state limits the amount of net debt that the counties can issue to two percent of the market value of all taxable property in Clay County. Clay County's outstanding net debt is significantly below this \$44,571,910 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 unemployment rate for 2003 averaged 3.6 percent. The unemployment rate for 2004 averaged 3.6 percent. This compares favorably to the state's average unemployment rate of 4.7 percent and the national average rate of 5.6 percent.
- Over the past ten years, the property tax levy increase has been less than the increase in the cost of current level services. This has been possible due to use of anticipated budget savings. Most of the increased costs have been due to salary and health insurance increases. Clay County's growth in tax base has contributed to its ability to maintain a consistent net tax capacity rate.
- Clay County's tax levy is planned to decrease 0.32 percent from 2004.
- Reviewing revenue sources and considering cost-effective and efficient means for the delivery of Clay County programs and services will influence the development of the future budget.

All of these factors were considered in preparing Clay County's governmental budget for the 2005 fiscal year.

On November 23, 2004, the Clay County Board of Commissioners approved the 2005 budget. The overall budget increase was 9.40 percent, for a total budget of \$118,122,137. It also included a 0.32 percent property tax levy decrease of a total levy of \$17,230,252.

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.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 10,910,049	\$ 3,024,701	\$ 13,934,750
Cash with escrow agent	513,079	-	513,079
Investments	3,411,853	2,886,182	6,298,035
Taxes receivable			
Current - net	243,106	-	243,106
Prior - net	109,581	-	109,581
Special assessments receivable			
Current - net	10,755	26,519	37,274
Prior - net	2,705	15,484	18,189
Liens - net	2,782,357	-	2,782,357
Accounts receivable - net	133,146	160,519	293,665
Accrued interest receivable	95,621	18,080	113,701
Internal balances	1,652,794	(1,652,794)	-
Due from other governments	3,974,307	599,632	4,573,939
Prepaid items	-	-	-
Inventories	157,843	-	157,843
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	606,180	606,180
Permanently restricted			
Investments	-	2,311,880	2,311,880
Accrued interest receivable	-	10,437	10,437
Capital assets			
Non-depreciable	7,846,485	740,689	8,587,174
Depreciable - net of accumulated depreciation	50,589,777	10,944,761	61,534,538
Total Assets	\$ 82,433,458	\$ 19,692,270	\$ 102,125,728
<u>Liabilities</u>			
Accounts payable	\$ 760,741	\$ 151,839	\$ 912,580
Salaries payable	652,158	177,135	829,293
Contracts payable	447,881	574,303	1,022,184
Due to other governments	1,136,225	225,307	1,361,532
Accrued interest payable	221,111	127,293	348,404
Unearned revenue	485,451	111,874	597,325
Long-term liabilities			
Due within one year	1,224,335	606,111	1,830,446
Due in more than one year	12,288,741	9,047,735	21,336,476
Total Liabilities	\$ 17,216,643	\$ 11,021,597	\$ 28,238,240

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2004**

	Governmental Activities	Primary Government Business-Type Activities	Total
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 50,480,348	\$ 4,920,459	\$ 55,400,807
Restricted for			
General government	98,146	-	98,146
Public safety	307	-	307
Highways and streets	568,698	-	568,698
Debt service	-	606,163	606,163
Other purposes	308	-	308
Unrestricted	14,069,008	3,144,051	17,213,059
Total Net Assets	\$ 65,216,815	\$ 8,670,673	\$ 73,887,488

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Expenses	Fees, Charges, Fines, and Other
Functions/Programs		
Primary Government		
Governmental activities		
General government	\$ 5,004,550	\$ 1,166,486
Public safety	6,047,986	382,105
Highways and streets	6,258,300	440,471
Sanitation	1,479	-
Human services	15,405,341	502,728
Culture and recreation	325,597	-
Conservation of natural resources	733,135	14,532
Economic development	339,025	-
Interest	528,228	-
Administrative charges	5,405	-
	\$ 34,649,046	\$ 2,506,322
Total governmental activities		
Business-type activities		
Family services	\$ 1,562,311	\$ 1,222,764
Public health	2,734,402	1,131,058
Solid waste	2,644,721	943,836
Juvenile center	1,870,959	2,042,408
	\$ 8,812,393	\$ 5,340,066
Total business-type activities		
	\$ 43,461,439	\$ 7,846,388
Total primary government		
 General Revenues		
		Property taxes
		Gravel taxes
		Mortgage registry and deed tax
		Payments in lieu of tax
		Grants and contributions not restricted to specific programs
		Investment income
		Miscellaneous
		Transfers
		Total general revenues and transfers
		Change in net assets
		Net Assets - Beginning, as restated in Note 2
		Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 344,346	\$ -	\$ (3,493,718)	\$ -	\$ (3,493,718)
496,839	17,685	(5,151,357)	-	(5,151,357)
4,369,058	-	(1,448,771)	-	(1,448,771)
-	-	(1,479)	-	(1,479)
8,623,360	-	(6,279,253)	-	(6,279,253)
-	-	(325,597)	-	(325,597)
-	657,944	(60,659)	-	(60,659)
171,379	-	(167,646)	-	(167,646)
-	-	(528,228)	-	(528,228)
-	-	(5,405)	-	(5,405)
\$ 14,004,982	\$ 675,629	\$ (17,462,113)	\$ -	\$ (17,462,113)
\$ -	\$ -	\$ -	\$ (339,547)	\$ (339,547)
1,300,070	-	-	(303,274)	(303,274)
168,003	979,626	-	(553,256)	(553,256)
45,169	-	-	216,618	216,618
\$ 1,513,242	\$ 979,626	\$ -	\$ (979,459)	\$ (979,459)
\$ 15,518,224	\$ 1,655,255	\$ (17,462,113)	\$ (979,459)	\$ (18,441,572)
		\$ 14,025,864	\$ -	\$ 14,025,864
		206,356	-	206,356
		48,275	-	48,275
		56,471	-	56,471
		4,678,544	-	4,678,544
		296,221	84,818	381,039
		16,322	-	16,322
		(1,030,349)	1,030,349	-
		\$ 18,297,704	\$ 1,115,167	\$ 19,412,871
		\$ 835,591	\$ 135,708	\$ 971,299
		64,381,224	8,534,965	72,916,189
		\$ 65,216,815	\$ 8,670,673	\$ 73,887,488

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Assets</u>		
Cash and pooled investments	\$ 4,174,965	\$ 747,867
Petty cash and change funds	4,025	-
Undistributed cash in agency funds	210,467	43,724
Departmental cash	87,315	1,512
Cash with escrow agent	-	-
Investments	20,853	1,000,000
Taxes receivable		
Current	120,688	32,357
Prior	55,955	15,044
Special assessments receivable		
Current	-	-
Prior	-	-
Liens	-	-
Accounts receivable	27,012	75,255
Accrued interest receivable	72,392	-
Due from other funds	208,230	-
Due from other governments	348,880	1,753,824
Inventories	-	157,843
Advances to other funds	2,315,000	-
	\$ 7,645,782	\$ 3,827,426
Total Assets	\$ 7,645,782	\$ 3,827,426

EXHIBIT 3

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 3,130,950	\$ 336,867	\$ 799,844	\$ 9,190,493
500	-	-	4,525
106,807	6,116	23,296	390,410
16,987	-	-	105,814
-	-	513,079	513,079
-	836,000	55,000	1,911,853
79,050	-	11,011	243,106
35,907	-	2,675	109,581
-	3,870	6,885	10,755
-	447	2,258	2,705
-	2,249,272	533,085	2,782,357
30,879	-	-	133,146
-	4,741	127	77,260
202	-	78,131	286,563
1,601,231	254,290	16,082	3,974,307
-	-	-	157,843
-	-	-	2,315,000
<u>\$ 5,002,513</u>	<u>\$ 3,691,603</u>	<u>\$ 2,041,473</u>	<u>\$ 22,208,797</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General	Road and Bridge
<u>Liabilities and Fund Balances</u>		
Liabilities		
Accounts payable	\$ 233,754	\$ 32,617
Salaries payable	373,661	79,869
Contracts payable	-	287,439
Due to other funds	171,520	20,636
Due to other governments	351,884	165,390
Deferred revenue - unavailable	146,692	1,494,830
Deferred revenue - unearned	38,776	446,675
Advance from other funds	-	-
	\$ 1,316,287	\$ 2,527,456
Fund Balances		
Reserved for		
Encumbrances	\$ -	\$ -
Inventories	-	157,843
Advances to other funds	2,315,000	-
State-aid highway	-	90,201
Bond covenant	-	-
Missing heirs	308	-
Law library	44,044	-
Boat and water safety	307	-
Real estate shortfall	20,853	-
Unreserved		
Designated for debt service	-	-
Designated for future expenditures	-	110,002
Designated for cash flows	3,238,232	652,255
Designated for compensated absences	710,751	289,669
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
Capital projects funds	-	-
	\$ 6,329,495	\$ 1,299,970
Total Liabilities and Fund Balances	\$ 7,645,782	\$ 3,827,426

EXHIBIT 3
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 411,360	\$ -	\$ 78,670	\$ 756,401
198,628	-	-	652,158
-	-	160,442	447,881
456,771	-	21,863	670,790
391,508	-	16,867	925,649
74,878	2,495,020	550,263	4,761,683
-	-	-	485,451
-	-	320,000	320,000
<u>\$ 1,533,145</u>	<u>\$ 2,495,020</u>	<u>\$ 1,148,105</u>	<u>\$ 9,020,013</u>
\$ -	\$ -	\$ 33,249	\$ 33,249
-	-	-	157,843
-	-	-	2,315,000
-	-	-	90,201
-	-	511,350	511,350
-	-	-	308
-	-	-	44,044
-	-	-	307
-	-	-	20,853
-	1,196,583	-	1,196,583
-	-	-	110,002
3,039,709	-	-	6,930,196
429,659	-	-	1,430,079
-	-	216,407	216,407
-	-	254,262	254,262
-	-	(121,900)	(121,900)
<u>\$ 3,469,368</u>	<u>\$ 1,196,583</u>	<u>\$ 893,368</u>	<u>\$ 13,188,784</u>
<u>\$ 5,002,513</u>	<u>\$ 3,691,603</u>	<u>\$ 2,041,473</u>	<u>\$ 22,208,797</u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS--GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2004**

Fund balances - total governmental funds (Exhibit 3)	\$	13,188,784
Amounts reported for governmental activities in the statement of net assets 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.		58,436,262
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,761,683
Internal service funds are used by management to charge the costs 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 assets are:		
Total internal service net assets	\$ 4,167,786	
Long-term liabilities of the Internal Service Fund	472,286	
Net assets representing capital assets included above	<u>(2,075,799)</u>	2,564,273
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	\$ (3,614,018)	
Facility lease revenue bonds	(7,996,694)	
Capital leases	(472,286)	
Compensated absences	(1,430,078)	
Accrued interest payable	<u>(221,111)</u>	<u>(13,734,187)</u>
Net assets of governmental activities (Exhibit 1)	\$	<u>65,216,815</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Revenues		
Taxes	\$ 7,097,013	\$ 2,034,639
Special assessments	-	-
Licenses and permits	45,078	2,400
Intergovernmental	3,744,978	5,311,456
Charges for services	1,264,973	512,350
Fines and forfeits	1,200	-
Interest on investments	234,694	14,635
Miscellaneous	80,346	68,373
	\$ 12,468,282	\$ 7,943,853
Expenditures		
Current		
General government	\$ 5,364,903	\$ -
Public safety	6,133,592	-
Highways and streets	-	8,410,856
Sanitation	-	-
Human services	-	-
Culture and recreation	325,597	-
Conservation of natural resources	333,818	-
Economic development	299,380	-
Intergovernmental		
Highways and streets	-	351,874
Capital outlay		
General government	-	-
Highways and streets	-	-
Debt service		
Principal retirement	-	-
Interest	-	-
Administrative (fiscal charges)	-	-
	\$ 12,457,290	\$ 8,762,730
Excess of Revenues Over (Under) Expenditures	\$ 10,992	\$ (818,877)

EXHIBIT 5

Social Services	Ditch Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 4,516,073	\$ -	\$ 646,907	\$ 14,294,632
-	647,180	413,669	1,060,849
-	-	-	47,478
10,049,577	-	166,550	19,272,561
-	-	-	1,777,323
-	-	-	1,200
-	8,168	17,061	274,558
470,085	-	549	619,353
\$ 15,035,735	\$ 655,348	\$ 1,244,736	\$ 37,347,954
\$ -	\$ -	\$ 40,288	\$ 5,405,191
-	-	-	6,133,592
-	-	-	8,410,856
-	-	1,479	1,479
15,491,001	-	-	15,491,001
-	-	-	325,597
-	15,533	382,052	731,403
-	-	-	299,380
-	-	-	351,874
-	-	279,509	279,509
-	-	288,207	288,207
-	782,000	2,082,875	2,864,875
-	155,148	416,671	571,819
-	-	5,405	5,405
\$ 15,491,001	\$ 952,681	\$ 3,496,486	\$ 41,160,188
\$ (455,266)	\$ (297,333)	\$ (2,251,750)	\$ (3,812,234)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General	Road and Bridge
Other Financing Sources (Uses)		
Transfers in	\$ -	\$ -
Transfers out	(557,018)	(224,989)
Total Other Financing Sources (Uses)	\$ (557,018)	\$ (224,989)
Change in Fund Balance	\$ (546,026)	\$ (1,043,866)
Fund Balance - January 1	\$ 6,495,925	\$ 2,665,344
Prior period adjustment	379,596	(314,292)
Fund Balance - January 1, as restated	\$ 6,875,521	\$ 2,351,052
Increase (decrease) in reserved for inventories	\$ -	\$ (7,216)
Fund Balance - December 31	\$ 6,329,495	\$ 1,299,970

EXHIBIT 5
(Continued)

<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 224,989	\$ 224,989
-	-	-	(782,007)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 224,989</u>	<u>\$ (557,018)</u>
<u>\$ (455,266)</u>	<u>\$ (297,333)</u>	<u>\$ (2,026,761)</u>	<u>\$ (4,369,252)</u>
\$ 3,650,786	\$ 1,493,916	\$ 2,920,129	\$ 17,226,100
273,848	-	-	339,152
<u>\$ 3,924,634</u>	<u>\$ 1,493,916</u>	<u>\$ 2,920,129</u>	<u>\$ 17,565,252</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,216)</u>
<u><u>\$ 3,469,368</u></u>	<u><u>\$ 1,196,583</u></u>	<u><u>\$ 893,368</u></u>	<u><u>\$ 13,188,784</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES--GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2004**

Net change in fund balances - total governmental funds (Exhibit 5)	\$	(4,369,252)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for general capital assets and infrastructure	\$ 5,291,920	
Current year depreciation	<u>(2,205,154)</u>	3,086,766
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,761,683
Revenues reported in the fund statements in the current year but reported in the government-wide statement of activities in the prior year.		(5,627,951)
Reclassification of transfers in and out among governmental activities.		(473,331)
Governmental funds report the effect of debt issuance costs when debt is first issued; whereas, these costs are amortized over the life of the debt in the statement of activities.		(664)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Principal repayments		
General obligation bonds	\$ 817,000	
Facility lease revenue bonds	<u>2,047,875</u>	2,864,875
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	\$ 44,255	
Change in compensated absences	274,181	
Change in inventories	<u>(7,216)</u>	311,220
Internal service funds are used by management to charge the costs 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>282,245</u>
Change in net assets of governmental activities (Exhibit 2)	\$	<u>835,591</u>

PROPRIETARY FUNDS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	Family Service Center	Juvenile Center
<u>Assets</u>		
Current assets		
Cash and pooled investments	\$ 27,955	\$ 555,950
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Departmental cash	-	1,544
Investments	-	100,000
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable - net	34,256	2,056
Accrued interest receivable	581	916
Due from other funds	-	131,793
Due from other governments	5,494	271,450
	\$ 68,586	\$ 1,063,709
Total current assets		
Restricted assets		
Cash with escrow agent - temporary	\$ 606,163	\$ 17
Investments	-	-
Accrued interest receivable	-	-
	\$ 606,163	\$ 17
Total restricted assets		
Noncurrent assets		
Capital assets		
Nondepreciable	\$ 240,500	\$ -
Depreciable - net	5,661,980	2,989,533
	\$ 5,902,480	\$ 2,989,533
Total noncurrent assets		
Total Assets	\$ 6,577,229	\$ 4,053,259

EXHIBIT 7

Enterprise Funds				
Public Health	Solid Waste Management	Totals	Internal Service Fund	
\$ 444,422	\$ 1,766,835	\$ 2,795,162	\$ 1,218,807	
-	37,040	37,040	-	
170	-	470	-	
43,333	147,152	192,029	-	
-	2,786,182	2,886,182	1,500,000	
-	26,519	26,519	-	
-	15,484	15,484	-	
75,269	48,938	160,519	-	
-	16,583	18,080	18,361	
58,494	-	190,287	-	
272,068	50,620	599,632	-	
\$ 893,756	\$ 4,895,353	\$ 6,921,404	\$ 2,737,168	
\$ -	\$ -	\$ 606,180	\$ -	
-	2,311,880	2,311,880	-	
-	10,437	10,437	-	
\$ -	\$ 2,322,317	\$ 2,928,497	\$ -	
\$ -	\$ 500,189	\$ 740,689	\$ -	
-	2,293,248	10,944,761	2,075,799	
\$ -	\$ 2,793,437	\$ 11,685,450	\$ 2,075,799	
\$ 893,756	\$ 10,011,107	\$ 21,535,351	\$ 4,812,967	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2004**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
<u>Liabilities</u>		
Current liabilities		
Accounts payable	\$ 24,420	\$ 27,104
Salaries payable	29,797	50,384
Compensated absences payable - current	12,974	32,514
Contracts payable	-	-
Due to other funds	-	14,989
Due to other governments	6,239	6,099
Accrued interest payable	93,915	33,378
Deferred revenue - unearned	1,615	-
Facility lease revenue bonds payable - current	355,000	135,412
Capital leases payable - current	3,310	-
Total current liabilities	\$ 527,270	\$ 299,880
Noncurrent liabilities		
Compensated absences payable - long-term	\$ 38,270	\$ 102,981
Advance from other funds	1,295,000	350,000
Estimated liability for landfill closure/postclosure	-	-
Facility lease revenue bonds payable - long-term	4,220,000	2,127,895
Unamortized discounts on lease revenue bonds	(58,630)	(14,686)
Capital leases payable - long-term	13,375	-
Total noncurrent liabilities	\$ 5,508,015	\$ 2,566,190
Total Liabilities	\$ 6,035,285	\$ 2,866,070
<u>Net Assets</u>		
Invested in capital assets - net of related debt	\$ 1,386,110	\$ 740,912
Restricted for debt service	606,163	-
Unrestricted	(1,450,329)	446,277
Total Net Assets	\$ 541,944	\$ 1,187,189

Some amounts reported for business-type activities in the statement of net assets (Exhibit 1) are different because certain Internal Service Fund assets and liabilities are included with business-type activities.

Net Assets of Business-Type Activities

EXHIBIT 7
(Continued)

Enterprise Funds				
Public Health	Solid Waste Management	Totals	Internal Service Fund	
\$ 34,719	\$ 65,596	\$ 151,839	\$ 4,340	
86,485	10,469	177,135	-	
59,000	7,901	112,389	-	
-	574,303	574,303	-	
202	-	15,191	-	
39,129	173,840	225,307	1,445	
-	-	127,293	-	
110,259	-	111,874	-	
-	-	490,412	-	
-	-	3,310	148,057	
\$ 329,794	\$ 832,109	\$ 1,989,053	\$ 153,842	
\$ 124,841	\$ 27,899	\$ 293,991	\$ -	
350,000	-	1,995,000	-	
-	2,465,790	2,465,790	-	
-	-	6,347,895	-	
-	-	(73,316)	-	
-	-	13,375	324,229	
\$ 474,841	\$ 2,493,689	\$ 11,042,735	\$ 324,229	
\$ 804,635	\$ 3,325,798	\$ 13,031,788	\$ 478,071	
\$ -	\$ 2,793,437	\$ 4,920,459	\$ 1,603,513	
-	-	606,163	-	
89,121	3,891,872	2,976,941	2,731,383	
\$ 89,121	\$ 6,685,309	\$ 8,503,563	\$ 4,334,896	
		167,110		
		\$ 8,670,673		

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
Operating Revenues		
Charges for services	\$ 206,288	\$ 1,964,397
Licenses and permits	-	-
Rents	925,824	46,097
Miscellaneous	90,652	31,914
Total Operating Revenues	\$ 1,222,764	\$ 2,042,408
Operating Expenses		
Personal services	\$ 385,239	\$ 1,281,145
Other services and charges	510,435	279,809
Supplies	41,079	55,445
Depreciation	315,485	135,338
Landfill closure and postclosure costs	-	-
Total Operating Expenses	\$ 1,252,238	\$ 1,751,737
Operating Income (Loss)	\$ (29,474)	\$ 290,671
Nonoperating Revenues (Expenses)		
Property taxes	\$ -	\$ -
Special assessments	-	-
Intergovernmental	-	45,169
Interest income	24,327	18,363
Gain on sale/disposal of capital assets	-	-
Interest expense	(313,615)	(122,276)
Total Nonoperating Revenues (Expenses)	\$ (289,288)	\$ (58,744)
Income (Loss) Before Transfers	\$ (318,762)	\$ 231,927
Transfers in	-	83,638
Change in Net Assets	\$ (318,762)	\$ 315,565
Net Assets - January 1	\$ 860,706	\$ 871,624
Prior period adjustment	-	-
Net Assets - January 1, as restated	\$ 860,706	\$ 871,624
Net Assets - December 31	\$ 541,944	\$ 1,187,189

Some amounts reported for business-type activities in the statement of activities (Exhibit 2) are different because the net revenue (expense) of the Equipment Replacement Internal Service Fund is reported with business-type activities.

Change in Net Assets of Business-Type Activities

EXHIBIT 8

Enterprise Funds				Internal Service Fund
Public Health	Solid Waste Management	Totals		
\$ 1,114,646	\$ 942,634	\$ 4,227,965	\$	813,248
-	525	525		-
-	-	971,921		-
16,412	677	139,655		229,092
\$ 1,131,058	\$ 943,836	\$ 5,340,066	\$	1,042,340
\$ 2,252,072	\$ 313,797	\$ 4,232,253	\$	-
415,203	(32,433)	1,173,014		55,508
71,501	50,003	218,028		9,169
-	1,794,920	2,245,743		717,287
-	518,434	518,434		-
\$ 2,738,776	\$ 2,644,721	\$ 8,387,472	\$	781,964
\$ (1,607,718)	\$ (1,700,885)	\$ (3,047,406)	\$	260,376
\$ -	\$ -	\$ -	\$	235
-	979,626	979,626		-
1,300,070	129,740	1,474,979		-
-	79,479	122,169		22,575
-	-	-		48,101
-	-	(435,891)		(37,159)
\$ 1,300,070	\$ 1,188,845	\$ 2,140,883	\$	33,752
\$ (307,648)	\$ (512,040)	\$ (906,523)	\$	294,128
473,380	-	557,018		-
\$ 165,732	\$ (512,040)	\$ (349,505)	\$	294,128
\$ (76,611)	\$ 7,413,619	\$	\$	4,040,768
-	(216,270)			-
\$ (76,611)	\$ 7,197,349		\$	4,040,768
\$ 89,121	\$ 6,685,309		\$	4,334,896
		485,213		
		\$ 135,708		

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
Cash Flows From Operating Activities		
Receipts from customers and users	\$ 1,212,587	\$ 2,025,812
Payments to suppliers	(566,210)	(336,824)
Payments to employees	(391,784)	(1,268,236)
Net cash provided by (used in) operating activities	\$ 254,593	\$ 420,752
Cash Flows From Noncapital Financing Activities		
Property taxes	\$ -	\$ -
Intergovernmental	-	54,061
Advance from other funds	325,000	-
Transfers in	-	-
Net cash provided by (used in) noncapital financing activities	\$ 325,000	\$ 54,061
Cash Flows From Capital and Related Financing Activities		
Principal paid on installment purchase	\$ (2,273)	\$ -
Principal paid on long-term debt	(300,000)	(107,777)
Interest paid on long-term debt	(267,624)	(95,392)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	-	-
Net cash provided by (used in) capital and related financing activities	\$ (569,897)	\$ (203,169)
Cash Flows From Investing Activities		
Proceeds from sales and maturities of investments	\$ -	\$ 30,000
Purchase of investments	-	-
Investment earnings received	-	3,193
Net cash provided by (used in) investing activities	\$ -	\$ 33,193
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 9,696	\$ 304,837
Cash and Cash Equivalents at January 1	18,559	252,657
Cash and Cash Equivalents at December 31	\$ 28,255	\$ 557,494

EXHIBIT 9

Enterprise Funds		Internal Service Fund	
Public Health	Solid Waste Management	Totals	Internal Service Fund
\$ 1,196,958	\$ 962,341	\$ 5,397,698	\$ 1,042,340
(459,199)	(1,028,566)	(2,390,799)	(64,130)
(2,315,816)	(319,604)	(4,295,440)	-
\$ (1,578,057)	\$ (385,829)	\$ (1,288,541)	\$ 978,210
\$ -	\$ 961,742	\$ 961,742	\$ 235
1,403,757	129,740	1,587,558	-
-	-	325,000	-
473,380	-	473,380	-
\$ 1,877,137	\$ 1,091,482	\$ 3,347,680	\$ 235
\$ -	\$ -	\$ (2,273)	\$ (269,016)
-	-	(407,777)	-
-	-	(363,016)	(37,159)
-	-	-	48,101
-	(2,954,659)	(2,954,659)	(346,702)
\$ -	\$ (2,954,659)	\$ (3,727,725)	\$ (604,776)
\$ -	\$ -	\$ 30,000	\$ -
-	(211,615)	(211,615)	-
-	68,403	71,596	13,415
\$ -	\$ (143,212)	\$ (110,019)	\$ 13,415
\$ 299,080	\$ (2,392,218)	\$ (1,778,605)	\$ 387,084
188,845	4,343,245	4,803,306	831,723
\$ 487,925	\$ 1,951,027	\$ 3,024,701	\$ 1,218,807

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004
Increase (Decrease) in Cash and Cash Equivalents**

	Family Service Center	Juvenile Center
Cash and Cash Equivalents - Exhibit 7		
Cash and pooled investments	\$ 27,955	\$ 555,950
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	1,544
	<u>\$ 28,255</u>	<u>\$ 557,494</u>
 Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	<u>\$ (29,474)</u>	<u>\$ 290,671</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Depreciation expense	\$ 315,485	\$ 135,338
(Increase) decrease in accounts receivable	4,360	(2,003)
(Increase) decrease in due from other governments	250	32,512
(Increase) decrease in due from other funds	-	(46,433)
Increase (decrease) in accounts payable	(9,061)	(2,989)
Increase (decrease) in salaries payable	(53)	11,278
Increase (decrease) in contracts payable	-	-
Increase (decrease) in compensated absences payable - current	(13,321)	(24,499)
Increase (decrease) in compensated absences payable - long-term	6,756	26,196
Increase (decrease) in due to other funds	-	334
Increase (decrease) in due to other governments	(4,207)	347
Increase (decrease) in deferred revenue	(16,142)	-
Increase (decrease) in landfill closure and postclosure costs payable	-	-
	<u>\$ 284,067</u>	<u>\$ 130,081</u>
Net cash provided by operating activities	<u>\$ 254,593</u>	<u>\$ 420,752</u>
 Noncash Investing, Capital, and Financing Activities		
Capital asset disposals	<u>\$ -</u>	<u>\$ -</u>

EXHIBIT 9
(Continued)

Enterprise Funds			
Public Health	Solid Waste Management	Totals	Internal Service Fund
\$ 444,422	\$ 1,766,835	\$ 2,795,162	\$ 1,218,807
-	37,040	37,040	-
43,503	147,152	192,499	-
\$ 487,925	\$ 1,951,027	\$ 3,024,701	\$ 1,218,807
\$ (1,607,718)	\$ (1,700,885)	\$ (3,047,406)	\$ 260,376
\$ -	\$ 1,794,920	\$ 2,245,743	\$ 717,287
(20,218)	13,794	(4,067)	-
28,581	3,821	65,164	162
70,848	440	24,855	-
10,248	11,389	9,587	(46)
12,035	1,994	25,254	-
-	66,845	66,845	-
(72,174)	(9,849)	(119,843)	-
21,979	1,987	56,918	-
(26,320)	-	(25,986)	-
11,914	13,651	21,705	431
(7,232)	-	(23,374)	-
-	(583,936)	(583,936)	-
\$ 29,661	\$ 1,315,056	\$ 1,758,865	\$ 717,834
\$ (1,578,057)	\$ (385,829)	\$ (1,288,541)	\$ 978,210
\$ -	\$ -	\$ -	\$ -

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FIDUCIARY FUNDS

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CLAY COUNTY
MOORHEAD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2004

	<u>Agency</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 3,013,642
Due from other funds	209,131
Due from other governments	<u>5,587</u>
Total Assets	<u>\$ 3,228,360</u>
<u>Liabilities</u>	
Accounts payable	\$ 12,321
Due to other governments	<u>3,216,039</u>
Total Liabilities	<u>\$ 3,228,360</u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2004. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the County has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the County has chosen not to do so. 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 which are described in Note 8.C.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets 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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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.

In the government-wide statement of net assets, 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 assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. 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 that are 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 required to be accounted for in another fund.

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 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Clay County considers all revenues to be available if they are collected within 90 days after the end of the current period. Property and other taxes, licenses, and interest are all considered to be susceptible to accrual. Expenditures are recorded when the related fund liability

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

D. Assets, Liabilities, and Net Assets 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.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the County Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2004, based on market prices. Pursuant to Minn. Stat. § 385.07, investment earnings on cash and pooled investments are credited to the General Fund. Other funds received investment earnings based on other state statutes, grant agreements, contracts, and bond covenants. Pooled investment earnings for 2004 were \$362,132.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

2. Deposits and Investments (Continued)

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the County:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by 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 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.

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).

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

3. Receivables and Payables (Continued)

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve 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 on May 15 and the second half payment due October 15.

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

4. 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

5. Restricted Assets

Certain funds of the County are classified as restricted assets on the statement of net assets 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, their use is limited by applicable laws and regulations.

6. 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 estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially 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 is depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

7. 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 for up to the annual accrual of vacation and vested sick leave if matured, for example, as a result of employee resignations and retirements.

8. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

9. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (Continued)

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. 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 and liabilities 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.

2. Prior Period Adjustments

Fund balance at January 1, 2004, for the General Fund was increased by \$379,596 to correct errors made in the determination of expenditures. The fund balance of the General Fund was adjusted from \$6,495,925 to \$6,875,521.

Fund balance at January 1, 2004, for the Road and Bridge Special Revenue Fund was decreased by a net of \$314,292 to correct errors made in the determination of revenues and expenditures. The fund balance of the Road and Bridge Special Revenue Fund was adjusted from \$2,665,344 to \$2,351,052.

Fund balance at January 1, 2004, for the Social Services Special Revenue Fund was increased by \$273,848 to correct errors made in the determination of expenditures. The fund balance of the Social Services Special Revenue Fund was adjusted from \$3,650,786 to \$3,924,634.

Fund balance at January 1, 2004, for the Solid Waste Enterprise Fund was decreased by \$216,270 to correct errors made in determination of liabilities. The fund balance of the Solid Waste Enterprise Fund was adjusted from \$7,413,619 to \$7,197,349.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

2. Prior Period Adjustments (Continued)

Net assets at January 1, 2004, for the business-type funds were decreased by \$216,270 to correct errors made in the determination of liabilities. The net asset for the business-type funds were adjusted from \$8,751,235 to \$8,534,965.

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

Primary government		
Cash and pooled investments	\$	13,934,750
Cash with escrow agent		513,079
Investments		6,298,035
Restricted assets		
Cash with escrow agent		606,180
Investments		2,311,880
Fiduciary funds		
Cash and pooled investments		
Agency funds		3,013,642
Total Cash and Investments	\$	26,677,566

Minn. Stat. §§ 118A.02 and 118A.04 authorize the County to deposit its cash and to invest in certificates of deposit in financial institutions designated by the County Treasurer. At December 31, 2004, the carrying amount of the County's deposits totaled \$10,193,327. The bank balance deposit amount was \$10,888,898. Minnesota statutes require that all County deposits be covered by insurance, surety bond, or collateral.

Following is a summary of the deposits covered by insurance or collateral at December 31, 2004.

	Bank Balance
Covered Deposits	
Insured, or collateralized with securities held by the County or its agent in the County's name	\$ 893,389
Collateralized with securities held by the pledging financial institution's agent in the County's name	9,995,509
Total covered deposits	\$ 10,888,898
Uncollateralized	-
Total	\$ 10,888,898

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Three levels of custodial credit risk for securities are defined by generally accepted accounting principles:

- (1) securities that are insured or registered, or for which the securities are held by the County or its agent in the County's name;
- (2) securities that are uninsured and unregistered and are held by the counterparty's trust department or agent in the County's name; and
- (3) securities that are uninsured and unregistered and are held by the counterparty, or by its trust department or agent, but not in the County's name.

Following is a summary of the fair values of the County's investments, categorized into the aforementioned levels of risk, at December 31, 2004:

	Category			Fair Value
	1	2	3	
Negotiable certificates of deposit	\$ 495,160	\$ -	\$ 89,453	\$ 584,613
FHLB	448,065	-	4,709,867	5,157,932
Freddie Mac	43,425	-	456,460	499,885
Cash with escrow agent	-	-	1,119,260	1,119,260
Total Investments	\$ 986,650	\$ -	\$ 6,375,040	\$ 7,361,690
Add				
Money market checking				8,806,775
MAGIC Fund				315,775
Cash on hand				10,193,327
Deposits				10,193,327
Total Cash and Investments				\$ 26,677,567

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2004, 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	\$ 352,687	\$ -
Special assessments	2,795,817	2,060,592
Due from other governments	3,974,307	223,912
Accounts	133,146	-
Interest	95,621	-
	\$ 7,351,578	\$ 2,284,504
Business-Type Activities		
Special assessments	\$ 42,003	\$ -
Due from other governments	599,632	-
Accounts	160,519	-
Interest	18,080	-
	\$ 820,234	\$ -

3. Capital Assets

Capital asset activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 174,969	\$ -	\$ -	\$ 174,969
Construction in progress	7,256,504	876,640	461,628	7,671,516
	\$ 7,431,473	\$ 876,640	\$ 461,628	\$ 7,846,485

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Governmental Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Land improvements	\$ 32,859	\$ -	\$ -	\$ 32,859
Buildings	7,456,534	300,843	-	7,757,377
Machinery, furniture, and equipment	8,924,325	449,068	1,104,362	8,269,031
Infrastructure	59,965,625	4,484,665	-	64,450,290
Total capital assets depreciated	<u>\$ 76,379,343</u>	<u>\$ 5,234,576</u>	<u>\$ 1,104,362</u>	<u>\$ 80,509,557</u>
Less: accumulated depreciation for				
Land improvements	\$ 32,859	\$ -	\$ -	\$ 32,859
Buildings	3,241,943	127,696	-	3,369,639
Machinery, furniture, and equipment	6,072,247	836,631	1,069,764	5,839,114
Infrastructure	18,720,054	1,958,114	-	20,678,168
Total accumulated depreciation	<u>\$ 28,067,103</u>	<u>\$ 2,922,441</u>	<u>\$ 1,069,764</u>	<u>\$ 29,919,780</u>
Total capital assets depreciated, net	<u>\$ 48,312,240</u>	<u>\$ 2,312,135</u>	<u>\$ 34,598</u>	<u>\$ 50,589,777</u>
Governmental Activities Capital Assets, Net	<u>\$ 55,743,713</u>	<u>\$ 3,188,775</u>	<u>\$ 496,226</u>	<u>\$ 58,436,262</u>

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 740,689	\$ -	\$ -	\$ 740,689
Capital assets depreciated				
Buildings	\$ 12,149,835	\$ -	\$ -	\$ 12,149,835
Landfill	2,811,028	3,420,817	-	6,231,845
Improvements other than building	218,353	-	-	218,353
Machinery, furniture, and equipment	1,552,453	70,232	-	1,622,685
Total capital assets depreciated	<u>\$ 16,731,669</u>	<u>\$ 3,491,049</u>	<u>\$ -</u>	<u>\$ 20,222,718</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less: accumulated depreciation for				
Buildings	\$ 3,287,072	\$ 405,014	\$ -	\$ 3,692,086
Landfill	2,440,790	1,748,250	-	4,189,040
Improvements other than building	173,678	15,304	-	188,982
Machinery, furniture, and equipment	1,130,674	77,175	-	1,207,849
	<u>\$ 7,032,214</u>	<u>\$ 2,245,743</u>	<u>\$ -</u>	<u>\$ 9,277,957</u>
Total accumulated depreciation				
Total capital assets depreciated, net	\$ 9,699,455	\$ 1,245,306	\$ -	\$ 10,944,761
	<u>\$ 10,440,144</u>	<u>\$ 1,245,306</u>	<u>\$ -</u>	<u>\$ 11,685,450</u>
Business-Type Activities Capital Assets, Net				

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

Governmental Activities	
General government	\$ 43,959
Public safety	54,557
Highways and streets, including depreciation of infrastructure assets	2,043,742
Human services	21,099
Economic development	39,645
Conservation of natural resources	2,152
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	<u>717,287</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,922,441</u>
Business-Type Activities	
Family Service Center	\$ 315,485
Juvenile Center	135,338
Solid waste	<u>1,794,920</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,245,743</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2004, is as follows:

1. Due To/From Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Social Services	\$ 186,367
	Forfeited Tax	21,863
Total Due to General Fund		<u>\$ 208,230</u>
Social Services	Public Health	\$ 202
Other Governmental	General	\$ 57,495
	Road and Bridge	20,636
Total Due to Other Governmental Funds		<u>\$ 78,131</u>
Public Health	General	\$ 2,718
	Social Services	40,787
	Juvenile Center	14,989
Total Due to Public Health		<u>\$ 58,494</u>
Juvenile Center	General	\$ 111,307
	Social Services	20,486
Total Due to Juvenile Center		<u>\$ 131,793</u>
Agency	Social Services	\$ 209,131
Total Due To/From Other Funds		<u><u>\$ 685,981</u></u>

2. Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Other Governmental	\$ 320,000
	Family Service Center	1,295,000
	Juvenile Center	350,000
	Public Health	350,000
Total Due to General Fund		<u><u>\$ 2,315,000</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers (Continued)

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2004, consisted of the following:

Transfers to nonmajor governmental funds from Road and Bridge Special Revenue Fund	\$ 224,989
Transfers to Public Health Enterprise Fund from General Fund	473,380
Transfers to Juvenile Center Enterprise Fund from General Fund	<u>83,638</u>
Total Interfund Transfers	<u>\$ 782,007</u>

C. Liabilities

1. Payables

Payables at December 31, 2004, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 760,741	\$ 151,839
Salaries	652,158	177,135
Contracts	447,881	574,303
Due to other governments	<u>1,136,225</u>	<u>225,307</u>
Total Payables	<u>\$ 2,997,005</u>	<u>\$ 1,128,584</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction Commitments

The government has active construction projects as of December 31, 2004. The projects include the following:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Governmental Activities		
Courthouse expansion	\$ 5,946,591	\$ 33,249
Business-Type Activities		
Solid waste expansion	\$ 3,240,964	\$ 81,347

3. Other Postemployment Benefits

Retirees

The County provides post-retirement health care benefits for certain retirees. The County pays for health insurance for qualified retired employees (employees who retired with over five years of County employment) from the date of retirement until age 65.

As of year-end, the County has six eligible participants. The County finances the plan on a pay-as-you-go basis. During 2004, the County expended \$12,792 for these benefits.

Elected Officials

After their County service, all employees, including elected County officials, are eligible to participate in the Minnesota State Retirement System (MSRS).

This benefit is funded on a pay-as-you-go basis. Clay County has five former elected officials/employees that elected to take advantage of this benefit.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

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, 2004:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
1999 motor grader	2004	Annual	\$ 113,866	\$ 151,413	\$ -
1999 motor grader	2004	Annual	113,866	151,413	-
2000 motor grader	2005	Annual	17,211	159,571	103,871
2001 motor grader	2006	Annual	20,151	168,751	110,653
2002 motor grader	2007	Annual	21,267	170,201	120,020
2003 motor grader	2008	Annual	19,814	171,608	<u>137,742</u>
Total Governmental Activities Capital Leases					<u>\$ 472,286</u>
Business-Type Activities					
2004 mail machine	2009	Monthly	\$ 3,634	\$ 18,958	<u>\$ 16,685</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2004, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2005	\$ 171,232	\$ 4,846
2006	142,981	4,846
2007	112,314	4,845
2008	95,500	4,845
2009	-	1,212
Total minimum lease payments	\$ 522,027	\$ 20,594
Less: amount representing interest	(49,741)	(3,909)
Present Value of Minimum Lease Payments	<u>\$ 472,286</u>	<u>\$ 16,685</u>

5. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
General Obligation Bonds					
1993 G.O. Refunding Bonds	2007	\$30,000 - \$40,000	4.8164	\$ 725,000	\$ 105,000
1997 G.O. Watershed Improvement Bonds	2013	\$40,000 - \$60,000	5.3746	660,000	445,000
1999 G.O. Watershed Improvement Bonds	2015	\$60,000 - \$105,000	5.2452	1,125,000	900,000
2000 G.O. Watershed Improvement Bonds	2016	\$25,000 - \$45,000	5.3936	465,000	400,000

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt

Governmental Activities (Continued)

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
2002 G.O. Watershed Improvement Bonds	2012	\$23,000 - \$32,000	5.086	260,000	218,000
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	960,000	960,000
2003 G.O. Watershed Improvement Refunding Bonds	2011	\$80,000 - \$90,000	2.943	<u>590,000</u>	<u>590,000</u>
Total General Obligation Bonds				<u>\$ 4,785,000</u>	\$ 3,618,000
Less: unamortized discount					<u>(3,982)</u>
Total General Obligation Bonds, Net					<u>\$ 3,614,018</u>
Revenue Bonds					
2001 Joint Highway Lease Revenue Bonds	2022	\$75,000 - \$175,000	5.298	\$ 2,240,000	\$ 2,100,000
2002 Courthouse Expansion Lease Revenue Bonds	2023	\$140,000 - \$320,000	4.999	4,200,000	4,065,000
2002 Law Enforcement Revenue Refunding Bonds	2017	\$109,588 - \$181,157	3.8785	<u>1,831,694</u>	<u>1,831,694</u>
Total Revenue Bonds				<u>\$ 8,271,694</u>	<u>\$ 7,996,694</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Business-Type Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rates (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2004</u>
Revenue Bonds					
1998 Family Service Center Lease Revenue Refunding Bonds	2014	\$355,000 - \$495,000	5.10241	\$ 4,575,000	\$ 4,575,000
2002 Law Enforcement Facility Revenue Refunding Bonds	2017	\$135,411 - \$223,844	3.8785	<u>2,263,307</u>	<u>2,263,307</u>
Total revenue bonds				<u>\$ 6,838,307</u>	\$ 6,838,307
Less: unamortized discount					<u>(73,316)</u>
Total Revenue Bonds, Net					<u>\$ 6,764,991</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2004, were as follows:

Governmental Activities

<u>Year Ending December 31</u>	<u>General Obligation Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 353,000	\$ 138,459	\$ 324,589	\$ 354,710
2006	369,000	126,351	339,061	343,645
2007	365,000	113,499	348,535	331,699
2008	346,000	100,617	368,008	318,647
2009	363,000	87,302	380,244	304,472
2010 - 2014	1,632,000	215,066	2,182,389	1,266,227
2015 - 2019	190,000	7,601	2,368,868	719,860
2020 - 2023	-	-	<u>1,685,000</u>	<u>167,476</u>
Totals	<u>\$ 3,618,000</u>	<u>\$ 788,895</u>	<u>\$ 7,996,694</u>	<u>\$ 3,806,736</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2005	\$ 490,412	\$ 295,601
2006	520,939	275,150
2007	546,465	253,447
2008	571,992	230,038
2009	594,756	204,621
2010 - 2014	3,472,611	557,657
2015 - 2017	641,132	41,617
Totals	<u>\$ 6,838,307</u>	<u>\$ 1,858,131</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2004, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 4,435,000	\$ -	\$ 817,000	\$ 3,618,000	\$ 353,000
Revenue bonds	10,044,568	-	2,047,874	7,996,694	324,589
Less: deferred amounts for issuance discounts	(4,646)	-	(664)	(3,982)	-
Total bonds payable	\$ 14,474,922	\$ -	\$ 2,864,210	\$ 11,610,712	\$ 677,589
Capital leases	741,302	-	269,016	472,286	148,057
Compensated absences	1,704,259	668,987	943,168	1,430,078	398,689
Governmental Activity Long-Term Liabilities	<u>\$ 16,920,483</u>	<u>\$ 668,987</u>	<u>\$ 4,076,394</u>	<u>\$ 13,513,076</u>	<u>\$ 1,224,335</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 13,875,430	\$ -	\$ 7,037,123	\$ 6,838,307	\$ 490,412
Less: deferred amounts for issuance discounts	(161,252)	-	(87,936)	(73,316)	-
Total bonds payable	\$ 13,714,178	\$ -	\$ 6,949,187	\$ 6,764,991	\$ 490,412
Capital lease	-	18,958	2,273	16,685	3,310
Estimated liability for landfill closure/postclosure	2,833,456	-	367,666	2,465,790	-
Compensated absences	469,305	188,638	251,563	406,380	112,389
Business-Type Activity Long-Term Liabilities	<u>\$ 17,016,939</u>	<u>\$ 207,596</u>	<u>\$ 7,570,689</u>	<u>\$ 9,653,846</u>	<u>\$ 606,111</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$472,286 of lease purchases payable is included in the amounts for the governmental activities at year-end.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

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). The PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution and have direct contact with inmates are covered by the Public Employees Correctional Fund.

The PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement 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 Coordinated and Basic Plan members. The retiring member receives 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. For a Coordinated Plan member, the annuity accrual rate is 1.2 percent of average salary for each of the first ten years 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. For Public Employees Police and Fire Fund members, the annuity accrual rate is 3.0 percent of average salary for each year of service. For Public Employees Correctional Fund members, the annuity accrual rate is 1.9 percent of average salary for each year of service.

For all Public Employees Retirement Fund members whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

The benefit provisions stated in the previous paragraphs 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 public service.

The PERA issues a publicly available financial report that includes financial statements and required supplementary information for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund. That report may be obtained on the web at mnpera.org; by writing to PERA at 60 Empire Drive, Suite 200, Saint Paul, Minnesota 55103-2088; or by calling 651-296-7460 or 1-800-652-9026.

Funding Policy

Pension benefits are funded from member and employer contributions and income from the investment of fund assets. Minn. Stat. ch. 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The County makes annual contributions to the pension plans equal to the amount required by state statutes. Public Employees Retirement Fund Basic Plan members and Coordinated Plan members are required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary. Public Employees Police and Fire Fund members are required to contribute 6.20 percent of their annual covered salary. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll:

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53
Public Employees Police and Fire Fund	9.30
Public Employees Correctional Fund	8.75

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2004, 2003, and 2002, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund, were:

		Public Employees Retirement Fund	Public Employees Police and Fire Fund		Public Employees Correctional Fund
2004	\$	608,334	\$	154,075	\$ 123,847
2003		619,674		150,780	119,622
2002		601,638		138,273	111,560

These contribution amounts are equal to the contractually required contributions for each year as set by state statute.

B. Defined Contribution Plan

The Public Employees Defined Contribution Plan is a multiple-employer deferred compensation plan for local government officials, except elected county sheriffs. The plan is established and administered in accordance with Minn. Stat. ch. 353D. 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 retirement.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minn. Stat. § 353D.03 specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary, which is matched by the employer.

No vesting period is required to receive benefits in the Defined Contribution Plan. At the time of retirement or termination, the market value of the member's account is distributed to the member or another qualified plan.

The County's contributions for the years ending December 31, 2004, 2003, and 2002, were \$9,137, \$8,392, and \$8,128, respectively, equal to the contractually required contributions for each year as set by state statute.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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 Board 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 \$2,465,790 landfill closure and postclosure care liability at December 31, 2004, represents the cumulative amount reported to date based on the use of 95 percent of the estimated capacity of the landfill. It is estimated that no additional costs will be recognized as closure and postclosure care expense between December 31, 2004, and the date the landfill is expected to be filled to capacity 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 December 31, 2004. 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, 2004, investments of \$2,311,880 are held for these purposes. These are reported as restricted assets on the balance sheet. 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 Insurance Trust (MCIT). The County is a member of both the MCIT Workers' Compensation and Property and Casualty Divisions. The County self-insures for employee health and dental coverage. 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

6. Risk Management (Continued)

The Workers' Compensation Division of the 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. The MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$720,000 per claim in 2004 and \$760,000 per claim in 2005. Should the MCIT Workers' Compensation Division liabilities exceed assets, the MCIT may assess the County in a method and amount to be determined by the MCIT.

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

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, 2004, are as follows:

Entity	Series	Principle Issued	Outstanding
Concordia College Corporation	1998	\$ 5,425,000	\$ 3,916,286
Concordia College Corporation	2001	3,300,000	3,300,000
Minnesota State University Moorhead	2001	3,940,000	3,807,053
Concordia College Corporation	2003	2,300,000	2,300,000
Concordia College Corporation	2004	7,000,000	7,000,000

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

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.

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.

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 56538-0726.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

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 2004, Clay County contributed \$5,912 to the Fargo-Moorhead Metropolitan Council of Governments.

Control of the Council is vested in a 13-member Board of Directors of which one 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, 2004, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$251,891. 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, 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 dissolution, the net assets of the NCDPSA at that time shall be distributed to the respective member counties in proportion to their contributions.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwestern Counties Data Processing Security Association (Continued)

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 District Nos. 152 (Moorhead), 146 (Barnesville), 2164 (Dilworth-Glyndon-Felton), 150 (Hawley), and 914 (Ulen-Hitterdal); the Clay-Wilkin Opportunity Council; Lakeland Mental Health; and the 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 Board'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 2004, the County did not contribute any funds to the Collaborative.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures (Continued)

West Central Minnesota Drug Task Force

The West Central Minnesota Drug Task Force was established in 1996 under the authority of the Joint Powers Act, pursuant to Minn. Stat. § 471.59, and includes Becker, Clay, Douglas, Grant, Otter Tail, and Todd Counties, and the Cities of Alexandria, Breckenridge, Detroit Lakes, Fargo, Fergus Falls, Moorhead, Pelican Rapids, Perham, and Wahpeton. The Task Force's objectives are to detect, investigate, and apprehend controlled substance offenders in the six-county area. Control of the West Central Minnesota Drug Task Force is vested in a Board of Directors. The Board of Directors consists of department heads or a designee from each participating full-time member agency.

In the event of dissolution of the West Central Minnesota Drug Task Force, the equipment will be divided and returned to the appropriate agencies. However, if only one agency terminates its agreement and the unit continues, all equipment will remain with the Task Force.

Douglas County, in an agent capacity, reports the cash transactions of the West Central Minnesota Drug Task Force as an agency fund on its financial statements. Financing and equipment will be provided by the full-time and associated member agencies. During 2004, the County contributed \$3,000 to the Task Force.

C. Jointly-Governed Organizations

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

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, Mahnomon, Marshall, McLeod, Morrison, Norman, Pennington, Polk, Red Lake, and Roseau Counties. Control of the Caucus is vested in the Minnesota Rural Counties Caucus Executive Committee which is composed of ten directors, each with an alternate, who are appointed annually by each respective county Board. Clay County's responsibility does not extend beyond making this appointment.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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.

Agassiz Recreational Trail Joint Powers Board

Clay, Norman, and Polk Counties entered into a joint powers agreement to establish the Agassiz Recreational Trail Joint Powers Board, effective February 9, 1993, and empowered under Minn. Stat. § 471.59. The purpose of the Board is to provide the construction, maintenance, and operation of a system of trails and pathways. The Board consists of two members appointed by each member county and one person appointed by the Norman County Soil and Water Conservation District.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

Minnesota Red River Basin of the North Joint Powers Agreement (Continued)

Board comprised of one Commissioner from each member county. Each member of 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 2004, Clay County did not contribute any funds 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 \$201,881 to the Agassiz Regional Library during 2004.

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. The HRA issued the following debt for Clay County: \$4,575,000 Family Service Center Lease Revenue Refunding Bonds of 1998, \$2,240,000 Joint Highway Facility Lease Revenue Bonds of 2001, \$4,200,000 Courthouse Expansion Lease Revenue Bonds of 2002, and \$4,095,000 Law Enforcement Facility Refunding Bonds of 2002. The County makes lease payments in the amounts necessary to make the bond and interest payments each year. Because the debt is essentially an obligation of the County, it is shown as County debt in the County's financial statements.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

D. Related Organizations (Continued)

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 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 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.

9. Subsequent Event

Bond Issue

The County issued \$830,000 General Obligation Watershed Improvement Bonds, Series 2005A, dated September 1, 2005.

REQUIRED SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 8,814,270	\$ 8,814,270	\$ 7,097,013	\$ (1,717,257)
Licenses and permits	31,880	31,880	45,078	13,198
Intergovernmental	1,689,286	1,689,286	3,744,978	2,055,692
Charges for services	1,370,846	1,370,846	1,264,973	(105,873)
Fines and forfeits	5,000	5,000	1,200	(3,800)
Investment earnings	350,000	350,000	234,694	(115,306)
Miscellaneous	352,256	352,256	80,346	(271,910)
Total Revenues	\$ 12,613,538	\$ 12,613,538	\$ 12,468,282	\$ (145,256)
Expenditures				
Current				
General government				
Commissioners	\$ 196,120	\$ 196,120	\$ 207,308	\$ (11,188)
Courts	-	-	19,588	(19,588)
Public defender	35,000	35,000	51,301	(16,301)
Law library	101,395	101,395	98,310	3,085
County administration	230,086	230,086	209,560	20,526
County auditor	468,089	468,089	374,446	93,643
License bureau	302,951	302,951	293,280	9,671
County treasurer	120,604	120,604	114,269	6,335
County assessor	247,780	247,780	255,481	(7,701)
Elections	119,069	119,069	102,261	16,808
Internal audit	37,000	37,000	53,021	(16,021)
Data processing	774,081	774,081	784,032	(9,951)
Personnel	119,822	119,822	117,021	2,801
Attorney	832,759	832,759	904,481	(71,722)
Victim witness	56,393	56,393	76,218	(19,825)
Recorder	304,712	304,712	305,624	(912)
Surveyor	37,000	37,000	37,009	(9)
Planning and zoning	510,214	510,214	337,377	172,837
Maintenance	471,622	471,622	450,761	20,861
Veterans service officer	30,954	30,954	32,079	(1,125)
Unallocated	494,493	494,493	541,476	(46,983)
Total general government	\$ 5,490,144	\$ 5,490,144	\$ 5,364,903	\$ 125,241

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 2,740,685	\$ 2,740,685	\$ 2,773,047	\$ (32,362)
Boat and water safety	1,662	1,662	1,852	(190)
Drug seizures	-	-	3,726	(3,726)
Coroner	46,000	46,000	43,829	2,171
E-911 system	30,000	30,000	34,030	(4,030)
Community corrections	1,926,242	1,926,242	2,030,278	(104,036)
Dispatchers	197,750	197,750	192,089	5,661
Probation and parole	402,271	402,271	374,955	27,316
Electronic monitoring	52,040	52,040	93,482	(41,442)
Juvenile detention	514,855	514,855	490,789	24,066
Civil defense	39,373	39,373	95,515	(56,142)
Total public safety	\$ 5,950,878	\$ 5,950,878	\$ 6,133,592	\$ (182,714)
Culture and recreation				
Historical society	\$ 122,278	\$ 122,278	\$ 122,268	\$ 10
Senior citizens	1,448	1,448	1,448	-
Regional library	201,881	201,881	201,881	-
Total culture and recreation	\$ 325,607	\$ 325,607	\$ 325,597	\$ 10
Conservation of natural resources				
Cooperative extension	\$ 164,759	\$ 164,759	\$ 169,930	\$ (5,171)
Soil and water conservation	91,488	91,488	91,488	-
International coalition	1,237	1,237	1,237	-
Agricultural inspections	61,163	61,163	46,407	14,756
Agricultural society/County fair	20,816	20,816	21,098	(282)
Valley water rescue	4,000	4,000	3,658	342
Total conservation of natural resources	\$ 343,463	\$ 343,463	\$ 333,818	\$ 9,645

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Metropolitan Council	\$ 5,912	\$ 5,912	\$ 5,912	\$ -
Red River winter shows	772	772	772	-
West Central Council on Aging	4,914	4,914	4,914	-
Chamber of Commerce	1,250	1,250	1,283	(33)
County-wide incentive program	78,522	78,522	15,968	62,554
West Central Minnesota Initiatives	15,127	15,127	15,127	-
Pew Partnership	4,279	4,279	4,279	-
Riverkeepers	628	628	628	-
Minnesota Rural Counties Caucus	2,000	2,000	2,000	-
Minnesota Housing Partnership	600	600	536	64
WACCO	5,000	5,000	5,000	-
Rural transit	235,065	235,065	242,961	(7,896)
Total economic development	\$ 354,069	\$ 354,069	\$ 299,380	\$ 54,689
Total Expenditures	\$ 12,464,161	\$ 12,464,161	\$ 12,457,290	\$ 6,871
Excess of Revenues Over (Under)				
Expenditures	\$ 149,377	\$ 149,377	\$ 10,992	\$ (138,385)
Other Financing Sources (Uses)				
Transfers out	(473,380)	(473,380)	(557,018)	(83,638)
Change in Fund Balance	\$ (324,003)	\$ (324,003)	\$ (546,026)	\$ (222,023)
Fund Balance - January 1	\$ 6,495,925	\$ 6,495,925	\$ 6,495,925	\$ -
Prior period adjustment	-	-	379,596	379,596
Fund Balance - January 1, as restated	\$ 6,495,925	\$ 6,495,925	\$ 6,875,521	\$ 379,596
Fund Balance - December 31	\$ 6,171,922	\$ 6,171,922	\$ 6,329,495	\$ 157,573

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Budget
	Original	Final		
Revenues				
Taxes	\$ 2,484,262	\$ 2,484,262	\$ 2,034,639	\$ (449,623)
Licenses and permits	2,300	2,300	2,400	100
Intergovernmental	3,613,731	3,613,731	5,311,456	1,697,725
Charges for services	600,000	600,000	512,350	(87,650)
Investment earnings	10,000	10,000	14,635	4,635
Miscellaneous	-	-	68,373	68,373
Total Revenues	\$ 6,710,293	\$ 6,710,293	\$ 7,943,853	\$ 1,233,560
Expenditures				
Current				
Highways and streets				
Administration	\$ 443,287	\$ 443,287	\$ 470,878	\$ (27,591)
Maintenance	2,496,726	2,496,726	1,967,300	529,426
Construction	2,841,512	2,841,512	4,643,453	(1,801,941)
Equipment maintenance and shop	928,768	928,768	1,329,225	(400,457)
Total highways and streets	\$ 6,710,293	\$ 6,710,293	\$ 8,410,856	\$ (1,700,563)
Intergovernmental				
Highways and streets	-	-	351,874	(351,874)
Total Expenditures	\$ 6,710,293	\$ 6,710,293	\$ 8,762,730	\$ (2,052,437)
Excess of Revenues Over (Under) Expenditures				
	\$ -	\$ -	\$ (818,877)	\$ (818,877)
Other Financing Sources (Uses)				
Transfers out	-	-	(224,989)	(224,989)
Change in Fund Balance	\$ -	\$ -	\$ (1,043,866)	\$ (1,043,866)
Fund Balance - January 1	\$ 2,665,344	\$ 2,665,344	\$ 2,665,344	\$ -
Prior period adjustment	-	-	(314,292)	(314,292)
Fund Balance - January 1, as restated	\$ 2,665,344	\$ 2,665,344	\$ 2,351,052	\$ (314,292)
Increase (decrease) in reserved for inventories	\$ -	\$ -	\$ (7,216)	\$ (7,216)
Fund Balance - December 31	\$ 2,665,344	\$ 2,665,344	\$ 1,299,970	\$ (1,365,374)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Budget
	Original	Final		
Revenues				
Taxes	\$ 5,704,736	\$ 5,704,736	\$ 4,516,073	\$ (1,188,663)
Intergovernmental	10,748,144	10,748,144	10,049,577	(698,567)
Miscellaneous	422,102	422,102	470,085	47,983
Total Revenues	\$ 16,874,982	\$ 16,874,982	\$ 15,035,735	\$ (1,839,247)
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,330,740	\$ 4,330,740	\$ 2,823,720	\$ 1,507,020
Social services	12,628,962	12,628,962	12,667,281	(38,319)
Total Expenditures	\$ 16,959,702	\$ 16,959,702	\$ 15,491,001	\$ 1,468,701
Excess of Revenues Over (Under) Expenditures	\$ (84,720)	\$ (84,720)	\$ (455,266)	\$ (370,546)
Fund Balance - January 1	\$ 3,650,786	\$ 3,650,786	\$ 3,650,786	\$ -
Prior period adjustment	-	-	273,848	273,848
Fund Balance - January 1, as restated	\$ 3,650,786	\$ 3,650,786	\$ 3,924,634	\$ 273,848
Fund Balance - December 31	\$ 3,566,066	\$ 3,566,066	\$ 3,469,368	\$ (96,698)

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2004**

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except the Ditch Special Revenue Fund, the Forfeited Tax Special Revenue Fund, and the Gravel Removal Tax Special Revenue 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 Clay 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 head may make transfers of appropriations within a department. Transfers of appropriations between departments require approval of the County Board. The legal level of budgetary control (the level at which expenditures may not legally exceed appropriations) is the fund level.

Encumbrances (purchase orders and contracts) outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reapportioned and honored during the subsequent year.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The following is a summary of individual funds which had expenditures in excess of budget for the year ended December 31, 2004.

	<u>Expenditures</u>	<u>Final Budget</u>	<u>Excess</u>
Road and Bridge Fund	\$ 8,762,730	\$ 6,710,293	\$ 2,052,437

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SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

Ditch - to account for the financing and related costs of all County ditches.

Forfeited Tax - to account for revenue received from the sale of land for delinquent taxes. Monies are held until disbursements to various entities.

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.

Courthouse Expansion - to account for accumulation of resources and payment of principal and interest of courthouse expansion lease revenue issues.

Joint Highway Facility - to account for the bonds issued for the construction of the joint highway facility.

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

CAPITAL PROJECTS FUNDS

Courthouse Expansion - to account for unspent bond proceeds from the Juvenile Center and other sources and the costs of expanding the courthouse.

Joint Highway Facility - to account for the construction of the Joint Highway Facility.

Law Enforcement Expansion - to account for revenues received by the trustee and billings by the County to the trustee for the costs of remodeling law enforcement facilities.

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	Special Revenue (Statement B-1)	Debt Service (Statement C-1)	Capital Projects (Statement D-1)	Total Nonmajor Governmental Funds (Exhibit 3)
<u>Assets</u>				
Cash and pooled investments	\$ 215,466	\$ 199,733	\$ 384,645	\$ 799,844
Undistributed cash in agency funds	9,013	14,283	-	23,296
Cash with escrow agent	-	14	513,065	513,079
Investments	-	55,000	-	55,000
Taxes receivable				
Current	654	10,357	-	11,011
Prior	325	2,350	-	2,675
Special assessments receivable				
Current	6,030	855	-	6,885
Prior	1,831	427	-	2,258
Liens	484,292	48,793	-	533,085
Accrued interest receivable	-	127	-	127
Due from other funds	20,636	-	57,495	78,131
Due from other governments	-	-	16,082	16,082
Total Assets	\$ 738,247	\$ 331,939	\$ 971,287	\$ 2,041,473
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 8,127	\$ -	\$ 70,543	\$ 78,670
Contracts payable	-	-	160,442	160,442
Due to other funds	21,863	-	-	21,863
Due to other governments	176	-	16,691	16,867
Deferred revenue - unavailable	491,674	57,677	912	550,263
Advance from other funds	-	20,000	300,000	320,000
Total Liabilities	\$ 521,840	\$ 77,677	\$ 548,588	\$ 1,148,105
Fund Balances				
Reserved for encumbrances	\$ -	\$ -	\$ 33,249	\$ 33,249
Reserved for bond covenant	-	-	511,350	511,350
Unreserved				
Designated for debt service	-	254,262	-	254,262
Undesignated	216,407	-	(121,900)	94,507
Total Fund Balances	\$ 216,407	\$ 254,262	\$ 422,699	\$ 893,368
Total Liabilities and Fund Balances	\$ 738,247	\$ 331,939	\$ 971,287	\$ 2,041,473

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement A-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Special Revenue (Statement B-2)	Debt Service (Statement C-2)	Capital Projects (Statement D-2)	Total Nonmajor Governmental Funds (Exhibit 5)
Revenues				
Taxes	\$ 57,972	\$ 588,935	\$ -	\$ 646,907
Special assessments	381,776	31,893	-	413,669
Intergovernmental	13,117	153,433	-	166,550
Investment earnings	-	14,359	2,702	17,061
Miscellaneous	549	-	-	549
Total Revenues	\$ 453,414	\$ 788,620	\$ 2,702	\$ 1,244,736
Expenditures				
Current				
General government	\$ 40,288	\$ -	\$ -	\$ 40,288
Sanitation	-	1,479	-	1,479
Conservation of natural resources	382,052	-	-	382,052
Capital outlay				
General government	-	-	279,509	279,509
Highways and streets	-	-	288,207	288,207
Debt service				
Principal retirement	-	2,082,875	-	2,082,875
Interest	-	415,441	1,230	416,671
Administrative (fiscal) charges	-	5,405	-	5,405
Total Expenditures	\$ 422,340	\$ 2,505,200	\$ 568,946	\$ 3,496,486
Excess of Revenues Over (Under) Expenditures	\$ 31,074	\$ (1,716,580)	\$ (566,244)	\$ (2,251,750)
Other Financing Sources (Uses)				
Transfers in	-	-	224,989	224,989
Net Change in Fund Balance	\$ 31,074	\$ (1,716,580)	\$ (341,255)	\$ (2,026,761)
Fund Balance - January 1	185,333	1,970,842	763,954	2,920,129
Fund Balance - December 31	\$ 216,407	\$ 254,262	\$ 422,699	\$ 893,368

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2004**

	<u>County Building</u>	<u>Ditch</u>	<u>Forfeited Tax</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Statement A-1)</u>
<u>Assets</u>					
Cash and pooled investments	\$ 34,667	\$ -	\$ 21,888	\$ 158,911	\$ 215,466
Undistributed cash in agency funds	886	8,127	-	-	9,013
Taxes receivable					
Current	654	-	-	-	654
Prior	325	-	-	-	325
Special assessments receivable					
Current	-	6,030	-	-	6,030
Prior	-	1,831	-	-	1,831
Liens	-	484,292	-	-	484,292
Due from other funds	-	-	-	20,636	20,636
Total Assets	<u>\$ 36,532</u>	<u>\$ 500,280</u>	<u>\$ 21,888</u>	<u>\$ 179,547</u>	<u>\$ 738,247</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Accounts payable	\$ -	\$ 8,127	\$ -	\$ -	\$ 8,127
Due to other funds	-	-	21,863	-	21,863
Due to other governments	151	-	25	-	176
Deferred revenue - unavailable	646	491,028	-	-	491,674
Total Liabilities	<u>\$ 797</u>	<u>\$ 499,155</u>	<u>\$ 21,888</u>	<u>\$ -</u>	<u>\$ 521,840</u>
Fund Balance					
Unreserved					
Undesignated	35,735	1,125	-	179,547	216,407
Total Liabilities and Fund Balance	<u>\$ 36,532</u>	<u>\$ 500,280</u>	<u>\$ 21,888</u>	<u>\$ 179,547</u>	<u>\$ 738,247</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	County Building	Ditch	Forfeited Tax	Gravel Removal Tax Reserve	Total (Statement A-2)
Revenues					
Taxes	\$ 37,336	\$ -	\$ -	\$ 20,636	\$ 57,972
Special assessments	-	381,776	-	-	381,776
Intergovernmental	13,117	-	-	-	13,117
Miscellaneous	-	-	549	-	549
Total Revenues	\$ 50,453	\$ 381,776	\$ 549	\$ 20,636	\$ 453,414
Expenditures					
Current					
General government	\$ 40,288	\$ -	\$ -	\$ -	\$ 40,288
Conservation of natural resources	-	381,503	549	-	382,052
Total Expenditures	\$ 40,288	\$ 381,503	\$ 549	\$ -	\$ 422,340
Excess of Revenues Over (Under) Expenditures	\$ 10,165	\$ 273	\$ -	\$ 20,636	\$ 31,074
Fund Balance - January 1	25,570	852	-	158,911	185,333
Fund Balance - December 31	\$ 35,735	\$ 1,125	\$ -	\$ 179,547	\$ 216,407

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement C-1

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2004**

	<u>Americana Estates</u>	<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Statement A-1)</u>
<u>Assets</u>					
Cash and pooled investments	\$ 41,337	\$ 20,505	\$ 31,564	\$ 106,327	\$ 199,733
Undistributed cash in agency funds	453	6,400	3,518	3,912	14,283
Cash with escrow agent	-	-	-	14	14
Investments	55,000	-	-	-	55,000
Taxes receivable					
Current	-	4,830	2,600	2,927	10,357
Prior	-	311	819	1,220	2,350
Special assessments receivable					
Unapportioned	855	-	-	-	855
Delinquent	427	-	-	-	427
Liens	48,793	-	-	-	48,793
Accrued interest receivable	127	-	-	-	127
Total Assets	<u>\$ 146,992</u>	<u>\$ 32,046</u>	<u>\$ 38,501</u>	<u>\$ 114,400</u>	<u>\$ 331,939</u>
<u>Liabilities and Fund Balance</u>					
Liabilities					
Deferred revenue - unavailable	\$ 50,075	\$ 2,821	\$ 2,112	\$ 2,669	\$ 57,677
Advance from other funds	-	10,000	10,000	-	20,000
Total Liabilities	<u>\$ 50,075</u>	<u>\$ 12,821</u>	<u>\$ 12,112</u>	<u>\$ 2,669</u>	<u>\$ 77,677</u>
Fund Balance					
Unreserved					
Designated for debt service	96,917	19,225	26,389	111,731	254,262
Total Liabilities and Fund Balance	<u>\$ 146,992</u>	<u>\$ 32,046</u>	<u>\$ 38,501</u>	<u>\$ 114,400</u>	<u>\$ 331,939</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement C-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Americana Estates	Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Statement A-2)
Revenues					
Taxes	\$ -	\$ 273,459	\$ 148,463	\$ 167,013	\$ 588,935
Special assessments	31,893	-	-	-	31,893
Licenses and permits	-	-	-	-	-
Intergovernmental	-	71,371	38,621	43,441	153,433
Charges for services	-	-	-	-	-
Fines and forfeits	-	-	-	-	-
Gifts and contributions	-	-	-	-	-
Investment earnings	840	-	-	13,519	14,359
Miscellaneous	-	-	-	-	-
Total Revenues	\$ 32,733	\$ 344,830	\$ 187,084	\$ 223,973	\$ 788,620
Expenditures					
Current					
Sanitation	\$ 1,479	\$ -	\$ -	\$ -	\$ 1,479
Debt service					
Principal retirements	35,000	135,000	70,000	1,842,875	2,082,875
Interest	6,400	192,589	105,156	111,296	415,441
Administrative (fiscal) charges	-	2,000	2,000	1,405	5,405
Total Expenditures	\$ 42,879	\$ 329,589	\$ 177,156	\$ 1,955,576	\$ 2,505,200
Excess of Revenues Over (Under) Expenditures	\$ (10,146)	\$ 15,241	\$ 9,928	\$ (1,731,603)	\$ (1,716,580)
Fund Balance - January 1	107,063	3,984	16,461	1,843,334	1,970,842
Fund Balance - December 31	\$ 96,917	\$ 19,225	\$ 26,389	\$ 111,731	\$ 254,262

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement D-1

**COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
DECEMBER 31, 2004**

	Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Statement A-1)
<u>Assets</u>				
Cash and pooled investments	\$ 142,140	\$ -	\$ 242,505	\$ 384,645
Cash with escrow agent	330,752	182,313	-	513,065
Due from other funds	-	-	57,495	57,495
Due from other governments	-	16,082	-	16,082
	\$ 472,892	\$ 198,395	\$ 300,000	\$ 971,287
<u>Liabilities and Fund Balance</u>				
Liabilities				
Accounts payable	\$ 70,543	\$ -	\$ -	\$ 70,543
Contracts payable	98,741	61,701	-	160,442
Due to other governments	4	16,687	-	16,691
Deferred revenue - unavailable	-	912	-	912
Advance from other funds	-	-	300,000	300,000
	\$ 169,288	\$ 79,300	\$ 300,000	\$ 548,588
Fund Balance				
Reserved for				
Encumbrances	\$ 33,249	\$ -	\$ -	\$ 33,249
Bond covenant	330,729	180,621	-	511,350
Unreserved				
Undesignated	(60,374)	(61,526)	-	(121,900)
	\$ 303,604	\$ 119,095	\$ -	\$ 422,699
Total Liabilities and Fund Balance	\$ 472,892	\$ 198,395	\$ 300,000	\$ 971,287

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement D-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONGOVERNMENTAL CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Courthouse Expansion	Joint Highway Facility	Total (Statement A-2)
Revenues			
Investment earnings	\$ 1,746	\$ 956	\$ 2,702
Expenditures			
Capital outlay			
General government	\$ 279,509	\$ -	\$ 279,509
Highways and streets	-	288,207	288,207
Debt service			
Interest	64	1,166	1,230
Total Expenditures	\$ 279,573	\$ 289,373	\$ 568,946
Excess of Revenues Over (Under) Expenditures	\$ (277,827)	\$ (288,417)	\$ (566,244)
Other Financing Sources (Uses)			
Transfers in	-	224,989	224,989
Change in Fund Balance	\$ (277,827)	\$ (63,428)	\$ (341,255)
Fund Balance - January 1	581,431	182,523	763,954
Fund Balance - December 31	\$ 303,604	\$ 119,095	\$ 422,699

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 45,440	\$ 45,440	\$ 37,336	\$ (8,104)
Intergovernmental	4,560	4,560	13,117	8,557
Total Revenues	\$ 50,000	\$ 50,000	\$ 50,453	\$ 453
Expenditures				
Current				
General government				
Other general government	50,000	50,000	40,288	9,712
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 10,165	\$ 10,165
Fund Balance - January 1	25,570	25,570	25,570	-
Fund Balance - December 31	\$ 25,570	\$ 25,570	\$ 35,735	\$ 10,165

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FIDUCIARY FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement E-1

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,967,774	\$ 1,117,417	\$ 983,665	\$ 2,101,526
Due from other funds	201,021	209,131	201,021	209,131
Due from other governments	10,153	5,587	10,153	5,587
Total Assets	\$ 2,178,948	\$ 1,332,135	\$ 1,194,839	\$ 2,316,244
<u>Liabilities</u>				
Accounts payable	\$ 2,763	\$ 748,289	\$ 748,350	\$ 2,702
Due to other funds	8,994	303,589	312,583	-
Due to other governments	2,167,191	280,257	133,906	2,313,542
Total Liabilities	\$ 2,178,948	\$ 1,332,135	\$ 1,194,839	\$ 2,316,244
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 8,772	\$ 127,344	\$ 124,678	\$ 11,438
<u>Liabilities</u>				
Due to other governments	\$ 8,772	\$ 127,344	\$ 124,678	\$ 11,438
 <u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,037,027	\$ 33,828,950	\$ 33,965,299	\$ 900,678
Due from other funds	2,482	-	2,482	-
Total Assets	\$ 1,039,509	\$ 33,828,950	\$ 33,967,781	\$ 900,678
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 8,266,371	\$ 8,256,752	\$ 9,619
Due to other governments	1,039,509	25,562,579	25,711,029	891,059
Total Liabilities	\$ 1,039,509	\$ 33,828,950	\$ 33,967,781	\$ 900,678

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement E-1
(Continued)

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
ALL AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 3,013,573	\$ 35,073,711	\$ 35,073,642	\$ 3,013,642
Due from other funds	203,503	209,131	203,503	209,131
Due from other governments	10,153	5,587	10,153	5,587
Total Assets	<u>\$ 3,227,229</u>	<u>\$ 35,288,429</u>	<u>\$ 35,287,298</u>	<u>\$ 3,228,360</u>
<u>Liabilities</u>				
Accounts payable	\$ 2,763	\$ 9,014,660	\$ 9,005,102	\$ 12,321
Due to other funds	8,994	303,589	312,583	-
Due to other governments	3,215,472	25,970,180	25,969,613	3,216,039
Total Liabilities	<u>\$ 3,227,229</u>	<u>\$ 35,288,429</u>	<u>\$ 35,287,298</u>	<u>\$ 3,228,360</u>

OTHER SCHEDULES

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 5

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Pooled Deposits and Investments			
Money market checking (2)	Variable	-	\$ 2,109,836
Certificates of deposit (9)	2.08 - 5.00	February 19, 2005 to February 18, 2006	1,570,465
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	Variable	Continuous	5,714,946
Savings accounts (2)	Variable	Continuous	1,581,940
Federal Home Loan Bank (13)	2.00 - 3.00	June 29, 2007 to June 12, 2013	<u>5,696,469</u>
Total pooled deposits and investments			<u>\$ 16,673,656</u>
Deposits and Investments from Funds			
General Fund			
Real estate shortfall			
Certificates of deposit (3)	0.70 - 2.50	April 4, 2004 to December 7, 2004	<u>\$ 20,853</u>
Special revenue fund			
Road and Bridge			
MAGIC Fund	Variable	Continuous	<u>\$ 1,000,000</u>
Debt service funds			
Americana Estates			
Certificates of deposit (2)	1.68 - 2.25	August 21, 2005 to December 7, 2005	\$ 55,000
Ditch			
Certificates of deposit (8)	1.48 - 3.10	April 28, 2005 to October 16, 2006	<u>836,000</u>
Total debt service funds			<u>\$ 891,000</u>
Enterprise funds			
Juvenile Detention			
Certificates of deposit (2)	1.48 - 1.75	July 9, 2005 to July 27, 2005	\$ 100,000
Solid Waste Management			
Certificates of deposit (3)	2.04 - 2.05	May 12, 2005 to August 26, 2005	3,006,233
MAGIC Fund (2)	Variable	Continuous	<u>2,091,829</u>
Total enterprise funds			<u>\$ 5,198,062</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***Schedule 5
(Continued)***

**SCHEDULE OF DEPOSITS AND INVESTMENTS
DECEMBER 31, 2004**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
Deposits and Investments from Funds (Continued)			
Equipment Replacement Internal Service Fund			
Certificates of deposit (2)	1.29 - 1.77	January 12, 2005 to April 25, 2005	<u>\$ 1,500,000</u>
Total deposits and investments from funds			<u>\$ 8,609,915</u>
Total Deposits and Investments			<u>\$ 25,283,571</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Shared Revenue			
State			
Highway users tax	\$ 4,491,258	\$ -	\$ 4,491,258
Market value credit	999,114	-	999,114
PERA rate reimbursement	61,294	-	61,294
Disparity reduction aid	13,211	-	13,211
Police aid	150,780	-	150,780
Market value credit	2,076,762	-	2,076,762
Disparity credit	1,476,380	-	1,476,380
Property tax replacement aid	51,783	-	51,783
Total Shared Revenue	\$ 9,320,582	\$ -	\$ 9,320,582
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 3,636,025	\$ 234,868	\$ 3,870,893
Payments			
Local			
Local health	\$ -	\$ 10,985	\$ 10,985
Transit	35,495	-	35,495
Payments in lieu of taxes	56,471	-	56,471
Total Payments	\$ 91,966	\$ 10,985	\$ 102,951
Grants			
State			
Minnesota Office/Department/Board of Attorney General	\$ 55	\$ -	\$ 55
Corrections	116,567	-	116,567
Public Safety	304,762	-	304,762
Transportation	124,496	-	124,496
Trial Courts	209,362	-	209,362
Health	-	322,062	322,062
Natural Resources	29,478	-	29,478
Human Services	3,227,656	293,423	3,521,079
Water and Soil Resources	-	1,500	1,500
Environmental Assistance	-	118,755	118,755
Peace Officers' Board	16,831	-	16,831
Total State	\$ 4,029,207	\$ 735,740	\$ 4,764,947

**CLAY COUNTY
MOORHEAD, MINNESOTA**

***Schedule 6
(Continued)***

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2004**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 35,902	\$ 139,605	\$ 175,507
Justice	67,986	45,169	113,155
Transportation	39,953	-	39,953
Education	54,171	-	54,171
Health and Human Services	1,669,606	287,891	1,957,497
Homeland Security	327,163	10,436	337,599
Environmental Protection Agency	-	10,285	10,285
Total Federal	<u>\$ 2,194,781</u>	<u>\$ 493,386</u>	<u>\$ 2,688,167</u>
Total State and Federal Grants	<u>\$ 6,223,988</u>	<u>\$ 1,229,126</u>	<u>\$ 7,453,114</u>
Total Intergovernmental Revenue	<u>\$ 19,272,561</u>	<u>\$ 1,474,979</u>	<u>\$ 20,747,540</u>