



# Clay County

*Moorhead, Minnesota*



## Annual Financial Report

*For the year ended  
December 31, 2005*

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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



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October 6, 2006

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, 2005. 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.

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## 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 black ink, appearing to read 'L. Johnson', followed by a long horizontal line extending to the right.

Lori J. Johnson  
Clay County Auditor/Treasurer

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

ORGANIZATION  
DECEMBER 31, 2005

Office	Name	Term Expires
<b>Elected</b>		
<b>Commissioners</b>		
1st District	Ben Brunsvold*	January 2009
2nd District	Jerry Waller	January 2009
3rd District	Jon Evert	January 2007
4th District	Kevin Campbell	January 2007
5th District	Mike McCarthy	January 2009
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
<b>Appointed</b>		
Assessor	Loren Johnson	December 2008
County Administrator	Vijay Sethi	Indefinite
Highway Engineer	David Overbo	May 2006
Surveyor	Brian Rittenhouse	December 2006

\*Chair

\*\*Due to Lisa Borgen's resignation, Ken Kohler was appointed to fill the remainder of her term, effective February 1, 2006.

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## **FINANCIAL SECTION**

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PATRICIA ANDERSON  
STATE AUDITOR

# STATE OF MINNESOTA OFFICE OF THE STATE AUDITOR

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525 PARK STREET  
SAINT PAUL, MN 55103-2139

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

Board of County Commissioners  
Clay County

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, 2005, 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, 2005, 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 6, 2006, 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 6, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2005  
(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, 2005. 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, 2005) by \$77,082,332 (net assets). Of this amount, \$15,576,678 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net assets are \$68,436,234, of which Clay County has invested \$51,852,096 in capital assets, net of related debt; \$4,366,397 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net assets of \$8,646,098. Invested in capital assets, net of related debt, represents \$5,287,140 of the total; \$21 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, 2005, was \$16,797,501. General property tax revenue and other general revenue sources totaled \$20,618,451.

**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, 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 three fund types: general, special revenue, and debt service. 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 and debt service nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Clay County adopts an annual budget for three of its major governmental funds and the nonmajor County Building Special Revenue Fund. 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 funds. The debt service funds account for the payment of principal, interest, and fiscal charges on long-term debt obligations of Clay County.

**Proprietary funds.** Clay County maintains two different types of proprietary funds: enterprise and internal service. Enterprise funds are 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 to the financial statements provide additional information 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 \$77,082,332 at the close of the most recent fiscal year, which is an increase of \$2,418,363.

Net capital assets of \$57,139,236 (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 (74 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, 2005, were \$77,082,332. 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	
	2005	2004	2005	2004	2005	2004
<b>Assets</b>						
Current and other assets	\$ 26,343,375	\$ 23,997,196	\$ 7,672,865	\$ 8,006,820	\$ 34,016,240	\$ 32,004,016
Capital assets	59,491,191	57,834,731	11,582,832	13,063,462	71,074,023	70,898,193
<b>Total Assets</b>	<b>\$ 85,834,566</b>	<b>\$ 81,831,927</b>	<b>\$ 19,255,697</b>	<b>\$ 21,070,282</b>	<b>\$ 105,090,263</b>	<b>\$ 102,902,209</b>
<b>Liabilities</b>						
Long-term liabilities outstanding	\$ 13,799,750	\$ 13,513,076	\$ 9,869,263	\$ 9,653,846	\$ 23,669,013	\$ 23,166,922
Other liabilities	3,598,582	3,703,567	740,336	1,367,751	4,338,918	5,071,318
<b>Total Liabilities</b>	<b>\$ 17,398,332</b>	<b>\$ 17,216,643</b>	<b>\$ 10,609,599</b>	<b>\$ 11,021,597</b>	<b>\$ 28,007,931</b>	<b>\$ 28,238,240</b>
<b>Net Assets</b>						
Invested in capital assets, net of related debt	\$ 51,852,096	\$ 49,878,817	\$ 5,287,140	\$ 6,298,471	\$ 57,139,236	\$ 56,177,288
Restricted	4,366,397	667,459	21	606,163	4,366,418	1,273,622
Unrestricted	12,217,741	14,069,008	3,358,937	3,144,051	15,576,678	17,213,059
<b>Total Net Assets</b>	<b>\$ 68,436,234</b>	<b>\$ 64,615,284</b>	<b>\$ 8,646,098</b>	<b>\$ 10,048,685</b>	<b>\$ 77,082,332</b>	<b>\$ 74,663,969</b>

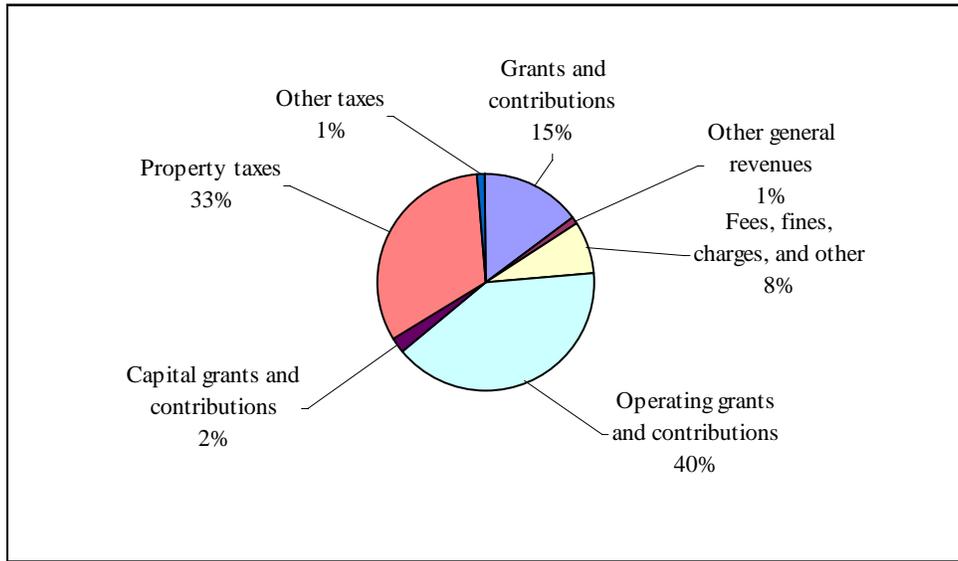
Clay County's total net assets for the year ended December 31, 2005, total \$77,082,332. The governmental activities unrestricted net assets totaling \$12,217,741 are available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net assets totaling \$3,358,937 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
<b>Revenues</b>			
Program revenues			
Fees, fines, charges, and other	\$ 3,211,326	\$ 4,993,193	\$ 8,204,519
Operating grants and contributions	17,115,338	1,766,453	18,881,791
Capital grants and contributions	713,473	1,182,835	1,896,308
General revenues			
Property taxes	14,066,874	-	14,066,874
Other taxes	295,357	-	295,357
Grants and contributions	6,381,168	-	6,381,168
Other general revenues	610,025	102,633	712,658
<b>Total Revenues</b>	<b>\$ 42,393,561</b>	<b>\$ 8,045,114</b>	<b>\$ 50,438,675</b>
<b>Expenses</b>			
Program expenses			
General government	\$ 5,759,981	\$ -	\$ 5,759,981
Public safety	6,693,068	-	6,693,068
Highways and streets	6,614,278	-	6,614,278
Sanitation	1,666	-	1,666
Human services	16,110,315	-	16,110,315
Culture and recreation	333,016	-	333,016
Conservation of natural resources	1,329,911	-	1,329,911
Economic development	488,851	-	488,851
Interest	501,055	-	501,055
Administrative charges	5,497	-	5,497
Family service center	-	1,539,500	1,539,500
Public health	-	2,769,369	2,769,369
Solid waste management	-	4,033,726	4,033,726
Juvenile center	-	1,840,079	1,840,079
<b>Total Expenses</b>	<b>\$ 37,837,638</b>	<b>\$ 10,182,674</b>	<b>\$ 48,020,312</b>
Excess (Deficiency) Before Transfers	\$ 4,555,923	\$ (2,137,560)	\$ 2,418,363
Transfers	(734,973)	734,973	-
<b>Change in Net Assets</b>	<b>\$ 3,820,950</b>	<b>\$ (1,402,587)</b>	<b>\$ 2,418,363</b>

Clay County's total revenues for the year ended December 31, 2005, were \$50,438,675. The total cost of Clay County programs and services for the year ended December 31, 2005, was \$48,020,312. The net assets for Clay County's governmental activities increased by \$3,820,950 and the business-type activities decreased by \$1,402,587.

### Revenues by Source - Governmental Activities



### Governmental Activities

Revenues for Clay County’s governmental activities for the year ended December 31, 2005, were \$42,393,561 (Table 2). Clay County’s costs for all governmental activities for the year ended December 31, 2005, were \$37,837,638 (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 \$14,066,874, because \$3,211,326 of the costs were paid by those who directly benefited from the programs, and \$17,828,811 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 \$7,286,550 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	
	2005	2004	2005	2004
Program Expenses				
General government	\$ 5,759,981	\$ 5,004,550	\$ 4,086,275	\$ 3,493,718
Public safety	6,693,068	6,047,986	5,391,249	5,151,357
Highways and streets	6,614,278	6,258,300	(1,856,019)	1,448,771
Human services	16,110,315	15,405,341	7,292,558	6,279,253
Conservation of natural resources	1,329,911	733,135	807,315	60,659
All others	1,330,085	1,199,734	1,076,123	1,028,355
<b>Total Program Expenses</b>	<b>\$ 37,837,638</b>	<b>\$ 34,649,046</b>	<b>\$ 16,797,501</b>	<b>\$ 17,462,113</b>

### **Business-Type Activities**

Revenues of Clay County business-type activities (Table 2) for the year ended December 31, 2005, were \$8,045,114. Expenses of Clay County's business-type activities (Table 2) for the year ended December 31, 2005, were \$10,182,674.

**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 2005, Clay County's governmental funds reported combined ending fund balances of \$13,124,100, which is below last year's total of \$13,188,784. Included in this year's total fund balance is Clay County's General Fund balance of \$6,818,946. The majority of this amount, \$3,862,060, will be used to cash flow the first few months of 2006 until the current year tax collections begin.

### **GOVERNMENTAL FUND BUDGETARY HIGHLIGHTS**

In Clay County's General Fund, the actual revenues exceeded the expected revenues by \$686,982. Total actual expenditures in Clay County's General Fund were greater than the budget by \$297,806. This variance is mainly due to the combining of the Courthouse Remodeling Capital Projects Fund into the General Fund. This created additional expenditures in the amount of \$213,865 that were not budgeted for in the General Fund. Total actual expenditures in the Road and Bridge Special Revenue Fund exceeded the budgeted expenditures by \$803,827. This variance was mainly due to the County receiving a release of the 2006 state-aid regular CSAH allotment for the current road construction expenditures. Also, the combining of the Joint Highway Capital Projects Fund into the Road and Bridge Special Revenue Fund created additional expenditures in the amount of \$340,488 that were not budgeted for in this fund.

## 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, 2005, amounted to \$71,074,023 (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 \$175,830, or 0.2 percent (see Table 4).

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

- completion of the Courthouse expansion project, resulting in a transfer of \$6,683,428 to buildings from construction in progress;
- completion of road construction projects, resulting in a transfer of \$109,607 from construction in progress to infrastructure; and
- new landfill phase construction was substantially completed at the end of 2005, increasing landfill by \$990,198.

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	
	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
Land	\$ 174,969	\$ 174,969	\$ 740,689	\$ 740,689	\$ 915,658	\$ 915,658
Construction in progress	1,375,578	7,069,985	-	-	1,375,578	7,069,985
Land improvements	-	-	32,874	29,371	32,874	29,371
Buildings	10,898,621	4,387,738	8,236,140	8,457,749	19,134,761	12,845,487
Machinery, furniture, and equipment	2,848,635	2,429,917	370,957	414,836	3,219,592	2,844,753
Infrastructure	44,193,388	43,772,122	-	-	44,193,388	43,772,122
Landfill	-	-	2,202,172	3,420,817	2,202,172	3,420,817
<b>Totals</b>	<b>\$ 59,491,191</b>	<b>\$ 57,834,731</b>	<b>\$ 11,582,832</b>	<b>\$ 13,063,462</b>	<b>\$ 71,074,023</b>	<b>\$ 70,898,193</b>

## Long-Term Debt

At the end of 2005, Clay County had total bonded debt outstanding of \$18,115,001. This is a decrease of \$338,000 from the start of the year (see Table 5).

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

	Governmental Activities		Business-Type Activities		Totals	
	2005	2004	2005	2004	2005	2004
General obligation bonds	\$ 4,095,000	\$ 3,618,000	\$ -	\$ -	\$ 4,095,000	\$ 3,618,000
Revenue bonds	7,672,106	7,996,694	6,347,895	6,838,307	14,020,001	14,835,001
Total	<u>\$ 11,767,106</u>	<u>\$ 11,614,694</u>	<u>\$ 6,347,895</u>	<u>\$ 6,838,307</u>	<u>\$ 18,115,001</u>	<u>\$ 18,453,001</u>

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 \$50,286,338 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 2004 averaged 3.6 percent. The unemployment rate for 2005 averaged 3.3 percent. This compares favorably to the state's average unemployment rate of 4.0 percent and the national average rate of 5.1 percent.
- Clay County's tax levy is planned to increase 7.06 percent from 2005.
- 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 2006 fiscal year.

On December 13, 2005, the Clay County Board of Commissioners approved the 2006 budget. The overall budget increase was 8.06 percent, for a total budget of \$128,114,236. It also included a 7.06 percent property tax levy increase of a total levy of \$18,447,500.

## **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](mailto:auditor@co.clay.mn.us).

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## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**EXHIBIT 1**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 10,140,799	\$ 2,611,632	\$ 12,752,431
Cash with escrow agent	520,574	463,254	983,828
Investments	3,405,085	2,943,817	6,348,902
Taxes receivable			
Current - net	242,790	-	242,790
Prior - net	97,597	-	97,597
Special assessments receivable			
Current - net	1,131	25,988	27,119
Prior - net	468	13,014	13,482
Liens - net	2,619,249	-	2,619,249
Accounts receivable - net	299,186	252,504	551,690
Accrued interest receivable	168,394	41,916	210,310
Internal balances	1,521,918	(1,521,918)	-
Due from other governments	7,163,129	464,748	7,627,877
Inventories	143,494	-	143,494
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	21	21
Permanently restricted			
Investments	-	2,353,656	2,353,656
Accrued interest receivable	-	24,233	24,233
Deferred charges	19,561	-	19,561
Capital assets			
Non-depreciable	1,550,547	740,689	2,291,236
Depreciable - net of accumulated depreciation	57,940,644	10,842,143	68,782,787
<b>Total Assets</b>	<b>\$ 85,834,566</b>	<b>\$ 19,255,697</b>	<b>\$ 105,090,263</b>
<b><u>Liabilities</u></b>			
Accounts payable	\$ 798,128	\$ 178,424	\$ 976,552
Salaries payable	673,593	164,384	837,977
Contracts payable	311,077	-	311,077
Due to other governments	891,066	233,695	1,124,761
Accrued interest payable	225,937	119,041	344,978
Unearned revenue	698,781	44,792	743,573
Long-term liabilities			
Due within one year	1,270,078	649,525	1,919,603
Due in more than one year	12,529,672	9,219,738	21,749,410
<b>Total Liabilities</b>	<b>\$ 17,398,332</b>	<b>\$ 10,609,599</b>	<b>\$ 28,007,931</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**EXHIBIT 1  
(Continued)**

**STATEMENT OF NET ASSETS  
DECEMBER 31, 2005**

	<b>Primary Government</b>		<b>Total</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	
<b><u>Net Assets</u></b>			
Invested in capital assets - net of related debt	\$ 51,852,096	\$ 5,287,140	\$ 57,139,236
Restricted for			
General government	39,851	-	39,851
Public safety	312	-	312
Highways and streets	4,232,796	-	4,232,796
Economic development	93,130	-	93,130
Debt service	-	21	21
Other purposes	308	-	308
Unrestricted	12,217,741	3,358,937	15,576,678
<b>Total Net Assets</b>	<b><u>\$ 68,436,234</u></b>	<b><u>\$ 8,646,098</u></b>	<b><u>\$ 77,082,332</u></b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Expenses</b>	<b>Fees, Charges, Fines and Other</b>
<b><u>Functions/Programs</u></b>		
<b>Primary Government</b>		
<b>Governmental activities</b>		
General government	\$ 5,759,981	\$ 1,451,980
Public safety	6,693,068	378,601
Highways and streets	6,614,278	515,283
Sanitation	1,666	-
Human services	16,110,315	808,743
Culture and recreation	333,016	-
Conservation of natural resources	1,329,911	38,851
Economic development	488,851	17,868
Interest	501,055	-
Administrative charges	5,497	-
	<b>\$ 37,837,638</b>	<b>\$ 3,211,326</b>
<b>Business-type activities</b>		
Family Service Center	\$ 1,539,500	\$ 1,216,772
Public Health	2,769,369	1,149,704
Solid Waste Management	4,033,726	1,006,864
Juvenile Center	1,840,079	1,619,853
	<b>\$ 10,182,674</b>	<b>\$ 4,993,193</b>
<b>Total business-type activities</b>	<b>\$ 10,182,674</b>	<b>\$ 4,993,193</b>
<b>Total primary government</b>	<b>\$ 48,020,312</b>	<b>\$ 8,204,519</b>

**General Revenues and Transfers**

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 1. E.**

**Net Assets - Ending**

**EXHIBIT 2**

<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ 221,726	\$ -	\$ (4,086,275)	\$ -	\$ (4,086,275)
693,490	229,728	(5,391,249)	-	(5,391,249)
7,955,014	-	1,856,019	-	1,856,019
-	-	(1,666)	-	(1,666)
8,009,014	-	(7,292,558)	-	(7,292,558)
-	-	(333,016)	-	(333,016)
-	483,745	(807,315)	-	(807,315)
236,094	-	(234,889)	-	(234,889)
-	-	(501,055)	-	(501,055)
-	-	(5,497)	-	(5,497)
<b>\$ 17,115,338</b>	<b>\$ 713,473</b>	<b>\$ (16,797,501)</b>	<b>\$ -</b>	<b>\$ (16,797,501)</b>
\$ -	\$ 168,049	\$ -	\$ (154,679)	\$ (154,679)
1,520,150	-	-	(99,515)	(99,515)
195,757	995,375	-	(1,835,730)	(1,835,730)
50,546	19,411	-	(150,269)	(150,269)
<b>\$ 1,766,453</b>	<b>\$ 1,182,835</b>	<b>\$ -</b>	<b>\$ (2,240,193)</b>	<b>\$ (2,240,193)</b>
<b>\$ 18,881,791</b>	<b>\$ 1,896,308</b>	<b>\$ (16,797,501)</b>	<b>\$ (2,240,193)</b>	<b>\$ (19,037,694)</b>
		\$ 14,066,874	\$ -	\$ 14,066,874
		168,014	-	168,014
		51,735	-	51,735
		75,608	-	75,608
		6,381,168	-	6,381,168
		410,756	102,633	513,389
		199,269	-	199,269
		(734,973)	734,973	-
		<b>\$ 20,618,451</b>	<b>\$ 837,606</b>	<b>\$ 21,456,057</b>
		<b>\$ 3,820,950</b>	<b>\$ (1,402,587)</b>	<b>\$ 2,418,363</b>
		<b>64,615,284</b>	<b>10,048,685</b>	<b>74,663,969</b>
		<b>\$ 68,436,234</b>	<b>\$ 8,646,098</b>	<b>\$ 77,082,332</b>

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**FUND FINANCIAL STATEMENTS**

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**GOVERNMENTAL FUNDS**

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b><u>Assets</u></b>		
Cash and pooled investments	\$ 5,124,123	\$ 1,010,213
Petty cash and change funds	4,025	-
Undistributed cash in agency funds	172,678	37,749
Cash with escrow agent	338,406	182,151
Investments	20,660	1,000,000
Taxes receivable		
Current	129,018	34,220
Prior	49,113	13,143
Special assessments receivable		
Current	-	-
Prior	-	-
Liens	-	-
Accounts receivable	92,938	70,006
Accrued interest receivable	114,537	3,323
Due from other funds	267,029	3,985
Due from other governments	181,690	5,243,930
Inventories	-	143,494
Advances to other funds	1,665,000	-
	<b>\$ 8,159,217</b>	<b>\$ 7,742,214</b>
<b>Total Assets</b>	<b>\$ 8,159,217</b>	<b>\$ 7,742,214</b>

**EXHIBIT 3**

<b>Social Services Special Revenue</b>	<b>Ditch Debt Service</b>	<b>Other Governmental Funds</b>	<b>Totals</b>
\$ 1,716,421	\$ 333,810	\$ 452,129	\$ 8,636,696
500	-	-	4,525
76,801	5,696	12,061	304,985
-	-	17	520,574
-	829,425	55,000	1,905,085
68,926	-	10,626	242,790
31,976	-	3,365	97,597
-	1,131	-	1,131
-	468	-	468
-	2,594,704	24,545	2,619,249
136,242	-	-	299,186
-	7,136	274	125,270
126,099	-	23,644	420,757
1,272,621	464,882	-	7,163,123
-	-	-	143,494
-	-	-	1,665,000
<b><u>\$ 3,429,586</u></b>	<b><u>\$ 4,237,252</u></b>	<b><u>\$ 581,661</u></b>	<b><u>\$ 24,149,930</u></b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b><u>Liabilities and Fund Balances</u></b>		
<b>Liabilities</b>		
Accounts payable	\$ 210,226	\$ 132,826
Salaries payable	399,602	88,442
Compensated absences	12,719	-
Contracts payable	-	311,077
Due to other funds	138,091	23,644
Due to other governments	393,260	135,160
Deferred revenue - unavailable	186,373	3,895,565
Deferred revenue - unearned	-	650,000
Advance from other funds	-	-
	<b>\$ 1,340,271</b>	<b>\$ 5,236,714</b>
<b>Fund Balances</b>		
Reserved for		
Encumbrances	\$ 90,780	\$ 146,839
Inventories	-	143,494
Advances to other funds	1,665,000	-
Transit	2,350	-
State-aid highway	-	415,989
Bond covenant	338,106	182,131
Missing heirs	308	-
Law library	18,745	-
Boat and water	312	-
Real estate shortfall	21,106	-
Unreserved		
Designated for debt service	-	-
Designated for cash flows	3,862,060	1,332,426
Designated for compensated absences	820,179	284,621
Unreserved, reported in nonmajor		
Special revenue funds	-	-
Debt service funds	-	-
	<b>\$ 6,818,946</b>	<b>\$ 2,505,500</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 8,159,217</b>	<b>\$ 7,742,214</b>

**EXHIBIT 3**  
**(Continued)**

<u>Social Services Special Revenue</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
\$ 454,992	\$ -	\$ 78	\$ 798,122
185,549	-	-	673,593
-	-	-	12,719
-	-	-	311,077
316,657	-	21,863	500,255
228,795	-	128	757,343
79,851	3,059,088	33,063	7,253,940
48,781	-	-	698,781
-	-	20,000	20,000
<u>\$ 1,314,625</u>	<u>\$ 3,059,088</u>	<u>\$ 75,132</u>	<u>\$ 11,025,830</u>
\$ -	\$ -	\$ -	\$ 237,619
-	-	-	143,494
-	-	-	1,665,000
-	-	-	2,350
-	-	-	415,989
-	-	-	520,237
-	-	-	308
-	-	-	18,745
-	-	-	312
-	-	-	21,106
-	1,178,164	-	1,178,164
1,671,346	-	-	6,865,832
443,615	-	-	1,548,415
-	-	226,299	226,299
-	-	280,230	280,230
<u>\$ 2,114,961</u>	<u>\$ 1,178,164</u>	<u>\$ 506,529</u>	<u>\$ 13,124,100</u>
<u>\$ 3,429,586</u>	<u>\$ 4,237,252</u>	<u>\$ 581,661</u>	<u>\$ 24,149,930</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, 2005**

<b>Fund balances - total governmental funds (Exhibit 3)</b>	<b>\$</b>	<b>13,124,100</b>
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.		59,491,191
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		7,253,940
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 services net assets	\$ 4,625,082	
Long-term liabilities of the Internal Service Fund	481,249	
Net assets representing capital assets included above	(2,545,921)	2,560,410
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	\$ (4,091,682)	
Facility lease revenue bonds	(7,672,106)	
Capital leases	(487,547)	
Compensated absences	(1,535,696)	
Accrued interest payable	(225,937)	
Deferred debt issuance charges	19,561	(13,993,407)
<b>Net assets of governmental activities (Exhibit 1)</b>	<b>\$</b>	<b><u>68,436,234</u></b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>General</b>	<b>Road and Bridge Special Revenue</b>
<b>Revenues</b>		
Taxes	\$ 7,591,381	\$ 2,110,442
Special assessments	-	-
Licenses and permits	69,661	2,600
Intergovernmental	4,441,255	6,602,916
Charges for services	1,442,968	382,946
Fines and forfeits	175,151	-
Interest on investments	313,581	32,541
Miscellaneous	377,092	107,674
	<b>\$ 14,411,089</b>	<b>\$ 9,239,119</b>
<b>Expenditures</b>		
<b>Current</b>		
General government	\$ 5,389,854	\$ -
Public safety	6,551,827	-
Highways and streets	-	7,793,517
Sanitation	-	-
Human services	-	-
Culture and recreation	333,016	-
Conservation of natural resources	508,447	-
Economic development	449,206	-
<b>Intergovernmental</b>		
Highways and streets	-	340,488
<b>Capital outlay</b>		
General government	213,865	-
<b>Debt service</b>		
Principal	1,124	-
Interest	283	4,330
Bond issuance costs	-	-
Administrative (fiscal charges)	69	-
	<b>\$ 13,447,691</b>	<b>\$ 8,138,335</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 963,398</b>	<b>\$ 1,100,784</b>
<b>Other Financing Sources (Uses)</b>		
Transfers in	\$ -	\$ -
Transfers out	(784,973)	-
Bonds and notes issued	-	-
Capital lease issued	7,422	-
Premium on bonds/notes issued	-	-
	<b>\$ (777,551)</b>	<b>\$ -</b>
<b>Change in Fund Balances</b>	<b>\$ 185,847</b>	<b>\$ 1,100,784</b>
<b>Fund Balances - January 1 (Note 1.F.)</b>	<b>6,633,099</b>	<b>1,419,065</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>(14,349)</b>
<b>Fund Balances - December 31</b>	<b>\$ 6,818,946</b>	<b>\$ 2,505,500</b>

**EXHIBIT 5**

<b>Social Services Special Revenue</b>	<b>Ditch Debt Service</b>	<b>Other Governmental Funds</b>	<b>Total</b>
\$ 3,966,244	\$ -	\$ 633,251	\$ 14,301,318
-	405,725	30,510	436,235
-	-	-	72,261
9,960,177	-	156,565	21,160,913
-	-	-	1,825,914
32,711	-	-	207,862
-	16,293	1,500	363,915
776,032	14,916	100	1,275,814
<b>\$ 14,735,164</b>	<b>\$ 436,934</b>	<b>\$ 821,926</b>	<b>\$ 39,644,232</b>
\$ -	\$ -	\$ 112,890	\$ 5,502,744
-	-	-	6,551,827
-	-	-	7,793,517
-	-	1,666	1,666
16,089,571	-	-	16,089,571
-	-	-	333,016
-	814,238	1,225	1,323,910
-	-	-	449,206
-	-	-	340,488
-	-	-	213,865
-	318,000	359,588	678,712
-	135,683	355,269	495,565
-	20,208	-	20,208
-	-	5,428	5,497
<b>\$ 16,089,571</b>	<b>\$ 1,288,129</b>	<b>\$ 836,066</b>	<b>\$ 39,799,792</b>
<b>\$ (1,354,407)</b>	<b>\$ (851,195)</b>	<b>\$ (14,140)</b>	<b>\$ (155,560)</b>
\$ -	\$ -	\$ 50,000	\$ 50,000
-	-	-	(784,973)
-	830,000	-	830,000
-	-	-	7,422
-	2,776	-	2,776
<b>\$ -</b>	<b>\$ 832,776</b>	<b>\$ 50,000</b>	<b>\$ 105,225</b>
<b>\$ (1,354,407)</b>	<b>\$ (18,419)</b>	<b>\$ 35,860</b>	<b>\$ (50,335)</b>
3,469,368	1,196,583	470,669	13,188,784
-	-	-	(14,349)
<b>\$ 2,114,961</b>	<b>\$ 1,178,164</b>	<b>\$ 506,529</b>	<b>\$ 13,124,100</b>

**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, 2005**

**Net change in fund balances - total governmental funds (Exhibit 5) \$ (50,335)**

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

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

Deferred revenue - December 31	\$ 7,253,940	
Deferred revenue - January 1	(4,761,683)	2,492,257

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.

Capital outlay	\$ 3,668,410	
Current year depreciation	(2,482,073)	1,186,337

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of long-term debt consumes current financial resources. Neither transaction, however, has any effect on net assets. Also, governmental funds report the net effect of issuance costs, premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized over the life of the debt in the statement of activities.

New debt issued		
Capital lease issued	\$ (7,422)	
General obligation bonds issued	(830,000)	
Bond issuance costs	20,208	(817,214)

Principal repayments		
General obligation bonds	\$ 353,000	
Facility lease revenue bonds	324,588	
Capital lease	1,124	678,712

Amortization of discount on debt and issuance costs		
Issuance costs	\$ (647)	
Bonds discounts	(664)	(1,311)

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 the funds.

Change in accrued interest payable	\$ (4,826)	
Change in compensated absences	(105,617)	
Change in inventories	(14,349)	(124,792)

The net revenue of certain activities of the internal service fund is reported with governmental activities.		457,296
--	--	---------

**Change in net assets of governmental activities (Exhibit 2) \$ 3,820,950**

**PROPRIETARY FUNDS**

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<b>Family Service Center</b>	<b>Juvenile Center</b>
<b>Assets</b>		
Current assets		
Cash and pooled investments	\$ 27,976	\$ 503,584
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
Cash with escrow agent	463,254	-
Investments	-	163,868
Special assessments		
Current	-	-
Prior	-	-
Accounts receivable - net	28,331	-
Accrued interest receivable	1,389	3,607
Due from other funds	-	106,696
Due from other governments	7,936	146,646
	<b>\$ 529,186</b>	<b>\$ 924,401</b>
Restricted assets		
Cash with escrow agent - temporary	\$ -	\$ 21
Investments	-	-
Accrued interest receivable	-	-
	<b>\$ -</b>	<b>\$ 21</b>
Noncurrent assets		
Capital assets		
Nondepreciable	\$ 240,500	\$ -
Depreciable - net	5,512,352	2,871,288
	<b>\$ 5,752,852</b>	<b>\$ 2,871,288</b>
	<b>\$ 6,282,038</b>	<b>\$ 3,795,710</b>

**EXHIBIT 7**

<b>Enterprise Funds</b>				
<b>Public Health</b>	<b>Solid Waste Management</b>	<b>Totals</b>	<b>Internal Service Fund</b>	
\$ 727,218	\$ 1,311,057	\$ 2,569,835	\$ 1,194,593	
-	41,327	41,327	-	
170	-	470	-	
-	-	463,254	-	
-	2,779,949	2,943,817	1,500,000	
-	25,988	25,988	-	
-	13,014	13,014	-	
80,949	143,224	252,504	-	
-	36,920	41,916	43,124	
19,803	-	126,499	6,460	
253,542	56,624	464,748	-	
<b>\$ 1,081,682</b>	<b>\$ 4,408,103</b>	<b>\$ 6,943,372</b>	<b>\$ 2,744,177</b>	
\$ -	\$ -	\$ 21	\$ -	
-	2,353,656	2,353,656	-	
-	24,233	24,233	-	
<b>\$ -</b>	<b>\$ 2,377,889</b>	<b>\$ 2,377,910</b>	<b>\$ -</b>	
\$ -	\$ 500,189	\$ 740,689	\$ -	
-	2,458,503	10,842,143	2,545,921	
<b>\$ -</b>	<b>\$ 2,958,692</b>	<b>\$ 11,582,832</b>	<b>\$ 2,545,921</b>	
<b>\$ 1,081,682</b>	<b>\$ 9,744,684</b>	<b>\$ 20,904,114</b>	<b>\$ 5,290,098</b>	

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
DECEMBER 31, 2005**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 46,315	\$ 12,960
Salaries payable	25,694	48,423
Compensated absences payable - current	14,535	38,881
Due to other funds	137	5,436
Due to other governments	14,804	4,649
Accrued interest payable	87,073	31,968
Deferred revenue - unearned	1,804	-
Facility lease revenue bonds payable - current	380,000	140,938
Capital leases payable - current	3,660	-
<b>Total current liabilities</b>	<b>\$ 574,022</b>	<b>\$ 283,255</b>
Noncurrent liabilities		
Compensated absences payable - long-term	\$ 45,448	\$ 111,572
Advance from other funds	1,295,000	350,000
Estimated liability for landfill closure/postclosure	-	-
Facility lease revenue bonds payable - long-term	3,840,000	1,986,957
Unamortized discounts on lease revenue bonds	(52,115)	(13,462)
Capital leases payable - long-term	9,715	-
<b>Total noncurrent liabilities</b>	<b>\$ 5,138,048</b>	<b>\$ 2,435,067</b>
<b>Total Liabilities</b>	<b>\$ 5,712,070</b>	<b>\$ 2,718,322</b>
<b>Net Assets</b>		
Invested in capital assets - net of related debt	\$ 1,571,592	\$ 756,856
Restricted for debt service	-	21
Unrestricted	(1,001,624)	320,511
<b>Total Net Assets</b>	<b>\$ 569,968</b>	<b>\$ 1,077,388</b>

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)**

<b>Enterprise Funds</b>			
<b>Public Health</b>	<b>Solid Waste Management</b>	<b>Totals</b>	<b>Internal Service Fund</b>
\$ 40,076	\$ 79,073	\$ 178,424	\$ 6
79,253	11,014	164,384	-
59,793	11,718	124,927	-
180,889	65	186,527	-
44,960	169,282	233,695	651
-	-	119,041	-
42,988	-	44,792	-
-	-	520,938	-
-	-	3,660	133,433
<b>\$ 447,959</b>	<b>\$ 271,152</b>	<b>\$ 1,576,388</b>	<b>\$ 134,090</b>
\$ 128,955	\$ 33,879	\$ 319,854	\$ -
-	-	1,645,000	-
-	3,128,789	3,128,789	-
-	-	5,826,957	-
-	-	(65,577)	-
-	-	9,715	347,816
<b>\$ 128,955</b>	<b>\$ 3,162,668</b>	<b>\$ 10,864,738</b>	<b>\$ 347,816</b>
<b>\$ 576,914</b>	<b>\$ 3,433,820</b>	<b>\$ 12,441,126</b>	<b>\$ 481,906</b>
\$ -	\$ 2,958,692	\$ 5,287,140	\$ 2,064,672
-	-	21	-
504,768	3,352,172	3,175,827	2,743,520
<b>\$ 504,768</b>	<b>\$ 6,310,864</b>	<b>\$ 8,462,988</b>	<b>\$ 4,808,192</b>
		183,110	
		<b>\$ 8,646,098</b>	

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
<b>Operating Revenues</b>		
Charges for services	\$ 188,852	\$ 1,539,061
License and permits	-	-
Rents	938,644	50,688
Miscellaneous	89,276	30,104
<b>Total Operating Revenues</b>	<b>\$ 1,216,772</b>	<b>\$ 1,619,853</b>
<b>Operating Expenses</b>		
Personal services	\$ 428,497	\$ 1,316,013
Other services and charges	526,689	256,688
Supplies	50,794	54,566
Depreciation	317,677	137,656
Landfill closure and postclosure care costs	-	-
<b>Total Operating Expenses</b>	<b>\$ 1,323,657</b>	<b>\$ 1,764,923</b>
<b>Operating Income (Loss)</b>	<b>\$ (106,885)</b>	<b>\$ (145,070)</b>
<b>Nonoperating Revenues (Expenses)</b>		
Special assessments	\$ -	\$ -
Intergovernmental	-	50,546
Interest income	12,193	5,204
Gain on sale/disposal of capital assets	-	-
Interest expense	(220,333)	(79,442)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>\$ (208,140)</b>	<b>\$ (23,692)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>\$ (315,025)</b>	<b>\$ (168,762)</b>
Capital contributions	168,049	19,411
Transfers in	175,000	39,550
<b>Change in Net Assets</b>	<b>\$ 28,024</b>	<b>\$ (109,801)</b>
Net Assets - January 1	\$ 541,944	\$ 1,187,189
Prior period adjustment (Note 1.E.)	-	-
<b>Net Assets - January 1, as restated</b>	<b>\$ 541,944</b>	<b>\$ 1,187,189</b>
<b>Net Assets - December 31</b>	<b>\$ 569,968</b>	<b>\$ 1,077,388</b>

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**

<b>Enterprise Funds</b>			
<b>Public Health</b>	<b>Solid Waste Management</b>	<b>Totals</b>	<b>Internal Service Fund</b>
\$ 1,136,858	\$ 1,002,474	\$ 3,867,245	\$ 866,817
-	510	510	-
-	-	989,332	-
12,846	3,880	136,106	32,107
<b>\$ 1,149,704</b>	<b>\$ 1,006,864</b>	<b>\$ 4,993,193</b>	<b>\$ 898,924</b>
\$ 2,240,734	\$ 338,701	\$ 4,323,945	\$ -
467,946	786,919	2,038,242	21,272
65,950	30,515	201,825	4,741
-	2,261,650	2,716,983	691,416
-	615,941	615,941	-
<b>\$ 2,774,630</b>	<b>\$ 4,033,726</b>	<b>\$ 9,896,936</b>	<b>\$ 717,429</b>
<b>\$ (1,624,926)</b>	<b>\$ (3,026,862)</b>	<b>\$ (4,903,743)</b>	<b>\$ 181,495</b>
\$ -	\$ 995,375	\$ 995,375	\$ -
1,520,150	129,722	1,700,418	154,300
-	149,308	166,705	48,804
-	-	-	36,445
-	-	(299,775)	(23,176)
<b>\$ 1,520,150</b>	<b>\$ 1,274,405</b>	<b>\$ 2,562,723</b>	<b>\$ 216,373</b>
<b>\$ (104,776)</b>	<b>\$ (1,752,457)</b>	<b>\$ (2,341,020)</b>	<b>\$ 397,868</b>
-	-	187,460	75,428
520,423	-	734,973	-
<b>\$ 415,647</b>	<b>\$ (1,752,457)</b>	<b>\$ (1,418,587)</b>	<b>\$ 473,296</b>
\$ 89,121	\$ 6,685,309	\$ -	\$ 4,334,896
-	1,378,012	-	-
<b>\$ 89,121</b>	<b>\$ 8,063,321</b>	<b>\$ -</b>	<b>\$ 4,334,896</b>
<b>\$ 504,768</b>	<b>\$ 6,310,864</b>	<b>\$ -</b>	<b>\$ 4,808,192</b>
		16,000	
		<b>\$ (1,402,587)</b>	

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
<b>Cash Flows from Operating Activities</b>		
Receipts from customers and users	\$ 1,225,218	\$ 1,725,467
Payments to suppliers	(551,628)	(316,947)
Payments to employees	(423,893)	(1,313,152)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 249,697</b>	<b>\$ 95,368</b>
<b>Cash Flows from Noncapital Financing Activities</b>		
Property taxes	\$ -	\$ -
Intergovernmental	-	53,456
Advance from other funds	-	-
Transfers in	175,000	83,638
<b>Net cash provided by (used in) noncapital financing activities</b>	<b>\$ 175,000</b>	<b>\$ 137,094</b>
<b>Cash Flows from Capital and Related Financing Activities</b>		
Principal paid on installment purchase	\$ (3,310)	\$ -
Principal paid on long-term debt	(355,000)	(135,412)
Interest paid on long-term debt	(66,366)	(79,420)
Proceeds from the sale of capital assets	-	-
Purchases of capital assets	-	(9,974)
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>\$ (424,676)</b>	<b>\$ (224,806)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	\$ -	\$ (65,000)
Investment earnings received	-	3,434
<b>Net cash provided by (used in) investing activities</b>	<b>\$ -</b>	<b>\$ (61,566)</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>\$ 21</b>	<b>\$ (53,910)</b>
<b>Cash and Cash Equivalents at January 1</b>	<b>28,255</b>	<b>557,494</b>
<b>Cash and Cash Equivalents at December 31</b>	<b>\$ 28,276</b>	<b>\$ 503,584</b>

**EXHIBIT 9**

<b>Enterprise Funds</b>			
<b>Public Health</b>	<b>Solid Waste Management</b>	<b>Totals</b>	<b>Internal Service Fund</b>
\$ 1,378,590	\$ 906,080	\$ 5,235,355	\$ 892,464
(539,353)	(827,645)	(2,235,573)	(25,984)
(2,243,400)	(328,457)	(4,308,902)	-
<b>\$ (1,404,163)</b>	<b>\$ (250,022)</b>	<b>\$ (1,309,120)</b>	<b>\$ 866,480</b>
\$ -	\$ 998,376	\$ 998,376	\$ -
1,473,203	129,722	1,656,381	154,300
(350,000)	-	(350,000)	-
520,423	-	779,061	-
<b>\$ 1,643,626</b>	<b>\$ 1,128,098</b>	<b>\$ 3,083,818</b>	<b>\$ 154,300</b>
\$ -	\$ -	\$ (3,310)	\$ (165,151)
-	-	(490,412)	-
-	-	(145,786)	(23,176)
-	-	-	62,405
-	(1,556,351)	(1,566,325)	(943,113)
<b>\$ -</b>	<b>\$ (1,556,351)</b>	<b>\$ (2,205,833)</b>	<b>\$ (1,069,035)</b>
\$ -	\$ (35,543)	\$ (100,543)	\$ -
-	115,175	118,609	24,041
<b>\$ -</b>	<b>\$ 79,632</b>	<b>\$ 18,066</b>	<b>\$ 24,041</b>
\$ 239,463	\$ (598,643)	\$ (413,069)	\$ (24,214)
487,925	1,951,027	3,024,701	1,218,807
<b>\$ 727,388</b>	<b>\$ 1,352,384</b>	<b>\$ 2,611,632</b>	<b>\$ 1,194,593</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005  
Increase (Decrease) in Cash and Cash Equivalents**

	<u>Family Service Center</u>	<u>Juvenile Center</u>
<b>Cash and Cash Equivalents - Exhibit 7</b>		
Cash and pooled investments	\$ 27,976	\$ 503,584
Undistributed cash in agency funds	-	-
Petty cash and change funds	300	-
<b>Total Cash and Cash Equivalents</b>	<b><u>\$ 28,276</u></b>	<b><u>\$ 503,584</u></b>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities</b>		
<b>Operating income (loss)</b>	<b><u>\$ (106,885)</u></b>	<b><u>\$ (145,070)</u></b>
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities</b>		
Depreciation expense	\$ 317,677	\$ 137,656
(Increase) decrease in accounts receivable	5,925	2,056
(Increase) decrease in due from other governments	(2,442)	121,894
(Increase) decrease in due from other funds	-	(18,992)
Increase (decrease) in accounts payable	21,895	(4,170)
Increase (decrease) in salaries payable	(4,103)	(1,961)
Increase (decrease) in contracts payable	-	-
Increase (decrease) in compensated absences payable - current	1,561	6,367
Increase (decrease) in compensated absences payable - long-term	7,178	8,591
Increase (decrease) in due to other funds	137	(9,553)
Increase (decrease) in due to other governments	8,565	(1,450)
Increase (decrease) in deferred revenue	189	-
Increase (decrease) in landfill closure and postclosure care costs payable	-	-
<b>Total adjustments</b>	<b><u>\$ 356,582</u></b>	<b><u>\$ 240,438</u></b>
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b><u>\$ 249,697</u></b>	<b><u>\$ 95,368</u></b>

**EXHIBIT 9**  
**(Continued)**

<b>Enterprise Funds</b>			
<b>Public Health</b>	<b>Solid Waste Management</b>	<b>Totals</b>	<b>Internal Service Fund</b>
\$ 727,218	\$ 1,311,057	\$ 2,569,835	\$ 1,194,593
-	41,327	41,327	-
170	-	470	-
<b>\$ 727,388</b>	<b>\$ 1,352,384</b>	<b>\$ 2,611,632</b>	<b>\$ 1,194,593</b>
<b>\$ (1,624,926)</b>	<b>\$ (3,026,862)</b>	<b>\$ (4,903,743)</b>	<b>\$ 181,495</b>
\$ -	\$ 2,261,650	\$ 2,716,983	\$ 691,416
(5,680)	(94,286)	(91,985)	-
6,856	(6,004)	120,304	-
38,691	-	19,699	(6,460)
5,357	13,477	36,559	6
(7,232)	545	(12,751)	-
-	(66,845)	(66,845)	-
793	3,817	12,538	-
4,114	5,980	25,863	-
180,687	65	171,336	-
(21,643)	(4,558)	(19,086)	23
18,820	-	19,009	-
-	662,999	662,999	-
<b>\$ 220,763</b>	<b>\$ 2,776,840</b>	<b>\$ 3,594,623</b>	<b>\$ 684,985</b>
<b>\$ (1,404,163)</b>	<b>\$ (250,022)</b>	<b>\$ (1,309,120)</b>	<b>\$ 866,480</b>

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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, 2005

	<u>Agency</u>
<b><u>Assets</u></b>	
Cash and cash pooled investments	\$ 2,837,658
Accounts receivable	16,582
Due from other funds	133,072
Due from other governments	<u>5,006</u>
<b>Total Assets</b>	<b><u>\$ 2,992,318</u></b>
<b><u>Liabilities</u></b>	
Accounts payable	\$ 46,198
Due to other funds	6
Due to other governments	<u>2,946,114</u>
<b>Total Liabilities</b>	<b><u>\$ 2,992,318</u></b>

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2005**

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1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2005. 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 as described in Note 8.B. The County also participates in jointly-governed organizations as 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 double counting of internal activities. Governmental activities, which normally

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

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 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 restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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.

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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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 as available if collected within 90 days after the end of the current period. Property and other taxes, licenses, and interest are all considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on 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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (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.

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

D. Assets, Liabilities, 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, 2005, 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 2005 were \$305,905.

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**

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1. Summary of Significant Accounting Policies

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

3. Receivables and Payables

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

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

Advances between funds, as reported in the fund financial statements, are offset by a 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 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

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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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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, applicable laws and regulations limit their use.

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, except for the capital assets purchased through the Internal Service Fund, 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. Capital assets of the Internal Service Fund are defined by the government as all capital assets with 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 market 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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity

6. Capital Assets (Continued)

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 used.

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 only if they have 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. Government-wide financial statements and all funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies

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

9. Long-Term Obligations

In the government-wide financial statements and in 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 expenditures.

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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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1. Summary of Significant Accounting Policies (Continued)

E. Prior Period Adjustments

Fund balance at January 1, 2005, for the Solid Waste Management Enterprise Fund was increased by \$1,378,012 to correct prior period errors made in the determination of depreciation. The net assets of the Solid Waste Management Enterprise Fund were adjusted from \$6,685,309 to \$8,063,321.

Net assets at January 1, 2005, for the governmental activities were decreased by \$601,531 to correct prior period errors made in the determination of construction in progress. The net assets of the governmental activities were adjusted from \$65,216,815 to \$64,615,284.

Net assets at January 1, 2005, for the business-type activities were increased by \$1,378,012 to correct prior period errors made in the determination of expenses. The net assets for the business-type activities were adjusted from \$8,670,673 to \$10,048,685.

F. Change in Fund Structure

The Joint Highway Capital Projects Fund, previously reported as a separate fund to account for the construction of a new office for the Highway Department, has been combined for reporting purposes with the Road and Bridge Special Revenue Fund.

Fund Balance - December 31, 2004	Road and Bridge Special Revenue Fund	\$ 1,299,970
Fund Balance - December 31, 2004	Joint Highway Capital Projects Fund	<u>119,095</u>
Fund Balance - January 1, 2005	Road and Bridge Special Revenue Fund	<u>\$ 1,419,065</u>

The Courthouse Expansion Capital Projects Fund, previously reported as a separate fund to account for the addition to and remodeling of the Courthouse, has been combined for reporting purposes with the General Fund. The Law Enforcement Expansion Capital Projects Fund, previously reported as a separate fund to account for expansion of the Law Enforcement building, also has been combined for reporting purposes with the General Fund.

Fund Balance - December 31, 2004	Courthouse Expansion Capital Projects Fund	\$ 303,604
Fund Balance - December 31, 2004	Law Enforcement Capital Projects Fund	-
Fund Balance - December 31, 2004	General Fund	<u>6,329,495</u>
Fund Balance - January 1, 2005	General Fund	<u>\$ 6,633,099</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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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, 2005.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 13,447,691	\$ 13,149,885	\$ 297,806
Special Revenue Funds			
Road and Bridge	8,138,335	7,334,508	803,827
County Building	112,890	50,000	62,890

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

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

Primary government		
Cash and pooled investments	\$	12,752,431
Cash with escrow agent		983,828
Investments		6,348,902
Restricted assets		
Cash with escrow agent		21
Investments		2,353,656
Fiduciary funds		
Cash and pooled investments		
Agency funds		<u>2,837,658</u>
Total Cash and Investments	\$	<u>25,276,496</u>

a. Deposits

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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the County’s deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. As of December 31, 2005, the County’s deposits were not exposed to custodial credit risk.

b. Investments

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;

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (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.

Interest Rate Risk

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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Credit Risk

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

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The County does not have a policy on custodial credit risk.

Concentration of Credit Risk

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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

The following table presents the County's investment balances at December 31, 2005, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5 Percent of Portfolio	Maturity Date	
U.S. Government Agency Securities					
Federal Home Loan Mortgage Corporation	AAA	S&P	<5%	12/29/06	\$ 498,620
Federal Home Loan Bank	AAA	S&P		10/27/06	\$ 498,950
Federal Home Loan Bank	AAA	S&P		2/9/07	198,760
Federal Home Loan Bank	AAA	S&P		6/29/07	248,640
Federal Home Loan Bank	Aaa	Moody's		9/10/07	790,448
Federal Home Loan Bank	AAA	S&P		11/9/07	197,692
Federal Home Loan Bank	Aaa	Moody's		4/8/08	196,612
Federal Home Loan Bank	Aaa	Moody's		7/22/08	488,380
Federal Home Loan Bank	Aaa	Moody's		7/29/08	638,709
Federal Home Loan Bank	Aaa	Moody's		12/16/08	148,470
Federal Home Loan Bank	AAA	S&P		5/12/09	497,100
Federal Home Loan Bank	Aaa	Moody's		3/30/10	733,628
Federal Home Loan Bank	Aaa	Moody's		6/12/13	487,775
Total Federal Home Loan Bank			33.4%		\$ 5,125,164
MAGIC Fund					
MAGIC Fund – General Revenue					\$ 5,556,974
MAGIC Fund – Road and Bridge					1,000,000
MAGIC Fund – Solid Waste Long-Term					853,656
MAGIC Fund – Solid Waste Management					1,279,949
Total MAGIC Fund	N/R		N/A	N/A	\$ 8,690,579
Negotiable certificates of deposit	N/R		N/A	N/A	\$ 1,029,661
Total Investments					\$ 15,344,024
Deposits					8,942,628
Change funds					5,995
Cash held by escrow agent					983,849
Total Cash and Investments					\$ 25,276,496

N/A – Not Applicable  
N/R – Not Rated

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

A. Assets (Continued)

2. Receivables

Receivables as of December 31, 2005, 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	\$ 340,387	\$ -
Special assessments	2,620,848	2,287,215
Due from other governments	7,163,129	425,307
Accounts	299,186	-
Interest	168,394	-
	<u>\$ 10,591,944</u>	<u>\$ 2,712,522</u>
Business-Type Activities		
Special assessments	\$ 39,002	\$ -
Due from other governments	464,748	-
Accounts	252,504	-
Interest	66,149	-
	<u>\$ 822,403</u>	<u>\$ -</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 174,969	\$ -	\$ -	\$ 174,969
Construction in progress	7,069,985	1,098,628	6,793,035	1,375,578
Total capital assets not depreciated	<u>\$ 7,244,954</u>	<u>\$ 1,098,628</u>	<u>\$ 6,793,035</u>	<u>\$ 1,550,547</u>
Capital assets depreciated				
Land improvements	\$ 32,859	\$ -	\$ -	\$ 32,859
Buildings	7,757,377	6,751,482	-	14,508,859
Machinery, furniture, and equipment	8,269,031	1,340,445	648,011	8,961,465
Infrastructure	64,450,290	2,458,388	-	66,908,678
Total capital assets depreciated	<u>\$ 80,509,557</u>	<u>\$ 10,550,315</u>	<u>\$ 648,011</u>	<u>\$ 90,411,861</u>
Less: accumulated depreciation for				
Land improvements	\$ 32,859	\$ -	\$ -	\$ 32,859
Buildings	3,369,639	240,599	-	3,610,238
Machinery, furniture, and equipment	5,839,114	895,767	622,051	6,112,830
Infrastructure	20,678,168	2,037,122	-	22,715,290
Total accumulated depreciation	<u>\$ 29,919,780</u>	<u>\$ 3,173,488</u>	<u>\$ 622,051</u>	<u>\$ 32,471,217</u>
Total capital assets depreciated, net	<u>\$ 50,589,777</u>	<u>\$ 7,376,827</u>	<u>\$ 25,960</u>	<u>\$ 57,940,644</u>
Governmental Activities Capital Assets, Net	<u>\$ 57,834,731</u>	<u>\$ 8,475,455</u>	<u>\$ 6,818,995</u>	<u>\$ 59,491,191</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance (Restated)	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 740,689	\$ -	\$ -	\$ 740,689
Capital assets depreciated				
Buildings	\$ 12,149,835	\$ 187,460	\$ -	\$ 12,337,295
Landfill	6,231,845	990,198	-	7,222,043
Improvements other than building	218,353	16,482	-	234,835
Machinery, furniture, and equipment	1,622,685	42,213	209,251	1,455,647
Total capital assets depreciated	\$ 20,222,718	\$ 1,236,353	\$ 209,251	\$ 21,249,820
Less: accumulated depreciation for				
Buildings	\$ 3,692,086	\$ 409,069	\$ -	\$ 4,101,155
Landfill	2,811,028	2,208,843	-	5,019,871
Improvements other than building	188,982	12,979	-	201,961
Machinery, furniture, and equipment	1,207,849	86,092	209,251	1,084,690
Total accumulated depreciation	\$ 7,899,945	\$ 2,716,983	\$ 209,251	\$ 10,407,677
Total capital assets depreciated, net	\$ 12,322,773	\$ (1,480,630)	\$ -	\$ 10,842,143
Business-Type Activities Capital Assets, Net	\$ 13,063,462	\$ (1,480,630)	\$ -	\$ 11,582,832

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

Governmental Activities	
General government	\$ 188,504
Public safety	104,417
Highways and streets, including depreciation of infrastructure assets	2,123,975
Human services	21,228
Economic development	39,645
Conservation of natural resources	4,304
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	691,415
Total Depreciation Expense - Governmental Activities	\$ 3,173,488

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets (Continued)

Business-Type Activities			
Family Service Center	\$	317,677	
Juvenile Center		137,656	
Solid Waste Management		2,261,650	
Total Depreciation Expense - Business-Type Activities	\$	2,716,983	

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2005, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Social Services Other governmental Public Health Agency funds	\$ 191,208 21,863 53,952 6 <hr style="width: 100%;"/>
Total Due to General Fund		\$ 267,029 <hr style="width: 100%;"/>
Road and Bridge	General Solid Waste Management	\$ 3,945 40 <hr style="width: 100%;"/>
Total Due to Road and Bridge Fund		\$ 3,985 <hr style="width: 100%;"/>
Social Services	Public Health	\$ 126,099 <hr style="width: 100%;"/>
Other governmental	Road and Bridge	\$ 23,644 <hr style="width: 100%;"/>
Internal Service Fund	General Fund Social Services Public Health Solid Waste Management Family Service Center Juvenile Center	\$ 514 4,699 838 25 137 247 <hr style="width: 100%;"/>
Total Due to Internal Service Fund		\$ 6,460 <hr style="width: 100%;"/>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Public Health	General	\$ 8,744
	Social Services	5,870
	Juvenile Center	5,189
Total Due to Public Health Fund		\$ 19,803
Juvenile Center	General	\$ 86,591
	Social Services	20,105
Total Due to Juvenile Center Fund		\$ 106,696
Agency	General	\$ 38,297
	Social Services	94,775
Total Due to Agency Funds		\$ 133,072
Total Due To/From Other Funds		\$ 686,788

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

2. Advances From/To Other Funds

Receivable Fund	Payable Fund	Amount
General	Other governmental	\$ 20,000
	Family Service Center	1,295,000
	Juvenile Center	350,000
Total Due to General Fund		\$ 1,665,000

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

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

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2005, consisted of the following:

Transfers to nonmajor governmental funds from General Fund	\$ 50,000	To transfer funds for construction projects
Transfers to Public Health Enterprise Fund from General Fund	520,423	Budgeted transfer
Transfers to Juvenile Center Enterprise Fund from General Fund	39,550	To transfer funds to cover shelter care deficit
Transfers to Family Service Center Enterprise Fund from General Fund	<u>175,000</u>	To transfer funds for cash flow purposes
Total Interfund Transfers	<u>\$ 784,973</u>	

C. Liabilities

1. Payables

Payables at December 31, 2005, were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 798,128	\$ 178,424
Salaries	673,593	164,384
Contracts	311,077	-
Due to other governments	<u>891,066</u>	<u>233,695</u>
Total Payables	<u>\$ 2,673,864</u>	<u>\$ 576,503</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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3. Detailed Notes on All Funds

C. Liabilities (Continued)

2. Construction/Capital Purchase Commitments

The government has active construction/capital purchase commitments projects as of December 31, 2005. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Dump trucks	\$ -	\$ 69,083
Dump truck equipment	-	77,756
Transit bus	-	90,780

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 one eligible participant. The County finances the plan on a pay-as-you-go basis. During 2005, the County expended \$3,150 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, 2005:

<u>Lease</u>	<u>Maturity</u>	<u>Installment</u>	<u>Payment Amount</u>	<u>Original</u>	<u>Balance</u>
Governmental Activities					
2001 motor grader	2006	Annual	\$ 20,151	\$ 168,751	\$ 96,588
2002 motor grader	2007	Annual	21,267	170,201	104,514
2003 motor grader	2008	Annual	19,814	171,608	123,128
2005 motor grader	2010	Annual	17,094	174,113	157,019
2005 copier	2009	Monthly	2,077	7,422	<u>6,298</u>
Total Governmental Activities Capital Leases					<u>\$ 487,547</u>
Business-Type Activities					
2004 mail machine	2009	Monthly	\$ 4,846	\$ 18,958	<u>\$ 13,375</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2005, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2006	\$ 162,152	\$ 4,846
2007	131,485	4,845
2008	114,671	4,845
2009	17,787	1,212
2010	<u>142,800</u>	<u>-</u>
Total minimum lease payments	\$ 568,895	\$ 15,748
Less: amount representing interest	<u>(81,348)</u>	<u>(2,373)</u>
Present Value of Minimum Lease Payments	<u>\$ 487,547</u>	<u>\$ 13,375</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

5. Long-Term Debt

Governmental Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
General Obligation Bonds					
1993 G.O. Refunding Bonds	2007	\$30,000 - \$40,000	4.8164	\$ 725,000	\$ 70,000
1997 G.O. Watershed Improvement Bonds	2013	\$40,000 - \$60,000	5.3746	660,000	405,000
1999 G.O. Watershed Improvement Bonds	2015	\$60,000 - \$105,000	5.2452	1,125,000	835,000
2000 G.O. Watershed Improvement Bonds	2016	\$25,000 - \$45,000	5.3936	465,000	375,000
2002 G.O. Watershed Improvement Bonds	2012	\$23,000 - \$32,000	5.0860	260,000	195,000
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	960,000	875,000
2003 G.O. Watershed Improvement Refunding Bonds	2011	\$80,000 - \$90,000	2.9430	590,000	510,000
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	<u>830,000</u>	<u>830,000</u>
Total general obligation bonds				<u>\$ 5,615,000</u>	\$ 4,095,000
Less: unamortized discount					<u>(3,318)</u>
Total General Obligation Bonds, Net					<u>\$ 4,091,682</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt

Governmental Activities (Continued)

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
Revenue bonds					
2001 Joint Highway Lease Revenue Bonds	2022	\$75,000 - \$175,000	5.298	\$ 2,240,000	\$ 2,025,000
2002 Courthouse Expansion Lease Revenue Bonds	2023	\$140,000 - \$320,000	4.999	4,200,000	3,925,000
2002 Law Enforcement Revenue Refunding Bonds	2017	\$109,588 - \$181,157	3.8785	<u>1,831,694</u>	<u>1,722,105</u>
Total Revenue Bonds				<u>\$ 8,271,694</u>	<u>\$ 7,672,105</u>

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amount	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2005
Revenue bonds					
1998 Family Service Center Lease Revenue Refunding Bonds	2014	\$355,000 - \$495,000	5.10241	\$ 4,575,000	\$ 4,220,000
2002 Law Enforcement Facility Revenue Refunding Bonds	2017	\$135,411 - \$223,844	3.8785	<u>2,263,307</u>	<u>2,127,895</u>
Total revenue bonds				<u>\$ 6,838,307</u>	\$ 6,347,895
Less: unamortized discount					<u>(65,577)</u>
Total Revenue Bonds, Net					<u>\$ 6,282,318</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

6. Debt Service Requirements

Debt service requirements at December 31, 2005, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2006	\$ 369,000	\$ 155,077	\$ 339,061	\$ 343,645
2007	425,000	143,786	348,535	331,699
2008	421,000	128,542	368,008	318,647
2009	438,000	112,602	380,244	304,472
2010	454,000	95,382	399,190	289,135
2011 - 2015	1,843,000	213,817	2,281,464	1,169,266
2016 - 2020	145,000	3,238	2,300,603	604,345
2021 - 2023	-	-	1,255,000	90,817
Totals	<u>\$ 4,095,000</u>	<u>\$ 852,444</u>	<u>\$ 7,672,105</u>	<u>\$ 3,452,026</u>

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2006	\$ 520,939	\$ 275,150
2007	546,465	253,447
2008	571,992	230,038
2009	594,756	204,621
2010	650,810	176,431
2011 - 2015	3,023,536	403,932
2016 - 2017	439,397	18,911
Totals	<u>\$ 6,347,895</u>	<u>\$ 1,562,530</u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2005, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 3,618,000	\$ 830,000	\$ 353,000	\$ 4,095,000	\$ 369,000
Revenue bonds	7,996,694	-	324,588	7,672,106	339,062
Less: deferred amounts for issuance discounts	(3,982)	-	(664)	(3,318)	-
Total bonds payable	\$ 11,610,712	\$ 830,000	\$ 676,924	\$ 11,763,788	\$ 708,062
Capital leases	472,286	181,536	166,275	487,547	135,200
Compensated absences	1,430,078	1,144,680	1,026,343	1,548,415	426,816
Governmental Activities Long-Term Liabilities	<u>\$ 13,513,076</u>	<u>\$ 2,156,216</u>	<u>\$ 1,869,542</u>	<u>\$ 13,799,750</u>	<u>\$ 1,270,078</u>

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 6,838,307	\$ -	\$ 490,412	\$ 6,347,895	\$ 520,938
Less: deferred amounts for issuance discounts	(73,316)	-	(7,739)	(65,577)	-
Total bonds payable	\$ 6,764,991	\$ -	\$ 482,673	\$ 6,282,318	\$ 520,938
Capital lease	16,685	-	3,310	13,375	3,660
Estimated liability for landfill closure/postclosure	2,465,790	662,999	-	3,128,789	-
Compensated absences	406,380	293,806	255,405	444,781	124,927
Business-Type Activities Long-Term Liabilities	<u>\$ 9,653,846</u>	<u>\$ 956,805</u>	<u>\$ 741,388</u>	<u>\$ 9,869,263</u>	<u>\$ 649,525</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$481,249 of lease purchases payable are included in the amounts for the governmental activities at year-end.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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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.

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 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 year thereafter. 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 successive 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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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.

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 internet at [www.mnpera.org](http://www.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 were required to contribute 9.10 and 5.10 percent, respectively, of their annual covered salary in 2005. Contribution rates in the Coordinated Plan increased in 2006 to 5.50 percent. Public Employees Police and Fire Fund members were required to contribute 6.20 percent of their annual covered salary in 2005. That rate increased to 7.00 percent in 2006. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County is required to contribute the following percentages of annual covered payroll in 2005 and 2006:

	2005	2006
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	5.53	6.00
Public Employees Police and Fire Fund	9.30	10.50
Public Employees Correctional Fund	8.75	8.75

The County's contributions for the years ending December 31, 2005, 2004, and 2003, 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
2005	\$ 627,806	\$ 170,608	\$ 132,258
2004	608,334	154,075	123,847
2003	619,674	150,780	119,622

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 withdrawal.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

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, 2005, 2004, and 2003, were \$9,967, \$9,137, and \$8,392, respectively, equal to the contractually required contributions for each year as set by state statute.

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 \$3,128,789 landfill closure and postclosure care liability at December 31, 2005, represents the cumulative amount reported to date based on the use of 96 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, 2005, and the date the landfill is expected to be filled to capacity (2007) 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, 2005. 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, 2005, investments of \$2,353,656 are held for

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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5. Landfill Closure and Postclosure Care Costs (Continued)

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.

The Workers' Compensation Division of MCIT is self-sustaining based on the contributions charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. MCIT participates in the Workers' Compensation Reinsurance Association with coverage at \$760,000 per claim in 2005 and \$390,000 per claim in 2006. Should the MCIT Workers' Compensation Division liabilities exceed assets, MCIT may assess the County in a method and amount to be determined by MCIT.

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

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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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7. Conduit Debt (Continued)

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, 2005, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Principal Issued</u>	<u>Outstanding</u>
Concordia College Corporation	2001	\$ 3,300,000	\$ 3,300,000
Minnesota State University Moorhead	2001	3,940,000	3,740,850
Concordia College Corporation	2003	2,300,000	2,300,000
Concordia College Corporation	2004	7,000,000	7,000,000
Lakeland Mental Health Center, Inc	2005	520,000	520,000

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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Area Agency on Aging (Continued)

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.

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 2005, 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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Fargo-Moorhead Metropolitan Council of Governments (Continued)

As of December 31, 2005, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$522,385. 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.

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. 146 (Barnesville), 150 (Hawley), 152 (Moorhead), 914 (Ulen-Hitterdal); and 2164 (Dilworth-Glyndon-Felton), 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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Clay County Joint Powers Collaborative (Continued)

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 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 2005, the County did not contribute any funds to the Collaborative.

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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

West Central Minnesota Drug Task Force (Continued)

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 2005, 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.

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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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 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 2005, 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.

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

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, Mahnomen, 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 2005.

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.

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

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

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8. Summary of Significant Contingencies and Other Items

D. Related Organizations

Buffalo-Red River Watershed District (Continued)

having staggered terms of three years each, with three appointed by the Clay County Board, one appointed by the Becker County Board, and one appointed by the Wilkin County Board.

Wild Rice Watershed District

The Wild Rice Watershed District was established in 1969 pursuant to Minn. Stat. ch. 103D, and includes Becker, Clay, Clearwater, Mahnomen, Norman, and Polk Counties. The purpose of the Wild Rice Watershed District is to oversee watershed projects, conduct studies for future project planning, administration of legal drainage systems, issuance of applications and permits, public education on conservation issues, and dispute resolution.

Control of the Watershed District is vested in the Board of Managers, which is composed of seven members appointed by the County Commissioners of Becker, Clay, Mahnomen, and Norman Counties. Norman County appoints three members, Clay County appoints two members, and Mahnomen and Becker Counties each appoint one member.

9. Subsequent Event – Conduit Debt

The County authorized the issuance and sale of a revenue note (Eventide Project), Series 2006, in the original aggregate principal amount of \$2,000,000. The County is not obligated, in any manner, for repayment of the note.

**REQUIRED SUPPLEMENTARY INFORMATION**

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**Schedule 1**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 7,589,292	\$ 7,589,292	\$ 7,591,381	\$ 2,089
Licenses and permits	37,680	37,680	69,661	31,981
Intergovernmental	4,420,396	4,420,396	4,441,255	20,859
Charges for services	1,316,359	1,316,359	1,442,968	126,609
Fines and forfeits	5,000	5,000	175,151	170,151
Investment earnings	250,000	250,000	313,581	63,581
Miscellaneous	105,380	105,380	377,092	271,712
<b>Total Revenues</b>	<b>\$ 13,724,107</b>	<b>\$ 13,724,107</b>	<b>\$ 14,411,089</b>	<b>\$ 686,982</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Commissioners	\$ 201,774	\$ 201,774	\$ 208,421	\$ (6,647)
Courts	19,500	19,500	37,257	(17,757)
Public defender	55,000	55,000	49,857	5,143
Law library	101,395	101,395	115,201	(13,806)
County administration	236,969	236,969	210,435	26,534
County auditor	500,885	500,885	428,872	72,013
License bureau	311,414	311,414	317,903	(6,489)
County treasurer	131,504	131,504	127,210	4,294
County assessor	276,014	276,014	276,617	(603)
Elections	19,561	19,561	13,899	5,662
Internal audit	45,000	45,000	51,207	(6,207)
Data processing	946,508	946,508	909,699	36,809
Personnel	106,975	106,975	108,595	(1,620)
Attorney	883,749	883,749	846,874	36,875
Victim witness	81,502	81,502	71,253	10,249
Recorder	309,272	309,272	324,703	(15,431)
Surveyor	40,000	40,000	39,787	213
Planning and zoning	123,484	123,484	342,674	(219,190)
Maintenance	538,732	538,732	511,615	27,117
Veterans service officer	32,513	32,513	40,546	(8,033)
Unallocated	821,985	821,985	357,229	464,756
<b>Total general government</b>	<b>\$ 5,783,736</b>	<b>\$ 5,783,736</b>	<b>\$ 5,389,854</b>	<b>\$ 393,882</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Public safety</b>				
Sheriff	\$ 2,808,324	\$ 2,808,324	\$ 3,012,668	\$ (204,344)
Boat and water safety	1,100	1,100	297	803
Drug seizures	-	-	21,934	(21,934)
Law enforcement grant	31,014	31,014	30,928	86
Coroner	51,388	51,388	73,928	(22,540)
E-911 system	35,000	35,000	52,499	(17,499)
Community corrections	2,008,697	2,008,697	2,135,853	(127,156)
Dispatchers	200,000	200,000	173,266	26,734
Probation and parole	436,650	436,650	527,427	(90,777)
Electronic monitoring	75,000	75,000	102,411	(27,411)
Juvenile detention	494,462	494,462	323,917	170,545
Civil defense	40,883	40,883	96,699	(55,816)
<b>Total public safety</b>	<b>\$ 6,182,518</b>	<b>\$ 6,182,518</b>	<b>\$ 6,551,827</b>	<b>\$ (369,309)</b>
<b>Culture and recreation</b>				
Historical society	\$ 131,135	\$ 131,135	\$ 131,135	\$ -
Humane society	1,500	1,500	-	1,500
Regional library	201,881	201,881	201,881	-
<b>Total culture and recreation</b>	<b>\$ 334,516</b>	<b>\$ 334,516</b>	<b>\$ 333,016</b>	<b>\$ 1,500</b>
<b>Conservation of natural resources</b>				
Cooperative extension	\$ 234,243	\$ 234,243	\$ 280,719	\$ (46,476)
Soil and water conservation	148,642	148,642	148,642	-
International coalition	1,281	1,281	1,281	-
Agricultural inspections	61,664	61,664	51,306	10,358
Agricultural society/County fair	22,798	22,798	22,841	(43)
Valley water rescue	3,658	3,658	3,658	-
<b>Total conservation of natural resources</b>	<b>\$ 472,286</b>	<b>\$ 472,286</b>	<b>\$ 508,447</b>	<b>\$ (36,161)</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**Schedule 1**  
**(Continued)**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
<b>Current (Continued)</b>				
<b>Economic development</b>				
Metropolitan Council	\$ 5,912	\$ 5,912	\$ 5,912	\$ -
Red River winter shows	800	800	800	-
West Central Council on Aging	5,400	5,400	5,096	304
Chamber of Commerce	1,283	1,283	1,309	(26)
County-wide incentive program	75,232	75,232	140,809	(65,577)
West Central Minnesota Initiatives	15,127	15,127	15,127	-
Pew Partnership	4,300	4,300	4,300	-
Rural life outreach	5,000	5,000	5,000	-
Riverkeepers	650	650	650	-
Rural Minnesota Counties Caucus	2,000	2,000	2,125	(125)
Minnesota Housing Partnership	600	600	517	83
WACCO	5,000	5,000	10,000	(5,000)
Rural transit	255,525	255,525	257,561	(2,036)
<b>Total economic development</b>	<b>\$ 376,829</b>	<b>\$ 376,829</b>	<b>\$ 449,206</b>	<b>\$ (72,377)</b>
<b>Capital outlay</b>				
General government	\$ -	\$ -	\$ 213,865	\$ (213,865)
<b>Debt service</b>				
Principal	\$ -	\$ -	\$ 1,124	\$ (1,124)
Interest	-	-	283	(283)
Administrative (fiscal) charges	-	-	69	(69)
<b>Total debt service</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,476</b>	<b>\$ (1,476)</b>
<b>Total Expenditures</b>	<b>\$ 13,149,885</b>	<b>\$ 13,149,885</b>	<b>\$ 13,447,691</b>	<b>\$ (297,806)</b>
<b>Excess of Revenues Over (Under)</b>				
<b>Expenditures</b>	<b>\$ 574,222</b>	<b>\$ 574,222</b>	<b>\$ 963,398</b>	<b>\$ 389,176</b>
<b>Other Financing Sources (Uses)</b>				
Transfers out	\$ (574,222)	\$ (574,222)	\$ (784,973)	\$ (210,751)
Capital lease issued	-	-	7,422	7,422
<b>Total Other Financing Sources (Uses)</b>	<b>\$ (574,222)</b>	<b>\$ (574,222)</b>	<b>\$ (777,551)</b>	<b>\$ (203,329)</b>
<b>Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 185,847</b>	<b>\$ 185,847</b>
<b>Fund Balance - January 1</b>	<b>6,633,099</b>	<b>6,633,099</b>	<b>6,633,099</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 6,633,099</b>	<b>\$ 6,633,099</b>	<b>\$ 6,818,946</b>	<b>\$ 185,847</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Schedule 2*

**BUDGETARY COMPARISON SCHEDULE  
ROAD AND BRIDGE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 2,141,037	\$ 2,141,037	\$ 2,110,442	\$ (30,595)
Licenses and permits	2,300	2,300	2,600	300
Intergovernmental	4,566,171	4,566,171	6,602,916	2,036,745
Charges for services	620,000	620,000	382,946	(237,054)
Investment earnings	5,000	5,000	32,541	27,541
Miscellaneous	-	-	107,674	107,674
<b>Total Revenues</b>	<b>\$ 7,334,508</b>	<b>\$ 7,334,508</b>	<b>\$ 9,239,119</b>	<b>\$ 1,904,611</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Highways and streets</b>				
Administration	\$ 479,337	\$ 479,337	\$ 385,315	\$ 94,022
Maintenance	2,771,712	2,771,712	2,294,409	477,303
Construction	3,085,418	3,085,418	3,908,504	(823,086)
Equipment maintenance and shop	998,041	998,041	1,205,289	(207,248)
<b>Total highways and streets</b>	<b>\$ 7,334,508</b>	<b>\$ 7,334,508</b>	<b>\$ 7,793,517</b>	<b>\$ (459,009)</b>
<b>Intergovernmental</b>				
Highways and streets	-	-	340,488	(340,488)
<b>Debt service</b>				
Interest	-	-	4,330	(4,330)
<b>Total Expenditures</b>	<b>\$ 7,334,508</b>	<b>\$ 7,334,508</b>	<b>\$ 8,138,335</b>	<b>\$ (803,827)</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,100,784</b>	<b>\$ 1,100,784</b>
<b>Fund Balance - January 1</b>	<b>1,419,065</b>	<b>1,419,065</b>	<b>1,419,065</b>	<b>-</b>
<b>Increase (decrease) in reserved for inventories</b>	<b>-</b>	<b>-</b>	<b>(14,349)</b>	<b>(14,349)</b>
<b>Fund Balance - December 31</b>	<b>\$ 1,419,065</b>	<b>\$ 1,419,065</b>	<b>\$ 2,505,500</b>	<b>\$ 1,086,435</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Schedule 3*

**BUDGETARY COMPARISON SCHEDULE  
SOCIAL SERVICES FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 4,025,347	\$ 4,025,347	\$ 3,966,244	\$ (59,103)
Intergovernmental	13,124,371	13,124,371	9,960,177	(3,164,194)
Fines and forfeits	-	-	32,711	32,711
Miscellaneous	613,888	613,888	776,032	162,144
<b>Total Revenues</b>	<b>\$ 17,763,606</b>	<b>\$ 17,763,606</b>	<b>\$ 14,735,164</b>	<b>\$ (3,028,442)</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>Human services</b>				
Income maintenance	\$ 5,007,293	\$ 5,007,293	\$ 3,019,300	\$ 1,987,993
Social services	12,732,313	12,732,313	13,070,271	(337,958)
<b>Total Expenditures</b>	<b>\$ 17,739,606</b>	<b>\$ 17,739,606</b>	<b>\$ 16,089,571</b>	<b>\$ 1,650,035</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ 24,000</b>	<b>\$ 24,000</b>	<b>\$ (1,354,407)</b>	<b>\$ (1,378,407)</b>
<b>Fund Balance - January 1</b>	<b>3,469,368</b>	<b>3,469,368</b>	<b>3,469,368</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 3,493,368</b>	<b>\$ 3,493,368</b>	<b>\$ 2,114,961</b>	<b>\$ (1,378,407)</b>

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2005**

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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 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, 2005.

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 13,447,691	\$ 13,149,885	\$ 297,806
Road and Bridge Special Revenue Fund	8,138,335	7,334,508	803,827

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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.

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Statement A-1*

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2005**

	<b>Special Revenue (Statement B-1)</b>	<b>Debt Service (Statement C-1)</b>	<b>Total</b>
<b><u>Assets</u></b>			
Cash and pooled investments	\$ 223,622	\$ 228,507	\$ 452,129
Undistributed cash in agency funds	646	11,415	12,061
Cash with escrow agent	-	17	17
Investments	-	55,000	55,000
Taxes receivable			
Current	578	10,048	10,626
Prior	278	3,087	3,365
Special assessments receivable			
Liens	-	24,545	24,545
Accrued interest receivable	-	274	274
Due from other funds	23,644	-	23,644
	<hr/>	<hr/>	<hr/>
<b>Total Assets</b>	<b>\$ 248,768</b>	<b>\$ 332,893</b>	<b>\$ 581,661</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b><u>Liabilities and Fund Balances</u></b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 78	\$ 78
Due to other funds	21,863	-	21,863
Due to other governments	50	78	128
Deferred revenue - unavailable	556	32,507	33,063
Advance from other funds	-	20,000	20,000
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities</b>	<b>\$ 22,469</b>	<b>\$ 52,663</b>	<b>\$ 75,132</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balances</b>			
Unreserved			
Designated for debt service	\$ -	\$ 266,412	\$ 266,412
Undesignated	226,299	13,818	240,117
	<hr/>	<hr/>	<hr/>
<b>Total Fund Balances</b>	<b>\$ 226,299</b>	<b>\$ 280,230</b>	<b>\$ 506,529</b>
	<hr/>	<hr/>	<hr/>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 248,768</b>	<b>\$ 332,893</b>	<b>\$ 581,661</b>
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**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, 2005**

	<b>Special Revenue (Statement B-2)</b>	<b>Debt Service (Statement C-2)</b>	<b>Total</b>
<b>Revenues</b>			
Taxes	\$ 56,906	\$ 576,345	\$ 633,251
Special assessments	-	30,510	30,510
Intergovernmental	17,001	139,564	156,565
Investment earnings	-	1,500	1,500
Miscellaneous	100	-	100
	<hr/>	<hr/>	<hr/>
<b>Total Revenues</b>	<b>\$ 74,007</b>	<b>\$ 747,919</b>	<b>\$ 821,926</b>
<b>Expenditures</b>			
<b>Current</b>			
General government	\$ 112,890	\$ -	\$ 112,890
Sanitation	-	1,666	1,666
Conservation of natural resources	1,225	-	1,225
<b>Debt service</b>			
Principal	-	359,588	359,588
Interest	-	355,269	355,269
Administrative (fiscal) charges	-	5,428	5,428
	<hr/>	<hr/>	<hr/>
<b>Total Expenditures</b>	<b>\$ 114,115</b>	<b>\$ 721,951</b>	<b>\$ 836,066</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (40,108)</b>	<b>\$ 25,968</b>	<b>\$ (14,140)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	50,000	-	50,000
	<hr/>	<hr/>	<hr/>
<b>Net Change in Fund Balance</b>	<b>\$ 9,892</b>	<b>\$ 25,968</b>	<b>\$ 35,860</b>
<b>Fund Balance - January 1</b>	<b>216,407</b>	<b>254,262</b>	<b>470,669</b>
	<hr/>	<hr/>	<hr/>
<b>Fund Balance - December 31</b>	<b>\$ 226,299</b>	<b>\$ 280,230</b>	<b>\$ 506,529</b>
	<hr/>	<hr/>	<hr/>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Statement B-1*

**COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
DECEMBER 31, 2005**

	<b>County Building</b>	<b>Forfeited Tax</b>	<b>Gravel Removal Tax Reserve</b>	<b>Total (Statement A-1)</b>
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 22,188	\$ 21,888	\$ 179,546	\$ 223,622
Undistributed cash in agency funds	646	-	-	646
Taxes receivable				
Current	578	-	-	578
Prior	278	-	-	278
Due from other funds	-	-	23,644	23,644
<b>Total Assets</b>	<b>\$ 23,690</b>	<b>\$ 21,888</b>	<b>\$ 203,190</b>	<b>\$ 248,768</b>
 <b><u>Liabilities and Fund Balance</u></b>				
<b>Liabilities</b>				
Due to other funds	\$ -	\$ 21,863	\$ -	\$ 21,863
Due to other governments	25	25	-	50
Deferred revenue - unavailable	556	-	-	556
<b>Total Liabilities</b>	<b>\$ 581</b>	<b>\$ 21,888</b>	<b>\$ -</b>	<b>\$ 22,469</b>
<b>Fund Balance</b>				
Unreserved				
Undesignated	23,109	-	203,190	226,299
<b>Total Liabilities and Fund Balance</b>	<b>\$ 23,690</b>	<b>\$ 21,888</b>	<b>\$ 203,190</b>	<b>\$ 248,768</b>

**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, 2005**

	<u>County Building</u>	<u>Ditch</u>	<u>Forfeited Tax</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>					
Taxes	\$ 33,263	\$ -	\$ -	\$ 23,643	\$ 56,906
Intergovernmental	17,001	-	-	-	17,001
Miscellaneous	-	-	100	-	100
<b>Total Revenues</b>	<b>\$ 50,264</b>	<b>\$ -</b>	<b>\$ 100</b>	<b>\$ 23,643</b>	<b>\$ 74,007</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	\$ 112,890	\$ -	\$ -	\$ -	\$ 112,890
Conservation of natural resources	-	1,125	100	-	1,225
<b>Total Expenditures</b>	<b>\$ 112,890</b>	<b>\$ 1,125</b>	<b>\$ 100</b>	<b>\$ -</b>	<b>\$ 114,115</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (62,626)</b>	<b>\$ (1,125)</b>	<b>\$ -</b>	<b>\$ 23,643</b>	<b>\$ (40,108)</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	50,000	-	-	-	50,000
<b>Net Change in Fund Balance</b>	<b>\$ (12,626)</b>	<b>\$ (1,125)</b>	<b>\$ -</b>	<b>\$ 23,643</b>	<b>\$ 9,892</b>
<b>Fund Balance - January 1</b>	<b>35,735</b>	<b>1,125</b>	<b>-</b>	<b>179,547</b>	<b>216,407</b>
<b>Fund Balance - December 31</b>	<b>\$ 23,109</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 203,190</b>	<b>\$ 226,299</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Statement C-1*

**COMBINING BALANCE SHEET  
NONMAJOR DEBT SERVICE FUNDS  
DECEMBER 31, 2005**

	<u>Americana Estates</u>	<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Statement A-1)</u>
<b><u>Assets</u></b>					
Cash and pooled investments	\$ 31,598	\$ 36,488	\$ 43,968	\$ 116,453	\$ 228,507
Undistributed cash in agency funds	462	5,222	2,886	2,845	11,415
Cash with escrow agent	-	-	-	17	17
Investments	55,000	-	-	-	55,000
Taxes receivable					
Current	-	4,848	2,639	2,561	10,048
Prior	-	1,095	868	1,124	3,087
Special assessments receivable					
Liens	24,545	-	-	-	24,545
Accrued interest receivable	274	-	-	-	274
<b>Total Assets</b>	<b><u>\$ 111,879</u></b>	<b><u>\$ 47,653</u></b>	<b><u>\$ 50,361</u></b>	<b><u>\$ 123,000</u></b>	<b><u>\$ 332,893</u></b>
<b><u>Liabilities and Fund Balance</u></b>					
<b>Liabilities</b>					
Accounts payable	\$ 78	\$ -	\$ -	\$ -	\$ 78
Due to other governments	78	-	-	-	78
Deferred revenue - unavailable	24,545	3,463	2,144	2,355	32,507
Advance from other funds	-	10,000	10,000	-	20,000
<b>Total Liabilities</b>	<b><u>\$ 24,701</u></b>	<b><u>\$ 13,463</u></b>	<b><u>\$ 12,144</u></b>	<b><u>\$ 2,355</u></b>	<b><u>\$ 52,663</u></b>
<b>Fund Balance</b>					
Unreserved					
Designated for debt service	\$ 73,360	\$ 34,190	\$ 38,217	\$ 120,645	\$ 266,412
Undesignated	13,818	-	-	-	13,818
<b>Total Fund Balance</b>	<b><u>\$ 87,178</u></b>	<b><u>\$ 34,190</u></b>	<b><u>\$ 38,217</u></b>	<b><u>\$ 120,645</u></b>	<b><u>\$ 280,230</u></b>
<b>Total Liabilities and Fund Balance</b>	<b><u>\$ 111,879</u></b>	<b><u>\$ 47,653</u></b>	<b><u>\$ 50,361</u></b>	<b><u>\$ 123,000</u></b>	<b><u>\$ 332,893</u></b>

**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, 2005**

	<u>Americana Estates</u>	<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Expansion</u>	<u>Total (Statement A-2)</u>
<b>Revenues</b>					
Taxes	\$ -	\$ 277,657	\$ 151,462	\$ 147,226	\$ 576,345
Special assessments	30,510	-	-	-	30,510
Intergovernmental	-	67,326	36,670	35,568	139,564
Investment earnings	1,329	-	-	171	1,500
<b>Total Revenues</b>	<b>\$ 31,839</b>	<b>\$ 344,983</b>	<b>\$ 188,132</b>	<b>\$ 182,965</b>	<b>\$ 747,919</b>
<b>Expenditures</b>					
<b>Current</b>					
Sanitation	\$ 1,666	\$ -	\$ -	\$ -	\$ 1,666
<b>Debt service</b>					
Principal	35,000	140,000	75,000	109,588	359,588
Interest	4,912	187,804	99,091	63,462	355,269
Administrative (fiscal) charges	-	2,214	2,213	1,001	5,428
<b>Total Expenditures</b>	<b>\$ 41,578</b>	<b>\$ 330,018</b>	<b>\$ 176,304</b>	<b>\$ 174,051</b>	<b>\$ 721,951</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ (9,739)</b>	<b>\$ 14,965</b>	<b>\$ 11,828</b>	<b>\$ 8,914</b>	<b>\$ 25,968</b>
<b>Fund Balance - January 1</b>	<b>96,917</b>	<b>19,225</b>	<b>26,389</b>	<b>111,731</b>	<b>254,262</b>
<b>Fund Balance - December 31</b>	<b>\$ 87,178</b>	<b>\$ 34,190</b>	<b>\$ 38,217</b>	<b>\$ 120,645</b>	<b>\$ 280,230</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Schedule 4*

**BUDGETARY COMPARISON SCHEDULE  
COUNTY BUILDING SPECIAL REVENUE FUND  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 33,153	\$ 33,153	\$ 33,263	\$ 110
Intergovernmental	16,847	16,847	17,001	154
<b>Total Revenues</b>	<b>\$ 50,000</b>	<b>\$ 50,000</b>	<b>\$ 50,264</b>	<b>\$ 264</b>
<b>Expenditures</b>				
<b>Current</b>				
<b>General government</b>				
Other general government	50,000	50,000	112,890	(62,890)
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (62,626)</b>	<b>\$ (62,626)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	50,000	50,000
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (12,626)</b>	<b>\$ (12,626)</b>
<b>Fund Balance - January 1</b>	<b>35,735</b>	<b>35,735</b>	<b>35,735</b>	<b>-</b>
<b>Fund Balance - December 31</b>	<b>\$ 35,735</b>	<b>\$ 35,735</b>	<b>\$ 23,109</b>	<b>\$ (12,626)</b>

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**FIDUCIARY FUNDS**

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Statement D-1*

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	Balance January 1	Additions	Deductions	Balance December 31
<b><u>JOINT POWERS COLLABORATIVE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 2,101,526	\$ 952,683	\$ 1,069,596	\$ 1,984,613
Due from other funds	209,131	133,072	209,131	133,072
Due from other governments	5,587	5,000	5,587	5,000
<b>Total Assets</b>	<b><u>\$ 2,316,244</u></b>	<b><u>\$ 1,090,755</u></b>	<b><u>\$ 1,284,314</u></b>	<b><u>\$ 2,122,685</u></b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 2,702	\$ 694,700	\$ 651,287	\$ 46,115
Due to other funds	-	323,242	323,242	-
Due to other governments	2,313,542	72,813	309,785	2,076,570
<b>Total Liabilities</b>	<b><u>\$ 2,316,244</u></b>	<b><u>\$ 1,090,755</u></b>	<b><u>\$ 1,284,314</u></b>	<b><u>\$ 2,122,685</u></b>
 <b><u>STATE REVENUE</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 11,438	\$ 179,749	\$ 191,187	\$ -
Accounts receivable	-	16,582	-	16,582
Due from other governments	-	6	-	6
<b>Total Assets</b>	<b><u>\$ 11,438</u></b>	<b><u>\$ 196,337</u></b>	<b><u>\$ 191,187</u></b>	<b><u>\$ 16,588</u></b>
<b><u>Liabilities</u></b>				
Due to other funds	\$ -	\$ 6	\$ -	\$ 6
Due to other governments	11,438	196,331	191,187	16,582
<b>Total Liabilities</b>	<b><u>\$ 11,438</u></b>	<b><u>\$ 196,337</u></b>	<b><u>\$ 191,187</u></b>	<b><u>\$ 16,588</u></b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

***Statement D-1  
(Continued)***

**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
ALL AGENCY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance December 31</b>
<b><u>TAXES AND PENALTIES</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 900,678	\$ 36,045,683	\$ 36,093,316	\$ 853,045
<b><u>Liabilities</u></b>				
Accounts payable	\$ 9,619	\$ 110,126	\$ 119,662	\$ 83
Due to other governments	891,059	35,935,557	35,973,654	852,962
<b>Total Liabilities</b>	<b>\$ 900,678</b>	<b>\$ 36,045,683</b>	<b>\$ 36,093,316</b>	<b>\$ 853,045</b>
 <b><u>TOTAL ALL AGENCY FUNDS</u></b>				
<b><u>Assets</u></b>				
Cash and pooled investments	\$ 3,013,642	\$ 37,178,115	\$ 37,354,099	\$ 2,837,658
Accounts receivable	-	16,582	-	16,582
Due from other funds	209,131	133,072	209,131	133,072
Due from other governments	5,587	5,006	5,587	5,006
<b>Total Assets</b>	<b>\$ 3,228,360</b>	<b>\$ 37,332,775</b>	<b>\$ 37,568,817</b>	<b>\$ 2,992,318</b>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 12,321	\$ 804,826	\$ 770,949	\$ 46,198
Due to other funds	-	323,248	323,242	6
Due to other governments	3,216,039	36,204,701	36,474,626	2,946,114
<b>Total Liabilities</b>	<b>\$ 3,228,360</b>	<b>\$ 37,332,775</b>	<b>\$ 37,568,817</b>	<b>\$ 2,992,318</b>

## **OTHER SCHEDULES**

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**CLAY COUNTY  
MOORHEAD, MINNESOTA**

**Schedule 5**

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2005**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Pooled Deposits and Investments</b>			
Money market checking (2)	Variable	-	\$ 1,766,152
Certificates of deposit (13)	2.15 - 5.00	February 13, 2006 to January 26, 2011	1,957,847
Minnesota Association of Governments Investing for Counties (MAGIC) Fund	Variable	Continuous	5,556,974
Savings accounts (2)	Variable	Continuous	679,337
Federal Home Loan Bank (12)	3.00 - 4.00	October 27, 2006 to June 12, 2013	5,125,164
Freddie Mac	4.00	December 29, 2006	498,620
<b>Total pooled deposits and investments</b>			<b><u>\$ 15,584,094</u></b>
<b>Deposits and Investments from Funds</b>			
<b>General Fund</b>			
Real estate shortfall Certificates of deposit (3)	2.95 - 4.20	April 4, 2006 to December 13, 2006	<b><u>\$ 20,660</u></b>
<b>Road and Bridge Special Revenue Fund</b>			
MAGIC Fund	Variable	Continuous	<b><u>\$ 1,000,000</u></b>
<b>Debt service funds</b>			
<b>Americana Estates</b>			
Certificates of deposit (2)	4.10 - 4.25	August 21, 2006 to December 7, 2006	\$ 55,000
<b>Ditch</b>			
Certificates of deposit (11)	2.48 - 4.00	March 18, 2006 to October 13, 2006	<u>829,425</u>
<b>Total debt service funds</b>			<b><u>\$ 884,425</u></b>
<b>Enterprise Funds</b>			
<b>Juvenile Center</b>			
Certificates of deposit (3)	3.36 - 4.20	January 9, 2007 to March 28, 2008	\$ 163,868
<b>Solid Waste Management</b>			
Certificates of deposit (3)	4.00 - 4.10	August 26, 2006 to September 24, 2006	3,000,000
MAGIC Fund (2)	Variable	Continuous	<u>2,133,605</u>
<b>Total enterprise funds</b>			<b><u>\$ 5,297,473</u></b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Schedule 5*  
*(Continued)*

**SCHEDULE OF DEPOSITS AND INVESTMENTS  
DECEMBER 31, 2005**

	<u>Interest Rate (%)</u>	<u>Maturity Date</u>	<u>Fair Value</u>
<b>Deposits and Investments from Funds (Continued)</b>			
<b>Equipment Replacement Internal Service Fund</b>			
Certificates of deposit (2)	2.40 - 3.66	January 12, 2006 to April 25, 2006	<u>\$ 1,500,000</u>
<b>Total deposits and investments from funds</b>			<u>\$ 8,702,558</u>
<b>Total Deposits and Investments</b>			<u><u>\$ 24,286,652</u></u>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Schedule 6*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<b>Governmental Funds</b>	<b>Enterprise Funds</b>	<b>Equipment Replacement Internal Service Fund</b>	<b>Total</b>
<b>Shared Revenue</b>				
<b>State</b>				
Highway users tax	\$ 4,893,007	\$ -	\$ -	\$ 4,893,007
County program aid	2,981,361	-	-	2,981,361
PERA rate reimbursement	61,294	-	-	61,294
Disparity reduction aid	13,210	-	-	13,210
Police aid	154,121	-	-	154,121
Market value credit	2,053,825	-	-	2,053,825
Disparity credit	1,271,478	-	-	1,271,478
<b>Total Shared Revenue</b>	<b>\$ 11,428,296</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,428,296</b>
<b>Reimbursement for Services</b>				
<b>State</b>				
Minnesota Department of Human Services	\$ 3,465,468	\$ 352,303	\$ -	\$ 3,817,771
<b>Payments</b>				
<b>Local</b>				
Local	\$ -	\$ 11,383	\$ -	\$ 11,383
Transit	34,835	-	-	34,835
Payments in lieu of taxes	75,608	-	-	75,608
<b>Total Payments</b>	<b>\$ 110,443</b>	<b>\$ 11,383</b>	<b>\$ -</b>	<b>\$ 121,826</b>
<b>Grants</b>				
<b>State</b>				
Minnesota Department of Corrections	\$ 204,387	\$ -	\$ -	\$ 204,387
Public Safety	109,245	-	-	109,245
Transportation	147,344	-	-	147,344
Health	-	438,961	-	438,961
Natural Resources	32,625	-	-	32,625
Education	-	747	-	747
Human Services	2,894,388	269,311	-	3,163,699
Veterans Services	1,391	-	-	1,391
Environmental Assistance	-	118,339	-	118,339
Attorney General's Office	48	-	-	48
Water and Soil Resources Board	38,776	-	-	38,776
Peace Officer Standards and Training Board	15,862	-	-	15,862
<b>Total State</b>	<b>\$ 3,444,066</b>	<b>\$ 827,358</b>	<b>\$ -</b>	<b>\$ 4,271,424</b>

**CLAY COUNTY  
MOORHEAD, MINNESOTA**

*Schedule 6*  
*(Continued)*

**SCHEDULE OF INTERGOVERNMENTAL REVENUE  
FOR THE YEAR ENDED DECEMBER 31, 2005**

	<u>Governmental Funds</u>	<u>Enterprise Funds</u>	<u>Equipment Replacement Internal Service Fund</u>	<u>Total</u>
<b>Grants (Continued)</b>				
<b>Federal</b>				
Department of				
Agriculture	\$ 25,249	\$ 175,781	\$ -	\$ 201,030
Justice	146,726	17,413	-	164,139
Transportation	693,505	7,222	-	700,727
Education	69,126	-	-	69,126
Health and Human Services	1,651,695	265,088	-	1,916,783
Homeland Security	126,339	43,870	154,300	324,509
<b>Total Federal</b>	<b>\$ 2,712,640</b>	<b>\$ 509,374</b>	<b>\$ 154,300</b>	<b>\$ 3,376,314</b>
<b>Total State and Federal Grants</b>	<b>\$ 6,156,706</b>	<b>\$ 1,336,732</b>	<b>\$ 154,300</b>	<b>\$ 7,647,738</b>
<b>Total Intergovernmental Revenue</b>	<b>\$ 21,160,913</b>	<b>\$ 1,700,418</b>	<b>\$ 154,300</b>	<b>\$ 23,015,631</b>