

Clay County

Moorhead, Minnesota



Annual Financial Report

Annual Financial Report

For the year ended
December 31, 2007

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

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INTRODUCTORY SECTION

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August 28, 2008

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, 2007. This report was prepared by the County Auditor's Office. Responsibility for both the accuracy of the presented data and completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position of the County and results of operation of the County, as measured by the financial activity of its various funds, and all disclosures necessary to enable maximum understanding of the County's financial affairs.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

INDEPENDENT AUDIT

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

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

ACKNOWLEDGMENTS

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

Sincerely,

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

Lori J. Johnson
Clay County Auditor/Treasurer

**CLAY COUNTY
MOORHEAD, MINNESOTA**

ORGANIZATION
DECEMBER 31, 2007

<u>Office</u>	<u>Name</u>	<u>Term Expires</u>
Elected		
Commissioners		
1st District	Ben Brunsvold	January 2009
2nd District	Jerry Waller	January 2009
3rd District	Jon Evert**	January 2011
4th District	Kevin Campbell*	January 2011
5th District	Mike McCarthy	January 2009
Attorney	Brian Melton	January 2011
Auditor/Treasurer	Lori J. Johnson	January 2011
County Recorder	J. Bonnie Rehder	January 2011
County Sheriff	Bill Bergquist	January 2011
Appointed		
Assessor	Loren Johnson	December 2008
County Coordinator	Vijay Sethi	Indefinite
Highway Engineer	David Overbo	May 2010
Surveyor	Brian Rittenhouse	December 2010

*Chair
**Vice Chair

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FINANCIAL SECTION

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA

OFFICE OF THE STATE AUDITOR

SUITE 500
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, 2007, which collectively comprise the County's basic financial statements. 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, 2007, 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 August 28, 2008, 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/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

August 28, 2008

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2007
(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, 2007. 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, 2007) by \$84,938,945 (net assets). Of this amount, \$18,050,147 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- Governmental activities' total net assets are \$75,164,743, of which Clay County has invested \$59,807,857 in capital assets, net of related debt; \$2,024,390 is restricted to specific purposes/uses by Clay County.
- Business-type activities have total net assets of \$9,774,202. Invested in capital assets, net of related debt, represents \$5,056,551 of the total.
- The net cost of Clay County's governmental activities for the year ended December 31, 2007, was \$19,654,966. General property tax revenue and other general revenue sources totaled \$23,898,760.

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

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

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

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

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the exhibits.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Clay County, assets exceeded liabilities by \$84,938,945 at the close of the most recent fiscal year, which is an increase of \$4,996,806.

Net capital assets of \$64,864,408 (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 (76 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, 2007, were \$84,938,945. 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	
	2007	2006 (Restated)	2007	2006	2007	2006 (Restated)
Assets						
Current and other assets	\$ 24,050,136	\$ 23,764,168	\$ 8,693,495	\$ 7,839,113	\$ 32,743,631	\$ 31,603,281
Capital assets	67,843,273	63,182,342	10,292,610	11,240,404	78,135,883	74,422,746
Total Assets	\$ 91,893,409	\$ 86,946,510	\$ 18,986,105	\$ 19,079,517	\$ 110,879,514	\$ 106,026,027
Liabilities						
Long-term liabilities outstanding	\$ 13,654,103	\$ 13,115,163	\$ 8,522,535	\$ 9,396,758	\$ 22,176,638	\$ 22,511,921
Other liabilities	3,074,563	2,910,398	689,368	661,569	3,763,931	3,571,967
Total Liabilities	\$ 16,728,666	\$ 16,025,561	\$ 9,211,903	\$ 10,058,327	\$ 25,940,569	\$ 26,083,888
Net Assets						
Invested in capital assets, net of related debt	\$ 59,807,857	\$ 56,034,403	\$ 5,056,551	\$ 5,461,572	\$ 64,864,408	\$ 61,495,975
Restricted	2,024,390	2,911,639	-	34	2,024,390	2,911,673
Unrestricted	13,332,496	11,974,907	4,717,651	3,559,584	18,050,147	15,534,491
Total Net Assets	\$ 75,164,743	\$ 70,920,949	\$ 9,774,202	\$ 9,021,190	\$ 84,938,945	\$ 79,942,139

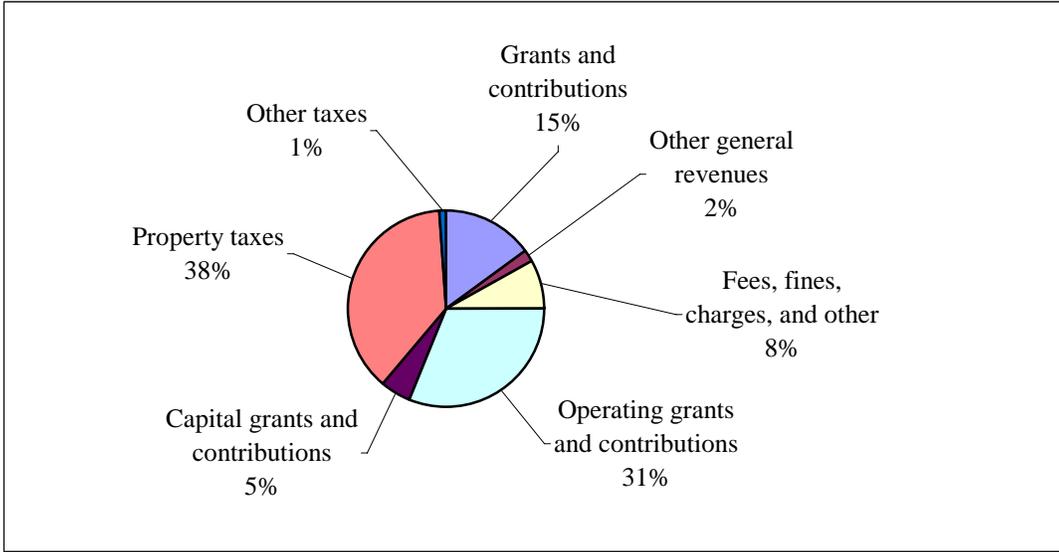
Clay County's total net assets for the year ended December 31, 2007, total \$84,938,945. The governmental activities unrestricted net assets totaling \$13,332,496 are available to Clay County to finance day-to-day operations of governmental activities. The remaining unrestricted net assets totaling \$4,717,651 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	
	2007	2006 (Restated)	2007	2006	2007	2006 (Restated)
Revenues						
Program revenues						
Fees, fines, charges, and other	\$ 3,584,933	\$ 3,272,761	\$ 6,015,103	\$ 5,668,107	\$ 9,600,036	\$ 8,940,868
Operating grants and contributions	13,935,172	15,410,611	1,517,541	1,593,897	15,452,713	17,004,508
Capital grants and contributions	2,103,636	798,681	1,122,997	1,117,570	3,226,633	1,916,251
General revenues						
Property taxes	17,130,794	15,405,983	-	-	17,130,794	15,405,983
Other taxes	340,572	302,590	-	-	340,572	302,590
Grants and contributions	6,557,483	6,335,983	-	-	6,557,483	6,335,983
Other general revenues	1,062,696	927,260	163,317	155,137	1,226,013	1,082,397
Total Revenues	\$ 44,715,286	\$ 42,453,869	\$ 8,818,958	\$ 8,534,711	\$ 53,534,244	\$ 50,988,580
Expenses						
Program expenses						
General government	\$ 6,654,832	\$ 6,392,779	\$ -	\$ -	\$ 6,654,832	\$ 6,392,779
Public safety	7,307,170	6,906,741	-	-	7,307,170	6,906,741
Highways and streets	7,471,928	6,960,439	-	-	7,471,928	6,960,439
Sanitation	338	616	-	-	338	616
Human services	15,500,445	16,248,634	-	-	15,500,445	16,248,634
Culture and recreation	355,917	346,848	-	-	355,917	346,848
Conservation of natural resources	987,305	539,141	-	-	987,305	539,141
Economic development	484,719	449,368	-	-	484,719	449,368
Interest	516,053	516,887	-	-	516,053	516,887
Administrative charges	-	4,944	-	-	-	4,944
Family service	-	-	1,714,369	1,558,654	1,714,369	1,558,654
Public health	-	-	3,385,318	3,088,365	3,385,318	3,088,365
Solid waste	-	-	2,150,057	2,709,123	2,150,057	2,709,123
Juvenile center	-	-	2,008,987	1,916,486	2,008,987	1,916,486
Total Expenses	\$ 39,278,707	\$ 38,366,397	\$ 9,258,731	\$ 9,272,628	\$ 48,537,438	\$ 47,639,025
Excess (Deficiency) Before Transfers	\$ 5,436,579	\$ 4,087,472	\$ (439,773)	\$ (737,917)	\$ 4,996,806	\$ 3,349,555
Transfers	(1,192,785)	(1,113,009)	1,192,785	1,113,009	-	-
Change in Net Assets	\$ 4,243,794	\$ 2,974,463	\$ 753,012	\$ 375,092	\$ 4,996,806	\$ 3,349,555

Clay County's total revenues for the year ended December 31, 2007, were \$53,534,244. The total cost of Clay County programs and services for the year ended December 31, 2007, was \$48,537,438. The net assets for Clay County's governmental activities increased by \$4,243,794 and increased in the business-type activities by \$753,012.

Revenues by Source - Governmental Activities



Governmental Activities

Revenues for Clay County’s governmental activities for the year ended December 31, 2007, were \$44,715,286 (Table 2). Clay County’s costs for all governmental activities for the year ended December 31, 2007, were \$39,278,707 (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 \$17,130,794, because \$3,584,933 of the costs were paid by those who directly benefited from the programs, and \$16,038,808 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 \$7,960,751 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	
	2007	2006	2007	2006 (Restated)
	Program Expenses			
General government	\$ 6,654,832	\$ 6,392,779	\$ 4,703,315	\$ 3,970,224
Public safety	7,307,170	6,906,741	6,049,913	5,660,156
Highways and streets	7,471,928	6,960,439	1,088,373	519,037
Human services	15,500,445	16,248,634	6,425,431	7,434,609
Conservation of natural resources	987,305	539,141	391,328	340,042
All others	1,357,027	1,318,663	996,606	960,276
Total Program Expenses	\$ 39,278,707	\$ 38,366,397	\$ 19,654,966	\$ 18,884,344

Business-Type Activities

Revenues of Clay County’s business-type activities (Table 2) for the year ended December 31, 2007, were \$8,818,958. Expenses of Clay County’s business-type activities (Table 2) for the year ended December 31, 2007, were \$9,258,731.

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 2007, Clay County’s governmental funds reported combined ending fund balances of \$14,038,672, which is above last year’s total of \$13,720,980. Included in this year’s total fund balance is Clay County’s General Fund balance of \$7,840,869. The majority of this amount, \$4,406,598, will be used to cash flow the first few months of 2008 until the current year tax collections begin.

GENERAL FUND BUDGETARY HIGHLIGHTS

In Clay County’s General Fund, the actual revenues exceeded the expected revenues by \$582,258. Total actual expenditures in Clay County’s General Fund were less than the budget by \$137,844. Most major expenditure categories in the County’s General Fund had actual expenditures less than budgeted. The economic development government expenditure category in the General Fund exceeded the budgeted expenditures by \$106,756 due mainly to a transit bus that was scheduled to be purchased in 2006 but, due to unforeseen circumstances, was not until 2007.

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, 2007, amounted to \$78,135,883 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress. The total increase in the Clay County investment in capital assets for the current fiscal year was \$3,713,137, or five percent (see Table 4).

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

- completion of road construction projects, resulting in a transfer of \$3,121,679 from construction in progress to infrastructure.

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

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

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
Land	\$ 174,969	\$ 174,969	\$ 740,689	\$ 740,689	\$ 915,658	\$ 915,658
Construction in Progress	107,989	3,121,679	-	5,549	107,989	3,127,228
Land improvements	34,372	36,872	28,414	30,987	62,786	67,859
Buildings	10,454,449	10,702,902	7,914,441	7,875,989	18,368,890	18,578,891
Machinery, furniture, and equipment	4,334,810	2,733,951	323,837	360,890	4,658,647	3,094,841
Infrastructure	52,736,684	46,411,969	-	-	52,736,684	46,411,969
Landfill	-	-	1,285,229	2,226,300	1,285,229	2,226,300
Totals	\$ 67,843,273	\$ 63,182,342	\$ 10,292,610	\$ 11,240,404	\$ 78,135,883	\$ 74,422,746

Long-Term Debt

At the end of 2007, Clay County had total bonded debt outstanding of \$16,041,001. This is a decrease of \$845,000 from the start of the year (see Table 5).

Table 5
Outstanding Debt at Year-End

	Governmental Activities		Business-Type Activities		Totals	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 3,776,000	\$ 3,726,000	\$ -	\$ -	\$ 3,776,000	\$ 3,726,000
Revenue bonds	6,984,510	7,333,045	5,280,491	5,826,956	12,265,001	13,160,001
Total	\$ 10,760,510	\$ 11,059,045	\$ 5,280,491	\$ 5,826,956	\$ 16,041,001	\$ 16,886,001

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 \$54,125,513 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 2006 averaged 3.2 percent. The unemployment rate for 2007 averaged 3.4 percent. This compares favorably to the state's average unemployment rate of 4.6 percent and the national average rate of 4.6 percent.
- Clay County's tax levy is planned to increase 5.31 percent from 2007.
- 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 2008 fiscal year.

On December 18, 2007, the Clay County Board of Commissioners approved the 2008 budget. The overall budget increase was 8.58 percent, for a total budget of \$55,913,109. It also included a 5.31 percent property tax levy increase of a total levy of \$21,239,468.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Clay County's finances for all those with an interest in the County's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Lori J. Johnson, Clay County Auditor/Treasurer, Clay County Auditor's Office, P. O. Box 280, Moorhead, Minnesota 56561-0280; or contact us at 218-299-5006 or via email at auditor@co.clay.mn.us.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 1

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and pooled investments	\$ 10,441,437	\$ 3,435,281	\$ 13,876,718
Cash with escrow agent	552,427	469,181	1,021,608
Investments	3,351,184	2,964,678	6,315,862
Taxes receivable			
Current - net	273,833	-	273,833
Prior - net	171,390	-	171,390
Special assessments receivable			
Current - net	2,552	29,631	32,183
Prior - net	4,625	19,138	23,763
Liens - net	2,253,188	-	2,253,188
Accounts receivable - net	301,089	277,661	578,750
Accrued interest receivable	193,378	49,228	242,606
Internal balances	1,587,228	(1,587,228)	-
Due from other governments	4,460,262	454,964	4,915,226
Inventories	251,486	-	251,486
Prepaid items	178,761	53,468	232,229
Restricted assets			
Temporarily restricted			
Cash with escrow agent	-	5	5
Permanently restricted			
Investments	-	2,480,383	2,480,383
Accrued interest receivable	-	47,105	47,105
Deferred charges	27,296	-	27,296
Capital assets			
Non-depreciable	282,958	740,689	1,023,647
Depreciable - net of accumulated depreciation	67,560,315	9,551,921	77,112,236
Total Assets	\$ 91,893,409	\$ 18,986,105	\$ 110,879,514
<u>Liabilities</u>			
Accounts payable	\$ 912,278	\$ 156,547	\$ 1,068,825
Salaries payable	772,941	195,906	968,847
Contracts payable	268,212	14,318	282,530
Due to other governments	894,424	197,480	1,091,904
Accrued interest payable	226,708	100,956	327,664
Unearned revenue	-	24,161	24,161
Long-term liabilities			
Due within one year	1,465,105	717,159	2,182,264
Due in more than one year	12,188,998	7,805,376	19,994,374
Total Liabilities	\$ 16,728,666	\$ 9,211,903	\$ 25,940,569

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

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

***EXHIBIT 1
(Continued)***

**STATEMENT OF NET ASSETS
DECEMBER 31, 2007**

	Governmental Activities	Business-Type Activities	Total
<u>Net Assets</u>			
Invested in capital assets - net of related debt	\$ 59,807,857	\$ 5,056,551	\$ 64,864,408
Restricted for			
General government	238,360	-	238,360
Public safety	106,239	-	106,239
Highways and streets	1,075,813	-	1,075,813
Human services	52,944	-	52,944
Debt service	550,726	-	550,726
Other purposes	308	-	308
Unrestricted	13,332,496	4,717,651	18,050,147
 Total Net Assets	\$ 75,164,743	\$ 9,774,202	\$ 84,938,945

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Fees, Charges, Fines, and Other</u>
Governmental activities		
General government	\$ 6,654,832	\$ 1,743,615
Public safety	7,307,170	464,107
Highways and streets	7,471,928	670,737
Sanitation	338	-
Human services	15,500,445	637,347
Culture and recreation	355,917	-
Conservation of natural resources	987,305	51,726
Economic development	484,719	17,401
Interest	516,053	-
Total governmental activities	\$ 39,278,707	\$ 3,584,933
Business-type activities		
Family service	\$ 1,714,369	\$ 1,265,348
Public health	3,385,318	1,889,160
Solid waste	2,150,057	1,061,844
Juvenile center	2,008,987	1,798,751
Total business-type activities	\$ 9,258,731	\$ 6,015,103
Total	\$ 48,537,438	\$ 9,600,036

General Revenues

Property taxes
Gravel taxes
Mortgage registry and deed tax
Grants and contributions not restricted to specific programs
Payments in lieu of tax
Investment income
Miscellaneous
Transfers

Total general revenues

Change in net assets

Net Assets - Beginning, as restated in Note 1.E.

Net Assets - Ending

EXHIBIT 2

Program Revenues		Net (Expense) Revenue and Change in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
\$ 207,902	\$ -	\$ (4,703,315)	\$ -	\$ (4,703,315)
793,150	-	(6,049,913)	-	(6,049,913)
4,128,433	1,584,385	(1,088,373)	-	(1,088,373)
-	-	(338)	-	(338)
8,437,667	-	(6,425,431)	-	(6,425,431)
-	-	(355,917)	-	(355,917)
25,000	519,251	(391,328)	-	(391,328)
343,020	-	(124,298)	-	(124,298)
-	-	(516,053)	-	(516,053)
\$ 13,935,172	\$ 2,103,636	\$ (19,654,966)	\$ -	\$ (19,654,966)
\$ -	\$ 22,987	\$ -	\$ (426,034)	\$ (426,034)
1,168,364	-	-	(327,794)	(327,794)
291,880	1,100,010	-	303,677	303,677
57,297	-	-	(152,939)	(152,939)
\$ 1,517,541	\$ 1,122,997	\$ -	\$ (603,090)	\$ (603,090)
\$ 15,452,713	\$ 3,226,633	\$ (19,654,966)	\$ (603,090)	\$ (20,258,056)
		\$ 17,130,794	\$ -	\$ 17,130,794
		200,367	-	200,367
		55,580	-	55,580
		6,557,483	-	6,557,483
		84,625	-	84,625
		837,045	163,317	1,000,362
		225,651	-	225,651
		(1,192,785)	1,192,785	-
		\$ 23,898,760	\$ 1,356,102	\$ 25,254,862
		\$ 4,243,794	\$ 753,012	\$ 4,996,806
		70,920,949	9,021,190	79,942,139
		\$ 75,164,743	\$ 9,774,202	\$ 84,938,945

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FUND FINANCIAL STATEMENTS

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GOVERNMENTAL FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 3

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>						
Cash and pooled investments	\$ 5,604,897	\$ 173,944	\$ 1,602,064	\$ 590,878	\$ 652,315	\$ 8,624,098
Petty cash and change funds	5,725	-	500	-	-	6,225
Undistributed cash in agency funds	204,696	42,643	99,530	4,149	10,658	361,676
Cash with escrow agent	367,991	184,432	-	-	4	552,427
Investments	21,695	1,000,000	-	829,489	-	1,851,184
Taxes receivable						
Current	144,523	36,055	84,305	-	8,950	273,833
Prior	90,977	22,337	51,853	-	6,223	171,390
Special assessments						
Current	-	-	-	2,125	427	2,552
Prior	-	-	-	4,625	-	4,625
Liens	-	-	-	2,253,188	-	2,253,188
Accounts receivable	181,785	57,282	62,022	-	-	301,089
Accrued interest receivable	138,617	3,588	-	12,282	-	154,487
Due from other funds	305,547	14,507	35,865	94	20,037	376,050
Due from other governments	341,218	2,343,273	1,493,078	232,548	-	4,410,117
Prepaid items	108,982	16,835	52,944	-	-	178,761
Advance to other funds	1,865,000	-	-	-	-	1,865,000
Inventories	-	251,486	-	-	-	251,486
Total Assets	<u>\$ 9,381,653</u>	<u>\$ 4,146,382</u>	<u>\$ 3,482,161</u>	<u>\$ 3,929,378</u>	<u>\$ 698,614</u>	<u>\$ 21,638,188</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 3
(Continued)**

**BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Liabilities and Fund Balances</u>						
Liabilities						
Accounts payable	\$ 213,523	\$ 111,102	\$ 482,839	\$ -	\$ 14,074	\$ 821,538
Salaries payable	461,673	89,694	221,574	-	-	772,941
Contracts payable	-	227,318	-	-	-	227,318
Due to other funds	191,973	20,162	432,073	-	36,567	680,775
Due to other governments	370,284	198,038	189,528	-	33,138	790,988
Deferred revenue - unavailable	303,331	1,379,881	95,370	2,496,165	11,209	4,285,956
Advance from other funds	-	-	-	-	20,000	20,000
Total Liabilities	\$ 1,540,784	\$ 2,026,195	\$ 1,421,384	\$ 2,496,165	\$ 114,988	\$ 7,599,516
Fund Balances						
Reserved for						
Advances to other funds	\$ 1,865,000	\$ -	\$ -	\$ -	\$ -	\$ 1,865,000
Inventories	-	251,486	-	-	-	251,486
Real estate shortfall	22,780	-	-	-	-	22,780
Prepays	108,982	16,835	52,944	-	-	178,761
State-aid highway	-	47,233	-	-	-	47,233
Bond covenant	367,687	183,039	-	-	-	550,726
Help America Vote Act	30,704	-	-	-	-	30,704
Missing heirs	308	-	-	-	-	308
Law library	75,894	-	-	-	-	75,894
Unreserved						
Designated for						
Cash flows	4,406,598	1,314,316	1,433,350	-	-	7,154,264
Compensated absences	962,916	307,278	574,483	-	-	1,844,677
Debt service	-	-	-	1,433,213	-	1,433,213
Unreserved reported in nonmajor						
Special revenue funds	-	-	-	-	269,029	269,029
Debt service finds	-	-	-	-	314,597	314,597
Total Fund Balances	\$ 7,840,869	\$ 2,120,187	\$ 2,060,777	\$ 1,433,213	\$ 583,626	\$ 14,038,672
Total Liabilities and Fund Balances	\$ 9,381,653	\$ 4,146,382	\$ 3,482,161	\$ 3,929,378	\$ 698,614	\$ 21,638,188

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 4

**RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2007**

Fund balances - total governmental funds (Exhibit 3)		\$ 14,038,672
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.		67,843,273
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		4,285,956
Internal service funds are used by management to charge the cost of management of fleet maintenance and self-insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		
Total internal services net assets	\$ 5,320,857	
Long-term liabilities of the Internal Service Fund	1,048,246	
Net assets representing capital assets included above	<u>(3,538,125)</u>	2,830,978
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
General obligation bonds	\$ (3,774,009)	
Facility lease revenue bonds	(6,984,510)	
Capital leases payable	(1,050,908)	
Compensated absences	(1,844,676)	
Accrued interest payable	(207,329)	
Deferred debt interest charges	<u>27,296</u>	<u>(13,834,136)</u>
Net Assets of Governmental Activities (Exhibit 1)		<u>\$ 75,164,743</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 5

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Revenues						
Taxes	\$ 9,072,253	\$ 2,402,367	\$ 5,194,307	\$ -	\$ 572,345	\$ 17,241,272
Special assessments	-	-	-	535,152	-	535,152
Licenses and permits	74,266	2,700	-	-	-	76,966
Intergovernmental	4,959,916	6,938,680	10,454,278	-	214,482	22,567,356
Charges for services	1,746,106	463,926	-	-	-	2,210,032
Fines and forfeits	209,372	-	33,064	-	-	242,436
Investment earnings	537,726	44,302	-	40,137	298	622,463
Miscellaneous	343,190	49,487	604,283	-	42,354	1,039,314
Total Revenues	\$ 16,942,829	\$ 9,901,462	\$ 16,285,932	\$ 575,289	\$ 829,479	\$ 44,534,991
Expenditures						
Current						
General government	\$ 6,438,678	\$ -	\$ -	\$ -	\$ 60,063	\$ 6,498,741
Public safety	7,419,748	-	-	-	-	7,419,748
Highways and streets	-	10,659,312	-	-	-	10,659,312
Sanitation	-	-	-	-	338	338
Human services	-	-	15,457,497	-	-	15,457,497
Culture and recreation	355,917	-	-	-	-	355,917
Conservation of natural resources	486,004	-	-	450,534	47,274	983,812
Economic development	552,484	-	-	-	-	552,484
Intergovernmental						
Highways and streets	-	323,970	-	-	-	323,970
Debt service						
Principal	1,869	-	-	395,000	378,535	775,404
Interest	381	8,293	-	145,765	324,232	478,671
Administrative (fiscal charges)	-	-	-	-	4,447	4,447
Bond issuance costs	-	-	-	12,479	-	12,479
Total Expenditures	\$ 15,255,081	\$ 10,991,575	\$ 15,457,497	\$ 1,003,778	\$ 814,889	\$ 43,522,820
Excess of Revenues Over (Under) Expenditures	\$ 1,687,748	\$ (1,090,113)	\$ 828,435	\$ (428,489)	\$ 14,590	\$ 1,012,171

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 5
(Continued)**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>General</u>	<u>Road and Bridge</u>	<u>Social Services</u>	<u>Ditch Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Other Financing Sources (Uses)						
Transfers out	\$ (1,192,785)	\$ -	\$ -	\$ -	\$ -	\$ (1,192,785)
Proceeds from sale of bonds	-	-	-	475,000	-	475,000
Total Other Financing Sources (Uses)	<u>\$ (1,192,785)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 475,000</u>	<u>\$ -</u>	<u>\$ (717,785)</u>
Change in Fund Balance	\$ 494,963	\$ (1,090,113)	\$ 828,435	\$ 46,511	\$ 14,590	\$ 294,386
Fund Balance - January 1	7,345,906	3,186,994	1,232,342	1,386,702	569,036	13,720,980
Increase (decrease) in reserved for inventories	<u>-</u>	<u>23,306</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,306</u>
Fund Balance - December 31	<u><u>\$ 7,840,869</u></u>	<u><u>\$ 2,120,187</u></u>	<u><u>\$ 2,060,777</u></u>	<u><u>\$ 1,433,213</u></u>	<u><u>\$ 583,626</u></u>	<u><u>\$ 14,038,672</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 6

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Net change in fund balances - total governmental funds (Exhibit 5) \$ 294,386

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

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

Deferred revenue - December 31	\$ 4,285,956	
Deferred revenue - January 1 - restated	(4,596,601)	(310,645)

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for general capital assets and infrastructure	\$ 5,911,936	
Current year depreciation	(2,810,822)	3,101,114

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

Proceeds of new debt		
General obligation bonds issued	\$ (475,000)	
Bond issuance costs	12,479	(462,521)

Principal repayments		
General obligation bonds	\$ 425,000	
Revenue bonds	348,535	
Capital lease	1,869	775,404

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in accrued interest payable	\$ (3,474)	
Amortization of premiums, discounts, and deferred issuance charges	(3,468)	
Change in compensated absences	(138,250)	
Change in inventories	23,306	(121,886)

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

Governmental activities share of net income		967,942

Change in Net Assets of Governmental Activities (Exhibit 2) \$ 4,243,794

PROPRIETARY FUNDS

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 7

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	Business-Type Activities - Enterprise Funds				Totals	Internal Service Fund
	Family Service	Juvenile Center	Public Health	Solid Waste		
Assets						
Current assets						
Cash and pooled investments	\$ 42,140	\$ 422,242	\$ 965,477	\$ 1,968,092	\$ 3,397,951	\$ 1,449,438
Undistributed cash in agency funds	-	-	-	36,860	36,860	-
Petty cash and change funds	300	-	170	-	470	-
Cash with escrow agent	469,181	-	-	-	469,181	-
Investments	-	164,854	-	2,799,824	2,964,678	1,500,000
Special assessments						
Current	-	-	-	29,631	29,631	-
Prior	-	-	-	19,138	19,138	-
Accounts receivable - net	25,158	-	225,703	26,800	277,661	-
Accrued interest receivable	1,311	973	-	46,944	49,228	38,891
Due from other funds	-	150,840	212,842	306	363,988	2,805
Due from other governments	5,694	196,929	185,314	67,027	454,964	-
Prepaid items	4,721	9,657	36,488	2,602	53,468	-
Total current assets	\$ 548,505	\$ 945,495	\$ 1,625,994	\$ 4,997,224	\$ 8,117,218	\$ 2,991,134
Restricted assets						
Cash with escrow agent - temporary	\$ -	\$ 5	\$ -	\$ -	\$ 5	\$ -
Investments	-	-	-	2,480,383	2,480,383	-
Accrued interest receivable	-	-	-	47,105	47,105	-
Total restricted assets	\$ -	\$ 5	\$ -	\$ 2,527,488	\$ 2,527,493	\$ -
Noncurrent assets						
Capital assets						
Nondepreciable	\$ 240,500	\$ -	\$ -	\$ 500,189	\$ 740,689	\$ 107,989
Depreciable - net	5,291,686	2,601,921	-	1,658,314	9,551,921	3,430,136
Total noncurrent assets	\$ 5,532,186	\$ 2,601,921	\$ -	\$ 2,158,503	\$ 10,292,610	\$ 3,538,125
Total Assets	\$ 6,080,691	\$ 3,547,421	\$ 1,625,994	\$ 9,683,215	\$ 20,937,321	\$ 6,529,259

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 7
(Continued)**

**STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2007**

	<u>Business-Type Activities - Enterprise Funds</u>				<u>Totals</u>	<u>Internal Service Fund</u>
	<u>Family Service</u>	<u>Juvenile Center</u>	<u>Public Health</u>	<u>Solid Waste</u>		
<u>Liabilities</u>						
Current liabilities						
Accounts payable	\$ 40,203	\$ 9,159	\$ 12,489	\$ 94,696	\$ 156,547	\$ 90,740
Salaries payable	17,983	59,146	105,585	13,192	195,906	-
Compensated absences payable - current	14,200	36,445	79,009	11,037	140,691	-
Contracts payable	14,318	-	-	-	14,318	40,894
Due to other funds	33,147	2,087	47,871	23,111	106,216	-
Due to other governments	12,703	2,749	41,308	140,720	197,480	9,143
Accrued interest payable	72,043	28,913	-	-	100,956	19,379
Deferred revenue	5,350	-	18,811	-	24,161	-
Facility lease revenue bonds payable - current	420,000	151,992	-	-	571,992	-
Capital leases payable - current	4,476	-	-	-	4,476	199,706
Total current liabilities	<u>\$ 634,423</u>	<u>\$ 290,491</u>	<u>\$ 305,073</u>	<u>\$ 282,756</u>	<u>\$ 1,512,743</u>	<u>\$ 359,862</u>
Noncurrent liabilities						
Compensated absences payable - long-term	\$ 48,395	\$ 133,126	\$ 146,687	\$ 29,860	\$ 358,068	\$ -
Advance from other funds	1,495,000	350,000	-	-	1,845,000	-
Estimated liability for landfill closure/postclosure	-	-	-	2,787,718	2,787,718	-
Facility lease revenue bonds payable - long-term	3,020,000	1,688,499	-	-	4,708,499	-
Unamortized discounts on lease revenue bonds	(39,086)	(11,014)	-	-	(50,100)	-
Capital leases payable - long-term	1,191	-	-	-	1,191	848,540
Total noncurrent liabilities	<u>\$ 4,525,500</u>	<u>\$ 2,160,611</u>	<u>\$ 146,687</u>	<u>\$ 2,817,578</u>	<u>\$ 9,650,376</u>	<u>\$ 848,540</u>
Total Liabilities	<u>\$ 5,159,923</u>	<u>\$ 2,451,102</u>	<u>\$ 451,760</u>	<u>\$ 3,100,334</u>	<u>\$ 11,163,119</u>	<u>\$ 1,208,402</u>
<u>Net Assets</u>						
Invested in capital assets - net of related debt	\$ 2,125,605	\$ 772,443	\$ -	\$ 2,158,503	\$ 5,056,551	\$ 2,489,879
Unrestricted	(1,204,837)	323,876	1,174,234	4,424,378	4,717,651	2,830,978
Total Net Assets	<u>\$ 920,768</u>	<u>\$ 1,096,319</u>	<u>\$ 1,174,234</u>	<u>\$ 6,582,881</u>	<u>\$ 9,774,202</u>	<u>\$ 5,320,857</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 8

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Enterprise Funds				Totals	Internal Service Fund
	Family Service	Juvenile Center	Public Health	Solid Waste		
Operating Revenues						
Charges for services	\$ 240,134	\$ 1,717,908	\$ 1,872,841	\$ 1,050,818	\$ 4,881,701	\$ 849,320
Licenses and permits	-	-	-	765	765	-
Rents	927,292	55,057	-	-	982,349	-
Miscellaneous	97,922	25,786	16,319	10,261	150,288	25,015
Total Operating Revenues	\$ 1,265,348	\$ 1,798,751	\$ 1,889,160	\$ 1,061,844	\$ 6,015,103	\$ 874,335
Operating Expenses						
Personal services	\$ 391,139	\$ 1,392,138	\$ 2,690,529	\$ 339,151	\$ 4,812,957	\$ -
Other services and charges	709,759	274,201	558,263	1,110,259	2,652,482	26,222
Supplies	47,816	60,464	84,822	39,125	232,227	96,915
Depreciation	312,278	139,699	-	1,002,593	1,454,570	658,493
Landfill closure and postclosure	-	-	-	(341,071)	(341,071)	-
Total Operating Expenses	\$ 1,460,992	\$ 1,866,502	\$ 3,333,614	\$ 2,150,057	\$ 8,811,165	\$ 781,630
Operating Income (Loss)	\$ (195,644)	\$ (67,751)	\$ (1,444,454)	\$ (1,088,213)	\$ (2,796,062)	\$ 92,705
Nonoperating Revenues (Expenses)						
Special assessments	\$ -	\$ -	\$ -	\$ 1,100,010	\$ 1,100,010	\$ -
Intergovernmental	-	57,297	1,168,364	169,506	1,395,167	-
Interest income	20,387	6,685	-	258,619	285,691	75,597
Gain on sale of capital assets	-	-	-	-	-	636,939
Interest expense	(183,480)	(72,588)	-	-	(256,068)	(28,797)
Total Nonoperating Revenues (Expenses)	\$ (163,093)	\$ (8,606)	\$ 1,168,364	\$ 1,528,135	\$ 2,524,800	\$ 683,739
Income (Loss) Before Contributions and Transfers	\$ (358,737)	\$ (76,357)	\$ (276,090)	\$ 439,922	\$ (271,262)	\$ 776,444
Capital contributions	22,987	-	-	-	22,987	-
Transfers in	550,000	54,927	587,858	-	1,192,785	-
Change in net assets	\$ 214,250	\$ (21,430)	\$ 311,768	\$ 439,922	\$ 944,510	\$ 776,444
Net Assets - January 1	706,518	1,117,749	862,466	6,142,959		4,544,413
Net Assets - December 31	\$ 920,768	\$ 1,096,319	\$ 1,174,234	\$ 6,582,881		\$ 5,320,857
Adjustment to reflect consolidation of Internal Service Fund activities related to Enterprise Funds					(191,498)	
Change in Net Assets of the Business-Type Activities					\$ 753,012	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

EXHIBIT 9

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds				Totals	Internal Service Fund
	Family Service	Juvenile Center	Public Health	Solid Waste		
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 1,267,716	\$ 1,824,627	\$ 1,830,682	\$ 1,153,818	6,076,843	\$ 876,850
Payments to suppliers	(740,546)	(346,365)	(692,890)	(1,127,337)	(2,907,138)	(113,755)
Payments to employees	(363,476)	(1,384,209)	(2,741,791)	(334,472)	(4,823,948)	-
Net cash provided by (used in) operating activities	\$ 163,694	\$ 94,053	\$ (1,603,999)	\$ (307,991)	(1,654,243)	\$ 763,095
Cash Flows from Noncapital Financing Activities						
Property taxes	\$ -	\$ -	\$ -	\$ 1,091,190	1,091,190	\$ -
Intergovernmental	-	57,682	1,085,895	169,506	1,313,083	-
Advance from other funds	200,000	-	-	-	200,000	-
Transfers in	550,000	-	587,858	-	1,137,858	-
Net cash provided by (used in) noncapital financing activities	\$ 750,000	\$ 57,682	\$ 1,673,753	\$ 1,260,696	\$ 3,742,131	\$ -
Cash Flows from Capital and Related Financing Activities						
Principal paid on installment purchase	\$ (4,048)	\$ -	\$ -	\$ -	(4,048)	\$ (871,666)
Principal paid on long-term debt	(400,000)	(146,465)	-	-	(546,465)	-
Interest paid on long-term debt	(162,835)	(72,848)	-	-	(235,683)	(19,541)
Proceeds from the sale of capital assets	-	-	-	-	-	865,076
Purchases of capital assets	(314,409)	-	-	(155,061)	(469,470)	(785,685)
Net cash provided by (used in) capital and related financing activities	\$ (881,292)	\$ (219,313)	\$ -	\$ (155,061)	\$ (1,255,666)	\$ (811,816)
Cash Flows from Investing Activities						
Purchase of investments	\$ -	\$ -	\$ -	\$ (77,428)	\$ (77,428)	\$ 18,516
Investment earnings received	-	11,817	-	222,556	234,373	93,827
Net cash provided by (used in) investing activities	\$ -	\$ 11,817	\$ -	\$ 145,128	156,945	\$ 112,343
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 32,402	\$ (55,761)	\$ 69,754	\$ 942,772	\$ 989,167	\$ 63,622
Cash and Cash Equivalents						
January 1	10,038	478,003	895,893	1,062,180	2,446,114	1,385,816
December 31	\$ 42,440	\$ 422,242	\$ 965,647	\$ 2,004,952	3,435,281	\$ 1,449,438

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

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

**EXHIBIT 9
(Continued)**

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007
Increase (Decrease) in Cash and Cash Equivalents**

	Enterprise Funds					Internal Service Fund
	Family Service	Juvenile Center	Public Health	Solid Waste	Totals	
Cash and Cash Equivalents - Exhibit 7						
Cash and pooled investments	\$ 42,140	\$ 422,242	\$ 965,477	\$ 1,968,092	\$ 3,397,951	\$ 1,449,438
Undistributed cash in agency funds	-	-	-	36,860	36,860	-
Petty cash and change funds	300	-	170	-	470	-
Total Cash and Cash Equivalents	\$ 42,440	\$ 422,242	\$ 965,647	\$ 2,004,952	\$ 3,435,281	\$ 1,449,438
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities						
Operating income (loss)	\$ (195,644)	\$ (67,751)	\$ (1,444,454)	\$ (1,088,213)	\$ (2,796,062)	\$ 92,705
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities						
Depreciation expense	\$ 312,278	\$ 139,699	\$ -	\$ 1,002,593	\$ 1,454,570	\$ 658,493
(Increase) decrease in						
Accounts receivable	(3,331)	-	55,901	32,062	84,632	-
Due from other governments	(1,192)	(29,251)	(18,395)	59,366	10,528	-
Due from other funds	-	57,114	(134,161)	-	(77,047)	2,515
Prepaid items	(4,721)	(9,657)	(36,488)	(2,602)	(53,468)	-
Increase (decrease) in						
Accounts payable	16,177	(1,708)	6,468	47,369	68,306	9,301
Salaries payable	(2,154)	3,762	12,317	1,568	15,493	-
Compensated absences - current	(187)	(1,332)	7,887	(2,501)	3,867	-
Compensated absences - long-term	2,016	13,172	4,833	(14,265)	5,756	-
Due to other funds	33,147	(7,970)	(64,373)	23,111	(16,085)	-
Due to other governments	1,955	(2,025)	15,503	(25,408)	(9,975)	81
Deferred revenue	5,350	-	(9,037)	-	(3,687)	-
Landfill closure and postclosure payable	-	-	-	(341,071)	(341,071)	-
Total adjustments	\$ 359,338	\$ 161,804	\$ (159,545)	\$ 780,222	\$ 1,141,819	\$ 670,390
Net Cash Provided by (Used in) Operating Activities	\$ 163,694	\$ 94,053	\$ (1,603,999)	\$ (307,991)	\$ (1,654,243)	\$ 763,095

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

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FIDUCIARY FUNDS

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CLAY COUNTY
MOORHEAD, MINNESOTA

EXHIBIT 10

STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
DECEMBER 31, 2007

	<u>Agency Funds</u>
<u>Assets</u>	
Cash and pooled investments	\$ 2,676,205
Accounts receivable	13,514
Due from other funds	<u>94,293</u>
Total Assets	<u>\$ 2,784,012</u>
<u>Liabilities</u>	
Accounts payable	\$ 55,013
Due to other funds	50,145
Due to other governments	<u>2,678,854</u>
Total Liabilities	<u>\$ 2,784,012</u>

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2007

1. Summary of Significant Accounting Policies

The County's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) for the year ended December 31, 2007. 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 described in Note 8.B. The County also participates in jointly-governed organizations and related organizations described in Notes 8.C. and 8.D., respectively.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net assets and the statement of activities) display information about the primary government. These statements include the financial activities of the overall County government, except for fiduciary activities. Eliminations have been made to minimize the

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

1. Government-Wide Statements (Continued)

double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The County's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets. The County first utilizes restricted resources to finance qualifying activities.

The statement of activities demonstrates the degree to which the direct expenses of each function of the County's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions 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**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

The County reports the following major enterprise funds:

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

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

B. Basic Financial Statements

2. Fund Financial Statements (Continued)

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

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

Additionally, the County reports the following fund types:

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

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

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Clay County considers all revenues 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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

C. Measurement Focus and Basis of Accounting (Continued)

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first 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 Auditor/Treasurer for the purpose of increasing earnings through investment activities. Pooled and fund investments are reported at their fair value at December 31, 2007, 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 2007 were \$522,217.

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 (SEC), but does operate in a manner consistent with Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 C.F.R. § 270.2a-7). Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

1. Summary of Significant Accounting Policies

D. Assets, Liabilities, and Net Assets or Equity (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**

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 are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair 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**

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 are 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.

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

All County funds and the government-wide financial statements defer revenue for resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for revenues not considered to be available to liquidate liabilities of the current period.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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 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 not available for appropriation or 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**

1. Summary of Significant Accounting Policies (Continued)

E. Restatement

Beginning net assets for governmental activities on the government-wide statement of activities were reduced by \$1,263,389 to reflect a change in the treatment of bridge bonding in 2006 from an allotment to a grant for the Road and Bridge Special Revenue Fund.

Net Assets, December 31, 2006, as previously reported	\$	72,184,338
Restatement		(1,263,389)
Net Assets, January 1, 2007, as restated	\$	70,920,949

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, 2007.

	Expenditures	Budget	Excess
Special Revenue Funds			
Road and Bridge	\$ 10,991,575	\$ 8,046,741	\$ 2,944,834
County Building	60,063	50,000	10,063

The \$2,944,834 variance in the Road and Bridge Special Revenue Fund was mainly due to construction expenditures of \$1,689,209 budgeted for in 2006, but not started until 2007. A pass-through project with the City of Dilworth resulted in \$82,853 of unbudgeted expenditures. Also, the County transferred \$400,000 from municipal construction to regular construction in 2007.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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	\$ 13,876,718
Cash with escrow agent	1,021,608
Investments	6,315,862
Restricted assets	
Cash with escrow agent	5
Investments	2,480,383
Fiduciary funds	
Cash and pooled investments	
Agency funds	<u>2,676,205</u>
Total Cash and Investments	<u>\$ 26,370,781</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.

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 standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

a. Deposits (Continued)

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, 2007, 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;
- (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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments

b. Investments (Continued)

Concentration of Credit Risk

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

The following table presents the County's deposit and investment balances at December 31, 2007, and information relating to potential investment risks:

Investment Type	Credit Risk		Concentration Risk Over 5% of Portfolio	Interest Rate Risk Maturity Date	Carrying (Fair) Value
	Credit Rating	Rating Agency			
U.S. Government Agency Securities					
Federal National Mortgage Association	Aaa	Moody's		02/28/11	\$ 501,225
Federal National Mortgage Association	Aaa	Moody's		05/07/15	1,002,500
Federal National Mortgage Association	Aaa	Moody's		11/28/17	499,062
Federal National Mortgage Association	Aaa	Moody's		12/12/17	782,193
Total Federal National Mortgage Association			17%		\$ 2,784,980
Federal Home Loan Bank					
Federal Home Loan Bank	Aaa	Moody's		04/08/08	\$ 201,002
Federal Home Loan Bank	Aaa	Moody's		07/22/08	498,600
Federal Home Loan Bank	Aaa	Moody's		07/29/08	651,021
Federal Home Loan Bank	Aaa	Moody's		03/30/10	753,593
Federal Home Loan Bank	Aaa	Moody's		10/22/12	505,625
Federal Home Loan Bank	Aaa	Moody's		11/15/12	1,002,187
Federal Home Loan Bank	Aaa	Moody's		06/27/14	501,815
Total Federal Home Loan Bank			25%		\$ 4,113,843
Federal Home Loan Mortgage Corporation					
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/26/14	\$ 150,974
Federal Home Loan Mortgage Corporation	Aaa	Moody's		11/15/17	346,401
Federal Home Loan Mortgage Corporation	Aaa	Moody's		12/15/17	501,087
Total Federal Home Loan Mortgage Corporation			6%		\$ 998,462
MAGIC Fund					
MAGIC Fund - General Revenue					\$ 3,541,276
MAGIC Fund - Road and Bridge					1,000,000
MAGIC Fund - Solid Waste Long-Term					920,506
MAGIC Fund - Solid Waste Management					1,279,949
Total MAGIC Fund	N/R		N/A	N/A	\$ 6,741,731

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

1. Deposits and Investments (Continued)

Investment Type	Credit Risk		Concentration Risk	Interest Rate Risk	Carrying (Fair) Value
	Credit Rating	Rating Agency	Over 5% of Portfolio	Maturity Date	
Negotiable certificates of deposit	N/R		N/A	N/A	\$ 2,086,372
Total investments					\$ 16,725,388
Deposits					8,617,085
Change funds					6,695
Cash held by escrow agent					1,021,613
Total Cash and Investments					\$ 26,370,781

N/A - Not applicable
N/R - Not rated

2. Receivables

Receivables as of December 31, 2007, 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	\$ 445,223	\$ -
Special assessments	2,260,365	1,944,204
Due from other governments	4,460,262	189,988
Accounts	301,089	-
Interest	193,378	-
Total Governmental Activities	\$ 7,660,317	\$ 2,134,192
Business-Type Activities		
Special assessments	\$ 48,769	\$ -
Due from other governments	454,964	-
Accounts	277,661	-
Interest	49,228	-
Total Business-Type Activities	\$ 830,622	\$ -

**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, 2007, was as follows:

Governmental Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 174,969	\$ -	\$ -	\$ 174,969
Construction in progress	3,121,679	107,989	3,121,679	107,989
Total capital assets not depreciated	\$ 3,296,648	\$ 107,989	\$ 3,121,679	\$ 282,958
Capital assets depreciated				
Land improvements	\$ 70,356	\$ -	\$ -	\$ 70,356
Buildings	14,545,142	23,654	-	14,568,796
Machinery, furniture, and equipment	8,853,040	2,645,549	1,730,207	9,768,382
Infrastructure	71,250,364	8,702,870	-	79,953,234
Total capital assets depreciated	\$ 94,718,902	\$ 11,372,073	\$ 1,730,207	\$ 104,360,768
Less: accumulated depreciation for				
Land improvements	\$ 33,484	\$ 2,500	\$ -	\$ 35,984
Buildings	3,842,240	272,107	-	4,114,347
Machinery, furniture, and equipment	6,119,089	816,553	1,502,070	5,433,572
Infrastructure	24,838,395	2,378,155	-	27,216,550
Total accumulated depreciation	\$ 34,833,208	\$ 3,469,315	\$ 1,502,070	\$ 36,800,453
Total capital assets depreciated, net	\$ 59,885,694	\$ 7,902,758	\$ 228,137	\$ 67,560,315
Governmental Activities Capital Assets, Net	\$ 63,182,342	\$ 8,010,747	\$ 3,349,816	\$ 67,843,273

Business-Type Activities

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not depreciated				
Land	\$ 740,689	\$ -	\$ -	\$ 740,689
Construction in progress	5,549	-	5,549	-
Total capital assets not depreciated	\$ 746,238	\$ -	\$ 5,549	\$ 740,689

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

A. Assets

3. Capital Assets

Business-Type Activities (Continued)

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets depreciated				
Buildings	\$ 12,388,998	\$ 456,899	\$ -	\$ 12,845,897
Landfill	8,687,250	31	-	8,687,281
Improvements other than building	234,835	-	-	234,835
Machinery, furniture, and equipment	1,526,909	55,395	112,769	1,469,535
Total capital assets depreciated	\$ 22,837,992	\$ 512,325	\$ 112,769	\$ 23,237,548
Less: accumulated depreciation for				
Buildings	\$ 4,513,009	\$ 418,447	\$ -	\$ 4,931,456
Landfill	6,460,950	941,102	-	7,402,052
Improvements other than building	203,848	2,573	-	206,421
Machinery, furniture, and equipment	1,166,019	92,448	112,769	1,145,698
Total accumulated depreciation	\$ 12,343,826	\$ 1,454,570	\$ 112,769	\$ 13,685,627
Total capital assets depreciated, net	\$ 10,494,166	\$ (942,245)	\$ -	\$ 9,551,921
Business-Type Activities				
Capital Assets, Net	\$ 11,240,404	\$ (942,245)	\$ 5,549	\$ 10,292,610

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

Governmental Activities	
General government	\$ 251,991
Public safety	58,657
Highways and streets, including depreciation of infrastructure assets	2,465,139
Human services	3,308
Economic development	31,727
Capital assets held by the County's internal service funds are charged to the various functions based on their usage of the assets	658,493
Total Depreciation Expense - Governmental Activities	\$ 3,469,315
Business-Type Activities	
Family Service Center	\$ 312,278
Juvenile Center	139,699
Solid Waste	1,002,593
Total Depreciation Expense - Business-Type Activities	\$ 1,454,570

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

B. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of December 31, 2007, is as follows:

1. Due To/From Other Funds

Receivable Fund	Payable Fund	Amount
General	Road and Bridge	\$ 125
	Social Services	198,137
	Other governmental funds	36,167
	Family Service	2,916
	Public Health	12,006
	Solid Waste	6,051
	Agency funds	50,145
Total Due to General Fund		\$ 305,547
Road and Bridge Special Revenue	General	\$ 14,389
	Solid Waste	118
Total Due to Road and Bridge Special Revenue Fund		\$ 14,507
Social Services Special Revenue	Public Health	\$ 35,865
Ditch Debt Service	Other governmental funds	\$ 94
Other governmental funds	Road and Bridge Special Revenue	\$ 20,037
Juvenile Center Enterprise	General	\$ 137,473
	Social Services	13,367
Total Due to Juvenile Center Enterprise Fund		\$ 150,840
Public Health Enterprise	General	\$ 19,222
	Social Services	144,360
	Family Service	30,231
	Solid Waste	16,942
	Juvenile Center	2,087
Total Due to Public Health Enterprise Fund		\$ 212,842
Solid Waste Management Enterprise	Other governmental funds	\$ 306
Internal Service Fund	Social Services	\$ 2,805

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

B. Interfund Receivables, Payables, and Transfers

1. Due To/From Other Funds (Continued)

Receivable Fund	Payable Fund	Amount
Agency	General Social Services	\$ 20,889 73,404
Total Due to Agency Fund		\$ 94,293
Total Due To/From Other Funds		\$ 837,136

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 Family Service Center Juvenile Center	\$ 20,000 1,495,000 350,000
Total Due to General Fund		\$ 1,865,000

3. Interfund Transfers

Interfund transfers for the year ended December 31, 2007, consisted of the following:

Transfers to Family Service Center Enterprise Fund from General Fund	\$	550,000	To transfer funds for cash flow purposes
Transfers to Juvenile Center Enterprise Fund from General Fund		54,927	To transfer funds to cover shelter care deficit
Transfers to Public Health Enterprise Fund from General Fund		587,858	Budgeted transfer
Total Interfund Transfers	\$	1,192,785	

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds (Continued)

C. Liabilities

1. Payables

Payables at December 31, 2007, were as follows:

	Governmental Activities	Business-Type Activities
Accounts	\$ 912,278	\$ 156,547
Salaries	772,941	195,906
Contracts	268,212	14,318
Due to other governments	894,424	197,480
Accrued interest payable	226,708	100,956
Total Payables	\$ 3,074,563	\$ 665,207

2. Deferred Revenue

Deferred revenue as of December 31, 2007, was as follows:

	Deferred Unavailable
Governmental funds	
Taxes	\$ 2,804,617
State-aid highway allotments	1,140,860
Charges for services	106,097
Grants	14,558
Accrued interest	138,985
Miscellaneous	7,973
Expenditure offset	72,866
Total Governmental Funds	\$ 4,285,956
	Deferred Unearned
Proprietary Funds	
Charges for services	\$ 13,523
Grants	5,288
Rent	5,350
Total Proprietary Funds	\$ 24,161

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities (Continued)

3. Construction Commitments

The government has active construction projects as of December 31, 2007. The projects include the following:

	Spent-to-Date	Remaining Commitment
Governmental Activities		
Communications Tower and Shelter Project	\$ 104,994	\$ 106,239
Snow Plow Trucks	-	187,824

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, 2007:

Lease	Maturity	Installment	Payment Amount	Original	Balance
Governmental Activities					
2003 motor grader	2008	Annual	\$ 19,814	\$ 171,608	\$ 92,124
2005 motor grader	2010	Annual	17,094	174,113	145,824
2005 copier	2009	Monthly	2,077	7,422	2,661
2007 motor grader	2015	Annual	16,553	190,228	97,901
2007 motor grader	2015	Annual	16,553	190,228	97,901
2007 motor grader	2015	Annual	16,681	190,984	98,657
2007 motor grader	2015	Annual	15,524	190,228	91,816
2007 motor grader	2015	Annual	15,524	190,228	91,816
2007 motor grader	2015	Annual	15,652	190,984	92,572
2007 motor grader	2015	Annual	16,264	190,984	96,194
2007 motor grader	2015	Annual	24,253	238,232	143,442
Total Governmental Activities Capital Leases					\$ 1,050,908
Business-Type Activities					
2004 mail machine	2009	Monthly	\$ 4,846	\$ 18,958	\$ 5,668

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

4. Leases

Capital Leases (Continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2007, were as follows:

<u>Year Ending December 31</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$ 251,676	\$ 4,845
2009	154,792	1,212
2010	279,805	-
2011	137,005	-
2012	137,005	-
2013	137,005	-
2014	137,005	-
2015	8	-
Total minimum lease payments	\$ 1,234,301	\$ 6,057
Less: amount representing interest	(183,393)	(389)
Present Value of Minimum Lease Payments	<u>\$ 1,050,908</u>	<u>\$ 5,668</u>

5. Long-Term Debt

Governmental Activities

<u>Type of Indebtedness</u>	<u>Final Maturity</u>	<u>Installment Amounts</u>	<u>Interest Rate (%)</u>	<u>Original Issue Amount</u>	<u>Outstanding Balance December 31, 2007</u>
General Obligation Bonds 1997 G.O. Watershed Improvement Bonds	2013	\$40,000 - \$60,000	5.3746	\$ 660,000	\$ 315,000
1999 G.O. Watershed Improvement Bonds	2015	\$60,000 - \$105,000	5.2452	1,125,000	700,000

**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 Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
2000 G.O. Watershed Improvement Bonds	2016	\$25,000 - \$45,000	5.3936	465,000	325,000
2002 G.O. Watershed Improvement Bonds	2012	\$23,000 - \$32,000	5.0860	260,000	146,000
2003 G.O. Ditch Bonds	2014	\$85,000 - \$110,000	2.8555	960,000	695,000
2003 G.O. Watershed Improvement Refunding Bonds	2011	\$80,000 - \$90,000	2.9430	590,000	350,000
2005 G.O. Watershed Improvement Bonds	2016	\$60,000 - \$100,000	3.7950	830,000	770,000
2007 G.O. Watershed and Ditch Bonds	2018	\$40,000 - \$55,000	4.1853	475,000	475,000
Total general obligation bonds				<u>\$ 5,365,000</u>	\$ 3,776,000
Less: unamortized discount					<u>(1,991)</u>
Total General Obligation Bonds, Net					<u>\$ 3,774,009</u>
Revenue Bonds					
2001 Joint Highway Lease Revenue Bonds	2022	\$75,000 - \$175,000	5.298	\$ 2,240,000	\$ 1,865,000
2002 Courthouse Expansion Lease Revenue Bonds	2023	\$140,000 - \$320,000	4.999	4,200,000	3,630,000
2002 Law Enforcement Revenue Refunding Bonds	2017	\$109,588 - \$181,157	3.8785	1,831,694	1,489,510
Total Revenue Bonds				<u>\$ 8,271,694</u>	<u>\$ 6,984,510</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

5. Long-Term Debt (Continued)

Business-Type Activities

Type of Indebtedness	Final Maturity	Installment Amounts	Interest Rate (%)	Original Issue Amount	Outstanding Balance December 31, 2007
Revenue Bonds					
1998 Family Service Center Lease Revenue Refunding Bonds	2014	\$355,000 - \$495,000	6.3985	\$ 4,575,000	\$ 3,440,000
2002 Law Enforcement Facility Revenue Refunding Bonds	2017	\$135,411 - \$223,844	3.8785	2,263,307	1,840,491
Total revenue bonds				<u>\$ 6,838,307</u>	\$ 5,280,491
Less: unamortized discount					(50,100)
Total Revenue Bonds, Net					<u>\$ 5,230,391</u>

6. Debt Service Requirements

Debt service requirements at December 31, 2007, were as follows:

Governmental Activities

Year Ending December 31	General Obligation Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2008	\$ 421,000	\$ 154,977	\$ 368,009	\$ 318,647
2009	478,000	131,464	380,244	304,472
2010	494,000	112,645	399,190	289,135
2011	516,000	92,293	418,663	272,490
2012	442,000	72,196	433,136	254,637
2013 - 2017	1,370,000	121,978	2,505,268	952,470
2018 - 2022	55,000	1,169	2,160,000	376,631
2023	-	-	320,000	8,200
Total	<u>\$ 3,776,000</u>	<u>\$ 686,722</u>	<u>\$ 6,984,510</u>	<u>\$ 2,776,682</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

6. Debt Service Requirements (Continued)

Business-Type Activities

Year Ending December 31	Revenue Bonds	
	Principal	Interest
2008	\$ 571,992	\$ 230,038
2009	594,756	204,621
2010	650,810	176,431
2011	676,337	145,739
2012	701,864	113,391
2013 - 2017	2,084,732	163,713
Total	<u>\$ 5,280,491</u>	<u>\$ 1,033,933</u>

7. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2007, was as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
General obligation bonds	\$ 3,726,000	\$ 475,000	\$ 425,000	\$ 3,776,000	\$ 421,000
Revenue bonds	7,333,045	-	348,535	6,984,510	368,008
Less: deferred amounts for issuance discounts	(2,655)	-	(664)	(1,991)	-
Total bonds payable	\$ 11,056,390	\$ 475,000	\$ 772,871	\$ 10,758,519	\$ 789,008
Capital leases	352,347	1,572,096	873,535	1,050,908	201,684
Compensated absences	1,706,426	1,186,176	1,047,926	1,844,676	474,413
Governmental Activities Long-Term Liabilities	<u>\$ 13,115,163</u>	<u>\$ 3,233,272</u>	<u>\$ 2,694,332</u>	<u>\$ 13,654,103</u>	<u>\$ 1,465,105</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

3. Detailed Notes on All Funds

C. Liabilities

7. Changes in Long-Term Liabilities (Continued)

Business-Type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable					
Revenue bonds	\$ 5,826,956	\$ -	\$ 546,465	\$ 5,280,491	\$ 571,992
Less: deferred amounts for issuance discounts	(57,838)	-	(7,738)	(50,100)	-
Total bonds payable	\$ 5,769,118	\$ -	\$ 538,727	\$ 5,230,391	\$ 571,992
Capital lease	9,715	-	4,047	5,668	4,476
Estimated liability for landfill closure/postclosure	3,128,789	-	341,071	2,787,718	-
Compensated absences	489,136	280,753	271,131	498,758	140,691
Business-Type Activities Long-Term Liabilities	<u>\$ 9,396,758</u>	<u>\$ 280,753</u>	<u>\$ 1,154,976</u>	<u>\$ 8,522,535</u>	<u>\$ 717,159</u>

Long-term liabilities for internal service funds are included as part of the above totals based upon their activity. For internal service funds, \$1,048,246 of lease purchases payable are included in the amounts for the governmental activities at year-end.

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description

All full-time and certain part-time employees of Clay County are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Local Government Correctional Service Retirement Fund (the Public Employees Correctional Fund), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minn. Stat. chs. 353 and 356.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

Public Employees Retirement Fund members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security, and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the Public Employees Police and Fire Fund. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailer/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates, are covered by the Public Employees Correctional Fund.

PERA provides retirement benefits as well as disability benefits to members and benefits to survivors upon death of eligible members. Benefits are established by state statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first ten years of service and 2.7 percent for each 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.

For all Public Employees Retirement Fund members hired prior to July 1, 1989, whose annuity is calculated using Method 1, and for all Public Employees Police and Fire Fund and Public Employees Correctional Fund members, a full annuity is available when age plus years of service equal 90. A reduced retirement annuity is also available to eligible members seeking early retirement.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Plan Description (Continued)

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

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; 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. 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 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan increased in 2008 to 6.00 percent. Public Employees Police and Fire Fund members were required to contribute 7.80 percent of their annual covered salary in 2007. That rate increased to 8.60 percent in 2008. Public Employees Correctional Fund members are required to contribute 5.83 percent of their annual covered salary.

The County is required to contribute the following percentages of annual covered payroll in 2007 and 2008:

	<u>2007</u>	<u>2008</u>
Public Employees Retirement Fund		
Basic Plan members	11.78%	11.78%
Coordinated Plan members	6.25	6.50
Public Employees Police and Fire Fund	11.70	12.90
Public Employees Correctional Fund	8.75	8.75

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

A. Defined Benefit Plan

Funding Policy (Continued)

The County's contributions for the years ending December 31, 2007, 2006, and 2005, for the Public Employees Retirement Fund, the Public Employees Police and Fire Fund, and the Public Employees Correctional Fund were:

	<u>2007</u>	<u>2006</u>	<u>2005</u>
Public Employees Retirement Fund	\$ 771,369	\$ 708,935	\$ 627,806
Public Employees Police and Fire Fund	229,115	196,355	170,608
Public Employees Correctional Fund	142,762	139,926	132,258

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

B. Defined Contribution Plan

Four County Commissioners of Clay County are covered by the Public Employees Defined Contribution Plan, a multiple-employer, deferred compensation plan administered by PERA 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.

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. Employees may elect to make member contributions in an amount not to exceed the employer share. Employee and employer contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2.00 percent of employer contributions and 0.25 percent of the assets in each member account annually.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

4. Employee Retirement Systems and Pension Plans

B. Defined Contribution Plan (Continued)

Total contributions by dollar amount and percentage of covered payroll made by the County during the year ended December 31, 2007, were:

	<u>Employee</u>	<u>Employer</u>
Contribution amount	\$ 6,479	\$ 6,479
Percentage of covered payroll	5%	5%

Required contribution rates were 5.00 percent.

5. Landfill Closure and Postclosure Care Costs

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Board reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,787,718 landfill closure and postclosure care liability at December 31, 2007, represents the cumulative amount reported to date based on the use of 89 percent of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$75,754 as the remaining estimated capacity is filled, and the date the landfill is expected to be filled to capacity (2019) 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, 2007. 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, 2007, investments of \$2,480,383 are held for these purposes. These are reported as restricted assets on the balance sheet. Clay County expects that future inflation costs will be paid from investment earnings on these annual contributions. However, if investment earnings are inadequate or additional postclosure

**CLAY COUNTY
MOORHEAD, MINNESOTA**

5. Landfill Closure and Postclosure Care Costs (Continued)

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 \$400,000 per claim in 2007 and \$410,000 per claim in 2008. 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 agreements and are payable solely from the revenue of the entity. The County is not

**CLAY COUNTY
MOORHEAD, MINNESOTA**

7. Conduit Debt (Continued)

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, 2007, are as follows:

<u>Entity</u>	<u>Series</u>	<u>Principal Issued</u>	<u>Outstanding</u>
Concordia College Corporation	2001	\$ 3,300,000	\$ 2,400,000
Minnesota State University Moorhead	2001	3,940,000	3,597,534
Concordia College Corporation	2003	2,300,000	2,000,000
Concordia College Corporation	2004	7,000,000	6,900,000
Lakeland Mental Health Center, Inc.	2005	520,000	473,363
Eventide	2006	2,000,000	1,913,149

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**

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 2007, Clay County contributed \$6,576 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**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Fargo-Moorhead Metropolitan Council of Governments (Continued)

As of December 31, 2007, the total net assets of the Fargo-Moorhead Metropolitan Council of Governments are \$622,447. 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. 152 (Moorhead), 146 (Barnesville), 2164 (Dilworth-Glyndon-Felton), 150 (Hawley), and 914 (Ulen-Hitterdal); the Clay-Wilkin Opportunity Council; Lakeland Mental Health; and Clay County Court Services. The purpose of the Collaborative is to provide services designed to enhance opportunities for children or youth to improve child health

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Clay County Joint Powers Collaborative (Continued)

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 2007, 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**

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 2007, the County contributed \$3,000 to the Task Force.

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

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

Northwest Minnesota Regional Radio Board

The Northwest Minnesota Regional Radio Board convening meeting was held February 6, 2008, pursuant to the authority conferred upon the member parties by Minn. Stat. §§ 471.59 and 403.39, and includes the City of Moorhead and Becker, Beltrami, Clay, Clearwater, Hubbard, Kittson, Lake of the Woods, Mahnomon, Marshall, Norman, Pennington, Polk, Red Lake, and Roseau Counties.

The purpose of the Northwest Regional Radio Board is to provide for regional administration of enhancements to the Statewide Public Safety Radio and Communication System (ARMER) owned and operated by the State of Minnesota.

Control of the Northwest Minnesota Regional Radio Board is vested in the Northwest Minnesota Regional Radio Board, which is composed of one Commissioner of each county appointed by their respective County Board and one City Council member from each city appointed by their respective City Council, as provided in the Northwest Minnesota Regional Radio Board's by-laws.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

B. Joint Ventures

Northwest Minnesota Regional Radio Board (Continued)

In the event of dissolution of the Northwest Minnesota Regional Radio Board, all property, assets, and funds of the Board shall be distributed to the parties of the agreement upon termination in direct proportion to their participation and contribution.

Any city or county that has withdrawn from the agreement prior to termination of the Board shall share in the distribution of property, assets, and funds of the Board only to the extent they shared in the original expense.

The Northwest Minnesota Regional Radio Board has no long-term debt. Financing is provided by the appropriations from member parties and by state and federal grants. Complete financial information can be obtained from: Northwest Minnesota Regional Radio Board, c/o Greater Northwest EMS, 2301 Johanneson Avenue N.W., Suite 103, Bemidji, Minnesota 56601.

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Western Area City/County Co-op

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

District IV Transportation Planning

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

Agassiz Recreational Trail Joint Powers Board

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

Minnesota Red River Basin of the North Joint Powers Agreement

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations

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

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

During 2007, 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.

Oakport Joint Powers Agreement

Clay County, the City of Moorhead, and Oakport Township entered into a joint powers agreement, effective February 15, 1990, and empowered under Minn. Stat. §§ 414.03, 462.35, and 471.59. The purpose of the Board is to address land development concerns in the Oakport Township area that is scheduled for orderly annexation in 2015. The Oakport Joint Powers Board is comprised of six members, two appointed by each entity.

Agassiz Regional Library

The Agassiz Regional Library was formed pursuant to Minn. Stat. §§ 134.20 and 471.59, effective January 1, 1981, and includes Becker, Clay, Clearwater, Mahnomon, Norman, Polk, and Wilkin Counties. Control of the Library is vested in the Agassiz Regional Library Board, which is composed of 23 members with staggered terms made up of the following: one member appointed by each Board of County Commissioners who may be a member of the Board of Commissioners; one member appointed by each participating city; and one additional member appointed by each county and city for each 6,000 of population or major percentage (85 percent) thereof. Clay County contributed \$214,213 to the Agassiz Regional Library during 2007.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

C. Jointly-Governed Organizations (Continued)

Red River Regional Dispatch Center

In 2001, a Joint Powers Agreement was entered into by the cities of Moorhead, Minnesota; Fargo, North Dakota; and the Counties of Cass, North Dakota; and Clay, Minnesota, for the joint operation of 911/Dispatch functions to reduce and/or eliminate duplication of equipment and staff time. A joint board, comprised of members appointed by the governing bodies, is responsible for administering the joint dispatch center.

Minnesota Counties Computer Cooperative (MCCC)

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

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

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

**CLAY COUNTY
MOORHEAD, MINNESOTA**

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

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 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.

**CLAY COUNTY
MOORHEAD, MINNESOTA**

8. Summary of Significant Contingencies and Other Items

D. Related Organizations

Wild Rice Watershed District (Continued)

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

Lakeland Mental Health Center

Lakeland Mental Health Center was formed pursuant to Minn. Stat. ch. 317A as a 501-C3 nonprofit corporation on February 10, 1961, and includes Becker, Clay, Grant, Otter Tail, and Pope Counties. The purpose of Lakeland Mental Health Center is to promote healthy individuals, families, and communities by providing high quality accessible mental health services.

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

Services are provided to the member counties through purchase of services agreements. A member county may lose its membership, by action of the Board of Directors, if it fails to have a signed contract with Lakeland Mental Health Center. Clay County paid \$993,140 in 2007 for services purchased through Lakeland Mental Health Center.

9. Subsequent Event

Bond Issue

The County issued \$7,710,000 General Obligation Capital Improvement Plan Bonds, Series 2008A, dated February 6, 2008.

REQUIRED SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 9,158,505	\$ 9,158,505	\$ 9,072,253	\$ (86,252)
Licenses and permits	66,798	66,798	74,266	7,468
Intergovernmental	4,632,997	4,632,997	4,959,916	326,919
Charges for services	1,724,575	1,724,575	1,746,106	21,531
Fines and forfeits	9,400	9,400	209,372	199,972
Investment earnings	400,000	400,000	537,726	137,726
Miscellaneous	368,296	368,296	343,190	(25,106)
Total Revenues	\$ 16,360,571	\$ 16,360,571	\$ 16,942,829	\$ 582,258
Expenditures				
Current				
General government				
Commissioners	\$ 225,669	\$ 225,669	\$ 255,333	\$ (29,664)
Courts	30,000	30,000	17,598	12,402
Personnel coordinator	55,000	55,000	40,375	14,625
Law library	101,395	101,395	73,366	28,029
County administration	231,773	231,773	233,322	(1,549)
County auditor	660,554	660,554	592,884	67,670
License bureau	332,922	332,922	346,861	(13,939)
County treasurer	142,443	142,443	146,036	(3,593)
County assessor	309,340	309,340	309,743	(403)
Elections	24,171	24,171	12,333	11,838
Internal audit	53,000	53,000	65,468	(12,468)
Data processing	1,083,108	1,083,108	1,091,340	(8,232)
Personnel	143,886	143,886	150,114	(6,228)
Attorney	1,023,816	1,023,816	943,938	79,878
Victim witness	93,184	93,184	70,819	22,365
Recorder	461,275	461,275	440,280	20,995
Surveyor	45,000	45,000	44,871	129
Planning and zoning	292,200	292,200	300,590	(8,390)
Maintenance	587,084	587,084	424,278	162,806
Veterans service officer	114,068	114,068	105,214	8,854
Unallocated	755,153	647,395	773,915	(126,520)
Total general government	\$ 6,765,041	\$ 6,657,283	\$ 6,438,678	\$ 218,605

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Public safety				
Sheriff	\$ 3,238,687	\$ 3,238,687	\$ 3,337,842	\$ (99,155)
Boat and water safety	-	-	1,684	(1,684)
Drug seizures	-	-	28,779	(28,779)
Law enforcement grant	37,323	37,323	34,544	2,779
Coroner	59,828	59,828	101,438	(41,610)
E-911 system	69,600	69,600	69,732	(132)
Community corrections	2,491,165	2,491,165	2,486,278	4,887
Dispatchers	210,733	210,733	222,128	(11,395)
Probation and parole	560,120	560,120	562,595	(2,475)
Juvenile detention	512,541	512,541	382,645	129,896
Electronic monitoring	108,202	108,202	76,852	31,350
Civil defense	75,425	75,425	115,231	(39,806)
Total public safety	\$ 7,363,624	\$ 7,363,624	\$ 7,419,748	\$ (56,124)
Culture and recreation				
Historical society	\$ 140,204	\$ 140,204	\$ 140,204	\$ -
Humane society	1,500	1,500	1,500	-
Viking library	214,213	214,213	214,213	-
Total culture and recreation	\$ 355,917	\$ 355,917	\$ 355,917	\$ -
Conservation of natural resources				
County extension	\$ 254,259	\$ 254,259	\$ 243,276	\$ 10,983
Soil and water conservation	153,834	153,834	153,834	-
International Coalition	1,281	1,281	1,281	-
Agricultural Coalition	129,065	129,065	61,160	67,905
Agricultural society/County fair	27,934	27,934	22,795	5,139
Valley Water Rescue	4,000	4,000	3,658	342
Total conservation of natural resources	\$ 570,373	\$ 570,373	\$ 486,004	\$ 84,369

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 1
(Continued)

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Expenditures				
Current (Continued)				
Economic development				
Metropolitan Council	\$ 6,576	\$ 6,576	\$ 7,536	\$ (960)
Red River winter shows	800	800	800	-
West Central Council on Aging	5,300	5,300	5,300	-
Chamber of Commerce	1,309	1,309	1,309	-
County-wide incentive program	87,500	87,500	87,500	-
Pew Partnership	16,000	16,000	16,000	-
Rural life outreach	4,429	4,429	4,429	-
Riverkeepers	5,000	5,000	5,000	-
Rural Minnesota Counties Caucus	650	650	650	-
Emergency Volunteer Coordination	2,100	2,100	2,100	-
Minnesota Housing Partnership	600	600	533	67
WACCO	5,000	5,000	-	5,000
Rural transit	283,244	283,244	394,107	(110,863)
Rural transit	27,220	27,220	27,220	-
Total economic development	\$ 445,728	\$ 445,728	\$ 552,484	\$ (106,756)
Debt service				
Principal	-	-	1,869	(1,869)
Interest	-	-	381	(381)
Total debt service	\$ -	\$ -	\$ 2,250	\$ (2,250)
Total Expenditures	\$ 15,500,683	\$ 15,392,925	\$ 15,255,081	\$ 137,844
Excess of Revenues Over (Under)				
Expenditures	\$ 859,888	\$ 967,646	\$ 1,687,748	\$ 720,102
Other Financing Sources (Uses)				
Transfers out	(875,858)	(875,858)	(1,192,785)	(316,927)
Net Change in Fund Balance	\$ (15,970)	\$ 91,788	\$ 494,963	\$ 403,175
Fund Balance - January 1	7,345,906	7,345,906	7,345,906	-
Fund Balance - December 31	\$ 7,329,936	\$ 7,437,694	\$ 7,840,869	\$ 403,175

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 2

**BUDGETARY COMPARISON SCHEDULE
ROAD AND BRIDGE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 2,430,542	\$ 2,430,542	\$ 2,402,367	\$ (28,175)
Licenses and permits	2,400	2,400	2,700	300
Intergovernmental	5,053,799	5,053,799	6,938,680	1,884,881
Charges for services	460,000	460,000	463,926	3,926
Investment earnings	25,000	25,000	44,302	19,302
Miscellaneous	75,000	75,000	49,487	(25,513)
Total Revenues	\$ 8,046,741	\$ 8,046,741	\$ 9,901,462	\$ 1,854,721
Expenditures				
Current				
Highways and streets				
Administration	\$ 506,696	\$ 506,696	\$ 442,798	\$ 63,898
Maintenance	2,599,009	2,599,009	2,912,564	(313,555)
Construction	3,639,741	3,639,741	6,018,488	(2,378,747)
Equipment maintenance and shop	1,301,295	1,301,295	1,285,462	15,833
Total highways and streets	\$ 8,046,741	\$ 8,046,741	\$ 10,659,312	\$ (2,612,571)
Intergovernmental				
Highways and streets	-	-	323,970	(323,970)
Debt service				
Interest	-	-	8,293	(8,293)
Total Expenditures	\$ 8,046,741	\$ 8,046,741	\$ 10,991,575	\$ (2,944,834)
Excess of Revenues Over (Under)				
Expenditures	\$ -	\$ -	\$ (1,090,113)	\$ (1,090,113)
Fund Balance - January 1	3,186,994	3,186,994	3,186,994	-
Increase (decrease) in reserved for inventories	-	-	23,306	23,306
Fund Balance - December 31	\$ 3,186,994	\$ 3,186,994	\$ 2,120,187	\$ (1,066,807)

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 3

**BUDGETARY COMPARISON SCHEDULE
SOCIAL SERVICES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 5,245,900	\$ 5,245,900	\$ 5,194,307	\$ (51,593)
Intergovernmental	10,057,599	10,057,599	10,454,278	396,679
Fines and forfeits	-	-	33,064	33,064
Miscellaneous	371,175	371,175	604,283	233,108
Total Revenues	\$ 15,674,674	\$ 15,674,674	\$ 16,285,932	\$ 611,258
Expenditures				
Current				
Human services				
Income maintenance	\$ 4,334,677	\$ 4,362,382	\$ 3,254,231	\$ 1,108,151
Social services	11,339,997	11,420,050	12,203,266	(783,216)
Total Expenditures	\$ 15,674,674	\$ 15,782,432	\$ 15,457,497	\$ 324,935
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (107,758)	\$ 828,435	\$ 936,193
Fund Balance - January 1	1,232,342	1,232,342	1,232,342	-
Fund Balance - December 31	\$ 1,232,342	\$ 1,124,584	\$ 2,060,777	\$ 936,193

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2007

1. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue funds, except 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/Treasurer 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 (such as 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 reappropriated and honored during the subsequent year.

2. Stewardship, Compliance, and Accountability

Excess of Expenditures Over Budget

The Road and Bridge Special Revenue Fund had expenditures in excess of budget for the year ended December 31, 2007.

<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
\$ 10,991,575	\$ 8,046,741	\$ 2,944,834

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SUPPLEMENTARY INFORMATION

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement A-1

**COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2007**

	Special Revenue (Statement B-1)	Debt Service (Statement C-1)	Total (Exhibit 3)
<u>Assets</u>			
Cash and pooled investments	\$ 331,709	\$ 320,606	\$ 652,315
Undistributed cash in agency funds	700	9,958	10,658
Cash with escrow agent	-	4	4
Taxes receivable			
Current	589	8,361	8,950
Prior	419	5,804	6,223
Special assessments receivable			
Current	-	427	427
Due from other funds	20,037	-	20,037
Total Assets	\$ 353,454	\$ 345,160	\$ 698,614
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 14,000	\$ 74	\$ 14,074
Due to other funds	36,567	-	36,567
Due to other governments	33,138	-	33,138
Deferred revenue - unavailable	720	10,489	11,209
Advance from other funds	-	20,000	20,000
Total Liabilities	\$ 84,425	\$ 30,563	\$ 114,988
 Fund Balances			
Unreserved			
Designated for debt service	\$ -	\$ 272,981	\$ 272,981
Undesignated	269,029	41,616	310,645
Total Fund Balances	\$ 269,029	\$ 314,597	\$ 583,626
 Total Liabilities and Fund Balances	 \$ 353,454	 \$ 345,160	 \$ 698,614

**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, 2007**

	<u>Special Revenue (Statement B-2)</u>	<u>Debt Service (Statement C-2)</u>	<u>Total (Exhibit 5)</u>
Revenues			
Taxes	\$ 56,318	\$ 516,027	\$ 572,345
Intergovernmental	14,060	200,422	214,482
Investment earnings	-	298	298
Miscellaneous	42,354	-	42,354
Total Revenues	\$ 112,732	\$ 716,747	\$ 829,479
Expenditures			
Current			
General government	\$ 60,063	\$ -	\$ 60,063
Sanitation	-	338	338
Conservation of natural resources	47,274	-	47,274
Debt service			
Principal	-	378,535	378,535
Interest	-	324,232	324,232
Administrative (fiscal) charges	-	4,447	4,447
Total Expenditures	\$ 107,337	\$ 707,552	\$ 814,889
Excess of Revenues Over (Under) Expenditures	\$ 5,395	\$ 9,195	\$ 14,590
Fund Balance - January 1	263,634	305,402	569,036
Fund Balance - December 31	\$ 269,029	\$ 314,597	\$ 583,626

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement B-1

**COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2007**

	County Building	Forfeited Tax	Gravel Removal Tax Reserve	Total (Statement A-1)
<u>Assets</u>				
Cash and pooled investments	\$ 68,300	\$ 42,304	\$ 221,105	\$ 331,709
Undistributed cash in agency funds	700	-	-	700
Taxes receivable				
Current	589	-	-	589
Prior	419	-	-	419
Due from other funds	-	-	20,037	20,037
Total Assets	\$ 70,008	\$ 42,304	\$ 241,142	\$ 353,454
 <u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ 14,000	\$ -	\$ -	\$ 14,000
Due to other funds	27,401	9,166	-	36,567
Due to other governments	-	33,138	-	33,138
Deferred revenue - unavailable	720	-	-	720
Total Liabilities	\$ 42,121	\$ 42,304	\$ -	\$ 84,425
Fund Balances				
Unreserved				
Undesignated	27,887	-	241,142	269,029
Total Liabilities and Fund Balances	\$ 70,008	\$ 42,304	\$ 241,142	\$ 353,454

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement B-2

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>County Building</u>	<u>Forfeited Tax</u>	<u>Gravel Removal Tax Reserve</u>	<u>Total (Statement A-2)</u>
Revenues				
Taxes	\$ 36,281	\$ -	\$ 20,037	\$ 56,318
Intergovernmental	14,060	-	-	14,060
Miscellaneous	-	42,354	-	42,354
Total Revenues	\$ 50,341	\$ 42,354	\$ 20,037	\$ 112,732
Expenditures				
Current				
General government	\$ 60,063	\$ -	\$ -	\$ 60,063
Conservation of natural resources	-	42,354	4,920	47,274
Total Expenditures	\$ 60,063	\$ 42,354	\$ 4,920	\$ 107,337
Excess of Revenues Over (Under) Expenditures	\$ (9,722)	\$ -	\$ 15,117	\$ 5,395
Fund Balance - January 1	37,609	-	226,025	263,634
Fund Balance - December 31	\$ 27,887	\$ -	\$ 241,142	\$ 269,029

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Statement C-1

**COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2007**

	Americana Estates	Courthouse Expansion	Joint Highway Facility	Law Enforcement Expansion	Total (Statement A-1)
<u>Assets</u>					
Cash and pooled investments	\$ 41,690	\$ 69,726	\$ 73,485	\$ 135,705	\$ 320,606
Undistributed cash in agency funds	-	4,779	2,591	2,588	9,958
Cash with escrow agent	-	-	-	4	4
Taxes receivable					
Current	-	4,019	2,175	2,167	8,361
Prior	-	2,669	1,537	1,598	5,804
Special assessments receivable					
Current	427	-	-	-	427
Total Assets	\$ 42,117	\$ 81,193	\$ 79,788	\$ 142,062	\$ 345,160
 <u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 74	\$ -	\$ -	\$ -	\$ 74
Deferred revenue - unavailable	427	4,717	2,645	2,700	10,489
Advance from other funds	-	10,000	10,000	-	20,000
Total Liabilities	\$ 501	\$ 14,717	\$ 12,645	\$ 2,700	\$ 30,563
 Fund Balances					
Unreserved					
Designated for debt service	\$ -	\$ 66,476	\$ 67,143	\$ 139,362	\$ 272,981
Undesignated	41,616	-	-	-	41,616
Total Fund Balances	\$ 41,616	\$ 66,476	\$ 67,143	\$ 139,362	\$ 314,597
 Total Liabilities and Fund Balances	\$ 42,117	\$ 81,193	\$ 79,788	\$ 142,062	\$ 345,160

**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, 2007**

	<u>Americana Estates</u>	<u>Courthouse Expansion</u>	<u>Joint Highway Facility</u>	<u>Law Enforcement Center</u>	<u>Total (Statement A-2)</u>
Revenues					
Taxes	\$ -	\$ 247,902	\$ 134,252	\$ 133,873	\$ 516,027
Intergovernmental	-	96,336	52,151	51,935	200,422
Investment earnings	238	-	-	60	298
Total Revenues	<u>\$ 238</u>	<u>\$ 344,238</u>	<u>\$ 186,403</u>	<u>\$ 185,868</u>	<u>\$ 716,747</u>
Expenditures					
Current					
Sanitation	\$ 338	\$ -	\$ -	\$ -	\$ 338
Debt service					
Principal	30,000	150,000	80,000	118,535	378,535
Interest	998	176,766	88,768	57,700	324,232
Administrative (fiscal) charges	-	2,000	2,000	447	4,447
Total Expenditures	<u>\$ 31,336</u>	<u>\$ 328,766</u>	<u>\$ 170,768</u>	<u>\$ 176,682</u>	<u>\$ 707,552</u>
Excess of Revenues Over (Under) Expenditures	\$ (31,098)	\$ 15,472	\$ 15,635	\$ 9,186	\$ 9,195
Fund Balance - January 1	<u>72,714</u>	<u>51,004</u>	<u>51,508</u>	<u>130,176</u>	<u>305,402</u>
Fund Balance - December 31	<u><u>\$ 41,616</u></u>	<u><u>\$ 66,476</u></u>	<u><u>\$ 67,143</u></u>	<u><u>\$ 139,362</u></u>	<u><u>\$ 314,597</u></u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 4

**BUDGETARY COMPARISON SCHEDULE
COUNTY BUILDING SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Taxes	\$ 36,072	\$ 36,072	\$ 36,281	\$ 209
Intergovernmental	13,928	13,928	14,060	132
Total Revenues	\$ 50,000	\$ 50,000	\$ 50,341	\$ 341
Expenditures				
Current				
General government				
Other general government	50,000	50,000	60,063	(10,063)
Excess of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ (9,722)	\$ (9,722)
Fund Balance - January 1	37,609	37,609	37,609	-
Fund Balance - December 31	\$ 37,609	\$ 37,609	\$ 27,887	\$ (9,722)

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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, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>JOINT POWERS COLLABORATIVE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 2,055,220	\$ 270,645	\$ 613,861	\$ 1,712,004
Due from other funds	51,928	73,404	51,928	73,404
Total Assets	\$ 2,107,148	\$ 344,049	\$ 665,789	\$ 1,785,408
<u>Liabilities</u>				
Accounts payable	\$ 51,824	\$ 180,184	\$ 177,048	\$ 54,960
Due to other funds	37,660	163,113	150,628	50,145
Due to other governments	2,017,664	752	338,113	1,680,303
Total Liabilities	\$ 2,107,148	\$ 344,049	\$ 665,789	\$ 1,785,408
 <u>STATE REVENUE</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 212,715	\$ 212,715	\$ -
Accounts receivable	17,110	13,514	17,110	13,514
Total Assets	\$ 17,110	\$ 226,229	\$ 229,825	\$ 13,514
<u>Liabilities</u>				
Due to other governments	\$ 17,110	\$ 226,229	\$ 229,825	\$ 13,514

**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, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TAXES AND PENALTIES</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 1,217,148	\$ 48,952,489	\$ 49,205,436	\$ 964,201
Due from other funds	-	20,889	-	20,889
Total Assets	\$ 1,217,148	\$ 48,973,378	\$ 49,205,436	\$ 985,090
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 53	\$ -	\$ 53
Due to other governments	1,217,148	48,973,325	49,205,436	985,037
Total Liabilities	\$ 1,217,148	\$ 48,973,378	\$ 49,205,436	\$ 985,090
 <u>WATERSHED DISTRICTS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ -	\$ 1,108,116	\$ 1,108,116	\$ -
<u>Liabilities</u>				
Due to other governments	\$ -	\$ 1,108,116	\$ 1,108,116	\$ -

**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, 2007**

	Balance January 1	Additions	Deductions	Balance December 31
<u>TOTAL ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and pooled investments	\$ 3,272,368	\$ 50,543,965	\$ 51,140,128	\$ 2,676,205
Accounts receivable	17,110	13,514	17,110	13,514
Due from other funds	51,928	94,293	51,928	94,293
Total Assets	\$ 3,341,406	\$ 50,651,772	\$ 51,209,166	\$ 2,784,012
<u>Liabilities</u>				
Accounts payable	\$ 51,824	\$ 180,237	\$ 177,048	\$ 55,013
Due to other funds	37,660	163,113	150,628	50,145
Due to other governments	3,251,922	50,308,422	50,881,490	2,678,854
Total Liabilities	\$ 3,341,406	\$ 50,651,772	\$ 51,209,166	\$ 2,784,012

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OTHER SCHEDULES

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**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 5

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Pooled Deposits and Investments				
Money market checking	2	Variable	-	\$ 1,351,228
Certificates of deposit	24	3.50 - 5.30	February 25, 2008 to January 26, 2011	3,014,079
Minnesota Association of Governments Investing for Counties (MAGIC) Fund		Variable	Continuous	3,541,276
Savings accounts	2	Variable	Continuous	742,360
Federal Home Loan Bank	7	4.25 to 6.00	April 8, 2008 to June 27, 2014	4,113,843
Fannie Mae	4	5.00 to 5.50	February 28, 2011 to December 12, 2017	2,784,980
Freddie Mac	3	5.00	November 26, 2014 to December 15, 2017	998,462
Total pooled deposits and investments				<u>\$ 16,546,228</u>
Deposits and Investments from Funds				
General Fund				
Real estate shortfall				
Certificates of deposit	3	4.05 to 5.13	January 4, 2008 to December 12, 2008	<u>\$ 21,695</u>
Special Revenue Fund				
Road and Bridge				
MAGIC Fund		Variable	Continuous	<u>\$ 1,000,000</u>
Debt Service Fund				
Ditch Fund				
Certificates of deposit	11	4.25 to 5.00	January 29, 2008 to October 26, 2009	<u>\$ 829,489</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 5
(Continued)

**SCHEDULE OF DEPOSITS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Number</u>	<u>Interest Rate (%)</u>	<u>Maturity Dates</u>	<u>Fair Value</u>
Deposits and Investments from Funds				
(Continued)				
Enterprise Funds				
Juvenile Center Fund				
Certificates of deposit	3	4.20 to 4.85	March 31, 2008 to July 27, 2008	\$ 164,854
Solid Waste Management Fund				
Certificates of deposit	4	4.89 to 5.36	March 23, 2008 to June 11, 2009	3,079,752
MAGIC Fund	2	Variable	Continuous	<u>2,200,455</u>
Total enterprise funds				<u>\$ 5,445,061</u>
Internal Service Fund				
Equipment Replacement Fund				
Certificates of deposit	2	4.41 to 5.14	May 25, 2008 to July 31, 2008	<u>\$ 1,500,000</u>
Total deposits and investments from funds				<u>\$ 8,796,245</u>
Total Deposits and Investments				<u>\$ 25,342,473</u>

**CLAY COUNTY
MOORHEAD, MINNESOTA**

Schedule 6

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	<u>Governmental Funds</u>	<u>Enterprise Fund</u>	<u>Total All Funds</u>
Shared Revenue			
State			
Highway users tax	\$ 5,977,632	\$ -	\$ 5,977,632
County program aid	3,132,366	-	3,132,366
PERA rate reimbursement	61,294	-	61,294
Disparity reduction credit	1,377,614	-	1,377,614
Police aid	196,353	-	196,353
Market value credit	1,973,032	-	1,973,032
Disparity reduction aid	13,177	-	13,177
Total Shared Revenue	\$ 12,731,468	\$ -	\$ 12,731,468
Reimbursement for Services			
State			
Minnesota Department of Human Services	\$ 3,840,922	\$ 175,634	\$ 4,016,556
Payments			
Local			
Local	\$ -	\$ 11,724	\$ 11,724
Transit	57,426	-	57,426
Payments in lieu of taxes	84,625	-	84,625
Total Payments	\$ 142,051	\$ 11,724	\$ 153,775
Grants			
State			
Minnesota Office/Department/Board of			
Corrections	\$ 150,335	\$ -	\$ 150,335
Public Safety	245,288	-	245,288
Transportation	128,510	-	128,510
Education	-	1,078	1,078
Health	-	253,489	253,489
State Colleges and Universities	-	500	500
Natural Resources	67,278	-	67,278
Human Services	2,949,172	249,612	3,198,784
Veterans Services	11,232	-	11,232
Pollution Control Agency	-	157,282	157,282
Peace Officer Standards and Training Board	17,687	-	17,687
Total State	\$ 3,569,502	\$ 661,961	\$ 4,231,463

**CLAY COUNTY
MOORHEAD, MINNESOTA**

**Schedule 6
(Continued)**

**SCHEDULE OF INTERGOVERNMENTAL REVENUE
FOR THE YEAR ENDED DECEMBER 31, 2007**

	Governmental Funds	Enterprise Fund	Total All Funds
Grants (Continued)			
Federal			
Department of			
Agriculture	\$ 11,404	\$ 214,529	\$ 225,933
Interior	25,000	-	25,000
Justice	139,951	13,625	153,576
Transportation	219,385	-	219,385
Education	61,265	-	61,265
Health and Human Services	1,728,932	308,986	2,037,918
Homeland Security	97,476	8,708	106,184
	\$ 2,283,413	\$ 545,848	\$ 2,829,261
Total Federal	\$ 2,283,413	\$ 545,848	\$ 2,829,261
Total State and Federal Grants	\$ 5,852,915	\$ 1,207,809	\$ 7,060,724
Total Intergovernmental Revenue	\$ 22,567,356	\$ 1,395,167	\$ 23,962,523

Revenues on this schedule differ from expenditures on the Schedule of Expenditures of Federal Awards due to timing differences in revenue recognition under the modified accrual basis of accounting. The individual grants affected are:

Total Federal Revenue per Schedule of Intergovernmental Revenue (Schedule 6)		\$ 2,829,261
Highway Planning and Construction	CFDA No. 20.205	7,578
Public transportation for nonurbanized	CFDA No. 20.509	218
		218
Total Federal Awards per Schedule of Expenditures of Federal Awards		\$ 2,837,057